



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

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**NEWS RELEASE**

FOR RELEASE

February 2, 2009

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

The City's receipts totaled \$9,907,996 for the year ended June 30, 2008, a 23 percent increase over 2007. The receipts included \$2,213,647 in property tax, \$390,257 from tax increment financing, \$2,404,097 from charges for service, \$1,039,378 from operating grants, contributions and restricted interest, \$704,682 from capital grants, contributions and restricted interest, \$847,725 from local option sales tax, \$62,465 from unrestricted interest on investments, \$184,449 from franchise fees, \$2,026,595 from bond proceeds and \$34,701 from other general receipts. The increase in receipts is primarily due to bond proceeds and developer reimbursements received in fiscal year 2008.

Disbursements for the year totaled \$8,404,646, a 12 percent decrease from the prior year, and included \$2,035,449 for public works, \$1,622,210 for public safety and \$1,147,763 for culture and recreation. Also, disbursements for business type activities totaled \$1,129,672.

The significant decrease in disbursements is due primarily to a decrease in capital projects activity from the prior year. The increase in business type activities disbursements was due to the City completing various sewer improvement projects in 2008.

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**  
**JUNE 30, 2008**

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**City of Perry**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
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
<b>(After January 2008)</b>		
Viivi Shirley	Mayor	Jan 2010
Carolyn McNeill	Council Member	Jan 2010
Morris Michaelsen	Council Member	Jan 2012
Jay Pattee	Council Member	Jan 2012
Wilford Roberts	Council Member	Jan 2012
Phillip Stone	Council Member	Jan 2012
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, 2008, 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.

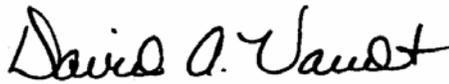
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

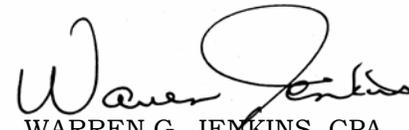
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2008, 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 5, 2008 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 36 through 38 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 two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 5, 2008

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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 26.3%, or approximately \$1,852,000, from fiscal 2007 to fiscal 2008. Increased bond proceeds from the prior year were offset by the decreased receipt of federal grant monies.
- Disbursements of the City's governmental activities decreased 16.2%, or approximately \$1,407,000, in fiscal 2008 from fiscal 2007. Capital projects disbursements decreased \$2,265,489, which was offset by an increase in general government of \$440,507. Capital projects for FY 2007 included two federally funded street improvement projects and Phase 2 of the Downtown Revitalization Project. The increase in general government disbursements is due to the City paying for certain infrastructure improvements in the Sun Am development, which are being reimbursed by the developer.
- The City's total cash basis net assets increased 69%, or \$1,503,350, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased \$1,629,870 and the assets of the business type activities decreased \$126,520.

### 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.

## **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 Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

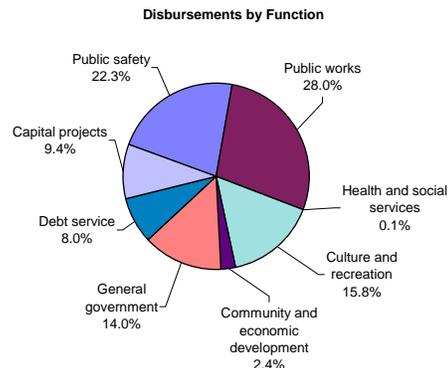
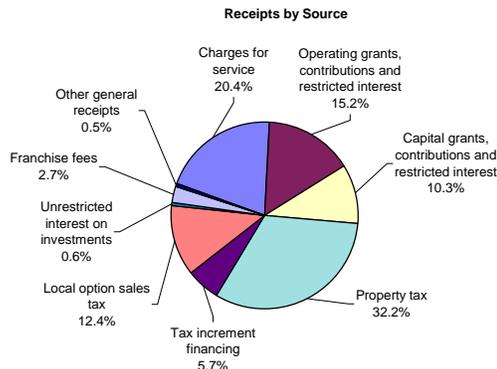
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in the financial highlights on page 7, governmental activities cash basis net assets increased \$1,629,870, mainly due to the receipt of bond proceeds, a significant portion of which remain unspent at year end.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing to approximately \$2.601 million from approximately \$.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,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 1,399,512	1,259,389
Operating grants, contributions and restricted interest	1,039,378	1,273,166
Capital grants, contributions and restricted interest	704,682	946,885
General receipts:		
Property tax	2,213,647	2,066,772
Tax increment financing	390,257	285,989
Local option sales tax	847,725	835,426
Unrestricted interest on investments	43,755	56,239
Bond proceeds	2,026,595	-
Franchise fees	184,449	192,787
Other general receipts	34,701	116,026
Total receipts	8,884,701	7,032,679
Disbursements:		
Public safety	1,622,210	1,620,051
Public works	2,035,449	1,519,021
Health and social services	9,372	8,972
Culture and recreation	1,147,763	1,226,133
Community and economic development	175,985	252,031
General government	1,015,089	574,582
Debt service	585,461	532,123
Capital projects	683,645	2,949,134
Total disbursements	7,274,974	8,682,047
Increase (decrease) in cash basis net assets before transfers	1,609,727	(1,649,368)
Transfers, net	20,143	(76,467)
Increase (decrease) in cash basis net assets	1,629,870	(1,725,835)
Cash basis net assets beginning of year	971,161	2,696,996
Cash basis net assets end of year	\$ 2,601,031	971,161



The City's total receipts for governmental activities increased 26.3%, or \$1,852,022. The total cost of all programs and services decreased \$1,407,073, or 16.2%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$7.275 million compared to approximately \$8.682 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 \$4.131 million because some of the cost was paid by those who directly benefited from the programs (\$1,399,512) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,039,378) or from capital grants, contributions and restricted interest (\$704,682). Overall, the City's program receipts, including intergovernmental aid and fees for service, decreased in 2008 from approximately \$3,479,000 in the prior year to approximately \$3,144,000. The decrease is primarily due to the receipt of less federal grants during fiscal year 2008, which was somewhat offset by an increase in developer reimbursements for the Sun Am Development Project. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5.761 million in tax (some of which could only be used for certain programs) and other receipts, such as interest, bond proceeds and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 941,381	938,133
Sewer discharge	63,204	63,538
General receipts:		
Unrestricted interest on investments	18,710	23,598
Total receipts	<u>1,023,295</u>	<u>1,025,269</u>
Disbursements:		
Sewer	1,128,922	825,360
Sewer discharge	750	65,163
Total disbursements	<u>1,129,672</u>	<u>890,523</u>
Increase (decrease) in cash basis net assets before transfers	(106,377)	134,746
Transfers, net	<u>(20,143)</u>	<u>76,467</u>
Increase (decrease) in cash basis net assets	(126,520)	211,213
Cash basis net assets beginning of year	<u>1,200,189</u>	<u>988,976</u>
Cash basis net assets end of year	<u>\$ 1,073,669</u>	<u>1,200,189</u>

Total business type activities receipts for the fiscal year were \$1,023,295 compared to \$1,025,269 last year. The cash balance decreased \$126,520 from the prior year. Total disbursements for the fiscal year increased 27%, to \$1,129,672. The increase is due to the City completing various sewer improvement projects.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$2,601,031, an increase of \$1,629,870 above last year's balance of \$971,161. 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 \$12,614 over the prior year to \$247,531. Approximately \$8,800 of this increase was due to the sale of City assets such as vehicles and equipment removed from service.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$650 to \$355,249 during the fiscal year. This decrease in the cash balance was attributable to increased fuel costs and utilities in FY 2008.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$234, a decrease of \$534 from the previous year. The decrease was the result of the City funding the Sun Am Development Project, which provided infrastructure improvement in a housing development on the north side of Perry. The City paid the development costs up front and was then reimbursed by the developer, part of which occurred in FY 2009.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$10,455 over the prior year to \$176,481, 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 increased \$8,950 over the prior year to \$3,751. The increase in fund balance is due to the City's health insurance coverage costs increasing less than anticipated during the budget process.
- The Debt Service Fund cash balance decreased \$32,188 to \$29,023 during the fiscal year. The decrease is a result of the City paying the Library's final computer lease payment from the fund balance instead of levying for the amount during the FY 2008 budget process.
- The Capital Projects Fund cash balance increased \$1,608,373 over the prior year to \$1,458,641. This increase was due to the City issuing debt during fiscal year 2008, of which a significant portion of the proceeds remained unspent at year end.

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

- The Sewer Fund cash balance decreased \$188,974 to \$993,791, due primarily to the completion of various sanitary sewer improvement projects.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 19, 2008 and resulted in an increase in operating receipts and disbursements related to capital improvement projects, including the Downtown Alley Project and 2<sup>nd</sup> Street Sewer Project. Disbursements increased due to utility and fuel costs, vehicle repairs and engineering fees. In addition, the City made improvements in the Sun Am development in the urban renewal area and the developer reimbursed the City for the construction costs.

The City's receipts were \$331,160 less than the amended budget. This was primarily due to the City budgeting \$309,000 for a Community Development Block Grant for housing projects. However, the project started later than anticipated and the majority of the grant revenues were not received by the end of fiscal year 2008. Also, actual revenues were less than budgeted 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 \$883,914 less than the amended budget. The actual disbursements for the public safety, community and economic development and capital projects functions were \$145,761, \$256,234 and \$295,729, respectively, less than the amended budget. This was primarily due to overestimating the FY 2008 disbursements for wages for the Police Department as well as overestimating the project costs for the IDED Housing Rehabilitation Project and the Brownfield Redevelopment Project. Also, not all budgeted capital building improvement projects were completed in FY 2008 at the McCreary Community Building and at the Violet Hill Cemetery.

### **DEBT ADMINISTRATION**

At June 30, 2008, the City had \$7,526,617 in bonds and other long-term debt outstanding, compared to \$6,317,851 for last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2007
General obligation bonds and notes	\$ 3,945,000	2,005,000
Urban renewal tax increment financing revenue bonds	103,797	328,006
Revenue bonds and notes	3,255,000	3,613,000
Bank loans	-	42,040
Lease purchase agreements	174,821	214,503
Development agreement	-	59,705
Real estate contracts	47,999	55,597
Total	<u>\$ 7,526,617</u>	<u>6,317,851</u>

Debt increased due to the issuance of general obligation bonds to finance the Downtown Alley Project and 2<sup>nd</sup> Street Sewer Project, which was offset by regular payments on other existing debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,271,617 is significantly below its constitutional debt limit of \$12,847,015.

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

Taxable valuations used for the FY 2008 budget increased \$13,263,803, or 9.8% over the value used for the FY 2007 budget. Taxable valuations used for the FY 2009 budget increased \$296,404, or .2%, over the value used for the FY 2008 budget. 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 Sun Am 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. The Hotel Pattee reopened in July 2008, which will benefit the taxable valuations as well as hotel/motel tax receipts. Upcoming projects also include the construction of a new Casey's General Store, a renovation at the National Guard Armory, a parking lot improvement project at Dallas County Hospital 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 and a Great Places grant from the Iowa Department of Cultural Affairs 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 2009 budget process, the City planned on a positive balance of approximately \$309,488 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 2009. The actual beginning balance in the General Fund for FY 2009 will be \$247,531.

These indicators were taken into account when adopting the General Fund budget for FY 2009. Amounts available for appropriation in the FY 2009 General Fund budget are budgeted at \$3,188,791. Disbursements in the FY 2009 General Fund budget are budgeted at \$3,190,014.

The City has added no major new programs or initiatives to the FY 2009 budget. The largest projects in FY 2008 continue to be the Second Street Sewer Project, the Downtown Alley Renovation Project, the AWOS Project and the Runway Repair 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 has applied for and received approval of 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 eighteen State agencies to provide "a one-stop shop" for existing State programs for services and funding to local efforts. As a result of this designation, the City received a grant in the amount of \$232,600 for construction costs for the in-town portion of the Raccoon River Valley Recreational Trail.

## **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 1102 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, 2008

	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	\$ 1,622,210	36,868	103,474	-
Public works	2,035,449	852,063	675,675	174,788
Health and social services	9,372	-	1,600	-
Culture and recreation	1,147,763	382,162	135,208	-
Community and economic development	175,985	44,372	39,004	408,812
General government	1,015,089	83,201	84,417	-
Debt service	585,461	-	-	-
Capital projects	683,645	846	-	121,082
Total governmental activities	7,274,974	1,399,512	1,039,378	704,682
Business type activities:				
Sewer	1,128,922	941,381	-	-
Sewer discharge	750	63,204	-	-
Total business type activities	1,129,672	1,004,585	-	-
<b>Total Primary Government</b>	<b>\$ 8,404,646</b>	<b>2,404,097</b>	<b>1,039,378</b>	<b>704,682</b>
<b>Component Units:</b>				
Perry Police Officers Association	\$ 8,337	-	7,523	-
Perry Volunteer Firefighter's Association	28,494	-	31,536	-
Perry Municipal Waterworks	1,365,174	1,115,126	154,241	-
<b>Total Component Units</b>	<b>\$ 1,402,005</b>	<b>1,115,126</b>	<b>193,300</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				
Bond proceeds (net of \$18,405 discount)				
Sale of assets				
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				
Debt service				
Capital projects				
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	
(1,481,868)	-	(1,481,868)	-
(332,923)	-	(332,923)	-
(7,772)	-	(7,772)	-
(630,393)	-	(630,393)	-
316,203	-	316,203	-
(847,471)	-	(847,471)	-
(585,461)	-	(585,461)	-
(561,717)	-	(561,717)	-
(4,131,402)	-	(4,131,402)	-
-	(187,541)	(187,541)	-
-	62,454	62,454	-
-	(125,087)	(125,087)	-
(4,131,402)	(125,087)	(4,256,489)	-
-	-	-	(814)
-	-	-	3,042
-	-	-	(95,807)
-	-	-	(93,579)
2,049,344	-	2,049,344	-
390,257	-	390,257	-
164,303	-	164,303	-
847,725	-	847,725	-
43,755	18,710	62,465	25,450
184,449	-	184,449	-
2,026,595	-	2,026,595	-
8,817	-	8,817	-
25,884	-	25,884	-
20,143	(20,143)	-	-
5,761,272	(1,433)	5,759,839	25,450
1,629,870	(126,520)	1,503,350	(68,129)
971,161	1,200,189	2,171,350	579,463
\$ 2,601,031	1,073,669	3,674,700	511,334
\$ 355,249	-	355,249	-
29,023	477,861	506,884	259,447
1,458,641	-	1,458,641	-
510,587	-	510,587	59,464
247,531	595,808	843,339	192,423
\$ 2,601,031	1,073,669	3,674,700	511,334

City of Perry

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

As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 1,226,981	-	-	-
Tax increment financing	-	-	390,257	-
Other city tax	212,956	-	-	-
Licenses and permits	90,554	-	-	-
Use of money and property	61,564	-	6,307	647
Intergovernmental	289,627	653,940	-	847,725
Charges for service	1,215,632	-	-	-
Special assessments	-	-	-	-
Miscellaneous	138,211	-	428,905	9,250
<b>Total receipts</b>	<b>3,235,525</b>	<b>653,940</b>	<b>825,469</b>	<b>857,622</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	1,107,526	-	-	106,478
Public works	730,018	654,590	-	464,948
Health and social services	9,372	-	-	-
Culture and recreation	836,205	-	-	82,869
Community and economic development	155,602	-	-	-
General government	375,568	-	459,709	106,321
Debt service	-	-	-	-
Capital projects	-	-	-	86,551
<b>Total disbursements</b>	<b>3,214,291</b>	<b>654,590</b>	<b>459,709</b>	<b>847,167</b>
Excess (deficiency) of receipts over (under) disbursements	21,234	(650)	365,760	10,455
<b>Other financing sources (uses):</b>				
Bond proceeds (net of \$18,405 discount)	-	-	-	-
Sale of capital assets	8,817	-	-	-
Operating transfers in	52,136	-	-	-
Operating transfers out	(69,573)	-	(366,294)	-
<b>Total other financing sources (uses)</b>	<b>(8,620)</b>	<b>-</b>	<b>(366,294)</b>	<b>-</b>
Net change in cash balances	12,614	(650)	(534)	10,455
Cash balances beginning of year	234,917	355,899	768	166,026
Cash balances end of year	\$ 247,531	355,249	234	176,481
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
<b>Unreserved:</b>				
General fund	247,531	-	-	-
Special revenue funds	-	355,249	234	176,481
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 247,531</b>	<b>355,249</b>	<b>234</b>	<b>176,481</b>

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
780,573	163,940	-	37,249	2,208,743
-	-	-	-	390,257
1,831	363	-	87	215,237
-	-	-	-	90,554
295	-	8	451	69,272
-	-	111,824	-	1,903,116
-	-	-	-	1,215,632
-	-	-	846	846
41,056	-	-	138,210	755,632
823,755	164,303	111,832	176,843	6,849,289
387,115	-	-	21,091	1,622,210
185,893	-	-	-	2,035,449
-	-	-	-	9,372
135,017	-	-	93,672	1,147,763
18,489	-	-	1,894	175,985
73,491	-	-	-	1,015,089
-	585,461	-	-	585,461
-	-	597,094	-	683,645
800,005	585,461	597,094	116,657	7,274,974
23,750	(421,158)	(485,262)	60,186	(425,685)
-	-	2,026,595	-	2,026,595
-	-	-	-	8,817
-	388,970	67,040	2,871	511,017
(14,800)	-	-	(40,207)	(490,874)
(14,800)	388,970	2,093,635	(37,336)	2,055,555
8,950	(32,188)	1,608,373	22,850	1,629,870
(5,199)	61,211	(149,732)	307,271	971,161
3,751	29,023	1,458,641	330,121	2,601,031
-	29,023	-	-	29,023
-	-	-	-	247,531
3,751	-	-	92,152	627,867
-	-	1,458,641	-	1,458,641
-	-	-	237,969	237,969
3,751	29,023	1,458,641	330,121	2,601,031

City of Perry

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

As of and for the year ended June 30, 2008

	Sewer	Nonmajor Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 941,381	63,204	1,004,585
Operating disbursements:			
Business type activities	398,098	750	398,848
Excess of operating receipts over operating disbursements	543,283	62,454	605,737
Non-operating receipts (disbursements):			
Interest on investments	18,710	-	18,710
Debt service	(478,467)	-	(478,467)
Capital projects	(252,357)	-	(252,357)
Total non-operating receipts (disbursements)	(712,114)	-	(712,114)
Excess (deficiency) of receipts over (under) disbursements	(168,831)	62,454	(106,377)
Transfers:			
Operating transfers in	2,533	-	2,533
Operating transfers out	(22,676)	-	(22,676)
Total transfers	(20,143)	-	(20,143)
Net change in cash balances	(188,974)	62,454	(126,520)
Cash balances beginning of year	1,182,765	17,424	1,200,189
Cash balances end of year	\$ 993,791	79,878	1,073,669
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 477,861	-	477,861
Unreserved	515,930	79,878	595,808
Total cash basis fund balances	\$ 993,791	79,878	1,073,669

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, 2008

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ 98,743
Deductions:	
Benefits paid	<u>72,220</u>
Net change in cash balances	26,523
Cash balance beginning of year	<u>569,291</u>
Cash balance end of year	<u><u>\$ 595,814</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, 2008

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Municipal Waterworks	Total Component Units
Disbursements	\$ 8,337	28,494	1,365,174	1,402,005
Program receipts:				
Charges for service	-	-	1,115,126	1,115,126
Operating grants and contributions	7,523	31,536	154,241	193,300
Total program receipts	7,523	31,536	1,269,367	1,308,426
Net program disbursements	(814)	3,042	(95,807)	(93,579)
General receipts:				
Interest on investments	-	20	25,430	25,450
Change in cash basis net assets	(814)	3,062	(70,377)	(68,129)
Cash basis net assets beginning of year	4,112	6,679	568,672	579,463
Cash basis net assets end of year	\$ 3,298	9,741	498,295	511,334
<b>Cash Basis Net Assets</b>				
Restricted:				
Debt service	\$ -	-	259,447	259,447
Other purposes	3,298	9,741	46,425	59,464
Unrestricted	-	-	192,423	192,423
<b>Total cash basis net assets</b>	\$ 3,298	9,741	498,295	511,334

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2008

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

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

A. Reporting Entity

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

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 tax increment financing collections and the payment of principal and interest on debt incurred for urban renewal projects.

The Local Option Sales Tax Fund is used to account for 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 City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's 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, 2008, disbursements exceeded the amount budgeted in the general government function. In addition, disbursements exceeded the amount budgeted in the capital projects function 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, 2008 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.

The City had one certificate of deposit held in a depository outside the State of Iowa.

During the year ended June 30, 2008, the City utilized various sweep accounts where, if the daily account balance exceeded \$100,000, the amount was swept to an offshore interest bearing deposit account. These investments were not insured by the Federal Deposit Insurance Corporation and were not covered by the State Sinking Fund in the event of a loss. Amounts invested in offshore accounts are not an allowable investment under Chapter 12B.10(5) of the Code of Iowa. If the balance at the end of the day was less than \$100,000 but more than \$10,000, the amount was 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. At June 30, 2008, the City did not have any funds invested in repurchase agreements or in offshore accounts.

*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.

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 Bonds/Notes		Urban Renewal Tax Increment Revenue Bonds		Sewer Revenue Bonds/Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 110,000	165,356	103,797	2,055	371,000	106,861	584,797	274,272
2010	315,000	145,755	-	-	380,000	95,615	695,000	241,370
2011	330,000	134,775	-	-	397,000	83,355	727,000	218,130
2012	345,000	123,020	-	-	408,000	70,034	753,000	193,054
2013	405,000	110,465	-	-	419,000	55,790	824,000	166,255
2014 - 2018	1,655,000	323,190	-	-	1,271,000	84,400	2,926,000	407,590
2019 - 2022	785,000	82,250	-	-	9,000	190	794,000	82,440
Total	\$ 3,945,000	1,084,811	103,797	2,055	3,255,000	496,245	7,303,797	1,583,111

Urban Renewal Tax Increment Financing Revenue Bonds

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 TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment 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.

Revenue Bonds and Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,387,000 in sewer revenue bonds/notes issued June 20, 1996, September 24, 1998 and April 15, 2004. The bonds/notes were issued for the purpose of paying the costs of improvements and extensions of the sewer system. The bonds/notes are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2019. The total principal and interest remaining to be paid on the bonds/notes is \$3,751,245. For the current year, principal and interest paid and total customer net receipts were \$477,288 and \$543,283, respectively. Annual principal and interest payments on these sewer revenue bonds/notes are expected to require less than 88 percent of net receipts.

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
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	3.80	45,000	18,620	77,000	28,822
2013	3.53	33,000	9,072	4.00	45,000	16,910	78,000	25,982
2014-2018	3.53	183,000	27,075	4.10-4.60	275,000	53,435	458,000	80,510
2019	3.53	41,000	1,447	4.70	65,000	3,055	106,000	4,502
Total		\$ 379,000	84,826		\$ 555,000	156,740	934,000	241,566

The Waterworks has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 in water revenue bonds issued in June 1999 and \$700,000 in water revenue notes issued in September 2004. Proceeds from the bonds and notes provided financing for constructing improvements and extensions to the water utility. The bonds and notes are payable solely from the water customer net receipts and are payable through 2019. Annual principal and interest on the notes are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the notes and bonds is \$1,175,166. For the current year, principal and interest paid and total customer net receipts were \$106,447 and \$200,386, respectively.

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sinking account for the purpose of making the bond and note principal and interest payments when due.
- (c) A 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 gross revenues at least sufficient to pay the expenses of operation and maintenance of the Waterworks and to have a balance of net revenues equal to at least 110% of the average annual payments of principal and interest on the bonds.

### Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease an aerial truck with a historical cost of \$384,415. The following is a schedule of future minimum lease payments, including interest at 5.21% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2008:

<u>Year Ending June 30,</u>	<u>Aerial Truck</u>
2009	\$ 49,539
2010	49,539
2011	49,539
2012	49,539
Total minimum lease payments	198,156
Less amount representing interest	<u>(23,335)</u>
Present value of net minimum Lease payments	<u>\$ 174,821</u>

Payments under capital lease purchase agreements totaled \$50,848 for the year ended June 30, 2008.

### 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, 2008, the City made the final payment to the developer of \$60,241 from incremental property taxes, which consisted of principal totaling \$59,705 and interest of \$536.

### 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, 2008 totaled \$47,999.

## **(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$135,066, \$134,819 and \$131,780, 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, 2008, 2007 and 2006, were \$72,220, \$70,423 and \$68,984, 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, 2008	<u>595,814</u>
Unfunded Pension Benefit Obligation	<u>\$ 309,850</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. Sixteen police officers were enrolled in the Plan and the fair value of Plan assets at June 30, 2008 was \$308,246.

During the year ended June 30, 2008, 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, 2008, 2007 and 2006 was \$37,369, \$37,588 and \$35,778, 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, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 118,000
Compensatory time	27,800
Sick leave	<u>89,600</u>
Total	<u>\$ 235,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Interfund Loan**

During the year ended June 30, 2003, the Enterprise, Sewer Fund loaned the General Fund \$25,328 at no interest. Principal repaid during the year ended June 30, 2008 was \$2,533 and the balance due was \$14,352.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 14,800
	Emergency	37,336
		<u>52,136</u>
Special Revenue:	Special Revenue:	
Library Gift	Friends of the Perry Public Library	<u>2,871</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	366,294
	Enterprise:	
	Sewer	<u>22,676</u>
		<u>388,970</u>
Capital Projects	General	<u>67,040</u>
Enterprise:		
Sewer	General	<u>2,533</u>
Total		<u>\$ 513,550</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 \$2,306,000 for airport, street and storm sewer improvements. As of June 30, 2008, approximately \$981,000 had been paid on the contracts. The remaining \$1,325,000 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 563 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 200 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, 2008 was \$87,066 and the Perry Municipal Waterworks' contribution was \$15,340.

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 \$10,000,000 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, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

#### **(10) 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, 2008 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 receipts.

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, 2008, the City received repayments of \$30,000 from the developer, leaving an outstanding balance of \$31,135.

**(12) Subsequent Events**

In July 2008, the City issued \$925,000 in general obligation bonds to be used for the acquisition, improvement and furnishing of a building to be used as offices for the City, school district, chamber of commerce and economic development. With the bond proceeds, the City purchased the Security Bank Building Office for \$800,000.

In July 2008, the City approved a contract with Septagon Construction Co., Inc for project management services for the Security Bank Building Office. Total project management services cost is estimated to be \$80,000 to \$100,000.

In July 2008, the City received \$60,000 from the Fullhart-Carnegie Trust for the maintenance on the Carnegie Library.

In August 2008, the Iowa Department of Cultural Affairs awarded the City \$232,600 for the Great Places Trail Project and \$83,400 for the Depot Visitor Center Project.

**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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>				
Property tax	\$ 2,208,743	-	-	-
Tax increment financing	390,257	-	-	-
Other city tax	215,237	-	-	-
Licenses and permits	90,554	-	-	-
Use of money and property	69,272	18,710	25,450	20
Intergovernmental	1,903,116	-	-	-
Charges for service	1,215,632	1,004,585	1,115,126	-
Special assessments	846	-	-	-
Miscellaneous	755,632	-	193,300	39,059
Total receipts	<u>6,849,289</u>	<u>1,023,295</u>	<u>1,333,876</u>	<u>39,079</u>
<b>Disbursements:</b>				
Public safety	1,622,210	-	36,831	36,831
Public works	2,035,449	-	-	-
Health and social services	9,372	-	-	-
Culture and recreation	1,147,763	-	-	-
Community and economic development	175,985	-	-	-
General government	1,015,089	-	-	-
Debt service	585,461	-	-	-
Capital projects	683,645	-	-	-
Business type activities	-	1,129,672	1,365,174	-
Total disbursements	<u>7,274,974</u>	<u>1,129,672</u>	<u>1,402,005</u>	<u>36,831</u>
Excess (deficiency) of receipts over (under) disbursements	(425,685)	(106,377)	(68,129)	2,248
Other financing sources, net	<u>2,055,555</u>	<u>(20,143)</u>	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,629,870	(126,520)	(68,129)	2,248
Balances beginning of year	<u>971,161</u>	<u>1,200,189</u>	<u>579,463</u>	<u>10,791</u>
Balances end of year	<u>\$ 2,601,031</u>	<u>1,073,669</u>	<u>511,334</u>	<u>13,039</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,208,743	2,147,103	2,147,103	61,640
390,257	388,433	388,433	1,824
215,237	1,163,132	1,158,132	(942,895)
90,554	41,175	57,175	33,379
113,412	76,608	325,165	(211,753)
1,903,116	1,286,226	1,444,020	459,096
3,335,343	3,615,742	3,665,992	(330,649)
846	970	970	(124)
909,873	205,084	311,551	598,322
9,167,381	8,924,473	9,498,541	(331,160)
1,622,210	1,721,669	1,767,971	145,761
2,035,449	1,910,436	2,102,108	66,659
9,372	9,500	9,500	128
1,147,763	1,166,418	1,245,585	97,822
175,985	429,719	432,219	256,234
1,015,089	528,761	871,960	(143,129)
585,461	560,012	592,012	6,551
683,645	200,000	979,374	295,729
2,494,846	2,329,505	2,653,005	158,159
9,769,820	8,856,020	10,653,734	883,914
(602,439)	68,453	(1,155,193)	552,754
2,035,412	-	2,036,595	(1,183)
1,432,973	68,453	881,402	551,571
2,740,022	3,291,379	3,291,379	(551,357)
4,172,995	3,359,832	4,172,781	214

City of Perry

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 \$1,797,714. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the general government function. In addition, disbursements exceeded the amount budgeted in the capital projects function 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, 2008

	Special Revenue			
	Emergency	Police Drug	Special Assessment	Library Gift
Receipts:				
Property tax	\$ 37,249	-	-	-
Other city tax	87	-	-	-
Use of money and property	-	-	-	451
Special assessments	-	-	846	-
Miscellaneous	-	19,700	-	66,208
Total receipts	37,336	19,700	846	66,659
Disbursements:				
Public safety	-	21,091	-	-
Culture and recreation	-	-	-	52,895
Community and economic development	-	-	-	-
Total disbursements	-	21,091	-	52,895
Excess (deficiency) of receipts over (under) disbursements	37,336	(1,391)	846	13,764
Other financing sources (uses):				
Operating transfers in	-	-	-	2,871
Operating transfers out	(37,336)	-	-	-
Total other financing sources (uses)	(37,336)	-	-	2,871
Net change in cash balances	-	(1,391)	846	16,635
Cash balances beginning of year	-	31,497	5,284	16,876
Cash balances end of year	\$ -	30,106	6,130	33,511
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ -	30,106	6,130	33,511
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ -	30,106	6,130	33,511

See accompanying independent auditor's report.

Recreation Memorial	Wiese Park	Friends of the Perry Public Library	Permanent		Total
			O'Brien Beautification	Cemetery Perpetual Care	
-	-	-	-	-	37,249
-	-	-	-	-	87
-	-	-	-	-	451
-	-	-	-	-	846
-	33,057	9,373	2,697	7,175	138,210
-	33,057	9,373	2,697	7,175	176,843
-	-	-	-	-	21,091
-	35,568	5,209	-	-	93,672
-	-	-	1,894	-	1,894
-	35,568	5,209	1,894	-	116,657
-	(2,511)	4,164	803	7,175	60,186
-	-	-	-	-	2,871
-	-	(2,871)	-	-	(40,207)
-	-	(2,871)	-	-	(37,336)
-	(2,511)	1,293	803	7,175	22,850
8,741	14,190	692	47,281	182,710	307,271
8,741	11,679	1,985	48,084	189,885	330,121
8,741	11,679	1,985	-	-	92,152
-	-	-	48,084	189,885	237,969
8,741	11,679	1,985	48,084	189,885	330,121

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2008

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
Corporate purpose bonds	Mar 19, 2008	2.70-4.15	2,045,000
Total			
Urban renewal tax increment financing revenue bonds	May 20, 2005	3.96%	\$ 750,000
Revenue bonds and notes:			
Sewer	Jun 20, 1996	3.00%	\$ 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			
Lease purchase agreements:			
Aerial truck	Nov 20, 2001	5.21%	\$ 384,415
Library computer system	Aug 1, 2002	4.95	66,768
Total			
Bank loans:			
Police cars	Aug 10, 2004	4.99	32,010
Tanker truck	May 31, 2007	5.19	30,855
Total			
Real estate contract:			
Bess land	Feb 3, 2003	7.00	117,845
Development agreement	Sep 3, 2002	6.00%	\$ 285,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
215,000	-	105,000	110,000	9,030
1,790,000	-	-	1,790,000	70,853
-	2,045,000	-	2,045,000	-
<u>\$ 2,005,000</u>	<u>2,045,000</u>	<u>105,000</u>	<u>3,945,000</u>	<u>79,883</u>
<u>\$ 328,006</u>	<u>-</u>	<u>224,209</u>	<u>103,797</u>	<u>10,791</u>
375,000	-	35,000	340,000	12,956
872,000	-	69,000	803,000	35,426
311,000	-	24,000	287,000	12,648
2,055,000	-	230,000	1,825,000	58,258
<u>\$ 3,613,000</u>	<u>-</u>	<u>358,000</u>	<u>3,255,000</u>	<u>119,288</u>
213,255	-	38,434	174,821	11,104
1,248	-	1,248	-	62
<u>\$ 214,503</u>	<u>-</u>	<u>39,682</u>	<u>174,821</u>	<u>11,166</u>
11,185	-	11,185	-	560
30,855	-	30,855	-	1,150
<u>\$ 42,040</u>	<u>-</u>	<u>42,040</u>	<u>-</u>	<u>1,710</u>
55,597	-	7,598	47,999	3,651
<u>\$ 59,705</u>	<u>-</u>	<u>59,705</u>	<u>-</u>	<u>536</u>

City of Perry  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	General Obligation Corporate Purpose Notes Issued May 1, 1999		General Obligation Urban Renewal Corporate Purpose Bonds Issued May 15, 2006		General Obligation Urban Renewal Corporate Purpose Bonds Issued March 3, 2008		Total	Urban Renewal Tax Increment Financing Revenue Bonds Issued May 20, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2009	4.20%	\$ 110,000		\$ -		\$ -	110,000	3.96%	\$ 103,797
2010		-	3.80%	225,000	2.70%	90,000	315,000		-
2011		-	3.85	235,000	2.85	95,000	330,000		-
2012		-	3.90	245,000	3.00	100,000	345,000		-
2013		-	3.95	255,000	3.10	150,000	405,000		-
2014		-	4.00	265,000	3.30	155,000	420,000		-
2015		-	4.05	275,000	3.50	160,000	435,000		-
2016		-	4.10	290,000	3.70	165,000	455,000		-
2017		-		-	3.80	170,000	170,000		-
2018		-		-	3.90	175,000	175,000		-
2019		-		-	4.00	185,000	185,000		-
2020		-		-	4.05	190,000	190,000		-
2021		-		-	4.10	200,000	200,000		-
2022		-		-	4.15	210,000	210,000		-
Total		<u>\$ 110,000</u>		<u>\$ 1,790,000</u>		<u>\$ 2,045,000</u>	<u>3,945,000</u>		<u>\$ 103,797</u>

See accompanying independent auditor's report.

Year Ending June 30,	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	
2009	3.00%	\$ 38,000	4.23%	\$ 73,000	4.23%	\$ 25,000	2.35%	\$ 235,000	371,000
2010	3.00	39,000	4.23	75,000	4.23	26,000	2.60	240,000	380,000
2011	3.00	41,000	4.23	78,000	4.23	28,000	2.85	250,000	397,000
2012	3.00	42,000	4.23	78,000	4.23	28,000	3.10	260,000	408,000
2013	3.00	43,000	4.23	78,000	4.23	28,000	3.30	270,000	419,000
2014	3.00	44,000	4.23	85,000	4.23	32,000	3.45	280,000	441,000
2015	3.00	46,000	4.23	85,000	4.23	32,000	3.60	290,000	453,000
2016	3.00	47,000	4.23	109,000	4.23	33,000	-	-	189,000
2017	-	-	4.23	85,000	4.23	32,000	-	-	117,000
2018	-	-	4.23	51,000	4.23	20,000	-	-	71,000
2019	-	-	4.23	6,000	4.23	3,000	-	-	9,000
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
Total		<u>\$ 340,000</u>		<u>\$ 803,000</u>		<u>\$287,000</u>		<u>\$ 1,825,000</u>	<u>3,255,000</u>

**Schedule 4**

## City of Perry

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

For the Last Six Years

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

See accompanying independent auditor's report.



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

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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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2008. 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 a deficiency we consider to be a material weakness.

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 the accompanying Schedule of Findings 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 item (A) is a material weakness.

#### 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 the accompanying Schedule of Findings.

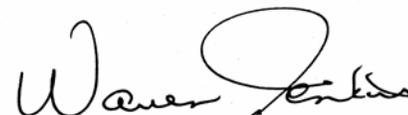
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 5, 2008

City of Perry

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

- 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 written policy that designates duties to be handled by the City Clerk and Finance Officer, which will also provide for duties during vacations and other leaves of absence. The Finance Officer will include a detailed investment report to the City Council on a monthly basis.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings and Collections – A reconciliation of utility billings and collections was not performed on a monthly basis. The reconciliation was performed after year end.

Recommendation – The reconciliation of utility billings and collections should be performed on a monthly basis in order to detect and correct variances in a timely manner.

Response – The City will reconcile the utility billings and collections on a monthly basis instead of an annual basis. The spreadsheets have been created for this monthly reconciliation.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2008

(C) 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 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 moved to 1102 Willis Avenue, Suite 300, in September 2008. New computers and software were purchased for administrative employees. Employees now use login IDs and passwords that are restricted to the individual employees. The passwords are at least six characters and will be changed periodically. The system backup tapes will be taken home by administrative employees.

Conclusion – Response accepted.

(D) 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 - City Hall now has a work station for council members, which means that council will have an increased presence at City Hall. City Council members will periodically reconcile petty cash during surprise inspections.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2008

- (E) Receipts – An independent person opens the mail and prepares an initial listing of collections. However, the initial listing of collections is not periodically reconciled to deposits by an independent person.

Recommendation – The initial listing of collections should be reconciled to daily deposits by an independent person.

Response – A staff member other than the City Clerk or Finance Officer, or a member of the City Council, will periodically reconcile collections to the deposits.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Perry

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the general government function. In addition, disbursements exceeded the amount budgeted in the capital projects function 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.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jay Pattee, Council Member, Owner of Ben Franklin	Supplies	\$ 320
Ana Jiminez, Police Dispatcher, Interpreter services	Interpreter services	398

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

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Perry

Schedule of Findings

Year ended June 30, 2008

(7) 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) For a portion of the year ended June 30, 2008, 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 or the State Sinking Fund.

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 or the State Sinking Fund were not identified as an allowable investment in the City’s investment policy.
- c) The City had one Police Pension Plan certificate of deposit held in a depository outside the state, which is in violation of Chapters 12B and 410.3 of the Code of Iowa.

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 is now depositing funds into a “Public Funds Money Market Account”. No funds remain in the repurchase agreements that were not insured by the Federal Deposit Insurance Corporation. 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.

City of Perry

Schedule of Findings

Year ended June 30, 2008

- (8) 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 – 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.

- (9) 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.

- (10) Unclaimed Property - Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the 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 report and remit obligations to the State Treasurer's Office annually.

Conclusion – Response accepted.

- (11) 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 City will create a sub-fund of the General Fund to track these proceeds and disbursements.

Conclusion – Response accepted.

City of Perry

Schedule of Findings

Year ended June 30, 2008

- (12) Actuarial Valuation – Chapter 410 of the Code of Iowa established a retirement system for certain members of the police department. GASB Statement No. 5 states an actuarial valuation should be obtained every two years to calculate the pension benefit obligation.

The last actuarial valuation obtained by the City for the Police Pension Plan was dated July 1, 2003.

Recommendation – The City should obtain a new actuarial valuation for the Police Pension Plan to comply with the requirements of GASB Statement No. 5.

Response – The City will obtain a new actuarial valuation of the Police Pension Plan during FY 2009 and will obtain a new actuarial valuation every two years.

Conclusion – Response accepted.

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City of Perry

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Dorothy O. Stover, Staff Auditor  
Gelu Sherpa, Staff Auditor  
Monica J. Chappell, Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA  
Deputy Auditor of State