



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

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**NEWS RELEASE**

FOR RELEASE March 11, 2008

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$8,057,948 for the year ended June 30, 2007, a 6 percent decrease from 2006. The receipts included \$2,066,772 in property tax, \$285,989 from tax increment financing, \$2,261,060 from charges for service, \$1,273,166 from operating grants, contributions and restricted interest, \$946,885 from capital grants, contributions and restricted interest, \$835,426 from local option sales tax, \$79,837 from unrestricted interest on investments, \$192,787 from franchise fees and \$116,026 from other general receipts.

Disbursements for the year totaled \$9,572,570, a 34 percent increase over the prior year, and included \$2,949,134 for capital projects, \$1,620,051 for public safety and \$1,519,021 for public works. Also, disbursements for business type activities totaled \$890,523.

The significant increase in disbursements is due primarily to an increase in capital projects activity over the prior year.

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

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**CITY OF PERRY**

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

**JUNE 30, 2007**

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**City of Perry**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Viivi Shirley	Mayor	Jan 2008
Morris Michaelsen (Appointed)	Council Member	Jan 2008
Jay Pattee	Council Member	Jan 2008
Wilford Roberts	Council Member	Jan 2008
Phillip Stone (Appointed)	Council Member	Jan 2008
Carolyn McNeill	Council Member	Jan 2010
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Jeanette Peddicord	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

**City of Perry**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Perry's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

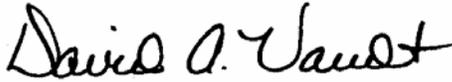
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2007 on our consideration of the City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which is not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 13, 2007

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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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 7.3%, or approximately \$557,000, from fiscal 2006 to fiscal 2007. Decreases in bond and note proceeds from the prior year were offset by the increased receipt of federal grant monies and a full year of collections of the hotel/motel tax and franchise fees.
- Disbursements of the City's governmental activities increased 38.9%, or approximately \$2,435,000, in fiscal 2007 over fiscal 2006. Debt service and capital projects disbursements increased \$162,729, and \$2,622,155, respectively. Capital projects for FY 2007 included two federally funded street improvement projects and Phase 2 of the Downtown Revitalization Project.
- The City's total cash basis net assets decreased 41%, or \$1,514,622, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased \$1,725,835 and the assets of the business type activities increased \$211,213.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. 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, of which the Sewer Fund is considered to be a major fund of the City.

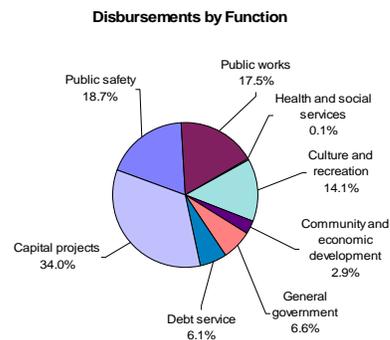
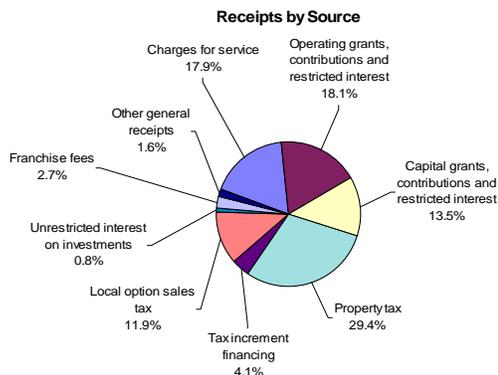
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in the financial highlights on page 7, beginning governmental activities cash basis net assets decreased by \$1,725,835, mainly due to the disbursement of funds generated by a bond sale in FY 2006 for the Phase 2 of the Downtown Revitalization Project.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$2.697 million to \$.971 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2007	2006
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service	\$ 1,259,389	1,238,251
Operating grants, contributions and restricted interest	1,273,166	1,197,453
Capital grants, contributions and restricted interest	946,885	632
<b>General receipts:</b>		
Property tax	2,066,772	1,992,449
Tax increment financing	285,989	398,759
Local option sales tax	835,426	761,510
Unrestricted interest on investments	56,239	32,981
Bond and note proceeds	-	1,853,061
Franchise fees	192,787	-
Other general receipts	116,026	114,810
<b>Total receipts</b>	<b>7,032,679</b>	<b>7,589,906</b>
<b>Disbursements:</b>		
Public safety	1,620,051	1,466,889
Public works	1,519,021	2,072,543
Health and social services	8,972	8,850
Culture and recreation	1,226,133	1,074,267
Community and economic development	252,031	212,968
General government	574,582	715,365
Debt service	532,123	369,394
Capital projects	2,949,134	326,979
<b>Total disbursements</b>	<b>8,682,047</b>	<b>6,247,255</b>
Increase (decrease) in cash basis net assets before transfers	(1,649,368)	1,342,651
Transfers, net	(76,467)	65,821
Increase (decrease) in cash basis net assets	(1,725,835)	1,408,472
Cash basis net assets beginning of year	2,696,996	1,288,524
Cash basis net assets end of year	\$ 971,161	2,696,996



The City's total receipts for governmental activities decreased by 7.3%, or \$557,227. The total cost of all programs and services increased by \$2,434,792, or 38.9%, with no new programs added this year.

The cost of all governmental activities this year was \$8.682 million compared to \$6.247 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$5.203 million because some of the cost was paid by those who directly benefited from the programs (\$1,259,389) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,273,166) or from capital grants, contributions and restricted interest (\$946,885). Overall, the City's program receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$2,436,000 in the prior year to approximately \$3,479,000. The increase is primarily due to the receipt of federal grants which were used to pay for the costs of various street improvement and housing rehabilitation projects. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3.477 million in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 938,133	929,583
Sewer discharge	63,538	63,514
General receipts:		
Unrestricted interest on investments	23,598	17,265
Total receipts	1,025,269	1,010,362
Disbursements:		
Sewer	825,360	822,993
Sewer discharge	65,163	60,755
Total disbursements	890,523	883,748
Increase in cash basis net assets before transfers	134,746	126,614
Transfers, net	76,467	(65,821)
Increase in cash basis net assets	211,213	60,793
Cash basis net assets beginning of year	988,976	928,183
Cash basis net assets end of year	\$ 1,200,189	988,976

Total business type activities receipts for the fiscal year were \$1,025,269 compared to \$1,010,362 last year. The cash balance increased \$211,213 over the prior year. This increase was attributable to budget planning to provide an excess of receipts over disbursements to build a fund balance for future sewer improvement projects. Total disbursements for the fiscal year increased 1%, to \$890,523. The increase is due to increases in the cost of daily operating expenses. Also, the City used the Sewer Discharge Fund for storm sewer and intake repairs during fiscal 2007.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$971,161, a decrease of \$1,725,835 below last year's balance of \$2,696,996. 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 \$122,667 over the prior year to \$234,917. Approximately \$64,547 of this increase was due to the City collecting hotel/motel tax for a full fiscal year. The City intends to use these receipts to fund tourism activities and parks and recreation projects. In addition, the City transferred funds from the Special Revenue, Local Option Sales Tax Fund to the General Fund to pay for capital improvement projects and equipment items.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$15,757 to \$355,899 during the fiscal year. This decrease in the cash balance was attributable to increased fuel costs and utilities in FY 2007.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$768, a decrease of \$296,409 from the previous year. The decrease was the result the repayment of a 1997 interfund loan to the Sewer Fund and the transfer of \$124,402 to the Downtown Capital Improvement Fund for overages on Phase 2 of the Downtown Revitalization Project. \$74,002 in interest was also paid in FY 2007 for the 2006 Urban Renewal Bond for Phase 2 of the Downtown Revitalization Project.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$96,987 over the prior year to \$166,026, due primarily to the desire of the City Council to build a cash balance in this account instead of using all available funds for capital equipment purchases or capital improvement projects.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$32,232 from the prior year to \$(5,199). The decrease was caused by the City using the cash balance in the fund to pay for the employee benefits in the Road Use Tax Fund in order to avoid increasing the fund's levy rate.
- The Debt Service Fund cash balance increased \$2,200 to \$61,211 during the fiscal year.
- The Capital Projects Fund cash balance decreased \$1,602,772 from the prior year to \$(149,732). This decrease was due to the City issuing debt in the prior fiscal year. The debt proceeds were used to finance the Perry Downtown Revitalization Project, Phase 2, which included street, sidewalk, storm sewer, landscape and street light improvements in the downtown area. The Brownfield Redevelopment Project also progressed in FY 2007, with the City receiving funding from the Environmental Protection Agency.
- The Permanent, Perpetual Care Fund balance increased \$4,370 to \$182,710 due to current year contributions for perpetual care.

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

- The Sewer Fund cash balance increased \$212,838 to \$1,182,765, due primarily to the budget planning to build a fund balance for future sanitary sewer improvement projects. The Sewer Discharge Fund cash balance decreased \$1,625 to \$17,424 due to several storm sewer and intake improvement projects.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 21, 2007 and resulted in an increase in operating receipts and disbursements related to capital improvement projects, including the Willis Avenue and Park Street STP Projects, Phase 2 of the Downtown Revitalization Project and the Brownfield Redevelopment Project. Disbursements increased due to utility and fuel costs. The City received several grants, including the Housing Rehab CDBG, tree planting grants from Alliant Energy and MidAmerican Energy, a Bock Foundation Grant for the McCreary Center and from Wiese Foundation for improvement projects at Wiese Park and the Library. The repayment of an interfund loan from the Urban Renewal Tax Increment Fund to the Sewer Fund of \$100,000 was also included in the budget amendment.

The City's receipts were \$400,782 less than the amended budget. This was primarily due to a grant cycle carryover for the Federal Aviation Administration grant for the Perry Municipal Airport AWOS Project and the Environmental Protection Agency grant for the Brownfield Redevelopment Project. In addition, the other city tax and intergovernmental budget line items have variances due to local option sales tax receipts. The City budgets these receipts as other city tax while the auditors reclassify these to intergovernmental receipts since they are received through the sharing agreement with Perry Community School District.

Total disbursements were \$803,369 less than the amended budget. The actual disbursements for the public safety, public works, culture and recreation, general government and capital projects functions were \$81,989, \$205,455, \$95,689, \$220,200 and \$100,928, respectively, less than the amended budget. This was primarily due to overestimating the FY 2007 disbursements for wages for the Police Department as well as overestimating the project costs for the Airport AWOS Project and the Brownfield Redevelopment Project. Also, not all budgeted capital building improvement projects were completed in FY 2007 at the McCreary Community Building and at the Violet Hill Cemetery.

## DEBT ADMINISTRATION

At June 30, 2007, the City had \$6,317,851 in bonds and other long-term debt outstanding, compared to \$7,107,872 for last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation bonds and notes	\$ 2,005,000	2,110,000
Urban renewal tax increment financing revenue bonds	328,006	543,593
Revenue bonds and notes	3,613,000	3,959,000
Bank loans	42,040	40,185
Lease purchase agreements	214,503	275,408
Development agreement	59,705	117,003
Real estate contract	55,597	62,683
Total	\$ 6,317,851	7,107,872

Debt decreased due to the pay down of principal on current debt. A new bank loan was obtained to purchase a tanker truck for the Fire Department.

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 \$2,704,851 is significantly below its constitutional debt limit of \$11,363,644.

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

Taxable valuations used for the FY 2007 budget increased by \$2,377,201, or 1.8% over the value used for the FY 2006 budget. Taxable valuations used for the FY 2008 budget increased by \$13,263,803, or 9.8%, over the value used for the FY 2007 budget. This increase was due to Dallas County reassessing the homes and businesses in Perry. Preliminary figures indicate the taxable valuations to be used for FY 2009 will increase by approximately .52%. Valuations in the next few years will continue to increase with upcoming projects, such as the construction of twenty-four duplexes by Kading Development, the SunAm development project and the construction of two new streets, sanitary sewer and storm sewer collection lines and construction and annexation of the Van Kirk addition. Upcoming projects also include the construction of a new Casey's General Store, a large car wash, the renovation of the Rowley Masonic Home and the construction of a new recreational trail running through Perry on the old Union Pacific railroad right-of-way. This would attach to the Raccoon River Valley Trail and would attract many recreational enthusiasts and businesses geared toward serving trail users. The City has received a REAP grant from the Iowa Department of Natural Resources to assist with construction costs for the trail. The City has also designated a cultural district in the downtown area that will assist property owners in maintaining structural integrity of their buildings. The City will use this increase in revenues to finance programs we currently offer.

During the FY 2008 budget process, the City planned on a positive balance of approximately \$180,000 to use as a beginning balance in the General Fund. City leaders were careful not to fall into a deficit situation again and provided a balanced budget in the General Fund for FY 2008. The actual beginning balance in the General Fund for FY 2008 will be \$234,917.

These indicators were taken into account when adopting the General Fund budget for FY 2008. Amounts available for appropriation in the FY 2008 General Fund budget are budgeted at \$3,394,814. Disbursements in the FY 2008 General Fund budget are budgeted at \$3,394,411.

The City has added no major new programs or initiatives to the FY 2008 budget. The largest projects in FY 2008 continue to be the AWOS Project at the Perry Municipal Airport and the Brownfield Redevelopment Project. The City is working with the Environmental Protection Agency through a grant that provides an environmental assessment of the Brownfield area. The City is currently working to develop the Brownfield into an area that could be ultimately used for recreation and possible commercial development.

The City also plans several street and alley milling and overlay projects as well as a relief sewer project in FY 2008. The City has applied for a CDBG grant for a major sewer repair project on North Second Street.

The City of Perry became an "Iowa Great Place" in FY 2008. The Iowa Great Places Program in the Department of Cultural Affairs assists local communities in developing innovative and entrepreneurial cultural and tourism efforts. The initiative involves a partnership between 18 State agencies to provide "a one-stop shop" for existing State programs for services and funding to local efforts.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Butch Niebuhr, City Administrator, Jeanette Peddicord, City Clerk, or Susie Moorhead, Finance Officer, at Perry City Hall located at 908 Willis Avenue, Perry, IA 50220.

**City of Perry**

## **Basic Financial Statements**

City of Perry

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	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	\$ 1,620,051	33,061	171,478	-
Public works	1,519,021	780,511	653,970	-
Health and social services	8,972	-	1,600	-
Culture and recreation	1,226,133	345,580	190,973	-
Community and economic development	252,031	13,564	192,575	-
General government	574,582	85,772	62,570	-
Debt service	532,123	-	-	-
Capital projects	2,949,134	901	-	946,885
Total governmental activities	8,682,047	1,259,389	1,273,166	946,885
Business type activities:				
Sewer	825,360	938,133	-	-
Sewer discharge	65,163	63,538	-	-
Total business type activities	890,523	1,001,671	-	-
<b>Total Primary Government</b>	<b>\$ 9,572,570</b>	<b>2,261,060</b>	<b>1,273,166</b>	<b>946,885</b>
<b>Component Units:</b>				
Perry Police Officers Association	\$ 6,068	-	4,166	-
Perry Volunteer Firefighter's Association	25,935	-	17,129	-
Perry Municipal Waterworks	1,280,748	1,076,239	51,624	-
<b>Total Component Units</b>	<b>\$ 1,312,751</b>	<b>1,076,239</b>	<b>72,919</b>	<b>-</b>
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax received from Perry Community School District				
Unrestricted interest on investments				
Franchise fees				
Loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,415,512)	-	(1,415,512)	-
(84,540)	-	(84,540)	-
(7,372)	-	(7,372)	-
(689,580)	-	(689,580)	-
(45,892)	-	(45,892)	-
(426,240)	-	(426,240)	-
(532,123)	-	(532,123)	-
(2,001,348)	-	(2,001,348)	-
(5,202,607)	-	(5,202,607)	-
-	112,773	112,773	-
-	(1,625)	(1,625)	-
-	111,148	111,148	-
(5,202,607)	111,148	(5,091,459)	-
-	-	-	(1,902)
-	-	-	(8,806)
-	-	-	(152,885)
-	-	-	(163,593)
1,864,983	-	1,864,983	-
285,989	-	285,989	-
201,789	-	201,789	-
835,426	-	835,426	-
56,239	23,598	79,837	28,500
192,787	-	192,787	-
30,855	-	30,855	-
85,171	-	85,171	67,882
(76,467)	76,467	-	-
3,476,772	100,065	3,576,837	96,382
(1,725,835)	211,213	(1,514,622)	(67,211)
2,696,996	988,976	3,685,972	646,674
\$ 971,161	1,200,189	2,171,350	579,463
\$ 355,899	-	355,899	-
768	-	768	-
61,211	489,540	550,751	232,760
473,297	-	473,297	47,297
79,986	710,649	790,635	299,406
\$ 971,161	1,200,189	2,171,350	579,463

City of Perry

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

As of and for the year ended June 30, 2007

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 1,125,083	-	-	-
Tax increment financing	-	-	285,989	-
Other city tax	279,948	-	-	-
Licenses and permits	63,653	-	-	-
Use of money and property	70,762	-	15,007	1,008
Intergovernmental	309,999	636,171	-	835,426
Charges for service	1,107,255	-	-	-
Special assessments	-	-	-	-
Miscellaneous	117,039	-	35,679	-
Total receipts	3,073,739	636,171	336,675	836,434
<b>Disbursements:</b>				
Operating:				
Public safety	1,233,631	-	-	-
Public works	620,788	651,928	-	66,919
Health and social services	8,972	-	-	-
Culture and recreation	925,832	-	-	-
Community and economic development	229,174	-	-	-
General government	371,315	-	99,681	45,483
Debt service	-	-	-	-
Capital projects	-	-	-	113,239
Total disbursements	3,389,712	651,928	99,681	225,641
Excess (deficiency) of receipts over (under) disbursements	(315,973)	(15,757)	236,994	610,793
<b>Other financing sources (uses):</b>				
Loan proceeds	30,845	-	-	-
Sale of capital assets	800	-	-	-
Operating transfers in	408,625	-	-	-
Operating transfers out	(1,630)	-	(533,403)	(513,806)
Total other financing sources (uses)	438,640	-	(533,403)	(513,806)
Net change in cash balances	122,667	(15,757)	(296,409)	96,987
Cash balances beginning of year	112,250	371,656	297,177	69,039
Cash balances end of year	\$ 234,917	355,899	768	166,026
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	234,917	-	-	-
Special revenue funds	-	355,899	768	166,026
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 234,917	355,899	768	166,026

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Permanent		Total
			Perpetual Care	Nonmajor	
700,967	201,274	-	-	34,159	2,061,483
-	-	-	-	-	285,989
1,900	515	-	-	92	282,455
-	-	-	-	-	63,653
3,264	-	11	-	3,033	93,085
-	-	910,588	-	5,600	2,697,784
700	-	-	-	923	1,108,878
-	-	-	-	901	901
35,490	-	36,286	4,370	177,942	406,806
742,321	201,789	946,885	4,370	222,650	7,001,034
385,078	-	-	-	1,342	1,620,051
179,386	-	-	-	-	1,519,021
-	-	-	-	-	8,972
117,036	-	-	-	183,265	1,226,133
17,457	-	-	-	5,400	252,031
58,103	-	-	-	-	574,582
-	532,123	-	-	-	532,123
-	-	2,835,895	-	-	2,949,134
757,060	532,123	2,835,895	-	190,007	8,682,047
(14,739)	(330,334)	(1,889,010)	4,370	32,643	(1,681,013)
-	-	-	-	-	30,845
-	-	-	-	-	800
1,630	332,534	286,238	-	4,300	1,033,327
(19,123)	-	-	-	(41,832)	(1,109,794)
(17,493)	332,534	286,238	-	(37,532)	(44,822)
(32,232)	2,200	(1,602,772)	4,370	(4,889)	(1,725,835)
27,033	59,011	1,453,040	178,340	129,450	2,696,996
(5,199)	61,211	(149,732)	182,710	124,561	971,161
-	61,211	-	-	-	61,211
-	-	-	-	-	234,917
(5,199)	-	-	-	77,280	594,774
-	-	(149,732)	-	-	(149,732)
-	-	-	182,710	47,281	229,991
(5,199)	61,211	(149,732)	182,710	124,561	971,161

**Exhibit C**

## City of Perry

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

As of and for the year ended June 30, 2007

	Sewer	Non Major - Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 938,133	63,538	1,001,671
Operating disbursements:			
Business type activities	347,345	65,163	412,508
Excess (deficiency) of operating receipts over (under) operating disbursements	590,788	(1,625)	589,163
Non-operating receipts (disbursements):			
Interest on investments	23,598	-	23,598
Debt service	(478,015)	-	(478,015)
Total non-operating receipts (disbursements)	(454,417)	-	(454,417)
Excess (deficiency) of receipts over (under) disbursements	136,371	(1,625)	134,746
Transfers:			
Operating transfers in	100,000	-	100,000
Operating transfers out	(23,533)	-	(23,533)
Total transfers	76,467	-	76,467
Net change in cash balances	212,838	(1,625)	211,213
Cash balances beginning of year	969,927	19,049	988,976
Cash balances end of year	\$ 1,182,765	17,424	1,200,189
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 489,540	-	489,540
Unreserved	693,225	17,424	710,649
Total cash basis fund balances	\$ 1,182,765	17,424	1,200,189

See notes to financial statements.

## City of Perry

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

As of and for the year ended June 30, 2007

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ 91,170
Deductions:	
Benefits paid	<u>70,423</u>
Net change in cash balances	20,747
Cash balance beginning of year	<u>548,544</u>
Cash balance end of year	<u><u>\$ 569,291</u></u>

See notes to financial statements.

**Exhibit E**

## City of Perry

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

As of and for the year ended June 30, 2007

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Municipal Waterworks	Total Component Units
Disbursements	\$ 6,068	25,935	1,280,748	1,312,751
Program receipts:				
Charges for service	-	-	1,076,239	1,076,239
Operating grants and contributions	4,166	17,129	51,624	72,919
Total program receipts	4,166	17,129	1,127,863	1,149,158
Net program disbursements	(1,902)	(8,806)	(152,885)	(163,593)
General receipts:				
Interest on investments	-	35	28,465	28,500
Miscellaneous	-	-	67,882	67,882
Total general receipts	-	35	96,347	96,382
Change in cash basis net assets	(1,902)	(8,771)	(56,538)	(67,211)
Cash basis net assets beginning of year	6,014	15,450	625,210	646,674
Cash basis net assets end of year	\$ 4,112	6,679	568,672	579,463

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2007

**(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, 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.

## 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. and the Dallas County Joint E911 Service Board.

### B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for local sales and service tax receipts received through a 28E agreement with the Perry Community School District and related disbursements.

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

The Debt Service Fund is utilized to account for 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, Perpetual Care Fund is used to account for the upkeep and maintenance of the Violet Hill Cemetery.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Additionally, the City reports a fiduciary fund. Fiduciary funds are used to account for assets held by the City in a trustee capacity.

C. Measurement Focus and Basis of Accounting

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

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

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and capital projects functions before the budget was amended.

**(2) Cash and Pooled Investments**

Except as noted, the City's and its component units' deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and its component units are 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.

At June 30, 2007, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Repurchase Agreements	\$ 322,786	322,786	Less than 1 year

The City had four certificates of deposit held in depositories outside the State of Iowa.

The City utilizes various sweep accounts which, if the daily account balance exceeds \$100,000, the amount is swept to an offshore interest bearing deposits account. These investments are not insured by the Federal Deposit Insurance Corporation and are not covered by the State Sinking Fund in the event of a loss. The amounts invested in offshore accounts are not an allowable investment under Chapter 12B.10(5). If the balance at the end of the day is less than \$100,000 but more than \$10,000, the amount is invested in repurchase agreements on a daily basis. In accordance with Chapter 12B.10(5)(e) of the Code of Iowa, the City may only invest in repurchase agreements whose underlying collateral consists of investments allowed by statute, if the City takes delivery of the underlying collateral, either directly or through an authorized custodian. The City did not take delivery of the underlying collateral for the repurchase agreements directly and did not enter into an appropriate public funds custodial agreement to allow for an authorized custodian to take delivery as required.

Also, deposits in a bank's offshore account and repurchase agreements were not identified as allowable investments in the City's investment policy.

*Interest rate risk:* The City's investment policy limits the investment of operating funds (funds reasonably expected to be expended during a current budget year or within fifteen months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities must be consistent with the needs and uses of the City.

*Custodial credit risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the City's \$322,786 investment in repurchase agreements, \$322,786 of underlying securities were not the name of the City and were not held by the City's authorized custodian.

*Concentration of credit risk:* The City places no limit on the amount that may be invested in any one issuer. However, the City's policy requires the City to diversify its investments to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, issuer or class of securities. More than 5% of the City's investments are in repurchase agreements. These investments are 100% of the City's total investments.

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.

### (3) Long-Term Debt

#### Bonds and Notes Payable

##### Primary Government

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

Year Ending June 30,	General Obligation		Urban Renewal		Sewer		Total	
	Bonds/Notes		Tax Increment		Revenue Bonds/Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 105,000	79,882	224,209	10,791	358,000	121,311	687,209	211,984
2009	110,000	75,472	103,797	2,055	373,000	110,639	586,797	188,166
2010	225,000	70,853	-	-	381,000	98,872	606,000	169,725
2011	235,000	62,303	-	-	396,000	86,136	631,000	148,439
2012	245,000	53,255	-	-	406,000	72,384	651,000	125,639
2013 - 2017	1,085,000	112,246	-	-	1,619,000	142,381	2,704,000	254,627
2018 - 2019	-	-	-	-	80,000	2,072	80,000	2,072
Total	\$ 2,005,000	454,011	328,006	12,846	3,613,000	633,795	5,946,006	1,100,652

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the sewer revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond/note sinking account for the purpose of making the bond/note principal and interest payments when due.
- (c) A sewer reserve fund shall be established and maintained in the amount of \$449,181. The reserve fund will be used for the payment of principal and interest whenever funds on deposit in the sinking fund are insufficient.
- (d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year. However, the City does not charge itself for sewer services.

Discretely Presented Component Unit

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

Year Ending June 30,	Water Revenue Bonds			Water Revenue Notes			Total	
	Issued Jun 1, 1999			Issued Sep 1, 2004				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2008	3.53%	\$ 28,000	14,367	3.00%	\$ 40,000	24,080	68,000	38,447
2009	3.53	29,000	13,379	3.20	40,000	22,880	69,000	36,259
2010	3.53	30,000	12,355	3.40	40,000	21,600	70,000	33,955
2011	3.53	31,000	11,296	3.60	45,000	20,240	76,000	31,536
2012	3.53	32,000	10,202	3.60	45,000	18,620	77,000	28,822
2013 - 2017	3.53	177,000	33,323	3.80-4.40	260,000	64,530	437,000	97,853
2018 - 2019	3.53	80,000	4,271	4.50-4.70	125,000	8,870	205,000	13,141
		<u>\$ 407,000</u>	<u>99,193</u>		<u>\$ 595,000</u>	<u>180,820</u>	<u>1,002,000</u>	<u>280,013</u>

The resolutions providing for the issuance of the water revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A water reserve fund shall be established and maintained in the amount of \$110,739.
- (d) The Board will provide for the establishment of rates to produce revenues at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year.

### Bank Loan Agreements

On August 10, 2004, the City entered into a loan agreement with a local bank for \$32,030. The funds were used for the purchase of police cars. The loan bears 4.99% per annum interest and is to be repaid in three annual installments of \$11,760, including interest, beginning August 10, 2005 and ending August 10, 2007. The balance of the loan at June 30, 2007 was \$11,185.

On May 31, 2007, the City entered into a loan agreement with a local bank for \$30,855. The funds were used for the purchase of a tanker truck for the Fire Department. The loan bears 5.19% per annum interest and is to be repaid in four quarterly installments of \$8,001, including interest, beginning October 1, 2007 and ending July 1, 2008. The balance of the loan at June 30, 2007 was \$30,855.

### Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease an aerial truck and computer equipment for the library with historical costs of \$384,415 and \$66,768, respectively. The following is a schedule of future minimum lease payments, including interest ranging from 4.95% to 5.21% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

Year Ending June 30,	Aerial Truck	Library Computer System
2008	\$ 49,539	1,254
2009	49,539	-
2010	49,539	-
2011	49,539	-
2012	49,539	-
Total minimum lease payments	247,695	1,254
Less amount representing interest	(34,440)	(6)
Present value of net minimum Lease payments	\$ 213,255	1,248

Payments under capital lease purchase agreements totaled \$74,915 for the year ended June 30, 2007.

### Development Agreement

The City has entered into a development agreement with Perry Economic Development Inc. to assist in an urban renewal project. The City agreed to pay a developer \$385,000 in exchange for development of commercial property located in the urban renewal area. Of the \$385,000, \$100,000 was paid from existing tax increment funds, with the remainder to be paid over five years with interest at 6% per annum.

During the year ended June 30, 2007, the City paid the developer \$67,756 from incremental property taxes, which consisted of principal totaling \$57,298 and interest of \$10,458. The outstanding principal balance on the development agreement at June 30, 2007 was \$59,705.

### Real Estate Contract

On February 3, 2003, the City entered into a real estate contract for the purchase of land for cemetery expansion totaling \$117,845 plus interest at 7% per annum. A down payment of \$4,000 was made upon contract approval with an additional principal payment of \$11,000 made on January 2, 2004. Monthly payments of \$938 began August 1, 2003 and will end July 1, 2013. The unpaid balance at June 30, 2007 totaled \$55,597.

## **(4) Pension and Retirement Benefits**

### Iowa Public Employees Retirement System

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$134,819, \$131,780 and \$119,872, respectively, equal to the required contributions for each year.

### Chapter 410 Police Pension Plan

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

This pension plan is accounted for by the City in the Police Pension Fund. The City finances the amount necessary to fund the annual contribution to this pension plan by levying property tax. The City's contributions to this plan for the years ended June 30, 2007, 2006 and 2005, were \$91,170, \$68,984 and \$67,486, 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 percent of the monthly salary at retirement or disability and 50 percent of the monthly salary at death.

The City has four eligible police officers. All are retired and are receiving benefits.

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

- (1) The present value of future pension payments was computed using a discount rate of 6.0%. This discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
- (2) Future pension payments reflect an assumption of 2.22% salary increases as a result of inflation.

As of July 1, 2003, the latest actuarial valuation made, the standardized measure of the unfunded pension obligation is as follows:

Pension Benefit Obligation

Retirees and Beneficiaries Benefits as of July 1, 2003	\$ 905,664
Net Assets Available for Benefits as of June 30, 2007	<u>569,291</u>
Unfunded Pension Benefit Obligation	<u>\$ 336,373</u>

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

Police Retirement Plan

On March 16, 1987, the City entered into an agreement with the Perry Police Department to provide a replacement plan for retirement, disability and survivor benefits in lieu of social security. Under the terms of the agreement, members of the Police Department agreed to have an amount, equivalent to the federal social security rate in effect, withdrawn from each paycheck with the City providing matching funds. Funds are forwarded to a plan administrator. Due to the lack of information available from the plan administrator, we were unable to provide certain disclosures for the defined contribution plan.

During the year ended June 30, 2007, 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, 2007, 2006 and 2005 was \$37,588, \$35,778 and \$35,392, respectively.

**(5) 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 termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 111,700
Compensatory time	18,400
Sick leave	<u>75,400</u>
Total	<u>\$ 205,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

**(6) Interfund Loans**

During the year ended June 30, 1997, the Enterprise, Sewer Fund loaned \$100,000 at no interest to the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2007, the loan was paid in full.

During the year ended June 30, 2003, the Enterprise, Sewer Fund loaned the General Fund \$25,328 at no interest. No principal was repaid during the year ended June 30, 2007 and the balance due was \$16,885.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 351,970
	Employee Benefits	19,123
	Emergency	37,532
		<u>408,625</u>
Special Revenue:	General	1,630
Employee Benefits		<u>1,630</u>
Library Gift	Special Revenue:	
	Friends of the Perry Public Library	4,300
		<u>4,300</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	309,001
	Enterprise:	
	Sewer	23,533
		<u>332,534</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	124,402
	Local Option Sales Tax	161,836
		<u>286,238</u>
Enterprise:	Special Revenue:	
Sewer	Urban Renewal Tax Increment	100,000
		<u>100,000</u>
Total		<u>\$ 1,133,327</u>

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

**(8) Construction Commitments**

The City has entered into construction contracts totaling approximately \$3,095,000 for downtown revitalization, airport, street and storm sewer improvements. As of June 30, 2007, approximately \$2,428,000 had been paid on the contracts. The remaining \$667,000 will be paid as work on the projects progresses.

**(9) Risk Management**

The City is a member in 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 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2007 was \$87,919 and the Perry Municipal Waterworks' contribution was \$14,096.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(10) Economic Development Loan**

On July 21, 2003, the City loaned \$200,000 to Tri-County Cash Lumber Mart, Inc. for construction of water, sewer and street improvements for the Homes of Hiawatha subdivision under the provisions of Chapter 15A of the Code of Iowa. Interest will be repaid at the rate of 3% per annum on July 1 of each year, beginning July 1, 2004. By July 1, 2009, at least forty percent of the principal should be repaid, with the remaining balance due on July 1, 2013. The loan is secured by a mortgage on all lots and property within the Homes of Hiawatha subdivision. The loan was made from the Special Revenue, Urban Renewal Tax Increment Fund and loan repayments will be used to replenish this fund. The balance remaining on the loan at June 30, 2007 was \$177,778.

**(11) Repayment of Development Agreement**

In October 2001, the City entered into a development agreement with Hospital Fund, Inc. to assist in an urban renewal project. The City agreed to pay the developer \$185,000 in exchange for certain street and sanitary sewer improvements. The amounts were subsequently paid from incremental property tax revenues.

During 2005, a lawsuit was settled which required Hospital Fund, Inc. to repay the \$185,000 less tax amounts collected by the City on the applicable property during fiscal years 2004 and 2005. As a result, Hospital Fund, Inc. owed the City \$121,135.

During the year ended June 30, 2007, the City received repayments of \$30,000 from the developer, leaving an outstanding balance of \$61,135.

**(12) Deficit Balances**

The City had deficit balances at June 30, 2007 as follows:

Special Revenue:	
Employee Benefits	\$ 5,199
Capital Projects	149,732

The deficit balance in the Special Revenue, Employee Benefits Fund is the result of costs incurred prior to availability of funds. The deficit balance will be eliminated upon collection of the employee benefit levy. The deficit balance in the Capital Projects Fund will be eliminated upon receipt of federal funds and transfer of local option sales tax receipts.

**(13) Subsequent Events**

In August 2007, the City approved entering into debt in an amount not to exceed \$450,000 for the Sun Am Street Improvement Project.

In August 2007, the City approved a contract with Priority Excavating for \$154,372 for the Warford Relief Sewer Project.

In September 2007, the City approved a contract with Des Moines Asphalt for \$95,055 for the Fall 2007 Street and Alley Overlay Project.

**City of Perry**

**Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,061,483	-	-	-
Tax increment financing	285,989	-	-	-
Other city tax	282,455	-	-	-
Licenses and permits	63,653	-	-	-
Use of money and property	93,085	23,598	28,500	35
Intergovernmental	2,697,784	-	-	-
Charges for service	1,108,878	1,001,671	1,060,278	-
Special assessments	901	-	-	-
Miscellaneous	406,806	-	156,762	21,295
Total receipts	<u>7,001,034</u>	<u>1,025,269</u>	<u>1,245,540</u>	<u>21,330</u>
Disbursements:				
Public safety	1,620,051	-	32,003	32,003
Public works	1,519,021	-	-	-
Health and social services	8,972	-	-	-
Culture and recreation	1,226,133	-	-	-
Community and economic development	252,031	-	-	-
General government	574,582	-	-	-
Debt service	532,123	-	-	-
Capital projects	2,949,134	-	-	-
Business type activities	-	890,523	1,280,748	-
Total disbursements	<u>8,682,047</u>	<u>890,523</u>	<u>1,312,751</u>	<u>32,003</u>
Excess (deficiency) of receipts over (under) disbursements	(1,681,013)	134,746	(67,211)	(10,673)
Other financing sources, net	(44,822)	76,467	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,725,835)	211,213	(67,211)	(10,673)
Balances beginning of year	<u>2,696,996</u>	<u>988,976</u>	<u>646,674</u>	<u>21,464</u>
Balances end of year	<u>\$ 971,161</u>	<u>1,200,189</u>	<u>579,463</u>	<u>10,791</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,061,483	2,003,170	2,003,170	58,313
285,989	302,580	302,580	(16,591)
282,455	1,034,066	1,223,415	(940,960)
63,653	53,650	53,650	10,003
145,148	63,250	104,550	40,598
2,697,784	754,566	2,125,915	571,869
3,170,827	3,172,392	3,172,392	(1,565)
901	1,500	1,500	(599)
542,273	536,321	664,123	(121,850)
9,250,513	7,921,495	9,651,295	(400,782)
1,620,051	1,639,587	1,702,040	81,989
1,519,021	1,472,676	1,724,476	205,455
8,972	8,000	8,975	3
1,226,133	1,180,243	1,321,822	95,689
252,031	99,401	259,253	7,222
574,582	679,746	794,782	220,200
532,123	222,295	531,297	(826)
2,949,134	202,000	3,050,062	100,928
2,171,271	2,193,980	2,263,980	92,709
10,853,318	7,697,928	11,656,687	803,369
(1,602,805)	223,567	(2,005,392)	402,587
31,645	-	-	31,645
(1,571,160)	223,567	(2,005,392)	434,232
4,311,182	3,447,817	3,447,817	863,365
2,740,022	3,671,384	1,442,425	1,297,597

City of Perry

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,958,759. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and capital projects functions before the budget was amended.

**Other 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, 2007

	Special Revenue			
	Emergency	Police Drug	Special Assessment	Library Gift
Receipts:				
Property tax	\$ 34,159	-	-	-
Other city tax	92	-	-	-
Use of money and property	-	-	-	496
Intergovernmental	-	-	-	5,600
Charges for service	-	923	-	-
Special assessments	-	-	901	-
Miscellaneous	-	13,633	-	148,368
Total receipts	34,251	14,556	901	154,464
Disbursements:				
Public safety	-	1,342	-	-
Culture and recreation	-	-	-	160,191
Community and economic development	-	-	-	-
Total disbursements	-	1,342	-	160,191
Excess (deficiency) of receipts over (under) disbursements	34,251	13,214	901	(5,727)
Other financing sources (uses):				
Operating transfers in	-	-	-	4,300
Operating transfers out	(37,532)	-	-	-
Total other financing sources (uses)	(37,532)	-	-	4,300
Net change in cash balances	(3,281)	13,214	901	(1,427)
Cash balances beginning of year	3,281	18,283	4,383	18,303
Cash balances end of year	\$ -	31,497	5,284	16,876
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ -	31,497	5,284	16,876
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ -	31,497	5,284	16,876

See accompanying independent auditor's report.

Recreation Memorial	Wiese Park	Friends of the Perry Public Library	Permanent		Total
			O'Brien Beautification		
-	-	-	-	-	34,159
-	-	-	-	-	92
-	-	-	2,537	-	3,033
-	-	-	-	-	5,600
-	-	-	-	-	923
-	-	-	-	-	901
-	7,453	8,488	-	-	177,942
-	7,453	8,488	2,537	-	222,650
-	-	-	-	-	1,342
10,194	8,122	4,758	-	-	183,265
-	-	-	5,400	-	5,400
10,194	8,122	4,758	-	5,400	190,007
(10,194)	(669)	3,730	(2,863)	-	32,643
-	-	-	-	-	4,300
-	-	(4,300)	-	-	(41,832)
-	-	(4,300)	-	-	(37,532)
(10,194)	(669)	(570)	(2,863)	-	(4,889)
18,935	14,859	1,262	50,144	-	129,450
8,741	14,190	692	47,281	-	124,561
8,741	14,190	692	-	-	77,280
-	-	-	47,281	-	47,281
8,741	14,190	692	47,281	-	124,561

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Corporate purpose notes	May 1, 1999	3.60-4.20%	\$ 880,000
Urban renewal corporate purpose bonds	May 15, 2006	3.80-4.10	1,790,000
Total			
Urban renewal tax increment financing revenue bonds			
	May 20, 2005	3.96%	\$ 750,000
Revenue bonds and notes:			
Sewer	Jun 20, 1996	4.19%	\$ 1,082,000
Sewer	Sep 24, 1998	4.23	1,178,613
Sewer	Sep 24, 1998	4.23	421,387
Sewer revenue refunding notes	Apr 15, 2004	1.10-3.60	2,705,000
Total			
Bank loans:			
Police car	Jul 25, 2003	4.75%	\$ 16,622
Police cars	Aug 10, 2004	4.99	32,010
Zoning department truck	May 17, 2006	5.93	12,506
Tanker truck	May 31, 2007	5.19	30,855
Total			
Lease purchase agreements:			
Aerial truck	Nov 20, 2001	5.21%	\$ 384,415
Cardboard bailer	Apr 17, 2002	5.59	45,855
Library computer system	Aug 1, 2002	4.95	66,768
Total			
Development agreement	Sep 3, 2002	6.00%	\$ 285,000
Real estate contract:			
Bess land	Feb 3, 2003	7.00%	\$ 117,845

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
320,000	-	105,000	215,000	13,335
1,790,000	-	-	1,790,000	74,001
<b>\$ 2,110,000</b>	<b>-</b>	<b>105,000</b>	<b>2,005,000</b>	<b>87,336</b>
543,593	-	215,587	328,006	19,413
410,000	-	35,000	375,000	16,446
936,000	-	64,000	872,000	38,239
333,000	-	22,000	311,000	13,621
2,280,000	-	225,000	2,055,000	62,470
<b>\$ 3,959,000</b>	<b>-</b>	<b>346,000</b>	<b>3,613,000</b>	<b>130,776</b>
5,805	-	5,805	-	258
21,874	-	10,689	11,185	1,071
12,506	-	12,506	-	547
-	30,855	-	30,855	-
<b>\$ 40,185</b>	<b>30,855</b>	<b>29,000</b>	<b>42,040</b>	<b>1,876</b>
249,787	-	36,532	213,255	13,007
9,789	-	9,789	-	547
15,832	-	14,584	1,248	456
<b>\$ 275,408</b>	<b>-</b>	<b>60,905</b>	<b>214,503</b>	<b>14,010</b>
117,003	-	57,298	59,705	10,458
62,683	-	7,086	55,597	4,163

City of Perry  
Bond and Note Maturities  
June 30, 2007

Year Ending June 30,	General Obligation Corporate Purpose Notes Issued May 1, 1999		General Obligation Urban Renewal Corporate Purpose Bonds Issued May 15, 2006		Total	Urban Renewal Tax Increment Financing Revenue Bonds Issued May 20, 2005	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2008	4.20%	\$ 105,000		\$ -	105,000	3.96%	\$ 224,209
2009	4.20	110,000		-	110,000	3.96	103,797
2010		-	3.80%	225,000	225,000		-
2011		-	3.85	235,000	235,000		-
2012		-	3.90	245,000	245,000		-
2013		-	3.95	255,000	255,000		-
2014		-	4.00	265,000	265,000		-
2015		-	4.05	275,000	275,000		-
2016		-	4.10	290,000	290,000		-
2017		-		-	-		-
2018		-		-	-		-
2019		-		-	-		-
Total		<u>\$ 215,000</u>		<u>\$ 1,790,000</u>	<u>2,005,000</u>		<u>\$ 328,006</u>

See accompanying independent auditor's report.

Sewer Revenue Bond Issued Jun 20, 1996		Sewer Revenue Bond Issued Sep 24, 1998		Sewer Revenue Bond Issued Sep 24, 1998		Sewer Revenue Refunding Notes Issued Apr 15, 2004		Total
Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
4.19%	\$ 35,000	4.23%	\$ 69,000	4.23%	\$ 24,000	2.00%	\$ 230,000	358,000
4.19	40,000	4.23	73,000	4.23	25,000	2.35	235,000	373,000
4.19	40,000	4.23	75,000	4.23	26,000	2.60	240,000	381,000
4.19	40,000	4.23	78,000	4.23	28,000	2.85	250,000	396,000
4.19	40,000	4.23	78,000	4.23	28,000	3.10	260,000	406,000
4.19	45,000	4.23	78,000	4.23	28,000	3.30	270,000	421,000
4.19	45,000	4.23	85,000	4.23	32,000	3.45	280,000	442,000
4.19	45,000	4.23	85,000	4.23	32,000	3.60	290,000	452,000
4.19	45,000	4.23	109,000	4.23	33,000		-	187,000
	-	4.23	85,000	4.23	32,000		-	117,000
	-	4.23	51,000	4.23	20,000		-	71,000
	-	4.23	6,000	4.23	3,000		-	9,000
	<u>\$ 375,000</u>		<u>\$ 872,000</u>		<u>\$ 311,000</u>		<u>\$ 2,055,000</u>	<u>3,613,000</u>

**Schedule 4**

## City of Perry

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

For the Last Five Years

	2007	2006	2005	2004	2003
<b>Receipts:</b>					
Property tax	\$ 2,061,483	1,986,821	2,188,259	2,138,066	1,866,408
Tax increment financing	285,989	398,759	440,601	405,732	355,388
Other city tax	282,455	116,767	-	714,035	700,060
Licenses and permits	63,653	75,891	68,061	53,771	47,792
Use of money and property	93,085	72,532	28,862	8,556	24,062
Intergovernmental	2,697,784	1,617,367	1,466,781	811,712	1,197,948
Charges for service	1,108,878	1,073,038	1,157,225	1,126,046	991,731
Special assessments	901	970	1,441	2,609	-
Miscellaneous	406,806	394,700	191,221	185,578	244,390
<b>Total</b>	<b>\$ 7,001,034</b>	<b>5,736,845</b>	<b>5,542,451</b>	<b>5,446,105</b>	<b>5,427,779</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	\$ 1,620,051	1,466,889	1,402,090	1,361,838	1,287,994
Public works	1,519,021	2,072,543	1,639,507	2,591,640	2,155,227
Health and social services	8,972	8,850	5,370	9,856	13,118
Culture and recreation	1,226,133	1,074,267	956,329	963,581	949,744
Community and economic development	252,031	212,968	73,741	68,702	63,874
General government	574,582	715,365	335,705	294,024	409,474
Debt service	532,123	369,394	1,306,484	364,134	372,254
Capital projects	2,949,134	326,979	1,082,019	558,368	172,201
<b>Total</b>	<b>\$ 8,682,047</b>	<b>6,247,255</b>	<b>6,801,245</b>	<b>6,212,143</b>	<b>5,423,886</b>

See accompanying independent auditor's report.

City of Perry  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0075-01-2006	\$ 3,486
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup			
Cooperative Agreements	66.818	BF 98763601-01	132,748
Brownfields Assessment and Cleanup			
Cooperative Agreements	66.818	BF 98780501-01	11,638
			<u>144,386</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2006-FG-11375	36,864
Total direct			<u>184,736</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	04-HSG-080	139,352
Community Development Block Grants/State's Program	14.228	06-CF-026	200,000
			<u>339,352</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing			
Grants	16.710	06LDDAP-05	1,277
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-5970(607)-70-25	232,789
Highway Planning and Construction	20.205	STP-U-5970(608)-70-25	311,359
			<u>544,148</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600		5,756
Alcohol Traffic Safety and Drunk Driving Prevention			
Incentive Grants	20.601		3,248
Total indirect			<u>893,781</u>
Total			<u>\$ 1,078,517</u>

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

See accompanying independent auditor's report.

**City of Perry**



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

David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 13, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Perry's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Perry's financial statements that is more than inconsequential will not be prevented or detected by City of Perry's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Perry's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 13, 2007

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**City of Perry**



**OFFICE OF AUDITOR OF STATE**  
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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Perry, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The City of Perry's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Perry's management. Our responsibility is to express an opinion on the City of Perry's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Perry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Perry's compliance with those requirements.

In our opinion, the City of Perry complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our tests disclosed no instances of non-compliance that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the City of Perry is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Perry's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Perry's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However,

as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 13, 2007

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 – Community Development Block Grants/State's Program and CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Perry did not qualify as a low-risk auditee.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 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 – initiation of 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.

In addition, an independent person does not enter payroll rates and testing of the rates is not saved by the City.

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

Response – The City will create a policy that designates duties to be handled by the City Clerk and Finance Officer. We will segregate duties to the best of our ability given limited staff. The Finance Officer will include a detailed investment report to the City Council on a monthly basis.

Conclusion – Response accepted.

II-B-07 Bank Reconciliations – Monthly bank statements are reconciled to the City's monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – An independent person should review the bank reconciliations and document their review by initialing and dating the monthly reconciliations.

Response – After the Finance Officer reconciles the monthly bank statements, the Mayor, a member of the City Council, or an independent staff person will review the reconciliation and sign off on the paperwork.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-C-07 Electronic Data Processing Systems – The following weaknesses in the City’s computer based systems were noted:

- Users do not log off computer terminals prior to leaving them unattended for extended periods of time and the terminals do not use a time out/log off function to protect them when left unattended.
- Establishing new computer users and login IDs is not restricted to one individual.
- Employee passwords are shared with others and passwords are not set to a recommended minimum of six characters.
- Employee passwords are not changed periodically and password history is not used to prevent re-use of passwords.
- The computer system does not deny access after three failed login attempts.
- System backups are not kept at an off-site location.

Recommendation – The City should address the above items in order to improve the City’s control over computer based systems.

Response – The City has contracted with Mainstay Systems, Inc. for technical support. The City will work with their representative to establish secure login IDs and passwords. Financial and payroll system backups will be kept in an off-site location.

Conclusion – Response accepted.

II-D-07 Petty Cash – A petty cash fund is maintained at City Hall. Amounts in the petty cash fund are not verified by surprise counts.

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

Response – A member of the City Council will be asked to perform periodic surprise counts of petty cash at City Hall.

Conclusion – Response accepted.

II-E-07 Receipts – An independent person does not open the mail, and the individual opening the mail does not prepare an initial listing of collections.

Recommendation – An independent person should open the mail and prepare an initial listing of collections. This listing should be reconciled to daily deposits by an independent person.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Response – A staff member other than the City Clerk or Finance Officer will open the mail and prepare an initial listing of collections on a spreadsheet. An independent person will reconcile the initial listing of collections to deposits on a weekly basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 14.228: Community Development Block Grants/State's Program**  
**Pass-through Agency Number: 04-HSG-080 and 06-CF-026**  
**Federal Award Year: 2007**  
**Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

**CFDA Number 20.205: Highway Planning and Construction**  
**Pass-through Agency Number: STP-U-5970(607)-70-25 and STP-U-5970(608)-70-25**  
**Federal Award Year: 2007**  
**Department of Transportation**  
**Passed through the Iowa Department of Transportation**

III-A-07 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-07.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and capital projects functions before the budget was amended.

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

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

Response – The City will amend the budget as the need arises.

Conclusion – Response accepted.

IV-B-07 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 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, Council Member, Owner of Ben Franklin	Supplies	\$ 369
Sandra Ponce, Police Dispatcher, Interpreter services	Interpreter services	60
Ana Jiminez, Police Dispatcher, Interpreter services	Interpreter services	308

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member and City employees do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-E-07 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 insure the coverage is adequate for current operations.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. For one Council meeting reviewed, the City did not publish the minutes as required by the Code of Iowa. In addition, the official minutes record did not contain approval of one change order reviewed during testing.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required. The official minutes record should reflect accurate information for contract change orders approved.

Response – The City Clerk has since published the minutes in question. The City will be sure to publish all future minutes within the fifteen days as required by law.

Conclusion – Response accepted.

- IV-G-07 Deposits and Investments – Certain deposits and investments do not appear to be in compliance with Chapters 12B and 12C of the Code of Iowa and the City's investment policy, as follows:

- a) During the year ended June 30, 2007, City funds were deposited and transferred into daily investment accounts which invested in repurchase agreements and deposits in a bank's offshore account not insured by the Federal Deposit Insurance Corporation.

In accordance with Chapter 12B.10(5)(e) of the Code of Iowa, the City may only invest in repurchase agreements whose underlying collateral consists of investments allowed by statute, if the City takes delivery of the underlying collateral, either directly or through an authorized custodian. Before an authorized custodian may take delivery of the underlying collateral, the City and custodian must enter into a public funds custodial agreement pursuant to Chapter 12B.10C of the Code of Iowa and Chapter 781-15 of the Treasurer of State's Administrative Rules.

The City did not take delivery of the underlying collateral for the repurchase agreements directly and did not enter into an appropriate public funds custodial agreement to allow for an authorized custodian to take delivery as required.

In accordance with Chapter 12B.10(5)(a)(2) of the Code of Iowa, the City may only invest in deposits at federally insured depository institutions.

- b) Investments in repurchase agreements and deposits in a bank's offshore account not insured by the Federal Deposit Insurance Corporation were not identified as an allowable investment in the City's investment policy.
- c) The City had two certificates of deposit and two Police Pension Plan certificates of deposit held in depositories outside the state, which is in violation of Chapters 12B and 410.3 of the Code of Iowa, respectively.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Recommendation – The City should ensure investments are in compliance with the Code of Iowa and the City’s investment policy and an appropriate public funds custodial agreement is in place prior to allowing any additional repurchase agreement transactions. Also, the City should only deposit funds in allowable depositories.

Response – The City has now invested the public funds in Wells Fargo Bank in a money market account, which is allowed by the Code of Iowa and the City of Perry’s investment policy.

As soon as the certificates of deposit that are held in depositories outside of the state mature, they will be invested in official depositories within the State of Iowa.

Conclusion – Response accepted.

IV-H-07 Revenue Bonds and Notes – One of the provisions of the sewer revenue bonds requires user rates to be established and charged to customers of the utility, including the City. The City does not charge itself for sewer services.

Recommendation – The City should comply with the provisions of the sewer revenue bonds.

Response – After reviewing the provisions with our Bonding Attorney, a reciprocation agreement will be drafted forgiving sewer charges to the City. The City will have this approved by resolution of the City Council.

Conclusion – Response accepted.

IV-I-07 Payment of Debt Commitments – Certain payments on debt obligations were not budgeted or recorded in the financial records under the debt service function.

Recommendation – The City should budget payments on debt obligations under the debt service function to reflect the true nature of those transactions.

Response – The debt obligations will be coded under the correct function.

Conclusion – Response accepted.

IV-J-07 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 State Treasurer’s Office 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 State Treasurer’s Office as required.

Response – The City will review its outstanding checks and will begin an annual review process.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-K-07 City Vehicles – One employee of the City uses a city vehicle to commute between work and home. The City did not include the taxable portion of the vehicle usage in the employee's income.

Recommendation – The City should ensure compliance with Internal Revenue Service regulations regarding taxability of personal use of certain City provided vehicles.

Response – The City has reviewed the IRS code section regarding employer provided vehicles and will include the taxable portion of the vehicle usage in the employee's income.

Conclusion – Response accepted.

IV-L-07 Hotel/Motel Tax – The City collects a hotel/motel tax, of which the City retains 1/7 of the tax receipts to be used in accordance with Chapter 423A.7(4) of the Code of Iowa.

The City's records did not contain sufficient detail to determine whether the hotel/motel tax proceeds were spent in accordance with the purposes stated in the ordinance.

Recommendation – The City should consider establishing a separate sub-account to facilitate tracking of hotel/motel tax proceeds and the disbursement of such funds in accordance with purposes stated in the ordinance.

Response – The Finance Officer will create a separate sub-account in the General Fund to track the hotel/motel tax proceeds and the disbursements of these funds.

Conclusion – Response accepted.

IV-M-07 Financial Condition – The Special Revenue, Employee Benefits Fund and the Capital Projects Fund had deficit balances of \$5,199 and \$149,732 respectively, at June 30, 2007.

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

Response – The deficits will be eliminated during FY 2008.

Conclusion – Response accepted.

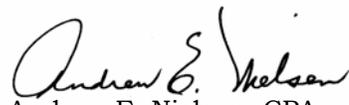
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City of Perry

Staff

This audit was performed by:

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