



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

June 27, 2019

Contact: Marlys K. Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Perry, Iowa.

The City's receipts totaled \$10,213,384 for the year ended June 30, 2018, a 9.39% increase over the prior year. The receipts included \$2,768,156 in property tax, \$232,118 from tax increment financing, \$2,590,504 from charges for service, \$1,553,364 from operating grants, contributions and restricted interest, \$929,331 from capital grants, contributions and restricted interest, \$91,803 from hotel/motel tax, \$1,081,533 from local option sales tax, \$84,036 from commercial/industrial tax replacement, \$5,085 from unrestricted interest on investments, \$646,075 from loan proceeds, \$227,850 from franchise fees and \$3,529 from miscellaneous receipts.

The significant increase in receipts is primarily due to approximately \$646,075 of loan proceeds received in the current year used to fund various projects and to purchase two snow plows.

Disbursements for the year ended June 30, 2018 totaled \$10,333,608, a 4.02% decrease from the prior year, and included \$2,239,927 for public works, \$1,764,235 for public safety, and \$1,703,848 for culture and recreation. Also, disbursements for business type activities totaled \$750,681.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF PERRY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2018**

**City of Perry**



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Telephone (515) 281-5834 Facsimile (515) 281-6518

June 6, 2019

Officials of the City of Perry  
Perry, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Perry, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Perry throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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**City of Perry**

**Officials**

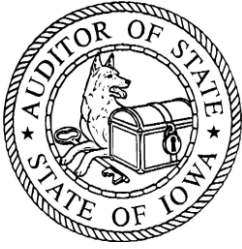
**(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jay Pattee	Mayor	Jan 2018
John Andorf	Council Member	Jan 2018
Dr. Randall McCaulley	Council Member	Jan 2018
Dean Berkland	Council Member	Jan 2020
Chuck Schott	Council Member	Jan 2020
Barbara Wolling	Council Member	Jan 2020
Sven Peterson	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Paula Rychnovsky	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

**(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Andorf	Mayor	Jan 2020
Dean Berkland	Council Member	Jan 2020
Chuck Schott	Council Member	Jan 2020
Barbara Wolling	Council Member	Jan 2020
Vicki Klein	Council Member	Jan 2022
Dr. Randall McCaulley	Council Member	Jan 2022
Sven Peterson	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Paula Rychnovsky	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

**City of Perry**



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Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2018, 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 unmodified and qualified audit opinions.



## Opinions

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

The financial data included in the financial statements for the Perry Public Library Foundation Inc., a legally separate entity which is reported as a discretely presented component unit, include investments at fair market value. This is a departure from the basis of accounting described in Note 1. The amount by which this departure would affect the receipts, and balances of the aggregate discretely presented component units is not reasonably determinable.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the aggregate discretely presented component units of the City of Perry as of June 30, 2018, 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, 2018, 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 6 to the financial statements, City of Perry adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than 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 six years ended June 30, 2017 (which are not presented herein) and 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. We 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 Inc. We also previously audited, in accordance with the standards referred to in the third paragraph of the report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of reporting investments of the Perry Public Library Foundation Inc. at fair market value as described in the “Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, 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 16 and 46 through 52, 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 June 6, 2019 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 solely 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 effectiveness of the City’s 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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 6, 2019

**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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2018 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 10.8%, or approximately \$885,000, from fiscal year 2017 to fiscal year 2018. Loan proceeds increased approximately \$624,000. Capital grants, contributions and restricted interest increased approximately \$192,000. Operating grants, contributions and restricted interest increased approximately \$175,000.
- Disbursements of the City's governmental activities decreased 2.2%, or approximately \$217,000 in fiscal year 2018 from fiscal year 2017. Capital projects disbursements decreased approximately \$580,000, while public works and culture and recreation increased approximately \$223,000 and \$164,000, respectively. Capital project disbursements decreased, primarily due to the completion of the 18<sup>th</sup> Street project in the current year. Public works disbursements increased primarily due to the purchase of two snow plows and culture and recreation disbursements increased due to construction work on the soccer complex.
- The City's total cash basis net assets decreased 3.7%, or approximately \$120,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net assets of the governmental activities decreased approximately \$310,000 and the cash basis net assets of the business type activities increased approximately \$190,000.

### **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.

## **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, Urban Renewal Tax Increment, Local Option Sales Tax and Employee Benefits, 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.

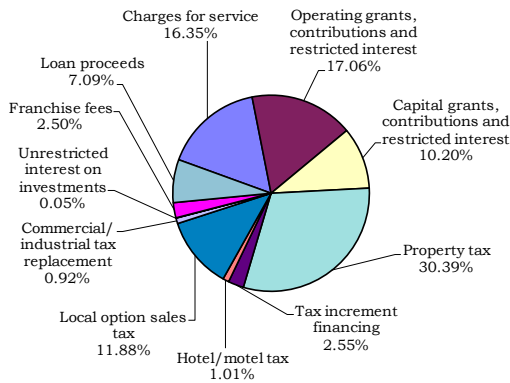
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

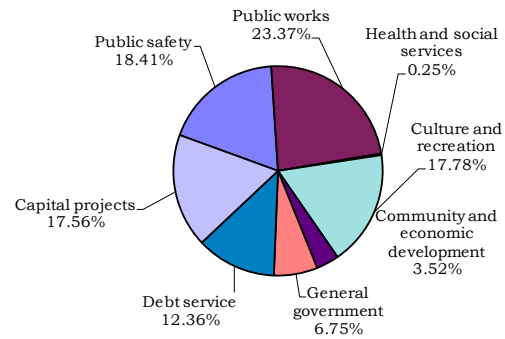
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing to approximately \$1.463 million from approximately \$1.773 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 1,488,793	1,513,091
Operating grants, contributions and restricted interest	1,553,364	1,378,829
Capital grants, contributions and restricted interest	929,331	737,203
General receipts:		
Property tax	2,768,156	2,682,368
Tax increment financing	232,118	236,314
Hotel/motel tax	91,803	123,872
Local option sales tax	1,081,533	1,225,345
Commercial/industrial tax replacement	84,036	86,977
Unrestricted interest on investments	4,385	4,884
Franchise fees	227,850	211,557
Loan proceeds	646,075	22,000
Total receipts	<u>9,107,444</u>	<u>8,222,440</u>
Disbursements:		
Public safety	1,764,235	1,781,990
Public works	2,239,927	2,016,825
Health and social services	23,553	23,237
Culture and recreation	1,703,848	1,538,944
Community and economic development	337,739	349,930
General government	646,479	719,479
Debt service	1,184,838	1,107,346
Capital projects	1,682,308	2,262,339
Total disbursements	<u>9,582,927</u>	<u>9,800,090</u>
Change in cash basis net position before transfers	(475,483)	(1,577,650)
Transfers, net	<u>165,005</u>	<u>111,085</u>
Change in cash basis net position	(310,478)	(1,466,565)
Cash basis net position beginning of year	<u>1,773,258</u>	<u>3,239,823</u>
Cash basis net position end of year	<u>\$ 1,462,780</u>	<u>1,773,258</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 10.8%, or approximately \$885,000, over the prior year. The total cost of all programs and services decreased approximately \$217,000, or 2.2%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.583 million compared to approximately \$9.800 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 \$5.611 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,489,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,483,000). 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 2018 from approximately \$3,629,000 to approximately \$3,971,000. The increase is primarily due to the City receiving more grant funds related to the 18<sup>th</sup> Street project.

**Changes in Cash Basis Net Position of Business Type Activities**

	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 936,095	942,953
Sewer discharge	165,616	164,241
General receipts:		
Unrestricted interest on investments	700	688
Miscellaneous	3,529	6,524
Total receipts	1,105,940	1,114,406
Disbursements:		
Sewer	626,509	862,947
Sewer discharge	124,172	103,532
Total disbursements	750,681	966,479
Change in cash basis net position before transfers	355,259	147,927
Transfers, net	(165,005)	(111,085)
Change in cash basis net position	190,254	36,842
Cash basis net position beginning of year	1,469,550	1,432,708
Cash basis net position end of year	\$ 1,659,804	1,469,550

Total business type activities receipts for the fiscal year were approximately \$1,106,000 compared to approximately \$1,114,000 last year. The cash balance increased approximately \$190,000 from the prior year. Total disbursements for the fiscal year decreased 22.33% to approximately \$751,000, primarily due to a decrease in equipment purchases and professional services.

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

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$1,462,780, a decrease of \$310,478 from last year's balance of \$1,773,258. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$140,722 over the prior year to \$98,557. The increase in the cash balance was primarily attributable to transfers from the Enterprise, Sewer Fund for related administrative costs paid from the General Fund and transfers from Local Option Sales Tax for disbursements on the town craft building.
- The Special Revenue, Road Use Tax Fund cash balance increased \$40,711 to \$302,994. Receipts increased \$26,544, or 2.8%. The City transferred \$130,000 to the Special Revenue, Employee Benefits Fund to cover benefits paid for public works employees not covered by the benefits tax levy.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$301,454, an increase of \$41,228 from the previous year. The ending cash balance will be used to satisfy principal and interest of debt coming due in the next fiscal year.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$175,221 from the prior year to \$1,390,682, due primarily to an increase in transfers to the Capital Projects Fund for various construction projects started during the fiscal year.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$17,141 from the prior year to \$14,966. This decrease in cash balance was primarily due to an increase in insurance claims related to the City's partially self-funded insurance.
- The Debt Service Fund cash balance decreased \$23,128 to \$25,876 during the fiscal year. Disbursements increased due to payments made on the rural economic development loan dated June 3, 2010, with no corresponding transfer from the Local Option Sales Tax Fund, which was budgeted to pay for the principal and interest of the loan.
- The Capital Projects Fund cash balance decreased \$307,257 from the prior year to a deficit balance of \$(1,107,381). The decrease is due primarily to disbursements related to the Willis Avenue bridge project which were not reimbursed from the Iowa Department of Transportation by June 30, 2018.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$2,685 to \$232,141.



## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$148,810 to \$1,054,065, primarily due to a decrease in disbursements for a sewer revenue bond, which was paid off in fiscal year 2017.
- The Enterprise, Sewer Discharge Fund cash balance increased \$41,444 to \$605,739.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 21, 2018 and resulted in an increase in budgeted receipts and disbursements, primarily related to intergovernmental receipts, other financing sources and budgeted disbursements in the public works, culture and recreation, community and economic development and capital projects functions.

The City's receipts were \$360,380 more than the amended budget. Total disbursements were \$767,955, or 5.9%, less than the amended budget primarily related to the capital projects and business type activities functions. However, disbursements in the debt service function exceeded the final budget and disbursements in the community and economic development, general government and capital project functions exceeded the budget prior to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2018, the City had \$5,061,950 of bonds and other long-term debt outstanding, compared to \$5,499,049 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2018	2017
General obligation bonds	\$ 4,090,000	4,990,000
Energy conservation bonds	415,490	465,049
Bank loan	246,460	32,000
Rural economic development loan	310,000	12,000
Total	<u>\$ 5,061,950</u>	<u>5,499,049</u>

Debt decreased as a result of scheduled payments made on general obligation bonds and other long term debt.

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 \$5,061,950 plus development agreements of \$112,122 which are subject to the debt limit totals \$5,174,071, which is significantly below its constitutional debt limit of approximately \$13,173,784.

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

Taxable valuations used for the fiscal year 2018 budget increased \$4,215,717, or 2.71%, over the taxable valuation used for the fiscal year 2017 budget. Taxable valuations used for the fiscal year 2019 budget increased \$2,279,473, or 1.43%, over the taxable valuation used for the fiscal year 2018 budget.

Hotel/motel tax receipts increased \$21,666, or 21.2%, in fiscal year 2017 and decreased \$32,069, or 25.9%, in fiscal year 2018. The Hotel Pattee was for sale most of FY 2018 and was sold with new ownership taking over on March 1, 2018. The new owner of the Hotel Pattee now has new management and staff is working on increasing the conferences and events.

The City continues to work to correct the interconnections and infiltrations of the sanitary sewer system. The City has worked with Bolton and Menk Engineering and Accu-Jet to camera, clean and repair sanitary sewers in the areas with the highest concentration of sewer issues. The City has completed the first cycle of inspecting, cleaning and repairing sanitary sewers of the entire town and will begin the cycle over again. 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 2018 LOST receipts for the City were \$1,081,533, which was a decrease of \$143,812, or 11.7%, from fiscal year 2017. In fiscal year 2018, an adjustment of \$30,267 was received for LOST underpaid in fiscal year 2017. The City's LOST collections in fiscal year 2019 are estimated to be \$1,000,000. 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 the past four years, the City has completed projects from grants awarded from the FAA for rehabilitating the terminal apron and for an environmental study at the Perry Municipal Airport and from the Iowa Department of Transportation for an airport zoning update, for hangar roof repair and for runway pavement rehabilitation. The City has now moved onto the next step of the airport improvements, which is land acquisition so the City can construct a new, longer runway. This will be funded by a \$2,520,000 grant from the FAA with a \$280,000 local match. The City began the process of acquiring the land in November 2018.

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. The McCreary Community Building, the Public Safety Building, and the Perry Public Library were all upgraded from florescent tube lighting to energy efficient LED tube lights. This project will drastically reduce energy use related to lighting. Major repairs and upgrades at the McCreary Community Building, including replacing electrical panels, chiller/boiler upgrades, HVAC upgrades, replacement of ceiling tiles and a roof replacement project which began in early 2018 and will continue into 2019.

Other fiscal year 2018 projects benefitting the community include the completion of the North Street Construction Project, which included pavement construction, storm sewer installation and grading on North Street from 16th Street to 18th Street. The North Street Construction Project will be subsidized with Department of Transportation STP Funds. Other projects beginning in fiscal year 2018 include the Willis Avenue Bridge Replacement Project, which will be subsidized with grant funds from the Iowa Department of Transportation and the 2017 Sanitary Sewer Project, which will provide approximately 2,700 linear feet of sanitary sewer on south 16th Street, which will allow for future development in that area. Other smaller projects in FY 2019 include a crack sealing project on major roads within the city and an overlay and widening of Park Street.

The Perry Water Pollution Control Facility has not had any upgrades in twenty years. The City worked with Bolton & Menk to develop a wastewater facility plan to address plant upgrades and to address the Iowa Nutrient Reduction Strategy requirements for construction of nutrient removal improvements. Plans and specifications have been developed for construction of new UV disinfection, the nutrient removal process and general plant renovations. In November 2018, the City applied for and received an SRF Planning and Design Loan from the Iowa Finance Authority. The City will now apply for a CDBG grant and continue working with engineers on the design and the DNR construction permit application. Construction should be completed by June 2021.

The City is using the additional Road Use Tax received from the 2015 increase in Iowa's gas tax to pay for HMA overlay projects, which will be completed in phases. The City put aside the additional Road Use Tax, which amounts to \$130,000 per year, along with Local Option Sales Tax collections to pay for the first major overlay project over a three year period. The first phase began in Fiscal Year 2016 and 45 blocks were completed at that time. The City sold bonds to fund this project in early 2016 and the project was completed in fiscal year 2018. The City will continue to set aside Road Use Tax Funds and Local Option Sales Tax Funds to fund the second phase of the HMA overlay project, which will begin in fiscal year 2020.

The need for a soccer complex 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. The combination of grants, community donations and Local Option Sales Tax funded the first phase of the Soccer Complex Project, which included the buffer and the wetland, recreational trail around the pond, a portion of the parking lot and two athletic fields, which will be completed in fiscal year 2019. Community support continues to grow for this project and the fields will begin being utilized in fiscal year 2019. In November 2018, the City received a second REAP grant in the amount of \$100,000 which will be used to acquire adjacent wetlands to be used for the treatment of storm water in the area along with stabilizing the pond.

These factors were taken into account when adopting the General Fund budget for fiscal year 2019. Budgeted amounts available for appropriation in the fiscal year 2019 General Fund budget total \$3,462,113. Budgeted disbursements in the fiscal year 2019 General Fund budget total \$3,503,981. The City has added no major new programs or initiatives to the fiscal year 2019 budget.

In September of 2016, the City adopted a Tax Abatement Program. This program grants new construction abatement for 5 years at 100% and an additional 5 years phased in. This program also grants an abatement of taxes for improvements done to homes. Improvements must increase the assessed valuation by at least \$20,000 to be eligible for a 100% abatement for 5 years on the improved value. New construction must follow the City of Perry's Green Building Guidelines to be eligible for the abatement. The City's Tax Abatement program has been successful in its first year. Three new single family homes as well as three sets of duplexes were constructed in 2017 with an additional eight building permits issued for new single family homes in 2018. There has been additional interest in construction and continued growth is expected. Proactive marketing and promotion of development opportunities in the City has led to interest in commercial and industrial development.

## **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, Paula Rychnovsky, City Clerk/Treasurer or Susie Moorhead, Finance Officer, at Perry City Hall located at 1102 Willis Avenue, Perry, Iowa 50220.

## **Basic Financial Statements**

City of Perry

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	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	\$ 1,764,235	10,374	106,241	7,190
Public works	2,239,927	899,045	1,020,571	8,156
Health and social services	23,553	-	-	-
Culture and recreation	1,703,848	421,665	131,614	-
Community and economic development	337,739	72,920	185,076	-
General government	646,479	84,789	109,862	-
Debt service	1,184,838	-	-	-
Capital projects	1,682,308	-	-	913,985
Total governmental activities	9,582,927	1,488,793	1,553,364	929,331
Business type activities:				
Sewer	626,509	936,095	-	-
Sewer discharge	124,172	165,616	-	-
Total business type activities	750,681	1,101,711	-	-
<b>Total Primary Government</b>	<b>\$ 10,333,608</b>	<b>2,590,504</b>	<b>1,553,364</b>	<b>929,331</b>
<b>Component Units:</b>				
Perry Police Officers Association	\$ 4,450	-	8,551	-
Perry Volunteer Firefighter's Association	25,586	-	31,762	-
The Perry Public Library Foundation, Inc.	39,775	-	88,789	-
Perry Municipal Waterworks	1,985,986	2,078,323	175,367	-
<b>Total Component Units</b>	<b>\$ 2,055,797</b>	<b>2,078,323</b>	<b>304,469</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				
Franchise fees				
Loan/note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
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	
(1,640,430)	-	(1,640,430)	
(312,155)	-	(312,155)	
(23,553)	-	(23,553)	
(1,150,569)	-	(1,150,569)	
(79,743)	-	(79,743)	
(451,828)	-	(451,828)	
(1,184,838)	-	(1,184,838)	
(768,323)	-	(768,323)	
<u>(5,611,439)</u>	<u>-</u>	<u>(5,611,439)</u>	
-	309,586	309,586	
-	41,444	41,444	
-	351,030	351,030	
<u>(5,611,439)</u>	<u>351,030</u>	<u>(5,260,409)</u>	
			4,101
			6,176
			49,014
			<u>267,704</u>
			<u>326,995</u>
2,325,104	-	2,325,104	-
443,052	-	443,052	-
232,118	-	232,118	-
91,803	-	91,803	-
1,081,533	-	1,081,533	-
84,036	-	84,036	-
4,385	700	5,085	3,011
227,850	-	227,850	-
646,075	-	646,075	-
-	3,529	3,529	28,650
<u>165,005</u>	<u>(165,005)</u>	<u>-</u>	<u>-</u>
<u>5,300,961</u>	<u>(160,776)</u>	<u>5,140,185</u>	<u>31,661</u>
(310,478)	190,254	(120,224)	358,656
<u>1,773,258</u>	<u>1,469,550</u>	<u>3,242,808</u>	<u>1,816,984</u>
<u>\$ 1,462,780</u>	<u>1,659,804</u>	<u>3,122,584</u>	<u>2,175,640</u>
\$ 278,031	-	278,031	-
302,994	-	302,994	-
327,330	-	327,330	-
1,576,343	-	1,576,343	1,009,483
<u>(1,021,918)</u>	<u>1,659,804</u>	<u>637,886</u>	<u>1,166,157</u>
<u>\$ 1,462,780</u>	<u>1,659,804</u>	<u>3,122,584</u>	<u>2,175,640</u>

City of Perry

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

As of and for the year ended June 30, 2018

	Special Revenue				
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
<b>Receipts:</b>					
Property tax	\$ 1,354,746	-	-	-	874,080
Tax increment financing	-	-	232,118	-	-
Other city tax	149,311	-	-	1,081,533	38,770
Licenses and permits	312,114	-	-	-	-
Use of money and property	51,196	-	859	31	-
Intergovernmental	133,985	982,699	-	10,346	27,929
Charges for service	1,330,518	-	-	-	-
Miscellaneous	157,527	-	183,611	-	53,390
<b>Total receipts</b>	<b>3,489,397</b>	<b>982,699</b>	<b>416,588</b>	<b>1,091,910</b>	<b>994,169</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	1,235,932	-	-	54,560	473,263
Public works	672,581	681,988	-	556,395	328,963
Health and social services	23,553	-	-	-	-
Culture and recreation	1,050,202	-	-	308,224	219,856
Community and economic development	52,679	-	267,122	2,000	15,038
General government	488,022	-	-	57,058	101,399
Debt service	-	-	-	-	-
Capital projects	-	-	-	7,231	-
<b>Total disbursements</b>	<b>3,522,969</b>	<b>681,988</b>	<b>267,122</b>	<b>985,468</b>	<b>1,138,519</b>
Excess (deficiency) of receipts over (under) disbursements	(33,572)	300,711	149,466	106,442	(144,350)
<b>Other financing sources (uses):</b>					
Loan/note proceeds	-	-	-	308,075	-
Transfers in	174,294	-	-	-	130,000
Transfers out	-	(260,000)	(108,238)	(589,738)	(2,791)
<b>Total other financing sources (uses)</b>	<b>174,294</b>	<b>(260,000)</b>	<b>(108,238)</b>	<b>(281,663)</b>	<b>127,209</b>
Change in cash balances	140,722	40,711	41,228	(175,221)	(17,141)
Cash balances (deficits) beginning of year	(42,165)	262,283	260,226	1,565,903	32,107
Cash balances (deficits) end of year	\$ 98,557	302,994	301,454	1,390,682	14,966
<b>Cash Basis Fund Balances</b>					
<b>Nonspendable:</b>					
Cemetery perpetual care	\$ -	-	-	-	-
O'Brien beautification	-	-	-	-	-
<b>Restricted for:</b>					
Streets	-	302,994	-	-	-
Debt service	-	-	301,454	-	-
Other purposes	-	-	-	1,390,682	14,966
Unassigned	98,557	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 98,557</b>	<b>302,994</b>	<b>301,454</b>	<b>1,390,682</b>	<b>14,966</b>

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Total
		Cemetery Perpetual Care	Nonmajor	
424,983	-	-	-	2,653,809
-	-	-	-	232,118
18,069	-	-	-	1,287,683
-	-	-	-	312,114
-	-	-	1,406	53,492
13,015	851,856	-	6,784	2,026,614
-	-	-	786	1,331,304
-	62,129	2,685	104,893	564,235
456,067	913,985	2,685	113,869	8,461,369
-	-	-	480	1,764,235
-	-	-	-	2,239,927
-	-	-	-	23,553
-	-	-	125,566	1,703,848
-	-	-	900	337,739
-	-	-	-	646,479
1,184,838	-	-	-	1,184,838
-	1,675,077	-	-	1,682,308
1,184,838	1,675,077	-	126,946	9,582,927
(728,771)	(761,092)	2,685	(13,077)	(1,121,558)
-	338,000	-	-	646,075
705,643	439,535	-	-	1,449,472
-	(323,700)	-	-	(1,284,467)
705,643	453,835	-	-	811,080
(23,128)	(307,257)	2,685	(13,077)	(310,478)
49,004	(800,124)	229,456	216,568	1,773,258
25,876	(1,107,381)	232,141	203,491	1,462,780
-	-	232,141	-	232,141
-	-	-	45,890	45,890
-	-	-	-	302,994
25,876	-	-	-	327,330
-	-	-	170,695	1,576,343
-	(1,107,381)	-	(13,094)	(1,021,918)
25,876	(1,107,381)	232,141	203,491	1,462,780



City of Perry

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

As of and for the year ended June 30, 2018

	Enterprise		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 936,095	165,616	1,101,711
Operating disbursements:			
Business type activities	522,507	56,487	578,994
Excess of operating receipts over operating disbursements	413,588	109,129	522,717
Non-operating receipts (disbursements):			
Interest on investments	700	-	700
Wind turbine receipts	3,529	-	3,529
Capital projects	(104,002)	(67,685)	(171,687)
Net non-operating receipts (disbursements)	(99,773)	(67,685)	(167,458)
Excess of receipts over disbursements	313,815	41,444	355,259
Transfers in	45,000	-	45,000
Transfers out	(210,005)	-	(210,005)
Total transfers in (out)	(165,005)	-	(165,005)
Change in cash balances	148,810	41,444	190,254
Cash balances beginning of year	905,255	564,295	1,469,550
Cash balances end of year	\$ 1,054,065	605,739	1,659,804
<b>Cash Basis Fund Balances</b>			
Unrestricted	1,054,065	605,739	1,659,804
Total cash basis fund balances	\$ 1,054,065	605,739	1,659,804

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, 2018

	<u>Police Pension</u>
Additions:	
Employer contributions	\$ 34,559
Deductions:	
Benefits paid	<u>59,097</u>
Change in cash balance	(24,538)
Cash balance held in trust for pension benefits beginning of year	<u>516,600</u>
Cash balance held in trust for pension benefits end of year	<u>\$ 492,062</u>

See notes to financial statements.

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, 2018

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Citizens Against Crime, Inc.
Disbursements	\$ 4,450	25,586	-
Program receipts:			
Charges for service	-	-	-
Operating grants and contributions	8,551	31,762	-
Total program receipts	8,551	31,762	-
General receipts:			
Interest on investments	-	-	-
Rent	-	-	-
Total general receipts	-	-	-
Change in cash basis net position	4,101	6,176	-
Cash basis net position beginning of year, as restated	9,133	14,987	8,778
Cash basis net position end of year	\$ 13,234	21,163	8,778
<b>Cash Basis Net Position</b>			
Restricted:			
Other purposes	\$ 13,234	21,163	8,778
Unrestricted	-	-	-
<b>Total cash basis net position</b>	\$ 13,234	21,163	8,778

See notes to financial statements.

The Perry Public Library Foundation, Inc.	Perry Municipal Waterworks	Total
39,775	1,985,986	2,055,797
-	2,078,323	2,078,323
37,545	175,367	253,225
37,545	2,253,690	2,331,548
51,244	3,011	54,255
-	28,650	28,650
51,244	31,661	82,905
49,014	299,365	358,656
800,769	983,317	1,816,984
849,783	1,282,682	2,175,640
849,783	116,525	1,009,483
-	1,166,157	1,166,157
849,783	1,282,682	2,175,640

**City of Perry**

City of Perry

Notes to Financial Statements

June 30, 2018

**(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. 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.

The Perry Public Library Foundation, Inc. is organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose for which this corporation is organized is for a charitable purpose which is to be operated exclusively for the independent enhancement and improvement of the Public Library of the City of Perry, Iowa.

#### 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 911 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 receipts, 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, 2018, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amount budgeted in the community and economic development, general government and capital projects functions before the budget was amended.

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

The City's deposits in banks at June 30, 2018 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.

#### Component Units

The Perry Public Library Foundation Inc. invests funds with the Community Foundation of Greater Des Moines, long term growth portfolio. The Foundation's investment is a percentage of the overall performance of the portfolio and the portfolio is measured on a fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that would reflect the Foundation's assumption about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for an asset or liability that are used to measure fair value when observable inputs are not available. These inputs are developed based upon the best information available in such circumstances.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level inputs that is significant to the overall fair value measurements for a given asset or liability. The assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer into a different level, such transfers are recognized at the reporting period.

The following is a summary of the Perry Public Library Foundation Inc.'s investments under the hierarchy set by fair value guidance as of June 30, 2018, for assets measured at fair value on a recurring basis:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>
The Perry Public Library Foundation, Inc.				
Money market funds	\$ 3,987	3,987	-	-
Debt and equity securities:				
U.S. equity	229,713	229,713	-	-
International equity	221,463	107,091	112,066	2,306
Fixed income	115,605	71,590	44,015	-
Natural resources	60,443	60,443	-	-
Real assets	1,576	-	-	1,576
Fund of funds	93,040	-	-	93,040
Other	1,185	-	-	1,185
Total debt and equity securities	723,025	468,837	156,081	98,107
Total invested assets	\$ 727,012	472,824	156,081	98,107

Alternative investments are redeemable with the fund at net asset value under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interest in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The following table provides a summary of information for other investments, by net asset class, which are calculated using a net asset value per share using the practical expedient or its equivalent, as of June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Perry Public Library Foundation, Inc.			
Debt and equity securities:			
International equity	\$ 2,306	Monthly	2 - 30 days
Real assets - nonredeemable	1,576	N/A	N/A
Fund of funds	93,040	Quarterly - N/A	100 days - N/A
Other	1,185	N/A	N/A
Total debt and equity securities	<u>\$ 98,107</u>		

The following information is provided for the investments of the foundation that are valued using the net asset value per share as a practical expedient:

- International equity – Funds represent primarily global diversified portfolios in debt and equity securities, including those issued or guaranteed by the United States and foreign governments and related agencies. Included in this portfolio is a fund invested in small cap stocks of foreign entities. Investments in foreign entities will incur exposure to risks from economic instability, unfavorable political developments and currency fluctuations. The portfolio allows monthly redemptions.
- Real assets – nonredeemable – Includes funds invested in debt and equity securities and other investments related to real estate, with a focus on residential, commercial, industrial and retail investments and properties with no particular geographic concentration. Redemptions for the portfolio are generally not allowed and are subject to approval of the fund administrator.
- Fund of funds – Includes globally diversified feeder funds and funds of funds invested in illiquid investments of closed-end funds with the remainder in debt and equity securities and futures and options. Redemptions in many cases are subject to the provisions of the underlying fund agreement, with some funds within the fund of funds currently suspending redemptions. Of the total net asset class some allow quarterly redemptions with a 100 day notice, some allow annual redemption with a 100 day notice and some redemptions are not allowed. The remaining funds have suspended redemption.
- Other – These represent funds with no particular industry or geographic focus with the remainder in debt and equity securities and futures and options. Redemptions for the portfolio are generally not allowed.

**(3) Long-Term Debt**

Primary Government

Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation and energy conservation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		Energy Conservation Bonds		Rural Economic Development Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 915,000	76,905	50,181	5,037	40,000	-	1,005,181	81,942
2020	620,000	64,225	50,810	4,408	40,000	-	710,810	68,633
2021	630,000	53,835	51,447	3,771	40,000	-	721,447	57,606
2022	575,000	42,252	52,092	3,126	40,000	-	667,092	45,378
2023	445,000	31,815	52,746	2,472	40,000	-	537,746	34,287
2024-2027	905,000	34,383	158,214	3,416	110,000	-	1,173,214	37,799
Total	\$ 4,090,000	303,415	415,490	22,230	310,000	-	4,815,490	325,645

On April 18, 2016, the City approved the issuance of a \$360,000 interest free general obligation corporate purpose note to Minburn Telephone Company. The note was issued for the purpose of financing improvements to the City's police station. As of June 30, 2018, the City had drawn down \$360,000 of the proceeds from this note issuance. During the year ended June 30, 2018, the City paid principal of \$40,000 on the note under the repayment schedule.

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, 2018, the City had drawn \$613,543 of the authorized amount. During the year ended June 30, 2018 the City paid principal and interest of \$49,560, and \$5,659 respectively. The principal balance on the bonds at June 30, 2018 was \$415,490. 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 October 2017, the City entered into a general obligation loan agreement with Raccoon Valley Bank to borrow \$308,075 for the purpose of paying the cost of acquiring two snow plows. The agreement requires annual principal payments of \$61,615 beginning June 1, 2018 with interest at 2.50% per annum payable annually beginning June 1, 2018. For the year ended June 30, 2018, principal and interest paid on the loan totaled \$66,793. The principal balance of the loan at June 30, 2018 was \$246,460.

#### **(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 PO 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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service 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% 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% 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 – 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 percentage point. 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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2018 totaled \$228,082.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$1,576,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the 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, 2017, the City’s proportion was 0.023659%, which was a decrease of 0.000255% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$279,072, \$781,128 and \$450,049, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 of 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,978,632	1,576,018	397,959

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, 2018, 2017 and 2016 were \$34,559, \$29,800 and \$11,860, 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, 2018, the City has two retired police officers and a spouse receiving benefits under the plan.

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-seven police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2018 was \$877,190.

During the year ended June 30, 2018, 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, 2018, 2017 and 2016 was \$41,898, \$42,372 and \$38,642, 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. Group insurance benefits are established under Iowa Code Chapter 509A.13. 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 the plan members range from \$615 for single coverage to \$1,504 for family coverage. For the year ended June 30, 2018, the City contributed \$545,925 and plan members eligible for benefits contributed \$96,107 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>46</u>
Total	<u><u>48</u></u>

**(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, 2018, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 184,000
Compensatory time	61,000
Sick leave	<u>141,000</u>
Total	<u><u>\$ 386,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

**(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, 2018 and the repayment terms have not been amended.

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. Principal repaid during the year ended June 30, 2018 was \$45,000. The balance of the loan at June 30, 2018 was \$180,000.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 2,791
	Local Option Sales Tax	121,503
	Sewer	50,000
		<u>174,294</u>
Special Revenue:	Special Revenue:	
Employee Benefits	Road Use Tax	130,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	63,238
	Local Option Sales Tax	158,700
	Capital Projects	323,700
	Sewer	160,005
		<u>705,643</u>
Capital Projects	Special Revenue:	
	Road Use Tax	130,000
	Local Option Sales Tax	309,535
		<u>439,535</u>
Enterprise:	Special Revenue:	
Sewer	Urban Renewal Tax Increment	45,000
Total		<u>\$ 1,494,472</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 775 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 Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2018 was \$111,026 and the Perry Municipal Waterworks' contribution was \$19,047.

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 \$500,000 per claim. Claims exceeding \$500,000 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.

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 claim 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 \$500 and \$1,000, 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, 2018, the City paid \$48,649 to the account for self-insurance claims. At June 30, 2018, the account balance was \$74,543. 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 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, 2018, the City paid \$96,718 to the developer. The balance remaining under the agreement at June 30, 2018 is \$96,718, 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, 2018, the City paid \$15,404 to the developer. The balance remaining under the agreement at June 30, 2018 is \$61,616, 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 was 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, 2018, the Developer repaid \$155,000 to the City as the Developer was no longer in compliance with the terms of the agreement. There is no balance remaining at June 30, 2018.

The City has entered into a development agreement with Maxwell Hospitality, LLC. The City agreed to pay Maxwell Hospitality, LLC \$155,000 in an incentive payment to maintain twenty full-time equivalent jobs for ten years. The incentive payment will be treated as a forgivable loan 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, 2018, the City paid \$155,000 to the developer. There is no balance remaining at June 30, 2018.

The City has entered into a real estate development agreement with the Herman L. Rowley Memorial Trust under which the City established a seventy foot road right-of-way across the Rowley Masonic Community. The City agreed 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. As of June 30, 2018, the Rowley Masonic Trust has remitted \$113,340 to the City for its portion of project costs, although no payments were received during the fiscal year. The remaining balance yet to be repaid was \$170,010.

**(13) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$45,783 of property tax under the urban renewal and economic development agreement.

**(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, 2018, the City did not enter into any new urban renewal loans and received \$20,596 in principal and interest repayments and wrote off one loan which had an outstanding balance of \$46,199 due to the bankruptcy of the business. The balance remaining on the loans at June 30, 2018 was \$96,984.

**(15) Construction Commitments**

The City has entered into construction contracts totaling approximately \$4,526,757 for various street, airport, park and sanitary sewer improvements. As of June 30, 2018, approximately \$3,954,269 has been paid on the contracts. The remaining \$572,488 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, 2016, but on January 26, 2018 the remaining balance of the bond, \$595,000, was refinanced with a new maturity of January 1, 2023. Under this refinancing the guarantee was reduced to \$350,000. 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 the City.

**(17) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$1,107,381. The deficit is due to the Willis Avenue Bridge project. Reimbursements from the Iowa Department of Transportation were requested but were not received by June 30, 2018. Additionally, the Wiese Park Fund had a deficit balance of \$13,094 at June 30, 2018. The deficit balance is primarily due to the park trails project. Reimbursements from the Wiese Foundation were requested but were not received by June 30, 2018.

**(18) Subsequent Event**

In August 2018, the City approved a \$400,000 general obligation loan agreement for the purpose of acquiring solid waste disposal trucks and related equipment.

In November 2018, the City approved an \$870,000 loan agreement with the Iowa Finance Authority for the purpose of paying the costs of planning, designing and constructing improvements and extensions to the City’s municipal sanitary sewer system.

In January 2019, the City approved the issuance of \$2,075,000 general obligation airport improvement bonds, series 2019A for the purpose of financing improvements to the existing municipal airport including land acquisition, reconstruction of runway and other general improvements.

**(19) Restatement**

In the past the financial data for the Perry Public Library Foundation Inc., a legally separate entity which should be reported as a discretely presented component unit, was not included in the City’s financial statements as the data was not made available. For fiscal year 2018 this financial data was made available and is now reported as a discretely presented component unit within the City’s financial statements.

	<u>Discretely Presented Component Units</u>
Cash basis net position June 30, 2017, as previously reported	\$ 1,016,215
Cash basis net position June 30, 2017 - The Perry Public Library Foundation, Inc.	<u>800,769</u>
Cash basis net position June 30, 2017, as restated	<u>\$ 1,816,984</u>

## **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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,653,809	-	-	-
Tax increment financing	232,118	-	-	-
Other city tax	1,287,683	-	-	-
Licenses and permits	312,114	-	-	-
Use of money and property	53,492	700	82,905	51,244
Intergovernmental	2,026,614	-	-	-
Charges for service	1,331,304	1,101,711	2,078,323	-
Miscellaneous	564,235	3,529	253,225	77,858
Total receipts	8,461,369	1,105,940	2,414,453	129,102
Disbursements:				
Public safety	1,764,235	-	30,036	30,036
Public works	2,239,927	-	-	-
Health and social services	23,553	-	-	-
Culture and recreation	1,703,848	-	39,775	39,775
Community and economic development	337,739	-	-	-
General government	646,479	-	-	-
Debt service	1,184,838	-	-	-
Capital projects	1,682,308	-	-	-
Business type activities	-	750,681	1,985,986	-
Total disbursements	9,582,927	750,681	2,055,797	69,811
Excess (deficiency) of receipts over (under) disbursements	(1,121,558)	355,259	358,656	59,291
Other financing sources, net	811,080	(165,005)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(310,478)	190,254	358,656	59,291
Balances beginning of year, as restated	1,773,258	1,469,550	1,816,984	833,667
Balances end of year	\$ 1,462,780	1,659,804	2,175,640	892,958

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,653,809	2,645,615	2,645,615	8,194
232,118	220,359	375,359	(143,241)
1,287,683	1,049,359	1,299,359	(11,676)
312,114	283,600	283,600	28,514
85,853	91,811	91,811	(5,958)
2,026,614	1,083,824	1,949,655	76,959
4,511,338	4,447,900	4,445,900	65,438
743,131	317,261	400,981	342,150
<u>11,852,660</u>	<u>10,139,729</u>	<u>11,492,280</u>	<u>360,380</u>
1,764,235	1,789,424	1,826,949	62,714
2,239,927	2,234,960	2,344,635	104,708
23,553	23,553	23,553	-
1,703,848	1,599,722	1,836,439	132,591
337,739	182,120	339,620	1,881
646,479	571,783	663,609	17,130
1,184,838	1,146,799	1,146,799	(38,039)
1,682,308	-	2,110,326	428,018
<u>2,736,667</u>	<u>2,757,619</u>	<u>2,795,619</u>	<u>58,952</u>
<u>12,319,594</u>	<u>10,305,980</u>	<u>13,087,549</u>	<u>767,955</u>
(466,934)	(166,251)	(1,595,269)	1,128,335
<u>646,075</u>	<u>310,000</u>	<u>648,000</u>	<u>(1,925)</u>
179,141	143,749	(947,269)	1,126,410
<u>4,226,125</u>	<u>4,042,868</u>	<u>4,042,868</u>	<u>183,257</u>
<u>4,405,266</u>	<u>4,186,617</u>	<u>3,095,599</u>	<u>1,309,667</u>

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 \$2,781,569. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted in the community and economic development, general government 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  
For the Last Four Years\*  
(In Thousands)

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.023659%	0.023915%	0.022510%	0.021755%
City's proportionate share of the net pension liability	\$ 1,576	1,505	1,112	863
City's covered payroll	\$ 2,426	2,319	2,335	2,288
City's proportionate share of the net pension liability as a percentage of its covered payroll	64.96%	64.90%	47.62%	37.72%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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City of Perry

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 228	223	213	216
Contributions in relation to the statutorily required contribution	<u>(228)</u>	<u>(223)</u>	<u>(213)</u>	<u>(216)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,482	2,426	2,319	2,335
Contributions as a percentage of covered payroll	9.19%	9.19%	9.18%	9.25%

See accompanying independent auditor's report.

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2014	2013	2012	2011	2010	2009
212	207	202	179	169	145
(212)	(207)	(202)	(179)	(169)	(145)
-	-	-	-	-	-
2,288	2,264	2,337	2,296	2,323	2,093
9.27%	9.14%	8.64%	7.80%	7.28%	6.93%

City of Perry

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) beginning June 30, 2015. 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.

**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, 2018

	Special					
	Police Drug	Police Canine	Library Gift	Recreation Memorial	Wiese Park	Fly Iowa
Receipts:						
Use of money and property	\$ -	-	-	-	-	-
Intergovernmental	-	-	6,784	-	-	-
Charges for service	674	-	112	-	-	-
Miscellaneous	-	-	54,781	-	13,046	-
Total receipts	<u>674</u>	<u>-</u>	<u>61,677</u>	<u>-</u>	<u>13,046</u>	<u>-</u>
Disbursements:						
Operating:						
Public safety	480	-	-	-	-	-
Culture and recreation	-	-	62,519	-	35,006	-
Community and economic development	-	-	-	-	-	-
Total disbursements	<u>480</u>	<u>-</u>	<u>62,519</u>	<u>-</u>	<u>35,006</u>	<u>-</u>
Change in cash balances	194	-	(842)	-	(21,960)	-
Cash balances beginning of year	<u>8,668</u>	<u>3,000</u>	<u>26,258</u>	<u>31,606</u>	<u>8,866</u>	<u>3,820</u>
Cash balances end of year	<u>\$ 8,862</u>	<u>3,000</u>	<u>25,416</u>	<u>31,606</u>	<u>(13,094)</u>	<u>3,820</u>
<b>Cash Basis Fund Balances</b>						
Nonspendable - O'Brien beautification	\$ -	-	-	-	-	-
Restricted for other purposes	8,862	3,000	25,416	31,606	-	3,820
Unassigned	-	-	-	-	(13,094)	-
Total cash basis fund balances	<u>\$ 8,862</u>	<u>3,000</u>	<u>25,416</u>	<u>31,606</u>	<u>(13,094)</u>	<u>3,820</u>

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	
800	-	-	-	606	1,406	
-	-	-	-	-	6,784	
-	-	-	-	-	786	
-	-	20,837	16,229	-	104,893	
800	-	20,837	16,229	606	113,869	
-	-	-	-	-	480	
-	-	-	28,041	-	125,566	
-	-	-	-	900	900	
-	-	-	28,041	900	126,946	
800	-	20,837	(11,812)	(294)	(13,077)	
560	5,000	64,355	18,251	46,184	216,568	
1,360	5,000	85,192	6,439	45,890	203,491	
-	-	-	-	45,890	45,890	
1,360	5,000	85,192	6,439	-	170,695	
-	-	-	-	-	(13,094)	
1,360	5,000	85,192	6,439	45,890	203,491	

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Public improvements	Feb 2, 2011	1.75-3.75%	\$ 545,000
Sewer improvement and refunding bonds	Apr 16, 2013	0.40-2.20	2,300,000
Public improvements	Nov 5, 2013	2.00-2.85	2,065,000
Public improvements and refunding	Apr 18, 2016	0.75-2.00	2,540,000
Total			
Energy conservation bonds	Nov 5, 2013	1.00% *	\$ 613,543
Bank loans:			
Garbage truck	Oct 19, 2015	2.90%	\$ 96,000
Snow plow	Oct 27, 2017	2.50%	308,075
Total			
General obligation note:			
Rural economic development note	Apr 18, 2016	0.00%	\$ 360,000

\* 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
235,000	-	55,000	180,000	8,238
1,190,000	-	140,000	1,050,000	20,005
1,540,000	-	175,000	1,365,000	36,278
2,025,000	-	530,000	1,495,000	23,578
<b>\$ 4,990,000</b>	<b>-</b>	<b>900,000</b>	<b>4,090,000</b>	<b>88,099</b>
465,049	-	49,560	415,489	5,658
32,000	-	32,000	-	1,228
-	308,075	61,615	246,460	5,178
<b>\$ 32,000</b>	<b>308,075</b>	<b>93,615</b>	<b>246,460</b>	<b>6,406</b>
12,000	338,000	40,000	310,000	-

City of Perry  
 Bond and Note Maturities  
 June 30, 2018

General Obligation Bonds										
Year	Public Improvements		Sewer Improvement and Refunding		Public Improvements		Public Improvements and Refunding		Total	
	Issued Feb 2, 2011		Issued April 16, 2013		Issued Nov 5, 2013		Issued April 18, 2016			
Ending June 30,	Interest		Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2019	3.50%	\$ 60,000	1.20	\$ 140,000	2.00%	\$ 175,000	1.00%	\$ 540,000	915,000	
2020	3.50	60,000	1.40	145,000	2.00	175,000	1.15	240,000	620,000	
2021	3.75	60,000	1.60	145,000	2.15	175,000	1.30	250,000	630,000	
2022		-	1.80	150,000	2.35	175,000	1.45	250,000	575,000	
2023		-	2.00	155,000	2.55	240,000	1.60	50,000	445,000	
2024		-	2.10	155,000	2.70	220,000	1.75	55,000	430,000	
2025		-	2.20	160,000	2.85	205,000	2.00	55,000	420,000	
2026		-		-		-		55,000	55,000	
Total		<u>\$ 180,000</u>		<u>\$ 1,050,000</u>		<u>\$ 1,365,000</u>		<u>\$ 1,495,000</u>	<u>4,090,000</u>	

See accompanying independent auditor's report.

Energy Conservation Bonds Issued Nov 5, 2013		Rural Economic Development Note Issued Apr 18, 2016	
Interest		Interest	
Rates	Amount	Rates	Amount
1.00%	\$ 50,181	0.00%	\$ 40,000
1.00	50,810	0.00	40,000
1.00	51,447	0.00	40,000
1.00	52,092	0.00	40,000
1.00	52,746	0.00	40,000
1.00	53,407	0.00	40,000
1.00	54,077	0.00	40,000
1.00	50,729	0.00	30,000
	<u>\$ 415,489</u>		<u>\$ 310,000</u>

City of Perry

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

For the Last Ten Years

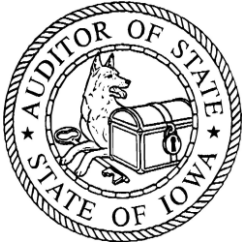
	2018	2017	2016	2015
<b>Receipts:</b>				
Property tax	\$ 2,653,809	2,601,195	2,437,548	2,392,227
Tax increment financing	232,118	236,314	522,774	542,233
Other city tax	1,287,683	1,430,390	1,259,042	1,173,372
Licenses and permits	312,114	284,216	312,691	270,368
Use of money and property	53,492	52,252	49,292	37,755
Intergovernmental	2,026,614	1,813,930	2,049,711	1,991,083
Charges for service	1,331,304	1,347,879	1,276,381	1,308,588
Special assessments	-	-	-	-
Miscellaneous	564,235	434,264	492,244	484,030
<b>Total</b>	<b>\$ 8,461,369</b>	<b>8,200,440</b>	<b>8,399,683</b>	<b>8,199,656</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,764,235	1,781,990	1,563,339	1,632,212
Public works	2,239,927	2,016,825	2,637,060	2,349,694
Health and social services	23,553	23,237	14,826	14,470
Culture and recreation	1,703,848	1,538,944	1,450,563	1,382,165
Community and economic development	337,739	349,930	205,174	241,440
General government	646,479	719,479	614,041	641,939
Debt service	1,184,838	1,107,346	2,236,609	945,024
Capital projects	1,682,308	2,262,339	1,183,440	1,849,793
<b>Total</b>	<b>\$ 9,582,927</b>	<b>9,800,090</b>	<b>9,905,052</b>	<b>9,056,737</b>

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
2,409,834	2,330,809	2,514,976	2,422,350	2,264,053	2,248,217
540,051	739,788	626,265	573,577	606,363	419,463
1,089,529	1,342,358	497,224	966,384	230,836	239,200
311,707	242,096	236,897	245,724	59,023	70,342
42,017	36,907	32,838	31,831	34,526	31,829
1,807,427	1,964,791	1,918,667	3,489,056	3,175,311	2,590,279
1,285,154	1,331,225	1,266,250	1,211,909	1,255,534	1,255,071
-	-	-	660	732	786
650,263	388,709	597,199	432,189	495,398	601,053
8,135,982	8,376,683	7,690,316	9,373,680	8,121,776	7,456,240
1,614,752	1,604,947	1,693,376	1,674,978	1,551,274	1,547,689
1,870,026	1,799,742	2,327,984	2,789,156	2,235,914	2,381,072
10,994	10,967	10,819	10,515	10,189	18,680
1,476,546	1,310,457	1,374,120	1,301,685	1,258,654	1,405,708
598,418	322,332	183,097	627,177	287,332	424,397
935,558	1,506,007	1,124,064	1,505,904	1,099,548	2,184,524
789,995	2,112,217	1,078,111	810,955	939,524	655,998
2,379,565	918,113	755,163	1,032,264	939,671	2,460,564
9,675,854	9,584,782	8,546,734	9,752,634	8,322,106	11,078,632



**City of Perry**



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 6, 2019. Our report expressed a qualified opinion on the financial statements of the aggregate discretely presented component units due to the reporting of the Perry Library Foundation Inc.'s investments at fair market value. 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.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (K) 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

#### Purpose of this Report

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

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

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 6, 2019

City of Perry

Schedule of Findings

Year ended June 30, 2018

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- 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.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

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 will be reviewed to obtain the maximum control possible.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2018

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

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.

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 ask an elected official to monitor delinquencies. The City will develop procedures to support adjustments to utility billings and to reconcile postings with deposits.

Conclusion – Response accepted.

(C) Perry Police Officers Association – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Association's financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Association has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Perry

Schedule of Findings

Year ended June 30, 2018

Effect – Inadequate segregation of duties could adversely affect the Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Association will review its current control activities and create a policy for additional control procedures, such as review of financial transactions, reconciliations and reports.

Conclusion – Response accepted.

(D) Perry Police Officers Association – Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling bank and book balances.

Condition – The Association does not reconcile bank balances to the general ledger balance monthly.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – The Association should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The Perry Police Officers Association Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2018

(E) Perry Volunteer Firefighter's Association – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Association's financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Association has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Association will review its current control activities and create a policy for additional control procedures, such as review of financial transactions, reconciliations and reports.

Conclusion – Response accepted.

(F) Perry Volunteer Firefighter's Association – Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling bank and book balances.

Condition – The Association does not reconcile bank balances to the general ledger balance monthly. At June 30, 2018, the bank balance was \$391 greater than the general ledger balance.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

City of Perry

Schedule of Findings

Year ended June 30, 2018

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – The Association should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The Fire Association Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

(G) Perry Citizen’s Against Crime, Inc. – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Perry Citizen’s Against Crime, Inc. has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Perry Citizen’s Against Crime, Inc. should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – An independent person will periodically review the financial transactions and reconciliations of the Perry Citizen’s Against Crime, Inc.

Conclusion – Response accepted.



City of Perry

Schedule of Findings

Year ended June 30, 2018

(H) Perry Citizen's Against Crime, Inc. – Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling bank and book balances.

Condition – Perry Citizen's Against Crime, Inc. does not reconcile bank balances to the general ledger balance monthly.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – Perry Citizen's Against Crime, Inc. should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

(I) The Perry Public Library Foundation, Inc. – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Foundation has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Perry

Schedule of Findings

Year ended June 30, 2018

Recommendation – The Foundation should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – An independent person will periodically review the financial transactions and reconciliations of the Foundation.

Conclusion – Response accepted.

(J) The Perry Public Library Foundation, Inc. – Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling bank and book balances.

Condition – The Foundation does not reconcile bank balances to the general ledger balance monthly.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – The Foundation should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The Foundation Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

(K) Perry Volunteer Firefighter’s Association – Disbursements

Criteria – An effective internal control system provides for internal controls related to ensuring all disbursements are properly supported.

Condition – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for three of five transactions tested could not be located.

Cause – The Association has not implemented policies and procedures requiring supporting documentation for all disbursements prior to signing checks.

Effect – Lack of supporting documentation can result in unauthorized or improper disbursements and improperly recording transactions.

City of Perry

Schedule of Findings

Year ended June 30, 2018

Recommendation – The Association should establish policies and procedures to require proper support for all disbursements. Disbursements should not be approved unless adequate supporting documentation is available.

Response – The Fire Association will establish policies and procedures to ensure all disbursements are properly supported.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Perry

Schedule of Findings

Year ended June 30, 2018

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

- (1) Certified Budget – Disbursements during fiscal year ended June 30, 2018 exceeded the amounts budgeted in the debt service function. Also, disbursements exceeded the amount budgeted in the community and economic development, general government and capital projects functions prior to the budget amendment.

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

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

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

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements 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 benefit to be derived have not been clearly documented were noted. These disbursements are as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Rosa and Ruben Gonzolez	Recreation center family membership	\$ 258
Megan and Aaron Lyons	Recreation center adult couple membership	225
John Anderson	Food purchases for meeting	63

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 an improper purpose is very thin.

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

Response – The City will review policies and procedures to establish whether these types of purchases serve a public purpose.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Perry

Schedule of Findings

Year ended June 30, 2018

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jay Pattee, Mayor, Owner of Ben Franklin	Supplies	\$ 175
Mike Landals, Public Works, Owner of Landals Concrete Construction	Repairs, not bid	1,750
	Repairs, per bid	41,526
Wayne Schuttler, Police Officer	Repairs	780

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

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, \$1,750 of the transactions with Mike Landals do appear to represent a conflict of interest since the transaction was not competitively bid and was more than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, \$41,526 of the transactions with Mike Landals do not appear to represent a conflict of interest since the transactions were competitively bid.

Recommendation – The City should consult legal counsel on the disposition of this matter.

Response – The City will contact legal counsel to determine the disposition of this transaction.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- (6) City Council Minutes – Disbursements for the Special Revenue, Library Gift Fund were presented to the City Council for approval, but were not published as part of the list of claims allowed in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should include the Special Revenue, Library Gift Fund disbursements in the published list of claims allowed in accordance with Chapter 372.13(6) of the Code of Iowa.

Response – The City of Perry will publish the monthly list of Library Gift Fund disbursements.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2018

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

(8) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

The obligations on the Levy Authority Summary were overstated by \$155,000 due to duplicate reporting of development agreements and related internal loans which funded a portion of the payments under the agreements.

Recommendation – The City should ensure the debt amounts reported on the Levy Authority Summary are accurate.

Response – In the future, the City will not list both the development agreement and the interfund loan on the Annual Urban Renewal Report. The City contacted the Iowa Department of Management to determine the best way to solve this issue, but it was recommended to continue showing the debt as listed until the final Interfund Loan payment is made. The ending TIF Fund balance is shown correctly on the Urban Renewal Report.

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

(10) 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, 2018, the City has not made any payments on the interfund loan and has not amended the terms of the interfund loan agreement.

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

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

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2018

- (11) Financial Condition – The Wiese Park Fund and Capital Projects Fund had deficit balances of \$13,094 and \$1,107,381, respectively, at June 30, 2018.

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

Response – The Wiese Park Fund has a deficit balance due to the timing of the reimbursement request. The City’s request for reimbursement for the 2018 Wiese Park Trail Improvements was sent to the Wiese Foundation in June 2018, but the reimbursement was not received by the City of Perry until July 2018. The Capital Projects Fund has a deficit balance due to the timing of the requests for reimbursements from grants and loans. In FY 2019, the City will receive grant funds from the Iowa Department of Transportation and the Federal Aviation Administration as well as loan proceeds from the Iowa Finance Authority.

Conclusion – Response accepted.

- (12) Debt Service – On April 18, 2016, the City approved the issuance of a \$360,000 interest free general obligation corporate purpose note to Minburn Telephone Company. The payments on this note were budgeted to be funded using Local Option Sales Tax. During fiscal year 2017 and 2018 the City properly made note payments totaling \$50,000 from the Debt Service Fund, but no transfers to the Debt Service Fund were made from the Special Revenue, Local Option Sales Tax Fund nor were debt service taxes levied to cover these payments.

Recommendation – The City should transfer \$50,000 from the Special Revenue, Local Option Sales Tax Fund to the Debt Service fund.

Response – The City will transfer \$50,000 from the Special Revenue, Local Option Sales Tax Fund to the Debt Service Fund.

Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

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Brian R. Brustkern, CPA, Manager  
Jamie T. Reuter, Senior Auditor II  
Christopher M. Anderson, Staff Auditor  
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