



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE February 27, 2014

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$12,303,414 for the year ended June 30, 2013, a 33.5% increase over the prior year. The receipts included \$2,415,881 in property tax, \$739,788 from tax increment financing, \$2,527,425 from charges for service, \$1,138,320 from operating grants, contributions and restricted interest, \$334,049 from capital grants, contributions and restricted interest, \$61,213 from hotel/motel tax, \$2,011,957 from local option sales tax, \$3,379 from unrestricted interest on investments, \$208,934 from franchise fees, \$2,775,050 of bond/note and loan proceeds and \$87,418 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$10,889,063, a 14.2% increase over the prior year, and included \$2,112,217 for debt service, \$1,799,742 for public works and \$1,604,947 for public safety. Also, disbursements for business type activities totaled \$1,304,281.

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/1320-0237-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, 2013

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City of Perry

Officials

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

City of Perry



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the omission of the Perry Public Library Foundation which should be reported as a discretely presented component unit, as discussed in the preceding paragraph, the financial statements do not present fairly the cash basis financial position of the aggregate discretely presented component units as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2014 on our consideration of the City of Perry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Perry's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 20, 2014

City of Perry

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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 30.3%, or approximately \$2,469,000, from fiscal year 2012 to fiscal year 2013. Local option sales tax (LOST) increased approximately \$955,000 and bond proceeds increased approximately \$1,882,000. The City received a large adjustment in fiscal year 2013 for LOST underpaid in fiscal year 2012. The City also issued sewer improvement and refunding bonds in fiscal year 2013.
- Disbursements of the City's governmental activities increased 12.1%, or approximately \$1,038,000, in fiscal year 2013 from fiscal year 2012. Public works disbursements decreased approximately \$528,000, general government disbursements increased approximately \$382,000 and debt service disbursements increased approximately \$1,034,000. Public works disbursements decreased primarily due to payments for a garbage and recycling truck and airport improvement projects in the prior year. General government disbursements increased primarily due to more local option sales tax receipts available to spend and an increase in the amounts paid to Perry Community School District for half of the local option sales tax received by the City. Debt service disbursements increased primarily due to payments made to refund the 2006 G.O. bond and bond issuance costs.
- The City's total cash basis net assets increased 85.2%, or \$1,414,351, from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased \$1,108,121 and the assets of the business type activities increased \$306,230.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has three kinds of funds:

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

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

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

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

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

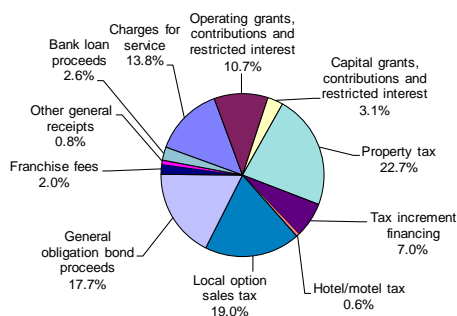
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

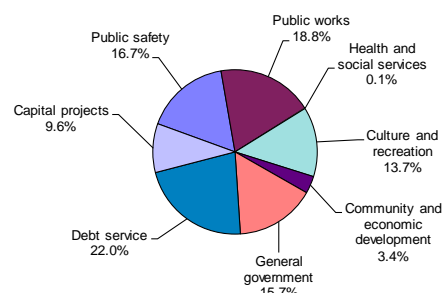
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing to approximately \$1,485,000 from approximately \$377,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 1,463,977	1,424,376
Operating grants, contributions and restricted interest	1,138,320	1,380,323
Capital grants, contributions and restricted interest	334,049	413,787
General receipts:		
Property tax	2,415,881	2,518,987
Tax increment financing	739,788	626,265
Hotel/motel tax	61,213	65,891
Local option sales tax	2,011,957	1,056,625
Unrestricted interest on investments	2,564	2,050
Franchise fees	208,934	202,012
General obligation bond proceeds	1,882,235	-
Bank loan proceeds	273,100	240,000
Other general receipts	84,885	218,024
Total receipts	10,616,903	8,148,340
Disbursements:		
Public safety	1,604,947	1,693,376
Public works	1,799,742	2,327,984
Health and social services	10,967	10,819
Culture and recreation	1,310,457	1,374,120
Community and economic development	322,332	183,097
General government	1,506,007	1,124,064
Debt service	2,112,217	1,078,111
Capital projects	918,113	755,163
Total disbursements	9,584,782	8,546,734
Change in cash basis net position before transfers	1,032,121	(398,394)
Transfers, net	76,000	-
Change in cash basis net position	1,108,121	(398,394)
Cash basis net position beginning of year	376,545	774,939
Cash basis net position end of year	\$ 1,484,666	376,545

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 30.3%, or \$2,468,563. The total cost of all programs and services increased \$1,038,048, or 12.1%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.585 million compared to approximately \$8.547 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18 and 19, the amount taxpayers ultimately financed for these activities was approximately \$6.648 million because some of the cost was paid by those who directly benefited from the programs (\$1,463,977), by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,138,320) or from capital grants, contributions and restricted interest (\$334,049). Overall, the City's program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$3,218,000 in the prior year to approximately \$2,936,000. The decrease is primarily due to the receipt of less state and federal grants during fiscal year 2013. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7.757 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 Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 968,339	962,316
Sewer discharge	95,109	95,795
General receipts:		
Unrestricted interest on investments	815	767
General obligation bond proceeds	409,715	-
General obligation anticipation note proceeds	210,000	-
Miscellaneous	2,533	8,697
Total receipts	<u>1,686,511</u>	<u>1,067,575</u>
Disbursements:		
Sewer	1,238,001	945,404
Sewer discharge	66,280	44,851
Total disbursements	<u>1,304,281</u>	<u>990,255</u>
Increase in cash basis net position before transfers	382,230	77,320
Transfers, net	<u>(76,000)</u>	-
Increase in cash basis net position	306,230	77,320
Cash basis net position beginning of year	<u>1,283,828</u>	<u>1,206,508</u>
Cash basis net position end of year	<u>\$ 1,590,058</u>	<u>1,283,828</u>

Total business type activities receipts for the fiscal year were \$1,686,511 compared to \$1,067,575 last year. The cash balance increased \$306,230 from the prior year. Program receipts remained steady due to no changes to utility rates in fiscal year 2013. However, the City received approximately \$620,000 of bond and note proceeds during the fiscal year causing an increase in receipts from the prior year. Total disbursements for the fiscal year increased 31.7% to approximately \$1,304,000, primarily due to a river bank stabilization project started in the current fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$1,484,666, an increase of \$1,108,121 from last year's balance of \$376,545. 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 decreased \$104,950 from the prior year to a balance of (\$5,495). The decrease in the cash balance was primarily attributable to a decrease in property tax received and an increase in disbursements for housing rehab.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$22,763 to \$311,181. Neither receipts or disbursements changed significantly from the prior year. The City transferred \$155,128 to the Special Revenue, Employee Benefits Fund to cover benefits paid for public works employees.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$203,942, an increase of \$57,557 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 funded by tax increment financing.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$111,088 from the prior year to \$183,518, due primarily to an increase of approximately \$797,000 in local option sales tax (LOST) receipts and relatively stable disbursements from the prior year. The increase in receipts is due to the City receiving a large adjustment from the State in fiscal year 2013 for LOST underpaid in fiscal year 2012. Transfers out increased \$310,819 to fund projects and service debt.
- The Special Revenue, Employee Benefits Fund cash balance increased \$147,694 from the prior year to (\$140,246). This increase in cash balance was primarily due to the City transferring in road use tax funds to help cover the benefit costs of the public works employees.
- The Debt Service Fund cash balance increased \$210,716 to \$17,681 during the fiscal year. The increase is due to an increase in transfers in from the Special Revenue, Urban Renewal Tax Increment and Local Option Sales Tax Funds to cover a bond payment made in the prior year from the Debt Service Fund balance and to cover current year debt obligations.
- The Capital Projects Fund cash balance increased \$709,252 from the prior year to \$533,496. This increase was primarily due to bond proceeds received in the current fiscal year for projects not yet started or to be completed in future years.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$7,570 to \$215,674 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 \$277,401 to \$1,257,061, primarily due to receiving general obligation bond proceeds of \$409,715 and general obligation anticipation note proceeds totaling \$210,000. Disbursements for capital projects increased \$258,979 due to the river bank stabilization project adjacent to the wastewater treatment plant.
- The Enterprise, Sewer Discharge Fund cash balance increased \$28,829 to \$332,997, primarily due to receipts outpacing related disbursements. Disbursements increased approximately \$21,000 from the prior year due to storm sewer projects in the current fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2013 and resulted in an increase in budgeted receipts and disbursements, primarily related to governmental and business type activities capital projects funded from bond proceeds.

The City's receipts were \$333,741, or 2.9%, less than the amended budget. Total disbursements were \$360,365 more the amended budget. Disbursements in the debt service function exceeded the amount budgeted due to the refunding of the 2006 bond issue. Disbursements in the general government and capital projects functions also exceeded the amended budget.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$5,962,883 of bonds and other long-term debt outstanding, compared to \$5,515,753 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 4,355,000	3,535,000
Urban renewal tax increment financing revenue bonds	-	156,250
Revenue bonds	1,110,000	1,510,000
General obligation anticipation note	210,000	-
Real estate contracts	932	152,582
Bank loans	286,951	161,921
Total	\$ 5,962,883	5,515,753

Debt increased due primarily to the issuance of sewer improvement and refunding bonds to be paid over the twelve years.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,852,883, plus development agreements subject to the debt limit of \$595,710, totals \$5,448,593, which is significantly below its constitutional debt limit of approximately \$12,620,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Taxable valuations used for the fiscal year 2013 budget decreased \$7,621,183, or 4.64%, under the value used for the fiscal year 2012 budget. Taxable valuations used for the fiscal year 2014 budget increased \$4,809,709, or 3.07%, over the value used for the fiscal year 2013 budget. The City was awarded a RISE grant to assist with the extension of Research Drive due to the addition of the Hy-Line Poultry Hatchery in the Perry Industrial Park, which was completed in 2012 and added to the tax rolls for the fiscal year 2014 budget. The City is completing 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) closed on July 31, 2013. Prior to this, the City's hotel/motel tax receipts decreased \$4,678, or 7%, from fiscal year 2012 to fiscal year 2013. Jay and Denise Hartz purchased the Hotel Pattee in September of 2013 with the support of local investors. They plan to reopen the Hotel Pattee in October of 2013.

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

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

The City began collecting a 1% local option sales tax (LOST) on July 1, 2010. The State of Iowa's fiscal year 2013 LOST receipts for the City were \$1,196,073, which was an increase of \$768,751, or 180%, over fiscal year 2012. This amount included an adjustment of \$435,724 for LOST underpaid in fiscal year 2012. The cities of Adel, Redfield and Bouton began collecting LOST in fiscal year 2012 and the amounts distributed to these cities were adjusted in fiscal year 2013. The estimate for the City's LOST collections in fiscal year 2014 is \$700,000. 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 and completed the update of the Airport Layout Plan. 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 \$8,243 from the Iowa Department of Transportation was completed. In fiscal year 2014, the City of Perry will be awarded grants from the Iowa Department of Transportation in the amount of \$150,000 to build a conventional hangar, \$11,200 for runway maintenance and \$3,500 for safety enhancements. The Perry Municipal Airport was chosen to host the annual Fly Iowa event sponsored by the Iowa Aviation Promotion Group on August 24, 2013. Approximately 4,000 aviation enthusiasts attended the event.

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. The City is also installing a solar array on a city building to provide power to the marketplace (farmers' market building), parks storage buildings and the building housing the local bicycle cooperative.

The City began fiscal year 2014 with a deficit balance in the General Fund of (\$5,495). However, \$48,175 was received in July 2013 for the Neighborhood Stabilization Project funds spent in fiscal year 2013. The City is in the process of closing out the Neighborhood Stabilization Project as well as the third Owner Occupied Housing Rehabilitation CDBG. This project allowed for the rehabilitation of at least ten homes in Perry, with a federal share of \$352,490 and a local match of \$30,000.

At recent planning sessions, the City Council ranked the renovation of the McCreary Center parking lot high on the list of priorities. In fiscal year 2014, the project will be completed and funded through a bond issue. Other fiscal year 2014 projects benefitting the community include the 28th Street road project to allow for access to the Rowley Masonic Home expansion and a renovation of the Willis Avenue/Willis Street intersection. The City is also updating its comprehensive plan and has had meetings with local residents, business owners and City boards and commissions to generate input. The new comprehensive plan will be completed in fiscal year 2014.

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

These factors were taken into account when adopting the General Fund budget for fiscal year 2014. Budgeted amounts available for appropriation in the fiscal year 2014 General Fund budget total \$3,488,531. Budgeted disbursements in the fiscal year 2014 General Fund budget total \$3,492,060. The City has added no major new programs or initiatives to the fiscal year 2014 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Perry

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	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	\$ 1,604,947	8,703	94,901	-
Public works	1,799,742	899,881	798,128	-
Health and social services	10,967	-	-	-
Culture and recreation	1,310,457	466,544	96,835	-
Community and economic development	322,332	50,123	3,647	170,733
General government	1,506,007	38,726	144,809	-
Debt service	2,112,217	-	-	-
Capital projects	918,113	-	-	163,316
Total governmental activities	9,584,782	1,463,977	1,138,320	334,049
Business type activities:				
Sewer	1,238,001	968,339	-	-
Sewer discharge	66,280	95,109	-	-
Total business type activities	1,304,281	1,063,448	-	-
Total Primary Government	\$ 10,889,063	2,527,425	1,138,320	334,049
Component Units:				
Perry Police Officers Association	\$ 6,575	-	5,264	-
Perry Volunteer Firefighter's Association	28,228	-	35,695	-
Perry Citizens Against Crime, Inc.	1,000	-	9,778	-
Perry Municipal Waterworks	1,676,810	1,600,062	194,114	-
Total Component Units	\$ 1,712,613	1,600,062	244,851	-
General Receipts and Transfers:				
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				
General obligation bond proceeds				
General obligation anticipation note proceeds				
Bank loan proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,501,343)	-	(1,501,343)	
(101,733)	-	(101,733)	
(10,967)	-	(10,967)	
(747,078)	-	(747,078)	
(97,829)	-	(97,829)	
(1,322,472)	-	(1,322,472)	
(2,112,217)	-	(2,112,217)	
(754,797)	-	(754,797)	
(6,648,436)	-	(6,648,436)	
-	(269,662)	(269,662)	
-	28,829	28,829	
-	(240,833)	(240,833)	
(6,648,436)	(240,833)	(6,889,269)	
			(1,311)
			7,467
			8,778
			117,366
			132,300
2,186,263	-	2,186,263	-
229,618	-	229,618	-
739,788	-	739,788	-
61,213	-	61,213	-
1,196,073	-	1,196,073	-
815,884	-	815,884	-
2,564	815	3,379	4,670
208,934	-	208,934	-
1,882,235	409,715	2,291,950	-
-	210,000	210,000	-
273,100	-	273,100	-
84,885	-	84,885	-
-	2,533	2,533	18,216
76,000	(76,000)	-	-
7,756,557	547,063	8,303,620	22,886
1,108,121	306,230	1,414,351	155,186
376,545	1,283,828	1,660,373	736,074
\$ 1,484,666	1,590,058	3,074,724	891,260
\$ 261,720	-	261,720	-
311,181	-	311,181	-
203,942	-	203,942	-
533,496	-	533,496	-
17,681	474,699	492,380	68,426
302,387	-	302,387	118,838
(145,741)	1,115,359	969,618	703,996
\$ 1,484,666	1,590,058	3,074,724	891,260

City of Perry

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

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,216,012	-	-	-
Tax increment financing	-	-	739,788	-
Other city tax	105,979	-	-	1,196,073
Licenses and permits	242,096	-	-	-
Use of money and property	33,228	-	3,443	30
Intergovernmental	233,051	737,589	-	829,645
Charges for service	1,315,300	-	-	-
Special assessments	-	-	-	-
Miscellaneous	226,717	-	-	-
Total receipts	<u>3,372,383</u>	<u>737,589</u>	<u>743,231</u>	<u>2,025,748</u>
Disbursements:				
Operating:				
Public safety	1,132,585	-	-	58,504
Public works	618,576	613,532	-	270,174
Health and social services	10,967	-	-	-
Culture and recreation	924,422	-	-	132,467
Community and economic development	299,910	-	-	-
General government	479,529	-	214,235	652,567
Debt service	-	-	162,833	-
Capital projects	-	-	-	54,395
Total disbursements	<u>3,465,989</u>	<u>613,532</u>	<u>377,068</u>	<u>1,168,107</u>
Excess (deficiency) of receipts over (under) disbursements	(93,606)	124,057	366,163	857,641
Other financing sources (uses):				
General obligation bond proceeds, net of \$8,050 of fees	-	-	-	-
Bank loan proceeds	-	-	177,100	96,000
Sale of capital assets	-	-	-	-
Operating transfers in	30,000	8,308	76,000	-
Operating transfers out	(41,344)	(155,128)	(561,706)	(842,553)
Total other financing sources (uses)	<u>(11,344)</u>	<u>(146,820)</u>	<u>(308,606)</u>	<u>(746,553)</u>
Change in cash balances	(104,950)	(22,763)	57,557	111,088
Cash balances beginning of year	99,455	333,944	146,385	72,430
Cash balances end of year	<u>\$ (5,495)</u>	<u>311,181</u>	<u>203,942</u>	<u>183,518</u>
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
O'Brien beautification	-	-	-	-
Restricted for:				
Streets	-	311,181	-	-
Urban renewal purposes	-	-	203,942	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	183,518
Unassigned	(5,495)	-	-	-
Total cash basis fund balances	<u>\$ (5,495)</u>	<u>311,181</u>	<u>203,942</u>	<u>183,518</u>

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Nonmajor	Total
892,333	222,464	-	-	-	2,330,809
-	-	-	-	-	739,788
33,152	7,154	-	-	-	1,342,358
-	-	-	-	-	242,096
-	-	-	-	206	36,907
-	-	158,316	-	6,190	1,964,791
-	-	-	-	15,925	1,331,225
-	-	-	-	-	-
37,117	-	5,000	7,570	112,305	388,709
962,602	229,618	163,316	7,570	134,626	8,376,683
410,840	-	-	-	3,018	1,604,947
295,710	-	-	-	1,750	1,799,742
-	-	-	-	-	10,967
175,174	-	-	-	78,394	1,310,457
21,672	-	-	-	750	322,332
99,676	-	-	-	60,000	1,506,007
-	1,949,384	-	-	-	2,112,217
-	-	863,718	-	-	918,113
1,003,072	1,949,384	863,718	-	143,912	9,584,782
(40,470)	(1,719,766)	(700,402)	7,570	(9,286)	(1,208,099)
-	863,687	1,018,548	-	-	1,882,235
-	-	-	-	-	273,100
-	-	84,885	-	-	84,885
188,164	1,066,795	306,221	-	5,000	1,680,488
-	-	-	-	(3,757)	(1,604,488)
188,164	1,930,482	1,409,654	-	1,243	2,316,220
147,694	210,716	709,252	7,570	(8,043)	1,108,121
(287,940)	(193,035)	(175,756)	208,104	172,958	376,545
(140,246)	17,681	533,496	215,674	164,915	1,484,666
-	-	-	215,674	-	215,674
-	-	-	-	46,046	46,046
-	-	-	-	-	311,181
-	-	-	-	-	203,942
-	-	533,496	-	-	533,496
-	17,681	-	-	-	17,681
-	-	-	-	118,869	302,387
(140,246)	-	-	-	-	(145,741)
(140,246)	17,681	533,496	215,674	164,915	1,484,666

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, 2013

	Enterprise		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 962,737	95,109	1,057,846
Miscellaneous	5,602	-	5,602
Total operating receipts	968,339	95,109	1,063,448
Operating disbursements:			
Business type activities	453,190	66,280	519,470
Excess of operating receipts over operating disbursements	515,149	28,829	543,978
Non-operating receipts (disbursements):			
Interest on investments	815	-	815
Miscellaneous	2,533	-	2,533
General obligation bond proceeds	409,715	-	409,715
General obligation anticipation note proceeds	210,000	-	210,000
Debt service	(433,598)	-	(433,598)
Capital projects	(351,213)	-	(351,213)
Total non-operating receipts (disbursements)	(161,748)	-	(161,748)
Excess of receipts over disbursements	353,401	28,829	382,230
Transfers out	(76,000)	-	(76,000)
Change in cash balances	277,401	28,829	306,230
Cash balances beginning of year	979,660	304,168	1,283,828
Cash balances end of year	\$ 1,257,061	332,997	1,590,058
Cash Basis Fund Balances			
Restricted for debt service	\$ 684,699	-	684,699
Unrestricted	572,362	332,997	905,359
Total cash basis fund balances	\$ 1,257,061	332,997	1,590,058

See notes to financial statements.

City of Perry

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

As of and for the year ended June 30, 2013

	<u>Police Pension</u>
Additions:	
Employer contributions	\$ 41,635
Deductions:	
Benefits paid	<u>57,393</u>
Change in cash balance	(15,758)
Cash balance beginning of year	<u>609,444</u>
Cash balance end of year	<u>\$ 593,686</u>

See notes to financial statements.

Exhibit E

City of Perry

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

As of and for the year ended June 30, 2013

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Citizens Against Crime, Inc.	Perry Municipal Waterworks	Total
Disbursements	\$ 6,575	28,228	1,000	1,676,810	1,712,613
Program receipts:					
Charges for service	-	-	-	1,600,062	1,600,062
Operating grants and contributions	5,264	35,695	9,778	194,114	244,851
Total program receipts	5,264	35,695	9,778	1,794,176	1,844,913
Net program receipts	(1,311)	7,467	8,778	117,366	132,300
General receipts:					
Interest on investments	-	-	-	4,670	4,670
Rent	-	-	-	18,216	18,216
Total general receipts	-	-	-	22,886	22,886
Change in cash basis net position	(1,311)	7,467	8,778	140,252	155,186
Cash basis net position beginning of year	5,494	5,500	-	725,080	736,074
Cash basis net position end of year	\$ 4,183	12,967	8,778	865,332	891,260
Cash Basis Net Position					
Restricted:					
Sinking account	\$ -	-	-	68,426	68,426
Reserve account	-	-	-	58,000	58,000
Other purposes	4,183	12,967	8,778	92,910	118,838
Unrestricted	-	-	-	645,996	645,996
Total cash basis net position	\$ 4,183	12,967	8,778	865,332	891,260

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2013

(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.

The Perry Citizens Against Crime, Inc. is organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose of the group is to support and enhance the Perry Police Department's ability to reduce crime by developing and supporting programs through community partnership. The group is legally separate from the City but is financially accountable to the City, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

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

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that

basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the general government, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 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 Payable

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

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 480,000	105,769	410,000	24,382	890,000	130,151
2015	490,000	95,140	405,000	14,403	895,000	109,543
2016	640,000	86,890	180,000	6,437	820,000	93,327
2017	360,000	76,404	115,000	1,869	475,000	78,273
2018	370,000	67,078	-	-	370,000	67,078
2019-2023	1,700,000	168,175	-	-	1,700,000	168,175
2024-2025	315,000	10,295	-	-	315,000	10,295
Total	\$ 4,355,000	609,751	1,110,000	47,091	5,465,000	656,842

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 \$1,157,091. For the current year, principal and interest paid and total customer net receipts were \$433,098 and \$515,149, respectively. For the current year, annual principal and interest payments on the sewer revenue refunding bonds required approximately 84% of net receipts.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) A sewer reserve fund shall be established and maintained in the amount of \$228,500. The reserve fund will be used for the payment of principal and interest whenever funds on deposit in the sinking fund are insufficient.
- (d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

General Obligation Anticipation Note

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

Real Estate Contract

On February 3, 2003, the City entered into a real estate contract totaling \$117,845, plus interest at 7% per annum, for the purchase of land for cemetery expansion. A down payment of \$4,000 was made upon contract approval with an additional principal payment of \$11,000 made on January 2, 2004. Monthly payments of \$938 began August 1, 2003 and will end July 1, 2013. The unpaid balance at June 30, 2013 is \$932.

Bank Loans

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 at 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, 2013, principal and interest paid on the loan totaled \$83,918. The principal balance of the loan at June 30, 2013 was \$82,126.

In August 2012, the City entered into a general obligation loan agreement with Raccoon Valley Bank to borrow \$177,100 for street improvements. The agreement requires annual principal payments of \$44,275 beginning June 1, 2013 with interest at 2.90% per annum paid semi-annually beginning December 1, 2012. For the year ended June 30, 2013, principal and interest paid on the loan totaled \$48,412. The principal balance of the loan at June 30, 2013 was \$132,825.

In September 2012, the City entered into a loan agreement with Raccoon Valley Bank to borrow \$96,000 for an end loader. The agreement requires four annual principal payments of \$24,000 beginning June 1, 2013 with interest at 2.90% per annum paid semi-annually beginning December 1, 2012. For the year ended June 30, 2013, principal and interest paid on the loan totaled \$26,026. The principal balance of the loan at June 30, 2013 was \$72,000.

Refunding Bonds

On April 16, 2013, the City issued \$2,300,000 of sewer improvement and refunding bonds with interest at rates ranging from 0.40% to 2.20% per annum. A portion of the proceeds were used to currently refund general obligation urban renewal corporate purpose bonds dated May 15, 2006.

Refunding the bonds decreased the City's total debt service payments by approximately \$48,500 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$44,300.

Discretely Presented Component Unit

Bonds Payable

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

Year Ending June 30,	Water Revenue Refunding Bonds			
	Issued Jul 26, 2011			
	Interest Rates	Principal	Interest	Total
2014	1.65%	\$ 90,000	9,637	99,637
2015	1.65	85,000	8,153	93,153
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		\$ 475,000	31,990	506,990

The Waterworks has pledged future water customer receipts, net of specified operating disbursements, to repay \$640,000 of water revenue refunding bonds issued in July 2011. The bonds were issued for the purpose of refunding and early retirement of the Waterworks' outstanding water revenue bonds/notes. The refunding bonds are payable solely and only out of the net earnings of the Waterworks and are payable through 2018. The total principal and interest remaining to be paid on the refunding bonds is \$506,990. For the current year, principal and interest paid on the refunding bonds and total customer net receipts were \$95,573 and \$548,403, respectively. Annual principal and interest payments on the water revenue refunding bonds are expected to require less than 20% of net receipts.

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

- (a) The Board shall provide for the collection rates sufficient to pay the expenses of the utility and to leave a balance of net revenues equal to at least 110% of the principal and interest due in the fiscal year.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) A reserve fund shall be established and maintained in the amount of the lesser of (1) the maximum amount of the principal and interest coming due on the bonds in any succeeding fiscal year, (2) 10% of the principal amount of the bonds then outstanding, which is \$47,500 or (3) 125% of the average amount of principal and interest coming due on the bonds in any succeeding fiscal year.

(4) Pension and Retirement Benefits

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$207,180, \$201,888 and \$178,838, 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, 2013, 2012 and 2011 were \$41,635, \$83,192 and \$92,370, respectively.

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

At June 30, 2013, the City has two retired police officers and a spouse receiving benefits under the plan.

Presented below is the total pension benefit obligation of the City for 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, 2013	<u>593,686</u>
Unfunded pension benefit obligation	<u>\$ 395,409</u>

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

Police Retirement Plan

On March 16, 1987, the City entered into an agreement with the Perry Police Department to provide a replacement plan for retirement, disability and survivor benefits in lieu of social security. Under the terms of the agreement, members of the Police Department agreed to have an amount equivalent to the federal social security rate withdrawn from each paycheck, with the City providing matching funds. Funds are forwarded to a plan administrator. Twenty police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2013 was \$683,751.

During the year ended June 30, 2013, 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, 2013, 2012 and 2011 was \$37,701, \$40,142 and \$38,095, respectively.

(5) Other Postemployment Benefits (OPEB)

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

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$486 for single coverage and \$1,158 for family coverage. For the year ended June 30, 2013, the City contributed \$505,722 and plan members eligible for benefits contributed \$74,797 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, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 171,000
Compensatory time	29,000
Sick leave	<u>142,000</u>
Total	<u>\$ 342,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(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, 2013 was \$2,533 and the balance due was \$1,687.

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, 2013 and the repayment terms have not been amended.

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

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	<u>\$ 30,000</u>
Special Revenue: Road Use Tax	General	<u>8,308</u>
Special Revenue: Urban Renewal Tax Increment	Enterprise: Sewer	<u>76,000</u>
Special Revenue: Employee Benefits	General Special Revenue: Road Use Tax	33,036 <u>155,128</u> <u>188,164</u>
Special Revenue: Fly Iowa	Special Revenue: Local Option Sales Tax	<u>5,000</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment Local Option Sales Tax	384,606 <u>682,189</u> <u>1,066,795</u>
Capital Projects	Special Revenue: Urban Renewal Tax Increment Local Option Sales Tax Recreation Memorial	177,100 125,364 3,757 <u>306,221</u>
Total		<u>\$ 1,680,488</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 679 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 300% 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, 2013 was \$105,422 and the Perry Municipal Waterworks' contribution was \$17,262.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington 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, 2013, 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, 2013, the City paid \$68,809 to the account. At June 30, 2013, the account balance was \$39,865. The activity in this account is recorded in the City's Special Revenue, Employee Benefits Fund.

(11) Development Agreements

The City has entered into a development agreement with 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, 2013, the City made payments of \$100,000 to the developer. The balance has been paid in full at June 30, 2013.

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, 2013, the City made payments of \$78,831 to the developer. The balance remaining under the agreement at June 30, 2013 is \$580,306, which is subject to the constitutional debt limit.

The City has entered into a development agreement with Dallas County Development, Inc. (dba Dallas County Development Alliance). The Alliance agreed to undertake programs, projects and other activities specifically directed at encouraging or providing incentives for private economic development within the City's urban renewal area during the term of the agreement. The City agreed to make annual economic development tax increment payments of \$15,404 to the Alliance beginning July 30, 2012 and continuing for 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. During the year ended June 30, 2013, the City made payments of \$15,404 to the developer. The balance remaining under the agreement at June 30, 2013 is \$138,636, of which \$15,404 has been appropriated by the City and is subject to the constitutional debt limit.

(12) Economic Development Loan

On July 21, 2003, the City loaned \$200,000 to Tri-County Cash Lumber Mart, Inc. for construction of water, sewer and street improvements for the Homes of Hiawatha subdivision under the provisions of Chapter 15A of the Code of Iowa. Interest is to be repaid at the rate of 3% per annum on July 1 of each year, beginning July 1, 2004. By July 2, 2009, at least 40% of the principal was repaid, as required under the agreement, with the remaining balance due on July 1, 2013. On March 4, 2013, the City approved an amendment to the agreement, extending the loan maturity date to July 1, 2017. The agreement states the developer will pay the City an amount equal to one quarter of the outstanding principal balance on the loan as of July 1, 2013 in annual installments due no later than July 1st of each year, with the first payment due July 1, 2014. The loan is secured by a mortgage on all lots and property within the Homes of Hiawatha subdivision. The loan was made from the Special Revenue, Urban Renewal Tax Increment Fund and loan repayments will be used to replenish this fund. During the year ended June 30, 2013, Tri-County Cash Lumber Mart, Inc. made no payments. The balance remaining on the loan at June 30, 2013 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, 2013, the City disbursed \$60,000 in urban renewal loans and received \$25,058 in repayments. The balance remaining on the loans at June 30, 2013 was \$201,491.

(14) Construction Commitments

The City has entered into construction contracts totaling approximately \$497,000 for various street, trail and sanitary sewer improvements. As of June 30, 2013, approximately \$446,000 has been paid on the contracts. The remaining \$51,000 will be paid as work on the projects progresses.

(15) Deficit Balances

The City had deficit balances at June 30, 2013, as follows:

Fund	Amount
General	\$ 5,495
Special Revenue:	
Employee Benefits	140,246

The deficit balances are the result of costs incurred prior to availability of funds. The deficit in the General Fund will be eliminated through deposits from grants in fiscal year 2014. 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.

(16) Subsequent Events

In October 2013, the City approved the issuance of \$2,065,000 of general obligation corporate purpose bonds to finance improvements to streets, bridges, airport and parking lots as well as the acquisition of fire equipment.

In November 2013, the City approved the issuance of \$350,000 of urban renewal revenue bonds to finance a development agreement between the City and Pattee Hotel, LLC.

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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,330,809	-	-	-
Tax increment financing	739,788	-	-	-
Other city tax	1,342,358	-	-	-
Licenses and permits	242,096	-	-	-
Use of money and property	36,907	815	22,886	-
Intergovernmental	1,964,791	-	-	-
Charges for service	1,331,225	1,057,846	1,600,062	-
Miscellaneous	388,709	8,135	244,851	50,737
Total receipts	<u>8,376,683</u>	<u>1,066,796</u>	<u>1,867,799</u>	<u>50,737</u>
Disbursements:				
Public safety	1,604,947	-	35,803	35,803
Public works	1,799,742	-	-	-
Health and social services	10,967	-	-	-
Culture and recreation	1,310,457	-	-	-
Community and economic development	322,332	-	-	-
General government	1,506,007	-	-	-
Debt service	2,112,217	-	-	-
Capital projects	918,113	-	-	-
Business type activities	-	1,304,281	1,676,810	-
Total disbursements	<u>9,584,782</u>	<u>1,304,281</u>	<u>1,712,613</u>	<u>35,803</u>
Excess (deficiency) of receipts over (under) disbursements	(1,208,099)	(237,485)	155,186	14,934
Other financing sources (uses), net	2,316,220	543,715	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,108,121	306,230	155,186	14,934
Balances beginning of year	376,545	1,283,828	736,074	10,994
Balances end of year	<u>\$ 1,484,666</u>	<u>1,590,058</u>	<u>891,260</u>	<u>25,928</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,330,809	2,347,860	2,347,860	(17,051)
739,788	735,397	735,397	4,391
1,342,358	1,696,936	2,211,936	(869,578)
242,096	32,375	32,375	209,721
60,608	42,880	42,880	17,728
1,964,791	1,187,391	1,383,042	581,749
3,989,133	4,189,169	4,390,224	(401,091)
590,958	389,503	450,568	140,390
11,260,541	10,621,511	11,594,282	(333,741)
1,604,947	1,728,772	1,765,872	160,925
1,799,742	1,802,953	1,948,761	149,019
10,967	11,000	11,000	33
1,310,457	1,407,394	1,446,311	135,854
322,332	378,075	404,075	81,743
1,506,007	1,069,003	1,430,126	(75,881)
2,112,217	1,182,827	1,182,827	(929,390)
918,113	100,000	753,805	(164,308)
2,981,091	2,668,744	3,262,731	281,640
12,565,873	10,348,768	12,205,508	(360,365)
(1,305,332)	272,743	(611,226)	(694,106)
2,859,935	-	2,859,934	1
1,554,603	272,743	2,248,708	(694,105)
2,385,453	2,321,946	2,321,946	63,507
3,940,056	2,594,689	4,570,654	(630,598)

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,856,740. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the general government, debt service and capital projects functions.

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, 2013

	Special					
	Police Drug	Police Canine	Library Gift	Recreation Memorial	Wiese Park	Fly Iowa
Receipts:						
Use of money and property	\$ -	-	2	-	-	-
Intergovernmental	-	-	6,190	-	-	-
Charges for service	2,450	-	-	-	-	13,475
Miscellaneous	1,022	3,000	31,145	133	29,404	8,050
Total receipts	3,472	3,000	37,337	133	29,404	21,525
Disbursements:						
Operating:						
Public safety	3,018	-	-	-	-	-
Public works	-	-	-	-	-	1,750
Culture and recreation	-	-	37,048	-	29,404	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Total disbursements	3,018	-	37,048	-	29,404	1,750
Excess (deficiency) of receipts over (under) disbursements	454	3,000	289	133	-	19,775
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	5,000
Operating transfers out	-	-	-	(3,757)	-	-
Total other financing sources (uses)	-	-	-	(3,757)	-	5,000
Change in cash balances	454	3,000	289	(3,624)	-	24,775
Cash balances beginning of year	12,038	-	18,198	35,536	12,261	-
Cash balances end of year	\$ 12,492	3,000	18,487	31,912	12,261	24,775
Cash Basis Fund Balances						
Nonspendable - O'Brien beautification	\$ -	-	-	-	-	-
Restricted for other purposes	12,492	3,000	18,487	31,912	12,261	24,775
Total cash basis fund balances	\$ 12,492	3,000	18,487	31,912	12,261	24,775

See accompanying independent auditor's report.

Revenue			Permanent		Total
Caboose	Urban Renewal Revolving Loan	Friends of the Perry Public Library	O'Brien Beautification		
-	-	-	204		206
-	-	-	-		6,190
-	-	-	-		15,925
-	27,914	11,637	-		112,305
-	27,914	11,637	204		134,626
-	-	-	-		3,018
-	-	-	-		1,750
-	-	11,942	-		78,394
-	-	-	750		750
-	60,000	-	-		60,000
-	60,000	11,942	750		143,912
-	(32,086)	(305)	(546)		(9,286)
-	-	-	-		5,000
-	-	-	-		(3,757)
-	-	-	-		1,243
-	(32,086)	(305)	(546)		(8,043)
835	43,350	4,148	46,592		172,958
835	11,264	3,843	46,046		164,915
-	-	-	46,046		46,046
835	11,264	3,843	-		118,869
835	11,264	3,843	46,046		164,915

City of Perry
Schedule of Indebtedness
Year ended June 30, 2013

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
Sewer improvement and refunding bonds	Apr 16, 2013	0.40-2.20	2,300,000
Total			
General obligation anticipation note	Aug 6, 2012	3.90 %	\$ 210,000
Urban renewal tax increment financing revenue bonds:			
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
Real estate contracts:			
Bess land	Feb 3, 2003	7.00 %	\$ 117,845
Town Craft building	Nov 18, 2010	0.35	283,500
Total			
Bank loans:			
Garbage/recycle truck	Jul 1, 2011	2.90 %	\$ 240,000
Industrial park street improvements	Aug 15, 2012	2.90	177,100
End loader	Sep 12, 2012	2.90	96,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,085,000	-	1,085,000	-	43,700
1,760,000	-	150,000	1,610,000	66,765
195,000	-	195,000	-	6,338
495,000	-	50,000	445,000	14,925
-	2,300,000	-	2,300,000	-
\$ 3,535,000	2,300,000	1,480,000	4,355,000	131,728
-	210,000	-	210,000	-
100,000	-	100,000	-	4,812
56,250	-	56,250	-	1,771
\$ 156,250	-	156,250	-	6,583
1,510,000	-	400,000	1,110,000	33,098
10,832	-	9,900	932	411
141,750	-	141,750	-	752
\$ 152,582	-	151,650	932	1,163
161,921	-	79,795	82,126	4,123
-	177,100	44,275	132,825	4,137
-	96,000	24,000	72,000	2,026
\$ 161,921	273,100	148,070	286,951	10,286

City of Perry
 Bond Maturities
 June 30, 2013

General Obligation Bonds							
Year Ending June 30,	Corporate Purpose Issued March 19, 2008		Corporate Purpose Issued February 2, 2011		Sewer Improvement and Refunding Issued April 16, 2013		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	3.30%	\$ 155,000	2.25%	\$ 50,000	0.40%	\$ 275,000	480,000
2015	3.50	160,000	2.50	50,000	0.50	280,000	490,000
2016	3.70	165,000	3.00	55,000	0.65	420,000	640,000
2017	3.80	170,000	3.25	55,000	0.80	135,000	360,000
2018	3.90	175,000	3.25	55,000	1.00	140,000	370,000
2019	4.00	185,000	3.50	60,000	1.20	140,000	385,000
2020	4.05	190,000	3.50	60,000	1.40	145,000	395,000
2021	4.10	200,000	3.75	60,000	1.60	145,000	405,000
2022	4.15	210,000		-	1.80	150,000	360,000
2023		-		-	2.00	155,000	155,000
2024		-		-	2.10	155,000	155,000
2025		-		-	2.20	160,000	160,000
Total		<u>\$ 1,610,000</u>		<u>\$ 445,000</u>		<u>\$ 2,300,000</u>	<u>4,355,000</u>

See accompanying independent auditor's report.

Sewer Revenue Refunding Bonds		
Year	Issued June 3, 2010	
Ending	Interest	
June 30,	Rates	Amount
2014	2.60%	\$ 410,000
2015	3.00	405,000
2016	3.25	180,000
2017	3.25	115,000
2018		-
Total		<u>\$ 1,110,000</u>

City of Perry

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

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 2,330,809	2,514,976	2,422,350	2,264,053
Tax increment financing	739,788	626,265	573,577	606,363
Other city tax	1,342,358	497,224	966,384	230,836
Licenses and permits	242,096	236,897	245,724	59,023
Use of money and property	36,907	32,838	31,831	34,526
Intergovernmental	1,964,791	1,918,667	3,489,056	3,175,311
Charges for service	1,331,225	1,266,250	1,211,909	1,255,534
Special assessments	-	-	660	732
Miscellaneous	388,709	597,199	432,189	495,398
Total	\$ 8,376,683	7,690,316	9,373,680	8,121,776
Disbursements:				
Operating:				
Public safety	\$ 1,604,947	1,693,376	1,674,978	1,551,274
Public works	1,799,742	2,327,984	2,789,156	2,235,914
Health and social services	10,967	10,819	10,515	10,189
Culture and recreation	1,310,457	1,374,120	1,301,685	1,258,654
Community and economic development	322,332	183,097	627,177	287,332
General government	1,506,007	1,124,064	1,505,904	1,099,548
Debt service	2,112,217	1,078,111	810,955	939,524
Capital projects	918,113	755,163	1,032,264	939,671
Total	\$ 9,584,782	8,546,734	9,752,634	8,322,106

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
2,248,217	2,208,743	2,061,483	1,986,821	2,188,259	2,138,066
419,463	390,257	285,989	398,759	440,601	405,732
239,200	215,237	282,455	116,767	-	714,035
70,342	90,554	63,653	75,891	68,061	53,771
31,829	69,272	93,085	72,532	28,862	8,556
2,590,279	1,903,116	2,697,784	1,617,367	1,466,781	811,712
1,255,071	1,215,632	1,108,878	1,073,038	1,157,225	1,126,046
786	846	901	970	1,441	2,609
601,053	755,632	406,806	394,700	191,221	185,578
7,456,240	6,849,289	7,001,034	5,736,845	5,542,451	5,446,105
1,547,689	1,622,210	1,620,051	1,466,889	1,402,090	1,361,838
2,381,072	2,035,449	1,519,021	2,072,543	1,639,507	2,591,640
18,680	9,372	8,972	8,850	5,370	9,856
1,405,708	1,147,763	1,226,133	1,074,267	956,329	963,581
424,397	175,985	252,031	212,968	73,741	68,702
2,184,524	1,015,089	574,582	715,365	335,705	294,024
655,998	585,461	532,123	369,394	1,306,484	364,134
2,460,564	683,645	2,949,134	326,979	1,082,019	558,368
11,078,632	7,274,974	8,682,047	6,247,255	6,801,245	6,212,143

City of Perry



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2014. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Perry Public Library Foundation.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (F) 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Perry's Responses to the Findings


The City of Perry's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Perry's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Perry during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 20, 2014

City of Perry

Schedule of Findings

Year ended June 30, 2013

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

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

City of Perry

Schedule of Findings

Year ended June 30, 2013

Response – The City will establish monthly procedures to reconcile utility billings, collections and delinquent accounts. The City Clerk or Finance Officer will meet with the Water Clerk to review the monthly utility reconciliation as well as track random individual accounts through the monthly utility billing process.

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

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

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

Supporting documentation could not be located for 1 of 5 disbursements tested and 1 of 5 invoices was not cancelled to prevent reuse.

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

City of Perry

Schedule of Findings

Year ended June 30, 2013

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 signing or initialing and dating the monthly reconciliations.

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

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

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

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

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

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2013

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

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

Response – The staff at the McCreary Community Center will prepare count sheets to be used for special events. The cash will be counted at the end of the day and the sheet will be signed and dated.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Perry

Schedule of Findings

Year ended June 30, 2013

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the general government, debt service and capital projects functions.

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	\$ 348
Michael Landals, Street Department, Owner of Landals Concrete Construction	Trail and alley improvements	25,000
Jenny Eklund, Council Member, owner of Perry Paint and Design	Supplies and repair services	793
Joshua Sparks, Police Officer, owner of Jansen Plumbing, LLC	Storm sewer repair	630

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

City of Perry

Schedule of Findings

Year ended June 30, 2013

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

Response – The City will 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. The City should consult legal counsel to determine the disposition of this transaction with the Street Department employee.

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

Although minutes of City Council meetings were written and approved, they were not always signed by the City Clerk and the Mayor.

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. The City also did not publish claims listings for approximately 8 months.

Recommendation – The City should comply with the Code of Iowa. All disbursements should be presented to the City Council for approval and published. City Council meeting minutes should be signed by the City Clerk and the Mayor. 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. The minutes will be signed. 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.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Sewer Revenue Bonds – No instances of non-compliance with the sewer revenue bond resolution were noted.

City of Perry

Schedule of Findings

Year ended June 30, 2013

- (9) Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- (10) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

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

Response – The City 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 Office of Treasurer of State annually.

Conclusion – Response accepted.

- (11) Financial Condition – The City had deficit balances at June 30, 2013, as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 5,495
Special Revenue:	
Employee Benefits	140,246

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 General Fund through deposits from grants in fiscal year 2014. 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.

Conclusion – Response accepted.

- (12) Local Option Sales Tax – In November 2012, the City did not allocate 10%, or \$9,590, to building and maintenance as required by the LOST ballot.

Recommendation – The City should make a correction for the error and properly allocate future local option sales tax received as provided in the LOST ballot.

Response – The City will allocate 10% of the local option sales tax for building repair and maintenance when payment is received. A correction has been made.

Conclusion – Response accepted.

- (13) Interfund Loan – During the year ended June 30, 2009, the City approved a loan of \$63,879 from the Enterprise, Sewer Fund to the General Fund for the payment of an energy efficient lighting project. The loan was required to be repaid over a ten year period beginning July 1, 2010. As of June 30, 2013, the City has not made any payments on the interfund loan and has not amended the terms of the interfund loan agreement.

City of Perry

Schedule of Findings

Year ended June 30, 2013

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

Response – The City will amend the agreement to allow for repayment from the Local Option Sales Tax Fund. In fiscal year 2014, the City will bring the loan repayment schedule up-to-date.

Conclusion – Response accepted.

- (14) Public Sale of Food, Beverages and Non-Food Items on City Property – City ordinance 127.02 states, “No person shall provide or sell any consumable food, beverage or non-food item upon any publicly owned City property to the public in the City unless the person first obtains a vendor’s permit from the City.” Ordinance 127.04 states, “The fee for a vendor’s permit is twenty-five dollars.”

For the year ended June 30, 2013, one vender did not pay the required vendor fee.

Recommendation – The City should collect fees as required by City ordinance.

Response – Since fiscal year 2013, Chapter 127 of the Code of Ordinances has been repealed and Chapter 122 of the Code of Ordinances regarding “Peddlers, Solicitors and Transient Merchants” has been amended and requires licensing for all transient merchants on City or private property. Any person engaging in the act of peddling, soliciting or in the business of a transient merchant in the City will be required to have a license and pay the appropriate license fee.

Conclusion – Response accepted.

- (15) Tax Increment Financing (TIF) Debt Certificate – The amounts certified to the County should be supported and represent loans, advances or other qualified indebtedness or bonds which qualify for payment from the TIF revenues for each urban renewal area in the City as required by Chapter 403.19(5)(a) of the Code of Iowa. For annual appropriated debt, the amount certified should be limited to the amount appropriated to be paid in the next fiscal year.

For the year ended June 30, 2013, the City certified the total amount to be paid under a development agreement requiring an annual appropriation.

Recommendation – The City should only certify the amount appropriated to be paid in the next fiscal year as required by Chapter 403.19(5)(a) of the Code of Iowa.

Response – The City will de-certify the remaining amount due and will certify the amount appropriated to be paid in the following fiscal year as required.

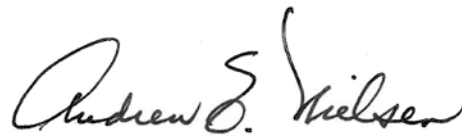
Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Jamie T. Reuter, Staff Auditor
Kayley R. Alexander, Assistant Auditor

A handwritten signature in black ink that reads "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