

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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

March 4, 2016

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

The City's receipts totaled \$9,861,061 for the year ended June 30, 2015, a 12.6% decrease from the prior year. The receipts included \$2,473,346 in property tax, \$542,233 from tax increment financing, \$2,522,757 from charges for service, \$1,408,215 from operating grants, contributions and restricted interest, \$951,870 from capital grants, contributions and restricted interest, \$88,949 from hotel/motel tax, \$1,003,304 from local option sales tax, \$49,535 from commercial/industrial tax replacement, \$4,182 from unrestricted interest on investments, \$601,513 from bond proceeds and \$215,157 from franchise fees.

Disbursements for the year ended June 30, 2015 totaled \$10,024,602, a 7.8% decrease from the prior year, and included \$2,349,694 for public works, \$1,796,878 for capital projects and \$1,632,212 for public safety. Also, disbursements for business type activities totaled \$967,865.

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/1520-0237-B00F.pdf>.

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**CITY OF PERRY**

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

**JUNE 30, 2015**

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**City of Perry**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jay Pattee	Mayor	Jan 2016
Chuck Schott	Council Member	Jan 2016
Phillip Stone	Council Member	Jan 2016
Barbara Wolling	Council Member	Jan 2016
John Andorf	Council Member	Jan 2018
Dr. Randall McCaulley	Council Member	Jan 2018
Delbert Niebuhr	City Administrator	Retired June 30, 2015
Sven Peterson	City Administrator	Effective July 1, 2015
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, 2015, 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, 2015, 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, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed 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.

## Emphasis of a Matter

As discussed in Note 4, the City of Perry adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 15 and 42 through 49, 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 21, 2016 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 21, 2016

**City of Perry**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Perry provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 13.79%, or approximately \$1,407,000, from fiscal year 2014 to fiscal year 2015. General obligation bond proceeds decreased approximately \$2,073,000. Local option sales tax (LOST) decreased approximately \$567,000. The City's agreement with the Perry Community School District to receive 50% of the local option sales tax collected terminated December 31, 2013. Capital grants, contributions and restricted interest increased approximately \$1,003,000. The City received grant funds for the 18<sup>th</sup> Street reconstruction and State Energy Program funds to improve the efficiency of the City's energy usage.
- Disbursements of the City's governmental activities decreased approximately 6.40%, or approximately \$619,000, in fiscal year 2015 from fiscal year 2014. General government, community and economic development and capital projects disbursements decreased approximately \$257,000, \$357,000 and \$583,000, respectively. Public works disbursements increased approximately \$480,000. General government disbursements decreased primarily due to lower local option sales tax receipts available to spend and a decrease in amounts received from the Perry Community School District for half of the local option sales tax received by the District. Tax increment financing disbursements vary from year to year depending on debt and developer agreement disbursements. Capital projects disbursements decreased primarily due to fewer projects in the current year. Public works disbursements increased primarily due to project expenses for the Airport Hangar Project.
- The City's total cash basis net assets decreased 4.7%, or approximately \$164,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net assets of the governmental activities decreased approximately \$372,000 and the cash basis net assets of the business type activities increased approximately \$208,000.

### 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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various Federal programs benefiting the City.

## **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.

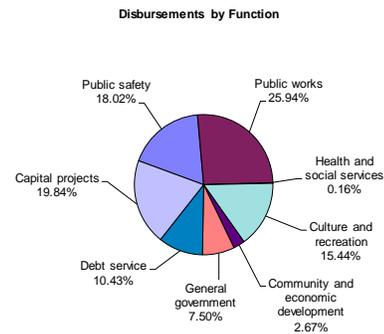
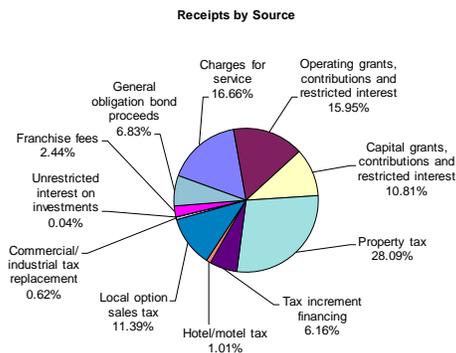
3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the City's own programs. The fiduciary fund consists of the Police Pension Fund.

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 decreased from a year ago, decreasing to approximately \$1.996 million from approximately \$2.367 million. 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,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 1,467,275	1,489,941
Operating grants, contributions and restricted interest	1,404,491	1,216,640
Capital grants, contributions and restricted interest	951,870	550,653
General receipts:		
Property tax	2,473,346	2,488,344
Tax increment financing	542,233	540,051
Hotel/motel tax	88,949	52,254
Local option sales tax	1,003,304	1,570,017
Commercial/industrial tax replacement	49,535	-
Unrestricted interest on investments	3,496	4,542
Franchise fees	215,157	223,540
General obligation bond proceeds	601,513	2,072,599
Total receipts	8,801,169	10,208,581
Disbursements:		
Public safety	1,632,212	1,614,752
Public works	2,349,694	1,870,026
Health and social services	14,470	10,994
Culture and recreation	1,398,103	1,476,546
Community and economic development	241,440	598,418
General government	678,916	935,558
Debt service	945,024	789,995
Capital projects	1,796,878	2,379,565
Total disbursements	9,056,737	9,675,854
Change in cash basis net position before transfers	(255,568)	532,727
Transfers, net	(116,000)	350,000
Change in cash basis net position	(371,568)	882,727
Cash basis net position beginning of year	2,367,393	1,484,666
Cash basis net position end of year	\$ 1,995,825	2,367,393



The City's total receipts for governmental activities decreased 13.79%, or \$1,407,412, from the prior year. The total cost of all programs and services decreased \$619,117, or 6.40%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.057 million compared to approximately \$9.676 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$5.233 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,467,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,356,000). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$3,257,234 to approximately \$3,823,636. The increase is primarily due to the City receiving grant funds of approximately \$791,000 for the 18<sup>th</sup> Street reconstruction.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 959,940	973,256
Sewer discharge	95,542	96,730
General receipts:		
Unrestricted interest on investments	686	689
Miscellaneous	3,724	1,688
Total receipts	<u>1,059,892</u>	<u>1,072,363</u>
Disbursements:		
Sewer	922,071	1,182,725
Sewer discharge	45,794	17,766
Total disbursements	<u>967,865</u>	<u>1,200,491</u>
Change in cash basis net position before transfers	92,027	(128,128)
Transfers, net	<u>116,000</u>	<u>(350,000)</u>
Change in cash basis net position	208,027	(478,128)
Cash basis net position beginning of year	1,111,930	1,590,058
Cash basis net position end of year	<u>\$ 1,319,957</u>	<u>1,111,930</u>

Total business type activities receipts for the fiscal year were \$1,059,892 compared to \$1,072,363 last year. The cash balance increased \$208,027 from the prior year. Program receipts remained steady due to no changes in utility rates in fiscal year 2015. Total disbursements for the fiscal year decreased 19.38% to approximately \$968,000, primarily due to a river bank stabilization project which was completed in the prior fiscal year.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$1,995,825, a decrease of \$371,568 from last year’s balance of \$2,367,393. 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 \$56,906 from the prior year to \$12,727. The decrease in the cash balance was primarily attributable to a decrease in property tax due to a decrease in property tax valuations and licenses and permits for the Masonic Home building permit receipt received in the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$59,172 to \$230,017. Neither receipts nor disbursements changed significantly from the prior year. The City transferred \$161,522 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 \$342,234, a decrease of \$54,367 from the previous year. The decrease in cash balance was primarily due to increased transfers for the payment of debt and development agreements.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$38,749 from the prior year to \$732,919, due primarily to decreased receipts resulting from the termination of the agreement with the Perry Community School District combined with a slight increase in disbursements.
- The Special Revenue, Employee Benefits Fund cash balance increased \$131,404 from the prior year to \$25,634. This increase in cash balance was primarily due to a transfer from the Special Revenue, Road Use Tax Fund to cover the benefit costs of public works employees.
- The Debt Service Fund cash balance decreased \$17,490 to \$39,405 during the fiscal year. Property tax receipts increased \$58,300 over the prior year. No refunding bonds or notes were issued. The proper amounts were transferred to the Debt Service Fund from other funds to cover current year debt obligations.
- The Capital Projects Fund cash balance decreased \$274,679 from the prior year to \$225,364. The decrease is due primarily to a transfer out from the Capital Projects Fund for the 2013B bond payment for the Masonic Home Road project.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$3,085 to \$222,279 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 \$158,279 to \$858,248, primarily due to a transfer in from the Special Revenue, Urban Renewal Tax Increment Fund for repayment of the fiscal year 2015 housing project loan.
- The Enterprise, Sewer Discharge Fund cash balance increased \$49,748 to \$461,709, primarily due to receipts outpacing related disbursements. Disbursements increased \$28,028 from the prior year due to sewer intake repairs on 3<sup>rd</sup> and 4<sup>th</sup> Streets.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 18, 2015 and resulted in an increase in budgeted receipts and disbursements, primarily related to intergovernmental receipts and the public works and capital projects functions.

The City’s receipts were \$249,702, or 2.09%, less than the amended budget. Total disbursements were \$592,833, or 4.71%, less than the amended budget. However, disbursements in the community and economic development function exceeded the amended budget.

**DEBT ADMINISTRATION**

At June 30, 2015, the City had \$6,204,120 of bonds and other long-term debt outstanding, compared to \$6,776,550 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation bonds	\$ 5,275,000	5,940,000
Energy conservation bonds	565,845	-
Revenue bonds	295,000	700,000
Bank loans	68,275	136,550
Total	\$ 6,204,120	6,776,550

Debt decreased due primarily to the decrease in sewer revenue bonds outstanding due to paying the current year scheduled principal amount.

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 \$5,909,120 plus development agreements of \$557,274 which are subject to the debt limit totals \$6,466,395, which is significantly below its constitutional debt limit of approximately \$12,067,655.

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

Taxable valuations used for the fiscal year 2015 budget decreased \$9,082,123, or 5.62%, from the taxable valuation used for the fiscal year 2014 budget. Taxable valuations used for the fiscal year 2016 budget increased \$1,333,599, or .87%, over the taxable valuation used for the fiscal year 2015 budget. The City was awarded a RISE grant to assist with the extension of Research Drive due to the addition of the Hy-Line Poultry Hatchery in the Perry Industrial Park, which was completed in 2012 and was added to the tax rolls for the fiscal year 2015 budget.

The Hotel Pattee reopened in October 2013. Hotel/motel tax receipts increased \$36,695, or 70.22%, in fiscal year 2015. Local ownership and management of the Hotel Pattee, as well as the popularity of the Raccoon River Valley Trail, has increased traffic and events at the establishment.

The City continues to work to correct the interconnections and infiltrations of the sanitary sewer system. There was heavy rainfall in June 2015, which caused several sanitary sewer backups from the overcharged sanitary sewer lines. The City has worked with Bolton and Menk Engineering and Accu-Jet to camera, clean and repair sanitary sewers in the hardest hit areas of Perry. The City will continue to camera, clean and repair sanitary sewers in other areas of Perry in the upcoming months. A smoke test was performed in September 2015 to determine areas of storm sewer interconnection in the sanitary sewer lines in the area south of the McCreary Community Building. The City has also repaired manholes and removed tree roots from sewers in the east side of town to alleviate the interconnection issues.

The City began collecting a 1% local option sales tax (LOST) on July 1, 2010. The State of Iowa's fiscal year 2015 LOST receipts for the City were \$1,003,304, which was an increase of \$44,539, or 4.65%, from fiscal year 2014. In fiscal year 2014, an adjustment of \$39,973 was received for LOST underpaid in fiscal year 2013. The estimate for the City's LOST collections in fiscal year 2016 is \$800,000. LOST receipts are used for street and sewer improvement projects, capital projects, grant matching funds and building and grounds maintenance.

The City continued improvements at the Perry Municipal Airport. The City continues to submit capital improvement plans to the Federal Aviation Authority (FAA) in order to remain eligible for grants for airport improvements. In fiscal year 2014, the City was awarded the following grants from the Iowa Department of Transportation: \$150,000 to build a conventional hangar, \$11,200 for runway maintenance and \$3,500 for safety enhancements. These projects were completed in fiscal year 2015. In fiscal year 2015, the City was awarded grants from the FAA for \$637,830 to rehabilitate 4,700 square yards of the terminal apron and \$71,955 for an Environmental Study at the Perry Municipal Airport in order to facilitate future expansion. The City was awarded a grant from the Iowa Department of Transportation for \$19,550 for an Airport Zoning Update. These projects will be completed in fiscal year 2016.

Building and grounds improvements continue at the Perry Public Library, the McCreary Community Building and Pattee Park. Local grants and donations, as well as local option sales tax funds, have paid for the improvements. Improvements at the Perry Public Library include HVAC and lighting updates and a space reutilization project with changes to the public computer area, the teen section and the children's area. Work has continued in the parks with the resurfacing of the Pattee Park tennis courts, electrical service upgrades at Pattee Park and the installation of energy efficient LED lighting around the Wiese Park recreational trail. The McCreary Community Building has been updated with new flooring, interior furnishings and an upgrade to more efficient lighting.

The City entered into a loan agreement with the Iowa Energy Bank for \$613,543 to finance energy conservation improvements, including light fixtures, a solar array on a City building to provide power to the marketplace (farmers' market building), parks storage buildings and the building housing the local bicycle cooperative and HVAC renovations at the Public Safety Building in fiscal year 2015. This project continued into fiscal year 2015. In fiscal year 2016, the Perry Street Department retrofitted the remaining boulevard and decorative globe lights in the downtown areas with LED bulbs. The next upgrade will be to the traffic signal bulbs. Energy efficiency continues to be a priority for City leaders.

The City is in the process of closing out the Neighborhood Stabilization Project (NSP), as well as the third Owner Occupied Housing Rehabilitation CDBG. This project allowed for the rehabilitation of twelve homes in Perry, with a federal share of \$352,490 and a local match of \$30,000. The final grant funds spent to close out the NSP project will benefit local housing improvement projects of Dallas County Habitat for Humanity.

Other fiscal year 2015 projects benefitting the community include the 28<sup>th</sup> Street road project to allow for access to the Rowley Masonic Home expansion, a renovation of the Willis Avenue/Willis Street intersection and the asphalt resurfacing of approximately 11 blocks of City streets. In fiscal year 2014, the City entered into a contract with Elder Corporation for the reconstruction of 18<sup>th</sup> Street with concrete pavement from McKinley Street to Park Street. This project was completed in fiscal year 2015. In fiscal year 2016, the City will begin the North Street Construction Project, which will include pavement construction, storm sewer installation and grading on North Street from 16<sup>th</sup> Street to 18<sup>th</sup> Street. Other projects beginning in fiscal year 2016 include the Willis Avenue Bridge Replacement Project and the Willis Avenue/Highway 144 Intersection Improvement Project, both of which will be subsidized with grant funds from the Iowa Department of Transportation.

The additional road use tax received from the 2015 increase in Iowa's gas tax will be used to pay for a 50 block HMA overlay project beginning in fiscal year 2016. The City will put aside the additional road use tax along with Local Option Sales Tax collections to pay for this major overlay project over a three year period. The City plans to sell bonds to fund this project in early 2016.

The need for a soccer complex has garnered community support for a proposed soccer complex in the Pattee Park area. In fiscal year 2015, the City received a REAP grant from the Iowa Department of Natural Resources for \$100,000 for the development of a strip of land as a natural buffer and wetland with a recreational trail between a local neighborhood and the future soccer complex. Several local grants from community foundations and donations from area businesses and soccer clubs have been received for the construction of the soccer complex. In fiscal year 2016, the City will solicit bids for the first phase of the Soccer Complex Project, which will include the buffer and the wetland, recreational trail around the pond, a portion of the parking lot and two athletic fields. Two additional fields are being bid as an alternate, which the City may accept depending on the amount of the bids received. Community support continues to grow for this project.

These factors were taken into account when adopting the General Fund budget for fiscal year 2016. Budgeted amounts available for appropriation in the fiscal year 2016 General Fund budget total \$3,277,407. Budgeted disbursements in the fiscal year 2016 General Fund budget total \$3,286,466. The City has added no major new programs or initiatives to the fiscal year 2016 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 Sven Peterson, City Administrator, Corey Eastman, City Clerk/Treasurer, or Susie Moorhead, Finance Officer, at Perry City Hall located at 1102 Willis Avenue, Perry, IA 50220.

**City of Perry**

## **Basic Financial Statements**

City of Perry

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,632,212	15,261	90,129	-
Public works	2,349,694	854,331	1,019,773	2,660
Health and social services	14,470	-	-	-
Culture and recreation	1,398,103	461,549	148,030	-
Community and economic development	241,440	52,106	3,978	41,871
General government	678,916	84,028	142,581	-
Debt service	945,024	-	-	-
Capital projects	1,796,878	-	-	907,339
Total governmental activities	9,056,737	1,467,275	1,404,491	951,870
Business type activities:				
Sewer	922,071	959,940	3,724	-
Sewer discharge	45,794	95,542	-	-
Total business type activities	967,865	1,055,482	3,724	-
<b>Total Primary Government</b>	<b>\$ 10,024,602</b>	<b>2,522,757</b>	<b>1,408,215</b>	<b>951,870</b>
<b>Component Units:</b>				
Perry Police Officers Association	\$ 13,225	-	13,228	-
Perry Volunteer Firefighter's Association	24,903	-	42,460	-
Perry Municipal Waterworks	1,976,577	-	1,808,561	-
<b>Total Component Units</b>	<b>\$ 2,014,705</b>	<b>-</b>	<b>1,864,249</b>	<b>-</b>
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Hotel/motel tax				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, net of loan initiation fee of \$12,030				
Franchise fees				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,526,822)	-	(1,526,822)	
(472,930)	-	(472,930)	
(14,470)	-	(14,470)	
(788,524)	-	(788,524)	
(143,485)	-	(143,485)	
(452,307)	-	(452,307)	
(945,024)	-	(945,024)	
(889,539)	-	(889,539)	
(5,233,101)	-	(5,233,101)	
-	41,593	41,593	
-	49,748	49,748	
-	91,341	91,341	
(5,233,101)	91,341	(5,141,760)	
			3
			17,557
			(168,016)
			(150,456)
2,167,494	-	2,167,494	-
305,852	-	305,852	-
542,233	-	542,233	-
88,949	-	88,949	-
1,003,304	-	1,003,304	-
49,535	-	49,535	-
3,496	686	4,182	3,904
601,513	-	601,513	-
215,157	-	215,157	-
-	-	-	18,216
(116,000)	116,000	-	-
4,861,533	116,686	4,978,219	22,120
(371,568)	208,027	(163,541)	(128,336)
2,367,393	1,111,930	3,479,323	987,153
\$ 1,995,825	1,319,957	3,315,782	858,817
\$ 267,526	-	267,526	-
230,017	-	230,017	-
342,234	-	342,234	-
225,364	-	225,364	-
39,405	296,261	335,666	130,642
852,918	-	852,918	146,221
38,361	1,023,696	1,062,057	581,954
\$ 1,995,825	1,319,957	3,315,782	858,817

City of Perry

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

As of and for the year ended June 30, 2015

	Special Revenue				
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
<b>Receipts:</b>					
Property tax	\$ 1,228,033	-	-	-	867,927
Tax increment financing	-	-	542,233	-	-
Other city tax	129,046	-	-	1,003,304	31,437
Licenses and permits	270,368	-	-	-	-
Use of money and property	33,746	-	3,168	31	-
Intergovernmental	127,537	800,873	-	191,260	18,263
Charges for service	1,308,188	-	-	-	-
Miscellaneous	217,034	-	-	-	45,062
<b>Total receipts</b>	<b>3,313,952</b>	<b>800,873</b>	<b>545,401</b>	<b>1,194,595</b>	<b>962,689</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	1,124,025	-	-	108,555	394,423
Public works	630,447	698,523	-	735,824	284,900
Health and social services	14,470	-	-	-	-
Culture and recreation	978,683	-	-	112,116	185,246
Community and economic development	102,280	-	117,122	-	21,289
General government	520,953	-	-	14,037	106,949
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
<b>Total disbursements</b>	<b>3,370,858</b>	<b>698,523</b>	<b>117,122</b>	<b>970,532</b>	<b>992,807</b>
Excess (deficiency) of receipts over (under) disbursements	(56,906)	102,350	428,279	224,063	(30,118)
<b>Other financing sources (uses):</b>					
Energy conservation bond proceeds, net loan initiation fee of \$12,030	-	-	-	-	-
Transfers in	-	-	-	-	161,522
Transfers out	-	(161,522)	(482,646)	(262,812)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(161,522)</b>	<b>(482,646)</b>	<b>(262,812)</b>	<b>161,522</b>
Change in cash balances	(56,906)	(59,172)	(54,367)	(38,749)	131,404
Cash balances beginning of year	69,633	289,189	396,601	771,668	(105,770)
Cash balances end of year	\$ 12,727	230,017	342,234	732,919	25,634
<b>Cash Basis Fund Balances</b>					
<b>Nonspendable:</b>					
Cemetery perpetual care	\$ -	-	-	-	-
O'Brien beautification	-	-	-	-	-
<b>Restricted for:</b>					
Streets	-	230,017	-	-	-
Urban renewal purposes	-	-	342,234	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	-	732,919	-
Unassigned	12,727	-	-	-	25,634
<b>Total cash basis fund balances</b>	<b>\$ 12,727</b>	<b>230,017</b>	<b>342,234</b>	<b>732,919</b>	<b>25,634</b>

See notes to financial statements.

Debt Service	Capital Projects	Permanent Cemetery		Nonmajor	Total
		Perpetual Care			
296,267	-	-	-	-	2,392,227
-	-	-	-	-	542,233
9,585	-	-	-	-	1,173,372
-	-	-	-	-	270,368
-	-	-	-	810	37,755
5,571	839,142	-	-	8,437	1,991,083
-	-	-	-	400	1,308,588
-	68,197	3,085	-	150,652	484,030
311,423	907,339	3,085	-	160,299	8,199,656
-	-	-	-	5,209	1,632,212
-	-	-	-	-	2,349,694
-	-	-	-	-	14,470
-	-	-	-	122,058	1,398,103
-	-	-	-	749	241,440
-	-	-	-	36,977	678,916
945,024	-	-	-	-	945,024
-	1,796,878	-	-	-	1,796,878
945,024	1,796,878	-	-	164,993	9,056,737
(633,601)	(889,539)	3,085	-	(4,694)	(857,081)
-	601,513	-	-	-	601,513
616,111	163,347	-	-	-	940,980
-	(150,000)	-	-	-	(1,056,980)
616,111	614,860	-	-	-	485,513
(17,490)	(274,679)	3,085	-	(4,694)	(371,568)
56,895	500,043	219,194	-	169,940	2,367,393
39,405	225,364	222,279	-	165,246	1,995,825
-	-	222,279	-	-	222,279
-	-	-	-	45,247	45,247
-	-	-	-	-	230,017
-	-	-	-	-	342,234
-	225,364	-	-	-	225,364
39,405	-	-	-	-	39,405
-	-	-	-	119,999	852,918
-	-	-	-	-	38,361
39,405	225,364	222,279	-	165,246	1,995,825

City of Perry

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

As of and for the year ended June 30, 2015

	Enterprise		
	Sewer	Discharge	Total
Operating receipts:			
Charges for service	\$ 959,940	95,542	1,055,482
Miscellaneous	3,724	-	3,724
Total operating receipts	963,664	95,542	1,059,206
Operating disbursements:			
Business type activities	469,551	45,794	515,345
Excess of operating receipts over operating disbursements	494,113	49,748	543,861
Non-operating receipts (disbursements):			
Interest on investments	686	-	686
Debt service	(419,902)	-	(419,902)
Capital projects	(32,618)	-	(32,618)
Net non-operating receipts (disbursements)	(451,834)	-	(451,834)
Excess of receipts over disbursements	42,279	49,748	92,027
Transfers in	116,000	-	116,000
Change in cash balances	158,279	49,748	208,027
Cash balances beginning of year	699,969	411,961	1,111,930
Cash balances end of year	\$ 858,248	461,709	1,319,957
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 296,261	-	296,261
Unrestricted	561,987	461,709	1,023,696
Total cash basis fund balances	\$ 858,248	461,709	1,319,957

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, 2015

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ 31,823
Deductions:	
Benefits paid	<u>56,992</u>
Change in cash balance	(25,169)
Cash balance held in trust for pension benefits beginning of year	<u>614,857</u>
Cash balance held in trust for pension benefits end of year	<u><u>\$ 589,688</u></u>

See notes to financial statements.

**Exhibit E**

## City of Perry

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

As of and for the year ended June 30, 2015

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Citizens Against Crime, Inc.	Perry Municipal Waterworks	Total
Disbursements	\$ 13,225	24,903	-	1,976,577	2,014,705
Program receipts:					
Charges for service	-	-	-	1,654,257	1,654,257
Operating grants and contributions	13,228	42,460	-	154,304	209,992
Total program receipts	13,228	42,460	-	1,808,561	1,864,249
General receipts:					
Interest on investments	-	-	-	3,904	3,904
Rent	-	-	-	18,216	18,216
Total general receipts	-	-	-	22,120	22,120
Change in cash basis net position	3	17,557	-	(145,896)	(128,336)
Cash basis net position beginning of year	4,427	22,940	8,778	951,008	987,153
Cash basis net position end of year	\$ 4,430	40,497	8,778	805,112	858,817
<b>Cash Basis Net Position</b>					
Restricted:					
Sinking account	\$ -	-	-	84,642	84,642
Reserve account	-	-	-	46,000	46,000
Other purposes	4,430	40,497	8,778	92,516	146,221
Unrestricted	-	-	-	581,954	581,954
<b>Total cash basis net position</b>	\$ 4,430	40,497	8,778	805,112	858,817

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2015

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

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

**A. Reporting Entity**

For financial reporting purposes, except as noted, the City of Perry has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

**Discretely Presented Component Units**

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

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

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

#### Excluded Component Unit

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

#### Jointly Governed Organizations

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

### B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

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

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given

function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for the City's local option sales tax (LOST) receipts and related disbursements.

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function. In addition, disbursements exceeded the amounts budgeted in the public works, community and economic development and capital projects functions before the budget was amended.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

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

**(3) Long-Term Debt**

Primary Government

Bonds Payable

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

Year Ending June 30,	General Obligation		Energy Conservation		Sewer Revenue Refunding Bonds		Total	
	Bonds		Bonds		Bonds		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 815,000	130,168	48,296	5,538	180,000	6,437	1,043,296	142,143
2017	535,000	116,181	48,901	5,054	115,000	1,869	698,901	123,104
2018	545,000	103,355	49,514	4,563	-	-	594,514	107,918
2019	560,000	89,843	50,135	4,066	-	-	610,135	93,909
2020	570,000	75,163	50,764	3,563	-	-	620,764	78,726
2021-2025	2,250,000	158,839	263,530	10,051	-	-	2,513,530	168,890
2026	-	-	54,705	410	-	-	54,705	410
Total	\$ 5,275,000	673,549	565,845	33,245	295,000	8,306	6,135,845	715,100

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 \$303,306. For the current year, principal and interest paid and total customer net receipts were \$419,402 and \$494,113, respectively. For the current year, annual principal and interest payments on the sewer revenue refunding bonds required approximately 85% 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.

Energy Conservation Bonds

On November 5, 2013, the City entered into an agreement with the Iowa Finance Authority and the Iowa Economic Development Authority for the issuance of not to exceed \$613,543 of energy conservation bonds with interest at 1.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of financing energy conservation improvements, including light fixtures at various locations, and renovation of the HVAC system at the Public Safety Building. At June 30, 2015, the City had drawn \$613,543 of the authorized amount and repaid \$53,715 of principal and interest. An initiation fee of 2% of the authorized borrowing for the bonds was charged. The total initiation fee was withheld by the Iowa Finance Authority from the proceeds of the bonds drawn by the City.

Bank Loans

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 payable semi-annually beginning December 1, 2012. For the year ended June 30, 2015, principal and interest paid on the loan totaled \$46,896. The principal balance of the loan at June 30, 2015 was \$44,275.

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 payable semi-annually beginning December 1, 2012. For the year ended June 30, 2015, principal and interest paid on the loan totaled \$25,421. The principal balance of the loan at June 30, 2015 was \$24,000.

Discretely Presented Component Unit

Bonds Payable

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

Year Ending June 30,	Water Revenue Refunding Bonds			
	Issued Jul 26, 2011			
	Interest Rates	Principal	Interest	Total
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		\$ 300,000	14,200	314,200

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 \$314,200. For the current year, principal and interest paid on the refunding bonds and total customer net receipts were \$93,153 and \$558,340, 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 water 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 \$30,000, or (3) 125% of the average amount of principal and interest coming due on the bonds in any succeeding fiscal year.

#### **(4) Iowa Public Employees' Retirement System (IPERS)**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$216,369.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$862,799. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0217554%, which was a decrease of 0.0045597% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$89,621, \$55,730 and \$548,218, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 2,073,200	\$ 862,799	\$ (158,452)

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Police Pension and Retirement Benefits**

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, 2015, 2014 and 2013 were \$31,823, \$75,844 and \$41,635, 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, 2015, the City has two retired police officers and a spouse receiving benefits under the plan.

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

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

As of July 1, 2014, the latest actuarial valuation made, the standardized measure of the unfunded pension obligation is as follows:

Retiree and beneficiary benefits as of July 1, 2014	\$ 763,372
Cash balance available for benefits as of June 30, 2015	<u>589,688</u>
Unfunded pension benefit obligation	<u>\$ 173,684</u>

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

#### Police Retirement Plan

On March 16, 1987, the City entered into an agreement with the Perry Police Department to provide a replacement plan for retirement, disability and survivor benefits in lieu of social security. Under the terms of the agreement, members of the Police Department agreed to have an amount equivalent to the federal social security rate withdrawn from each paycheck, with the City providing matching funds. Funds are forwarded to a plan administrator. Twenty-three police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2015 was \$651,240.

During the year ended June 30, 2015, 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, 2015, 2014 and 2013 was \$38,539, \$37,778 and \$37,701, respectively.

#### **(6) 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 \$517 for single coverage and \$1,244 for family coverage. For the year ended June 30, 2015, the City contributed \$500,905 and plan members eligible for benefits contributed \$63,526 to the plan.

#### **(7) 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 payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 153,000
Compensatory time	59,000
Sick leave	<u>144,000</u>
Total	<u>\$ 356,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(8) Interfund Loans**

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, 2015 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 \$76,000 at no interest. Payments are to be made on the loan on June 1 of each year to the extent there are incremental tax receipts available which have been allocated to or accrued in the Special Revenue, Urban Renewal Tax Increment Fund. Principal repaid during the year ended June 30, 2015 was \$76,000 and the loan was paid in full at June 30, 2015.

During the year ended June 30, 2014, the Enterprise, Sewer Fund loaned the Special Revenue, Urban Renewal Tax Increment Fund \$350,000 at no interest. Payments are to be made on the loan on June 1 of each year to the extent there are incremental tax receipts available which have been allocated to or accrued in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2015, \$40,000 was paid. The balance of the loan at June 30, 2015 was \$310,000.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Employee Benefits	Special Revenue:	
	Road Use Tax	<u>\$ 161,522</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	366,646
	Local Option Sales Tax	99,465
	Capital Projects	<u>150,000</u>
		<u>616,111</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>163,347</u>
Enterprise:	Special Revenue:	
Sewer	Urban Renewal Tax Increment	<u>116,000</u>
Total		<u>\$ 1,056,980</u>

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

**(10) 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 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 was \$110,489 and the Perry Municipal Waterworks' contribution was \$16,558.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

#### **(11) Employee Health Insurance Plan**

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self funds up to \$2,000 per individual or \$4,000 per family, with employees contributing the first \$350 and \$700, respectively. Administrative service fees and premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2015, the City paid \$65,721 to the account. At June 30, 2015, the account balance was \$81,414. The activity in this account is recorded in the City's Special Revenue, Employee Benefits Fund.

#### **(12) Development Agreements**

The City has entered into a development agreement with Hy-Line International. The City agreed to construct street improvements in an amount not to exceed \$275,000 to serve the property for a chicken hatchery facility. Hy-Line International entered into a minimum assessment agreement with the City for a minimum taxable valuation of \$1,650,000 related to construction of the facility. The City will use the incremental

property tax generated from the project to repay the City's TIF debt incurred to complete the street improvements and to provide economic development payments to Perry Economic Development Inc. pursuant to a separate development agreement.

The City has entered into a development agreement with Perry Economic Development Inc. (the developer). The City agreed to pay the developer \$545,000 plus interest to complete sewer, water and storm water improvements in an industrial park owned by the developer. The developer has sold a lot to Hy-Line International to construct a chicken hatchery facility. The agreement requires seven annual payments, not to exceed \$78,831 for year one and \$96,718 for years two through seven, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2015, the City paid \$96,718 to the developer. The balance remaining under the agreement at June 30, 2015 is \$386,870, which is subject to the City's constitutional debt limit.

The City has entered into a development agreement with Dallas County Development, Inc. (dba Dallas County Development Alliance). The Alliance agreed to undertake programs, projects and other activities specifically directed at encouraging or providing incentives for private economic development within the City's urban renewal area during the term of the agreement. The City agreed to make annual economic development tax increment payments of \$15,404 to the Alliance beginning July 30, 2012 and continuing for 10 years. The payments to be made in any fiscal year shall be subject to action by the City Council to appropriate sufficient tax increment financing receipts as a part of the City's budget for such fiscal year. During the year ended June 30, 2015, the City paid \$15,404 to the developer. The balance remaining under the agreement at June 30, 2015 is \$107,828, of which \$15,404 has been appropriated by the City and is subject to the City's constitutional debt limit.

The City has entered into a development agreement with Pattee Hotel, LLC. The City agreed to pay Pattee Hotel, LLC \$350,000 in incentive payments to maintain twenty full-time equivalent jobs for ten years. The first payment of \$195,000 was due December 2013. The second payment of \$155,000 is due November 2016. The incentive payments will be treated as forgivable loans and will be subject to repayment if the Developer is not in compliance with the terms of the agreement. During the year ended June 30, 2015, the City did not make any payments to the developer.

The City has entered into a real estate development agreement with the Herman L. Rowley Memorial Trust under which the City establishes a seventy foot road right-of-way across the Rowley Masonic Community. The City agrees to pay the construction costs of the street and utilities. However, the City is financially responsible to a maximum of \$255,256. In exchange, the Rowley Memorial Trust will pay its share of project costs to the City in ten equal payments over a period of ten years beginning May 2013 for the portion of the street benefiting the Rowley Masonic Community building addition. During the year ended June 30, 2015, the Rowley Masonic Trust remitted \$28,335 to the City for its portion of project costs.

### **(13) Economic Development Loan**

On July 21, 2003, the City loaned \$200,000 to Tri-County Cash Lumber Mart, Inc. for construction of water, sewer and street improvements for the Homes of Hiawatha subdivision under the provisions of Chapter 15A of the Code of Iowa. Interest is to be repaid at the rate of 3% per annum on July 1 of each year, beginning July 1, 2004. By July 2, 2009, at least 40% of the principal was repaid, as required under the agreement, with the remaining balance due on July 1, 2013. On March 4, 2013, the City approved an amendment to the agreement, extending the loan maturity date to July 1, 2017. The agreement states the developer will pay the City an amount equal to one quarter of the outstanding principal balance on the loan as of July 1, 2013 in annual installments due no later than July 1 of each year, with the first payment due July 1, 2014. The loan is

secured by a mortgage on all lots and property within the Homes of Hiawatha subdivision. The loan was made from the Special Revenue, Urban Renewal Tax Increment Fund and loan repayments will be used to replenish this fund. During the year ended June 30, 2015, Tri-County Cash Lumber Mart, Inc. made payments totaling \$14,306. Tri-County Cash Lumber Mart, Inc. also made two payments in fiscal year 2014, prior to the first due date. As a result, payments received by the City appear to comply with the amended agreement. The balance remaining on the loan at June 30, 2015 was \$85,833.

**(14) Urban Renewal Loan Program**

During the year ended June 30, 2010, the City established the 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 at 3% per annum. During the year ended June 30, 2015, the City disbursed \$50,000 in urban renewal loans and received \$33,807 in principal repayments. The balance remaining on the loans at June 30, 2015 was \$203,443.

**(15) Construction Commitments**

The City has entered into construction contracts totaling approximately \$3,916,000 for various street, trail, airport, parking lot and sanitary sewer improvements. As of June 30, 2015, approximately \$2,956,000 has been paid on the contracts. The remaining \$960,000 will be paid as work on the projects progresses.

**(16) Financial Guarantee**

In August 2014, the City guaranteed the \$750,000 general obligation bond issuance of Nudgers, Inc., a legally separate entity located within the City. The purpose of the project is to provide security for a loan for a project in the Perry Urban Renewal Area consisting of remodeling and improvement of a building located on 2<sup>nd</sup> Street. The bond originally matured on August 6, 2015, but has been extended to August 6, 2016. In the event Nudgers, Inc. is unable to make a payment, the City will be required to make the payment. As of the date of this report, no payments had been made by Nudgers, Inc. or the City.

## **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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,392,227	-	-	-
Tax increment financing	542,233	-	-	-
Other city tax	1,173,372	-	-	-
Licenses and permits	270,368	-	-	-
Use of money and property	37,755	686	22,120	-
Intergovernmental	2,592,596	-	-	-
Charges for service	1,308,588	1,055,482	1,654,257	-
Miscellaneous	484,030	3,724	209,992	55,688
Total receipts	8,801,169	1,059,892	1,886,369	55,688
Disbursements:				
Public safety	1,632,211	-	38,128	38,128
Public works	2,349,694	-	-	-
Health and social services	14,470	-	-	-
Culture and recreation	1,398,103	-	-	-
Community and economic development	241,441	-	-	-
General government	678,916	-	-	-
Debt service	945,024	-	-	-
Capital projects	1,796,878	-	-	-
Business type activities	-	967,865	1,976,577	-
Total disbursements	9,056,737	967,865	2,014,705	38,128
Excess (deficiency) of receipts over (under) disbursements	(255,568)	92,027	(128,336)	17,560
Other financing sources (uses), net	(116,000)	116,000	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(371,568)	208,027	(128,336)	17,560
Balances beginning of year	2,367,393	1,111,930	987,153	36,145
Balances end of year	\$ 1,995,825	1,319,957	858,817	53,705

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,392,227	2,380,052	2,380,052	12,175
542,233	528,767	528,767	13,466
1,173,372	1,158,744	1,362,244	(188,872)
270,368	46,875	53,375	216,993
60,561	75,431	75,431	(14,870)
2,592,596	964,960	2,786,950	(194,354)
4,018,327	4,189,215	4,305,897	(287,570)
642,058	338,738	448,728	193,330
11,691,742	9,682,782	11,941,444	(249,702)
1,632,211	1,739,614	1,782,904	150,693
2,349,694	1,813,748	2,510,701	161,007
14,470	14,789	14,789	319
1,398,103	1,451,536	1,493,152	95,049
241,441	83,986	142,261	(99,180)
678,916	641,397	730,997	52,081
945,024	989,652	989,652	44,628
1,796,878	100,000	1,893,705	96,827
2,944,442	2,979,718	3,035,851	91,409
12,001,179	9,814,440	12,594,012	592,833
(309,437)	(131,658)	(652,568)	343,131
-	-	-	-
(309,437)	(131,658)	(652,568)	343,131
4,430,331	4,171,680	4,171,680	258,651
4,120,894	4,040,022	3,519,112	601,782

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 \$2,779,572. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function. In addition, disbursements exceeded the amounts budgeted in the public works, community and economic development and capital projects functions before the budget was amended.

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City of Perry

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0217554%
City's proportionate share of the net pension liability	\$ 863
City's covered-employee payroll	\$ 2,288
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.72%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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City of Perry

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 216	212	207	202
Contributions in relation to the statutorily required contribution	<u>(216)</u>	<u>(212)</u>	<u>(207)</u>	<u>(202)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 2,335	2,288	2,264	2,337
Contributions as a percentage of covered-employee payroll	9.25%	9.27%	9.14%	8.64%

See accompanying independent auditor's report.

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<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
179	169	145	135	135	132
<u>(179)</u>	<u>(169)</u>	<u>(145)</u>	<u>(135)</u>	<u>(135)</u>	<u>(132)</u>
-	-	-	-	-	-
2,296	2,323	2,093	2,004	1,945	1,892
7.80%	7.28%	6.93%	6.74%	6.94%	6.98%

City of Perry

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

**City of Perry**

## **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, 2015

	Special					
	Police Drug	Police Canine	Library Gift	Recreation Memorial	Wiese Park	Fly Iowa
<b>Receipts:</b>						
Use of money and property	\$ -	-	-	-	-	-
Intergovernmental	-	-	8,437	-	-	-
Charges for service	400	-	-	-	-	-
Miscellaneous	4,845	-	66,268	-	25,000	-
Total receipts	5,245	-	74,705	-	25,000	-
<b>Disbursements:</b>						
Operating:						
Public safety	5,209	-	-	-	-	-
Culture and recreation	-	-	81,120	-	25,000	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Total disbursements	5,209	-	81,120	-	25,000	-
Change in cash balances	36	-	(6,415)	-	-	-
Cash balances beginning of year	12,646	3,000	24,402	31,912	10,636	3,820
Cash balances end of year	\$ 12,682	3,000	17,987	31,912	10,636	3,820
<b>Cash Basis Fund Balances</b>						
Nonspendable - O'Brien beautification	\$ -	-	-	-	-	-
Restricted for other purposes	12,682	3,000	17,987	31,912	10,636	3,820
Total cash basis fund balances	\$ 12,682	3,000	17,987	31,912	10,636	3,820

See accompanying independent auditor's report.

Revenue					Permanent	
Caboose	Perry Safety	Urban Renewal Revolving Loan	Friends of the Perry Public Library	O'Brien Beautification		Total
-	-	-	-	810		810
-	-	-	-	-		8,437
-	-	-	-	-		400
25	5,000	36,916	12,598	-		150,652
25	5,000	36,916	12,598	810		160,299
-	-	-	-	-		5,209
-	-	-	15,938	-		122,058
-	-	-	-	749		749
-	-	36,977	-	-		36,977
-	-	36,977	15,938	749		164,993
25	5,000	(61)	(3,340)	61		(4,694)
535	-	29,168	7,825	45,996		169,940
560	5,000	29,107	4,485	46,057		165,246
-	-	-	-	45,247		45,247
560	5,000	29,107	4,485	810		119,999
560	5,000	29,107	4,485	46,057		165,246

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose bonds	Mar 19, 2008	2.70-4.15 %	\$ 2,045,000
Corporate purpose bonds	Feb 2, 2011	1.75-3.75	545,000
Sewer improvement and refunding bonds	Apr 16, 2013	0.40-2.20	2,300,000
Corporate purpose bonds	Nov 5, 2013	2.00-2.85	2,065,000
Total			
Energy conservation bonds	Nov 5, 2013	* 1.00 %	\$ 613,543
Revenue bonds:			
Sewer revenue refunding	Jun 3, 2010	1.25-3.25 %	\$ 2,285,000
Bank loans:			
Industrial park street improvements	Aug 15, 2012	2.90	\$ 177,100
End loader	Sep 12, 2012	2.90	96,000
Total			

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,455,000	-	160,000	1,295,000	57,000
395,000	-	50,000	345,000	12,925
2,025,000	-	280,000	1,745,000	25,215
2,065,000	-	175,000	1,890,000	46,778
<u>\$ 5,940,000</u>	<u>-</u>	<u>665,000</u>	<u>5,275,000</u>	<u>141,918</u>
-	613,543	47,698	565,845	6,017
700,000	-	405,000	295,000	14,402
88,550	-	44,275	44,275	2,621
48,000	-	24,000	24,000	1,421
<u>\$ 136,550</u>	<u>-</u>	<u>68,275</u>	<u>68,275</u>	<u>4,042</u>

City of Perry  
Bond Maturities  
June 30, 2015

General Obligation Bonds										
Year Ending June 30,	Corporate Purpose Issued March 19, 2008		Corporate Purpose Issued Feb 2, 2011		Sewer Improvement and Refunding Issued April 16, 2013		Corporate Purpose Issued Nov 5, 2013		Total	
	Interest		Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2016	3.70%	\$ 165,000	3.00%	\$ 55,000	0.65%	\$ 420,000	2.00%	\$ 175,000	815,000	
2017	3.80	170,000	3.25	55,000	0.80	135,000	2.00	175,000	535,000	
2018	3.90	175,000	3.25	55,000	1.00	140,000	2.00	175,000	545,000	
2019	4.00	185,000	3.50	60,000	1.20	140,000	2.00	175,000	560,000	
2020	4.05	190,000	3.50	60,000	1.40	145,000	2.00	175,000	570,000	
2021	4.10	200,000	3.75	60,000	1.60	145,000	2.15	175,000	580,000	
2022	4.15	210,000	-	-	1.80	150,000	2.35	175,000	535,000	
2023	-	-	-	-	2.00	155,000	2.55	240,000	395,000	
2024	-	-	-	-	2.10	155,000	2.70	220,000	375,000	
2025	-	-	-	-	2.20	160,000	2.85	205,000	365,000	
2026	-	-	-	-	-	-	-	-	-	
Total		<u>\$ 1,295,000</u>		<u>\$ 345,000</u>		<u>\$ 1,745,000</u>		<u>\$ 1,890,000</u>	<u>5,275,000</u>	

See accompanying independent auditor's report.

Energy Conservation Bonds	
Issued Nov 5, 2013	
Interest Rates	Amount
1.00%	\$ 48,296
1.00	48,901
1.00	49,514
1.00	50,135
1.00	50,764
1.00	51,401
1.00	52,045
1.00	52,698
1.00	53,358
1.00	54,028
1.00	54,705
	<u>\$ 565,845</u>

Sewer Revenue Refunding Bonds		
Year	Issued June 3, 2010	
Ending June 30,	Interest Rates	Amount
2016	3.25%	\$ 180,000
2017	3.25	115,000
Total		<u>\$ 295,000</u>

City of Perry

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

For the Last Ten Years

	2015	2014	2013	2012
<b>Receipts:</b>				
Property tax	\$ 2,392,227	2,409,834	2,330,809	2,514,976
Tax increment financing	542,233	540,051	739,788	626,265
Other city tax	1,173,372	1,089,529	1,342,358	497,224
Licenses and permits	270,368	311,707	242,096	236,897
Use of money and property	37,755	42,017	36,907	32,838
Intergovernmental	1,991,083	1,807,427	1,964,791	1,918,667
Charges for service	1,308,588	1,285,154	1,331,225	1,266,250
Special assessments	-	-	-	-
Miscellaneous	484,030	650,263	388,709	597,199
<b>Total</b>	<b>\$ 8,199,656</b>	<b>8,135,982</b>	<b>8,376,683</b>	<b>7,690,316</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,632,212	1,614,752	1,604,947	1,693,376
Public works	2,349,694	1,870,026	1,799,742	2,327,984
Health and social services	14,470	10,994	10,967	10,819
Culture and recreation	1,382,165	1,476,546	1,310,457	1,374,120
Community and economic development	241,440	598,418	322,332	183,097
General government	641,939	935,558	1,506,007	1,124,064
Debt service	945,024	789,995	2,112,217	1,078,111
Capital projects	1,849,793	2,379,565	918,113	755,163
<b>Total</b>	<b>\$ 9,056,737</b>	<b>9,675,854</b>	<b>9,584,782</b>	<b>8,546,734</b>

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
2,422,350	2,264,053	2,248,217	2,208,743	2,061,483	1,986,821
573,577	606,363	419,463	390,257	285,989	398,759
966,384	230,836	239,200	215,237	282,455	116,767
245,724	59,023	70,342	90,554	63,653	75,891
31,831	34,526	31,829	69,272	93,085	72,532
3,489,056	3,175,311	2,590,279	1,903,116	2,697,784	1,617,367
1,211,909	1,255,534	1,255,071	1,215,632	1,108,878	1,073,038
660	732	786	846	901	970
432,189	495,398	601,053	755,632	406,806	394,700
9,373,680	8,121,776	7,456,240	6,849,289	7,001,034	5,736,845
1,674,978	1,551,274	1,547,689	1,622,210	1,620,051	1,466,889
2,789,156	2,235,914	2,381,072	2,035,449	1,519,021	2,072,543
10,515	10,189	18,680	9,372	8,972	8,850
1,301,685	1,258,654	1,405,708	1,147,763	1,226,133	1,074,267
627,177	287,332	424,397	175,985	252,031	212,968
1,505,904	1,099,548	2,184,524	1,015,089	574,582	715,365
810,955	939,524	655,998	585,461	532,123	369,394
1,032,264	939,671	2,460,564	683,645	2,949,134	326,979
9,752,634	8,322,106	11,078,632	7,274,974	8,682,047	6,247,255

**Schedule 5**

## City of Perry

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Grantor/Program	CFDA r	Agency Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Agriculture: Community Facilities Grant	10.766	16-025-426005119	<u>\$ 10,000</u>
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0075-008-2014	12,762
Airport Improvement Program	20.106	3-19-0075-009-2015	<u>26,685</u>
			<u>39,447</u>
U.S. Environmental Protection Agency: Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-97738901	<u>39,133</u>
Total direct			<u>88,580</u>
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-NSP-014	<u>5,986</u>
State Energy Program	81.041	EL-14-006	<u>293,134</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	STP-U-5970(614-70-25)	<u>897,000</u>
Iowa Department of Public Safety: National Priority Safety Programs	20.616	14-405d-M6OT	7,559
National Priority Safety Programs	20.616	15-405d-M6OT	<u>2,357</u>
			<u>9,916</u>
Total indirect			<u>1,206,036</u>
Total			<u>\$1,294,616</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Perry and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2016. 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 and Questioned Costs, 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-E-15 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 Part II of the accompanying Schedule of Findings and Questioned Costs as item II-F-15 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 and Questioned Costs. 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 21, 2016

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**City of Perry**



**OFFICE OF AUDITOR OF STATE**  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Perry, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Perry's major federal program for the year ended June 30, 2015. The City of Perry's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Perry's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Perry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Perry's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Perry complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

The management of the City of Perry is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Perry's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Perry's internal control over compliance.

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

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 21, 2016

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

- (a) Unmodified opinions were issued 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, which is a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the discretely presented component units because of the omission of the Perry Public Library Foundation.
- (b) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 20.205 – Highway Planning and Construction
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) The City of Perry did not qualify as a low-risk auditee.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City, including the Library Gift Fund and the Friends of the Library:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Disbursements – initiating disbursements, check signing, recording and reconciling.
- 6) Payroll – preparing, signing and custody of undistributed warrants.
- 7) Accounting system – performing all general accounting functions and having custody of City assets.

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

Response – The City will create a written policy designating the duties to be handled by the City Administrator, City Clerk and Finance Officer, as well as elected officials, 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.

II-B-15 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 and Questioned Costs

Year ended June 30, 2015

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

Conclusion – Response accepted.

II-C-15 Perry Police Officers Association – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Association’s financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

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

Response – An independent person will periodically review the financial transactions and reconciliations of the Perry Police Association. This review will be signed and dated.

Conclusion – Response accepted.

II-D-15 Perry Volunteer Firefighter’s Association – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Association’s financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

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

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

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

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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.

Invoices should be cancelled to prevent reuse.

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

Conclusion – Response accepted.

II-E-15 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.

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

Response – An independent person will periodically review the financial transactions and reconciliations of the Perry Citizen's Against Crime, Inc. This review will be signed and dated.

Conclusion – Response accepted.

II-F-15 Credit Cards – One of five credit card transactions tested was not supported by an original, itemized receipt.

Recommendation - The City should require all credit card amounts be supported by an original, itemized receipt prior to payment of the credit card statement.

Response – The City will require that documentation of an original, itemized receipt must be included with all credit card statements in order to be paid.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal controls over compliance were noted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the community and economic development function. In addition, disbursements exceeded the amounts budgeted in the public works, community and economic development and capital projects functions before the budget was amended.

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

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

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

Conclusion – Response accepted.

IV-B-15 Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
HyVee	2 <sup>nd</sup> Annual Safety and Employee Appreciation meeting	\$ 425

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by the disbursement before authorizing any further payments. If this practice is continued, the City Council should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will establish written policies and procedures regarding the determination of whether an expenditure serves a public purpose.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 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	\$ 627
Michael Landals, Street Department, Owner of Landals Concrete Construction	Street repairs, Competitively bid	34,900
Rodney Cromwell, Firefighter, owner of Cromwell Towing	Towing services	390

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

The transactions with the Street Department employee do not appear to represent a conflict of interest since they were competitively bid.

IV-E-15 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.

IV-F-15 City Council Minutes – The City did not always publish minutes 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 a total of claims by fund for certain claims listings.

Recommendation – A summary of City Council proceedings and receipts and totals of claims by fund should be published in accordance with Chapter 372.13(6) of the Code of Iowa.

Response – The City will comply with the Code of Iowa by publishing minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. In May 2015, the City began to include a list of all claims and a receipt summary in the published minutes. In order to assist Administration with meeting the publication requirements, the City Council has approved a resolution naming three official newspapers for publications.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- IV-G-15 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.
- IV-H-15 Sewer Revenue Bonds – No instances of non-compliance with the sewer revenue bond resolution were noted.
- IV-I-15 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.
- IV-J-15 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

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

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

Conclusion – Response accepted.

- IV-K-15 Interfund Loan – During the year ended June 30, 2009, the City approved a loan of \$63,879 from the Enterprise, Sewer Fund to the General Fund for the payment of an energy efficient lighting project. The loan was to be repaid over a ten year period beginning July 1, 2010. As of June 30, 2015, the City has not made any payments on the interfund loan and has not amended the terms of the interfund loan agreement.

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

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

Conclusion – Response accepted.

- IV-L-15 Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

The following issue related to the City's TIF certifications was noted:

- During the year ended June 30, 2013, the City issued \$2,300,000 of sewer improvement and refunding bonds. A portion of the proceeds was used to refund the Urban Renewal Corporate Purpose Bonds, Series 2006. The 2006 debt was properly certified on an earlier debt certificate. The City will experience a savings due to the issuance of the 2013 bonds and refunding of the 2006 bonds. The City should decertify the difference between the obligations of the old and new debt to reflect the savings attained.

Recommendation – The City should decertify the necessary amount.

Response – The City will de-certify the difference between the obligations of the old debt and the new debt to reflect the savings attained.

Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
April D. Harbst, Staff Auditor  
Jessica L. Russell, Assistant Auditor  
Debra M. Copeland, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State