



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

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**NEWS RELEASE**

FOR RELEASE January 29, 2010

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 \$10,040,656 for the year ended June 30, 2009, a 1.3 percent increase over 2008. The receipts included \$2,252,102 in property tax, \$419,463 from tax increment financing, \$2,602,978 from charges for service, \$1,322,240 from operating grants, contributions and restricted interest, \$959,452 from capital grants, contributions and restricted interest, \$796,936 from local option sales tax, \$13,153 from unrestricted interest on investments, \$184,113 from franchise fees, \$1,426,300 from bond and loan proceeds and \$ 63,919 from other general receipts. The increase in receipts is primarily due to an increase in state and federal grants received in fiscal year 2009.

Disbursements for the year totaled \$12,020,486, a 43 percent increase over the prior year, and included \$2,460,564 for capital projects, \$2,381,072 for public works and \$2,184,524 for general government. Also, disbursements for business type activities totaled \$941,854.

The significant increase in disbursements is due primarily to an increase in capital projects activity from the prior year and the purchase of land. The decrease in business type activities disbursements was due to the City completing various sewer improvement projects in the prior year.

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

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**CITY OF PERRY**

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

**JUNE 30, 2009**

Table of Contents

|  |                 | <u>Page</u> |
|--|-----------------|-------------|
| Officials  |                 | 3           |
| Independent Auditor’s Report   |                 | 5-6         |
| Management’s Discussion and Analysis   |                 | 7-14        |
| Basic Financial Statements:  | <u>Exhibit</u>  |             |
| Government-wide Financial Statement:   |                 |             |
| Statement of Activities and Net Assets – Cash Basis  | A               | 16-17       |
| Governmental Fund Financial Statement:   |                 |             |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | B               | 18-19       |
| Proprietary Fund Financial Statement:  |                 |             |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | C               | 20          |
| Fiduciary Fund Financial Statement:  |                 |             |
| Statement of Changes in Fiduciary Net Assets – Cash Basis  | D               | 21          |
| Component Unit Financial Statement:  |                 |             |
| Combining Statement of Activities and Net Assets – Cash Basis  | E               | 22          |
| Notes to Financial Statements  |                 | 23-35       |
| Required Supplementary Information:  |                 |             |
| Budgetary Comparison Schedule of Receipts, Disbursements and<br>Changes in Balances - Budget and Actual (Cash Basis) – All<br>Governmental Funds, Proprietary Funds and Discretely Presented<br>Component Units                    |                 | 38-39       |
| Notes to Required Supplementary Information – Budgetary Reporting  |                 | 40          |
| Other Supplementary Information:   | <u>Schedule</u> |             |
| Schedule of Cash Receipts, Disbursements and Changes in<br>Cash Balances - Nonmajor Governmental Funds   | 1               | 42-43       |
| Schedule of Indebtedness   | 2               | 44-45       |
| Bond and Note Maturities   | 3               | 46-47       |
| Schedule of Receipts by Source and Disbursements by Function –<br>All Governmental Funds   | 4               | 48-49       |
| Schedule of Expenditures of Federal Awards   | 5               | 50-51       |
| Independent Auditor’s Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed in Accordance with<br><u>Government Auditing Standards</u> |                 | 53-54       |
| Independent Auditor’s Report on Compliance with Requirements<br>Applicable to Each Major Program and on Internal Control over<br>Compliance in Accordance with OMB Circular A-133  |                 | 57-58       |
| Schedule of Findings and Questioned Costs  |                 | 59-66       |
| Staff  |                 | 67          |

**City of Perry**

**Officials**

| <u>Name</u>        | <u>Title</u>       | <u>Term Expires</u> |
|--------------------|--------------------|---------------------|
| Viivi Shirley      | Mayor              | Jan 2010            |
| Carolyn McNeill    | Council Member     | Jan 2010            |
| Morris Michaelsen  | Council Member     | Jan 2010            |
| 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, 2009, 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, 2009, 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.

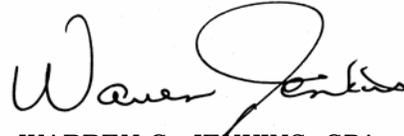
In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2009 on our consideration of the City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 14 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 19, 2009

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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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased less than one percent, or approximately \$1,700, from fiscal 2008 to fiscal 2009. Increased operating and capital grant receipts over the prior year were offset by the decreased receipt of bond proceeds and interest earned on balances and investments.
- Disbursements of the City's governmental activities increased 52%, or approximately \$3,804,000, in fiscal 2009 over fiscal 2008. Capital projects disbursements increased \$1,776,919 and general government disbursements increased \$1,169,435. Capital projects for fiscal 2009 included the Raccoon River Valley Trail, the federally funded 2<sup>nd</sup> Street Sewer Reconstruction and Safe Routes to School projects, alley reconstruction and continued work on the development of the Brownfields. General government disbursements increased primarily due to the purchase and renovation of a new building to house City offices and the disbursement of bond proceeds to the developer who paid for certain improvements in the Sun-Am Development.
- The City's total cash basis net assets decreased 53.9%, or \$1,979,830, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$2,105,558 and the assets of the business type activities increased \$125,728.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has three kinds of funds:

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

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

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

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

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

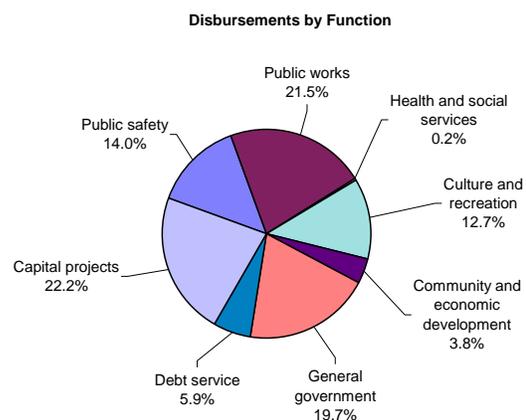
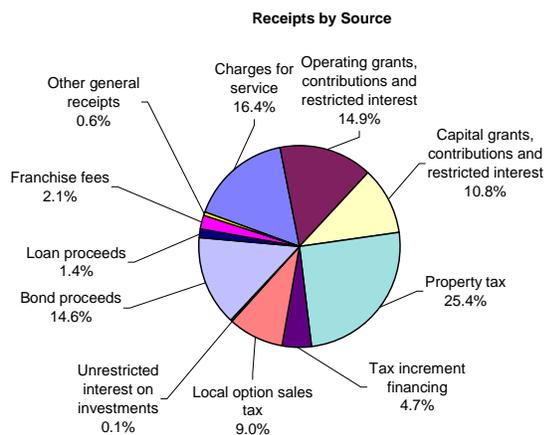
The required financial statement for the fiduciary fund is a statement of fiduciary net assets.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in the financial highlights on page 7, governmental activities cash basis net assets decreased \$2,105,558, mainly due to payment on various capital projects and the purchase of land.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing to approximately \$495,000 from approximately \$2.601 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, |                  |
|   | 2009                | 2008             |
| <b>Receipts:</b>  |                     |                  |
| Program receipts:   |                     |                  |
| Charges for service   | \$ 1,461,713        | 1,399,512        |
| Operating grants, contributions and restricted interest       | 1,322,240           | 1,039,378        |
| Capital grants, contributions and restricted interest         | 959,452             | 704,682          |
| General receipts:   |                     |                  |
| Property tax  | 2,252,102           | 2,213,647        |
| Tax increment financing                                       | 419,463             | 390,257          |
| Local option sales tax  | 796,936             | 847,725          |
| Unrestricted interest on investments                          | 9,019               | 43,755           |
| Bond proceeds   | 1,301,300           | 2,026,595        |
| Loan proceeds   | 125,000             | -                |
| Franchise fees  | 184,113             | 184,449          |
| Other general receipts  | 55,063              | 34,701           |
| <b>Total receipts</b>   | <b>8,886,401</b>    | <b>8,884,701</b> |
| <b>Disbursements:</b>   |                     |                  |
| Public safety   | 1,547,689           | 1,622,210        |
| Public works  | 2,381,072           | 2,035,449        |
| Health and social services                                    | 18,680              | 9,372            |
| Culture and recreation  | 1,405,708           | 1,147,763        |
| Community and economic development                            | 424,397             | 175,985          |
| General government  | 2,184,524           | 1,015,089        |
| Debt service  | 655,998             | 585,461          |
| Capital projects  | 2,460,564           | 683,645          |
| <b>Total disbursements</b>                                    | <b>11,078,632</b>   | <b>7,274,974</b> |
| Increase (decrease) in cash basis net assets before transfers | (2,192,231)         | 1,609,727        |
| Transfers, net  | 86,673              | 20,143           |
| Increase (decrease) in cash basis net assets                  | (2,105,558)         | 1,629,870        |
| Cash basis net assets beginning of year                       | 2,601,031           | 971,161          |
| Cash basis net assets end of year                             | \$ 495,473          | 2,601,031        |



The City's total receipts for governmental activities increased less than one percent, or \$1,700. The total cost of all programs and services increased \$3,803,658, or 52%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$11.079 million compared to approximately \$7.275 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 \$7.335 million because some of the cost was paid by those who directly benefited from the programs (\$1,461,713), by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,322,240) or from capital grants, contributions and restricted interest (\$959,452). Overall, the City's program receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$3,144,000 in the prior year to approximately \$3,743,000. The increase is primarily due to the receipt of more state and federal grants during fiscal year 2009 and the contribution of approximately \$60,000 to maintain the donated Carnegie Fullhart Library. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5.230 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, |                  |
|   | 2009                | 2008             |
| Receipts:   |                     |                  |
| Program receipts:   |                     |                  |
| Charges for service:  |                     |                  |
| Sewer   | \$ 1,062,177        | 941,381          |
| Sewer discharge   | 79,088              | 63,204           |
| General receipts:   |                     |                  |
| Unrestricted interest on investments                          | 4,134               | 18,710           |
| Miscellaneous   | 8,856               | -                |
| Total receipts  | <u>1,154,255</u>    | <u>1,023,295</u> |
| Disbursements:  |                     |                  |
| Sewer   | 937,215             | 1,128,922        |
| Sewer discharge   | 4,639               | 750              |
| Total disbursements   | <u>941,854</u>      | <u>1,129,672</u> |
| Increase (decrease) in cash basis net assets before transfers | 212,401             | (106,377)        |
| Transfers, net  | (86,673)            | (20,143)         |
| Increase (decrease) in cash basis net assets                  | <u>125,728</u>      | <u>(126,520)</u> |
| Cash basis net assets beginning of year                       | <u>1,073,669</u>    | <u>1,200,189</u> |
| Cash basis net assets end of year                             | <u>\$ 1,199,397</u> | <u>1,073,669</u> |

Total business type activities receipts for the fiscal year were \$1,154,255 compared to \$1,023,295 last year. The cash balance increased \$125,728 over the prior year. Receipts increased due to a payment of \$150,000 from the City of Bouton to connect to the City's utilities. Total disbursements for the fiscal year decreased 16.6% to \$941,854. The decrease is due to the completion of sewer improvement projects in prior years.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$495,473, a decrease of \$2,105,558 from last year's balance of \$2,601,031. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$105,763 from the prior year to \$141,768. Increases in receipts for the Community Development Block Grant (CDBG) housing grant, hotel/motel tax, insurance reimbursements and reimbursements for drainage work done by the City were offset by increases in disbursements, including those for work on the CDBG housing grant, a drainage project and costs incurred in the demolition of the Perry Bowl, which was destroyed by fire.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$34,271 to \$320,978 during the fiscal year. This decrease in the cash balance was primarily attributable to a \$20,632 decrease in road use tax receipts in fiscal 2009.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$18,541, an increase of \$18,307 over the previous year. The increase was the result of the City receiving approximately \$29,000 more in tax increment financing in the current year.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$124,271 from the prior year to \$52,210, due primarily to a decrease of approximately \$51,000 in local option sales tax receipts. In addition, disbursements increased due to the purchase of various capital assets and the completion of work on building and airport improvements.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$2,158 from the prior year to \$1,593. The decrease in fund balance is due to the City's health insurance coverage costs increasing more than anticipated during the budget process.
- The Debt Service Fund cash balance decreased \$213,412 to (\$184,389) during the fiscal year. The decrease is a result of the City paying the first payment on the \$925,000 bond from the fund balance. Future payments on this bond are anticipated to be made from local option sales tax receipts and the City will transfer the amount of the first payment to the Debt Service Fund as funds become available.
- The Capital Projects Fund cash balance decreased \$1,700,268 from the prior year to (\$241,627). This decrease was due to the City making payments to contractors on various capital projects in advance of funding being received.
- The Permanent, Cemetery Perpetual Care Fund balance increased \$4,727 to \$194,612 due to current year contributions to perpetual care.

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

- The Enterprise, Sewer Fund cash balance increased \$51,279 to \$1,045,070, due primarily to the payment of \$150,000 by the City of Bouton to hook into Perry utilities. This increase is offset by a decrease in other operating receipts due to economic conditions. In addition, the City made an interfund loan to the General Fund to pay for a lighting update to the McCreary Center.
- The Enterprise, Sewer Discharge Fund cash balance increased \$74,449 to \$154,327, due primarily to the completion of various sanitary sewer improvement projects in the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on May 18, 2009 and June 1, 2009 and resulted in an increase in operating receipts and disbursements related to capital improvement projects, including the Safe Routes to School, street resurfacing and Raccoon River Valley Trail Projects. Increases in receipts were due to insurance reimbursements, merchandise resale and the salt dome project. Disbursements also increased due to the demolition costs and debris removal for the Perry Bowl.

The City's receipts were \$1,121,161 less than the amended budget. This was primarily due to the City budgeting state and federal grants and receipts at higher amounts than were actually received due to timing differences. In addition, franchise fees are difficult to predict and actual receipts were significantly less than budgeted. The Tri-County Lumber payment of approximately \$60,000 was due by June 30, 2009 but was not received until July 2009.

Total disbursements were \$557,774 less than the amended budget. The actual disbursements for the public safety, public works, community and economic development and capital projects functions were \$103,813, \$175,451, \$151,551 and \$481,457, respectively, less than the amended budget. This was primarily due to overestimating the fiscal 2009 disbursements for wages for the Police Department as well as miscalculating the timing of the salt dome project. Also, not all budgeted capital projects were completed in fiscal 2009 as projected when the budget amendments were made.

## DEBT ADMINISTRATION

At June 30, 2009, the City had \$8,146,236 in bonds and other long-term debt outstanding, compared to \$7,526,617 last year, as shown below.

|   | Outstanding Debt at Year-End |           |
|---|------------------------------|-----------|
|   | June 30,                     |           |
|   | 2009                         | 2008      |
| General obligation bonds and notes                  | \$ 4,585,000                 | 3,945,000 |
| Urban renewal tax increment financing revenue bonds | 380,000                      | 103,797   |
| Revenue bonds and notes                             | 2,882,000                    | 3,255,000 |
| Lease purchase agreement                            | 134,385                      | 174,821   |
| Real estate contract                                | 39,851                       | 47,999    |
| Bank loan   | 125,000                      | -         |
| Total   | \$ 8,146,236                 | 7,526,617 |

Debt increased due to the issuance of general obligation bonds to finance the purchase and necessary renovations of a building to house the City Hall offices. In addition, the City issued \$380,000 in urban renewal tax increment financing revenue bonds to finance the construction of improvements in the Sun-Am development. The City also entered into a bank loan agreement to finance the purchase of land for the Parks department.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,264,236 is significantly below its constitutional debt limit of approximately \$13,151,020.

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

Taxable valuations used for the fiscal 2009 budget increased \$296,404, or .2%, over the value used for the fiscal 2008 budget. Taxable valuations used for the fiscal 2010 budget increased \$4,643,567, or 3.11%, over the value used for the fiscal 2009 budget. Valuations in the next year may decline due to an across the board decrease in residential property assessments by the Dallas County Assessor's Office. Economic growth in the City will continue to increase with upcoming projects, such as the construction of the DMACC Academy, a parking lot improvement project at the Dallas County Hospital and the construction of a performing arts auditorium at the Middle School/High School Complex. However, these projects will be tax exempt. The City of Perry was awarded a RISE grant to assist with the upgrade of 26<sup>th</sup> Street due to the addition of a pet supply warehouse and Veterinary Association headquarters located in that area. Continued growth at the Sun-Am Development Project, the Van Kirk addition and the Tri-County Subdivision will supplement the growth of the City's taxable valuations. The Hotel Pattee has reopened and the City's hotel/motel tax receipts increased \$25,318, or 98%, from fiscal 2008 to fiscal 2009. Most of the in-town construction of the Raccoon River Valley Recreational Trail running through Perry on the old Union Pacific railroad right-of-way has been completed. In-town improvements include a trailhead shelter, bike lockers, interpretive kiosks, bilingual fitness signage and four miles of paved trail. The Chamber of Commerce has renovated an old railroad depot as a Welcome Center for trail users and visitors to Perry. Perry's section of the trail will attach to the Raccoon River Valley Trail and create a 33 mile loop bringing the total trail distance to 89 miles. This will attract many recreational enthusiasts and businesses geared toward serving trail users. The City will use this increase in revenues to finance programs we currently offer.

The City of Perry created a low interest Urban Renewal Revolving Loan Account, an account within the Capital Projects Fund, of \$200,000 as part of a bond issue in fiscal 2009. This revolving loan account provides increased incentive for property owners in the Perry Cultural/Historic Downtown District to make improvements to their buildings. Subsequent to June 30, 2009, four property owners have utilized this account.

During fiscal 2009, the City completed several sanitary and storm sewer improvement projects. The North Second Street Sanitary and Storm Sewer Repair Project cost \$1,056,549 and helped to alleviate the flooding problems in the north side of Perry. The East Trunk Sewer Line assessment helped City crews discover infiltration of storm and ground water in the sanitary sewer line. These infiltrations have been repaired and the flow through the Water Pollution Control Facility has dropped to record lows.

Improvements have been made at the Perry Municipal Airport in fiscal 2009 to assist in attracting jets used by businesses and industries. Improvements include the installation of an Automated Weather Observation System, a runway rehabilitation project and two taxiway rehabilitation projects. The City received grants from the Federal Transportation Administration and the Department of Transportation for these improvements. The City plans to add a Cardrol fuel system during fiscal 2010.

The City is working with the Environmental Protection Agency through a grant which provides an environmental assessment and cleanup of the Brownfields area. The City is currently working to develop the Brownfields into an area ultimately to be used for recreation and possible commercial development. Redevelopment of the Brownfields has spurred organizations to utilize the area. The Iowa Firefighter's Association will hold their Annual Convention in Perry on September 12, 2010, with the campground for 6,000 campers in the Brownfields. The City is also in active discussions with a canoe and bike rental outfitter who is looking to open a facility in the Brownfields area.

During the fiscal 2010 budget process, the City planned on a positive balance of \$439,652 to use as a beginning balance in the General Fund. However, with the necessary demolition of the Perry Bowl building, which cost \$146,866, the actual beginning balance in the General Fund for fiscal 2010 will be \$145,205. The Iowa Division of Homeland Security and Emergency Management owed the City \$152,578 for FEMA funding for a natural disaster which occurred in fiscal 2009. These funds were received by the City in August 2009 and September 2009.

These factors were taken into account when adopting the General Fund budget for fiscal 2010. Amounts available for appropriation in the fiscal 2010 General Fund budget are budgeted at \$3,345,163. Disbursements in the fiscal 2010 General Fund budget are budgeted at \$3,340,877. The City has added no major new programs or initiatives to the fiscal 2010 budget.

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

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

## **Basic Financial Statements**

City of Perry

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

|  | 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  | \$ 1,547,689         | 15,225              | 85,986  | -   |
| Public works   | 2,381,072            | 807,602             | 706,252   | -   |
| Health and social services   | 18,680               | -                   | -   | -   |
| Culture and recreation   | 1,405,708            | 392,326             | 153,954   | -   |
| Community and economic development                                   | 424,397              | 25,622              | 39,721  | 372,441   |
| General government   | 2,184,524            | 220,152             | 336,327   | -   |
| Debt service   | 655,998              | -                   | -   | -   |
| Capital projects   | 2,460,564            | 786                 | -   | 587,011   |
| Total governmental activities  | 11,078,632           | 1,461,713           | 1,322,240   | 959,452   |
| Business type activities:  |                      |                     |   |   |
| Sewer  | 937,215              | 1,062,177           | -   | -   |
| Sewer discharge  | 4,639                | 79,088              | -   | -   |
| Total business type activities                                       | 941,854              | 1,141,265           | -   | -   |
| <b>Total Primary Government</b>                                      | <b>\$ 12,020,486</b> | <b>2,602,978</b>    | <b>1,322,240</b>  | <b>959,452</b>  |
| <b>Component Units:</b>  |                      |                     |   |   |
| Perry Police Officers Association                                    | \$ 2,544             | -                   | 3,700   | -   |
| Perry Volunteer Firefighter's Association                            | 12,668               | -                   | 15,233  | -   |
| Perry Municipal Waterworks   | 1,357,794            | 1,141,602           | 160,009   | -   |
| <b>Total Component Units</b>   | <b>\$ 1,373,006</b>  | <b>1,141,602</b>    | <b>178,942</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 \$ 3,700 discount)                             |                      |                     |   |   |
| Loan proceeds  |                      |                     |   |   |
| 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:  |                      |                     |   |   |
| Nonexpendable:   |                      |                     |   |   |
| Permanent funds  |                      |                     |   |   |
| Expendable:  |                      |                     |   |   |
| Streets  |                      |                     |   |   |
| Debt service   |                      |                     |   |   |
| Other purposes   |                      |                     |   |   |
| Unrestricted   |                      |                     |   |   |
| <b>Total cash basis net assets</b>                                   |                      |                     |   |   |

See notes to financial statements.

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |             |                 |
|--|-----------------------------|-------------|-----------------|
| Primary Government   |                             |             | Component Units |
| Governmental<br>Activities   | Business Type<br>Activities | Total       |                 |
| (1,446,478)  | -                           | (1,446,478) | -               |
| (867,218)  | -                           | (867,218)   | -               |
| (18,680)   | -                           | (18,680)    | -               |
| (859,428)  | -                           | (859,428)   | -               |
| 13,387   | -                           | 13,387      | -               |
| (1,628,045)  | -                           | (1,628,045) | -               |
| (655,998)  | -                           | (655,998)   | -               |
| (1,872,767)  | -                           | (1,872,767) | -               |
| (7,335,227)  | -                           | (7,335,227) | -               |
| -  | 124,962                     | 124,962     | -               |
| -  | 74,449                      | 74,449      | -               |
| -  | 199,411                     | 199,411     | -               |
| (7,335,227)  | 199,411                     | (7,135,816) | -               |
| -  | -                           | -           | 1,156           |
| -  | -                           | -           | 2,565           |
| -  | -                           | -           | (56,183)        |
| -  | -                           | -           | (52,462)        |
| 2,030,550  | -                           | 2,030,550   | -               |
| 419,463  | -                           | 419,463     | -               |
| 221,552  | -                           | 221,552     | -               |
| 796,936  | -                           | 796,936     | -               |
| 9,019  | 4,134                       | 13,153      | 15,293          |
| 184,113  | -                           | 184,113     | -               |
| 1,301,300  | -                           | 1,301,300   | -               |
| 125,000  | -                           | 125,000     | -               |
| 3,861  | -                           | 3,861       | -               |
| 51,202   | 8,856                       | 60,058      | -               |
| 86,673   | (86,673)                    | -           | -               |
| 5,229,669  | (73,683)                    | 5,155,986   | 15,293          |
| (2,105,558)  | 125,728                     | (1,979,830) | (37,169)        |
| 2,601,031  | 1,073,669                   | 3,674,700   | 511,334         |
| \$ 495,473   | 1,199,397                   | 1,694,870   | 474,165         |
| \$ 243,795   | -                           | 243,795     | -               |
| 320,978  | -                           | 320,978     | -               |
| -  | 464,960                     | 464,960     | 283,374         |
| 214,948  | -                           | 214,948     | 69,483          |
| (284,248)  | 734,437                     | 450,189     | 121,308         |
| \$ 495,473   | 1,199,397                   | 1,694,870   | 474,165         |

City of Perry

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

As of and for the year ended June 30, 2009

|  | Special Revenue   |                    |                                   |                           |
|--|-------------------|--------------------|-----------------------------------|---------------------------|
|  | General           | Road<br>Use<br>Tax | Urban<br>Renewal<br>Tax Increment | Local Option<br>Sales Tax |
| <b>Receipts:</b>   |                   |                    |                                   |                           |
| Property tax   | \$ 1,235,715      | -                  | -                                 | -                         |
| Tax increment financing                                    | -                 | -                  | 419,463                           | -                         |
| Other city tax   | 237,376           | -                  | -                                 | -                         |
| Licenses and permits                                       | 70,342            | -                  | -                                 | -                         |
| Use of money and property                                  | 23,126            | -                  | 5,333                             | 59                        |
| Intergovernmental  | 412,772           | 633,308            | -                                 | 965,129                   |
| Charges for service  | 1,253,621         | -                  | -                                 | -                         |
| Special assessments  | -                 | -                  | -                                 | -                         |
| Miscellaneous  | 277,821           | -                  | 126,527                           | 3,316                     |
| <b>Total receipts</b>                                      | <b>3,510,773</b>  | <b>633,308</b>     | <b>551,323</b>                    | <b>968,504</b>            |
| <b>Disbursements:</b>                                      |                   |                    |                                   |                           |
| <b>Operating:</b>  |                   |                    |                                   |                           |
| Public safety  | 1,062,794         | -                  | -                                 | 76,260                    |
| Public works   | 761,752           | 667,579            | -                                 | 747,661                   |
| Health and social services                                 | 18,680            | -                  | -                                 | -                         |
| Culture and recreation                                     | 1,038,193         | -                  | -                                 | 150,482                   |
| Community and economic development                         | 403,005           | -                  | -                                 | -                         |
| General government   | 544,179           | -                  | 594,226                           | 986,937                   |
| Debt service   | -                 | -                  | -                                 | -                         |
| Capital projects   | -                 | -                  | -                                 | 33,235                    |
| <b>Total disbursements</b>                                 | <b>3,828,603</b>  | <b>667,579</b>     | <b>594,226</b>                    | <b>1,994,575</b>          |
| Excess (deficiency) of receipts over (under) disbursements | (317,830)         | (34,271)           | (42,903)                          | (1,026,071)               |
| <b>Other financing sources (uses):</b>                     |                   |                    |                                   |                           |
| Bond proceeds (net of \$3,700 discount)                    | -                 | -                  | 380,000                           | 921,300                   |
| Loan proceeds  | 125,000           | -                  | -                                 | -                         |
| Sale of capital assets                                     | 3,861             | -                  | -                                 | -                         |
| Operating transfers in                                     | 116,475           | -                  | -                                 | -                         |
| Operating transfers out                                    | (33,269)          | -                  | (318,790)                         | (19,500)                  |
| <b>Total other financing sources (uses)</b>                | <b>212,067</b>    | <b>-</b>           | <b>61,210</b>                     | <b>901,800</b>            |
| Net change in cash balances                                | (105,763)         | (34,271)           | 18,307                            | (124,271)                 |
| Cash balances beginning of year                            | 247,531           | 355,249            | 234                               | 176,481                   |
| Cash balances end of year                                  | \$ 141,768        | 320,978            | 18,541                            | 52,210                    |
| <b>Cash Basis Fund Balances</b>                            |                   |                    |                                   |                           |
| <b>Unreserved:</b>   |                   |                    |                                   |                           |
| General fund   | \$ 141,768        | -                  | -                                 | -                         |
| Special revenue funds                                      | -                 | 320,978            | 18,541                            | 52,210                    |
| Debt service fund  | -                 | -                  | -                                 | -                         |
| Capital projects fund                                      | -                 | -                  | -                                 | -                         |
| Permanent funds  | -                 | -                  | -                                 | -                         |
| <b>Total cash basis fund balances</b>                      | <b>\$ 141,768</b> | <b>320,978</b>     | <b>18,541</b>                     | <b>52,210</b>             |

See notes to financial statements.

| Employee Benefits | Debt Service | Capital Projects | Permanent Cemetery |   | Nonmajor | Total       |
|-------------------|--------------|------------------|--------------------|---|----------|-------------|
|                   |              |                  | Perpetual Care     |   |          |             |
| 753,796           | 221,179      | -                | -                  | - | 37,527   | 2,248,217   |
| -                 | -            | -                | -                  | - | -        | 419,463     |
| 1,382             | 373          | -                | -                  | - | 69       | 239,200     |
| -                 | -            | -                | -                  | - | -        | 70,342      |
| -                 | -            | -                | -                  | - | 3,311    | 31,829      |
| -                 | -            | 576,107          | -                  | - | 2,963    | 2,590,279   |
| -                 | -            | -                | -                  | - | 1,450    | 1,255,071   |
| -                 | -            | -                | -                  | - | 786      | 786         |
| 56,939            | -            | 10,904           | 4,727              | - | 120,819  | 601,053     |
| 812,117           | 221,552      | 587,011          | 4,727              | - | 166,925  | 7,456,240   |
| 404,423           | -            | -                | -                  | - | 4,212    | 1,547,689   |
| 204,080           | -            | -                | -                  | - | -        | 2,381,072   |
| -                 | -            | -                | -                  | - | -        | 18,680      |
| 145,620           | -            | -                | -                  | - | 71,413   | 1,405,708   |
| 19,239            | -            | -                | -                  | - | 2,153    | 424,397     |
| 59,182            | -            | -                | -                  | - | -        | 2,184,524   |
| -                 | 655,998      | -                | -                  | - | -        | 655,998     |
| -                 | -            | 2,427,329        | -                  | - | -        | 2,460,564   |
| 832,544           | 655,998      | 2,427,329        | -                  | - | 77,778   | 11,078,632  |
| (20,427)          | (434,446)    | (1,840,318)      | 4,727              | - | 89,147   | (3,622,392) |
| -                 | -            | -                | -                  | - | -        | 1,301,300   |
| -                 | -            | -                | -                  | - | -        | 125,000     |
| -                 | -            | -                | -                  | - | -        | 3,861       |
| 33,269            | 221,034      | 151,299          | -                  | - | 2,646    | 524,723     |
| (15,000)          | -            | (11,249)         | -                  | - | (40,242) | (438,050)   |
| 18,269            | 221,034      | 140,050          | -                  | - | (37,596) | 1,516,834   |
| (2,158)           | (213,412)    | (1,700,268)      | 4,727              | - | 51,551   | (2,105,558) |
| 3,751             | 29,023       | 1,458,641        | 189,885            | - | 140,236  | 2,601,031   |
| 1,593             | (184,389)    | (241,627)        | 194,612            | - | 191,787  | 495,473     |
| -                 | -            | -                | -                  | - | -        | 141,768     |
| 1,593             | -            | -                | -                  | - | 142,604  | 535,926     |
| -                 | (184,389)    | -                | -                  | - | -        | (184,389)   |
| -                 | -            | (241,627)        | -                  | - | -        | (241,627)   |
| -                 | -            | -                | 194,612            | - | 49,183   | 243,795     |
| 1,593             | (184,389)    | (241,627)        | 194,612            | - | 191,787  | 495,473     |

City of Perry

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

As of and for the year ended June 30, 2009

|  | Enterprise   |                 |           |
|--|--------------|-----------------|-----------|
|  | Sewer        | Sewer Discharge | Total     |
| Operating receipts:  |              |                 |           |
| Charges for service  | \$ 1,062,177 | 79,088          | 1,141,265 |
| Operating disbursements:                                     |              |                 |           |
| Business type activities                                     | 385,526      | 4,639           | 390,165   |
| Excess of operating receipts over<br>operating disbursements | 676,651      | 74,449          | 751,100   |
| Non-operating receipts (disbursements):                      |              |                 |           |
| Interest on investments                                      | 4,134        | -               | 4,134     |
| Miscellaneous  | 8,856        | -               | 8,856     |
| Debt service   | (474,845)    | -               | (474,845) |
| Capital projects   | (76,844)     | -               | (76,844)  |
| Total non-operating receipts (disbursements)                 | (538,699)    | -               | (538,699) |
| Excess of receipts over disbursements                        | 137,952      | 74,449          | 212,401   |
| Transfers:   |              |                 |           |
| Operating transfers out                                      | (86,673)     | -               | (86,673)  |
| Net change in cash balances                                  | 51,279       | 74,449          | 125,728   |
| Cash balances beginning of year                              | 993,791      | 79,878          | 1,073,669 |
| Cash balances end of year                                    | \$ 1,045,070 | 154,327         | 1,199,397 |
| <b>Cash Basis Fund Balances</b>                              |              |                 |           |
| Reserved for debt service                                    | \$ 464,960   | -               | 464,960   |
| Unreserved   | 580,110      | 154,327         | 734,437   |
| Total cash basis fund balances                               | \$ 1,045,070 | 154,327         | 1,199,397 |

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, 2009

|                                | <u>Police<br/>Pension</u> |
|--------------------------------|---------------------------|
| Additions:                     |                           |
| Employer contributions         | \$ 88,380                 |
| Deductions:                    |                           |
| Benefits paid                  | <u>74,848</u>             |
| Net change in cash balances    | 13,532                    |
| Cash balance beginning of year | <u>595,814</u>            |
| Cash balance end of year       | <u><u>\$ 609,346</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, 2009

|   | Perry Police<br>Officers<br>Association | Perry Volunteer<br>Firefighter's<br>Association | Perry<br>Municipal<br>Waterworks | Total<br>Component<br>Units |
|---|---|---|----------------------------------|-----------------------------|
| Disbursements                           | \$ 2,544                                | 12,668  | 1,357,794                        | 1,373,006                   |
| Program receipts:                       |   |   |                                  |                             |
| Charges for service                     | -                                       | -   | 1,141,602                        | 1,141,602                   |
| Operating grants and contributions      | 3,700                                   | 15,233  | 160,009                          | 178,942                     |
| Total program receipts                  | 3,700                                   | 15,233  | 1,301,611                        | 1,320,544                   |
| Net program disbursements               | 1,156                                   | 2,565   | (56,183)                         | (52,462)                    |
| General receipts:                       |   |   |                                  |                             |
| Interest on investments                 | -                                       | 8   | 15,285                           | 15,293                      |
| Change in cash basis net assets         | 1,156                                   | 2,573   | (40,898)                         | (37,169)                    |
| Cash basis net assets beginning of year | 3,298                                   | 9,741   | 498,295                          | 511,334                     |
| Cash basis net assets end of year       | \$ 4,454                                | 12,314  | 457,397                          | 474,165                     |
| <b>Cash Basis Net Assets</b>            |   |   |                                  |                             |
| Restricted:                             |   |   |                                  |                             |
| Debt service                            | \$ -                                    | -   | 283,374                          | 283,374                     |
| Other purposes                          | 4,454                                   | 12,314  | 52,715                           | 69,483                      |
| Unrestricted                            | -                                       | -   | 121,308                          | 121,308                     |
| <b>Total cash basis net assets</b>      | \$ 4,454                                | 12,314  | 457,397                          | 474,165                     |

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2009

**(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 three categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable 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 definitions of the preceding categories. 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 Permanent, Cemetery Perpetual Care Fund is used to account for the upkeep and maintenance of the Violet Hill cemetery.

The City reports the following major proprietary funds:

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

The Sewer Discharge Fund accounts for the operation and maintenance of the City's storm water 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 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, 2009, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

**(2) Cash and Pooled Investments**

The City's and its component units' deposits in banks at June 30, 2009 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.

*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<br>Ending<br>June 30, | General Obligation |          | Urban Renewal<br>Tax Increment<br>Financing |          | Sewer               |          | Total     |           |
|----------------------------|--------------------|----------|---|----------|---------------------|----------|-----------|-----------|
|                            | Bonds/Notes        |          | Revenue Bonds                               |          | Revenue Bonds/Notes |          |           |           |
|                            | Principal          | Interest | Principal                                   | Interest | Principal           | Interest | Principal | Interest  |
| 2010                       | \$ 495,000         | 168,932  | 90,000                                      | 18,050   | 381,000             | 83,960   | 966,000   | 270,942   |
| 2011                       | 515,000            | 152,553  | 95,000                                      | 13,776   | 396,000             | 72,972   | 1,006,000 | 239,301   |
| 2012                       | 535,000            | 135,247  | 95,000                                      | 9,262    | 406,000             | 61,000   | 1,036,000 | 205,509   |
| 2013                       | 600,000            | 116,803  | 100,000                                     | 4,750    | 421,000             | 48,060   | 1,121,000 | 169,613   |
| 2014                       | 420,000            | 95,742   | -   | -        | 442,000             | 34,080   | 862,000   | 129,822   |
| 2015 - 2019                | 1,420,000          | 259,458  | -   | -        | 836,000             | 33,510   | 2,256,000 | 292,968   |
| 2020 - 2022                | 600,000            | 50,240   | -   | -        | -                   | -        | 600,000   | 50,240    |
| Total                      | \$ 4,585,000       | 978,975  | 380,000                                     | 45,838   | 2,882,000           | 333,582  | 7,847,000 | 1,358,395 |

### Urban Renewal Tax Increment Financing (TIF) Revenue Bonds

The urban renewal tax increment financing 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 financing 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. Total principal and interest remaining on the bonds is \$425,838, payable through June 2013. For the current year, principal and interest paid and total TIF receipts were \$117,196 and \$419,463, respectively.

### Revenue Bonds and Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,387,000 of 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 \$3,215,582. For the current year, principal and interest paid and total customer net receipts were \$473,729 and \$676,651, respectively. Annual principal and interest payments on these sewer revenue bonds/notes are expected to require less than 71 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 fund 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<br>Ending<br>June 30, | Water Revenue Bonds |                   |               | Water Revenue Notes |                   |                | Total          |                |
|----------------------------|---------------------|-------------------|---------------|---------------------|-------------------|----------------|----------------|----------------|
|                            | Issued Jun 1, 1999  |                   |               | Issued Sep 1, 2004  |                   |                |                |                |
|                            | Interest<br>Rates   | Principal         | Interest      | Interest<br>Rates   | Principal         | Interest       | Principal      | Interest       |
| 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                       | 3.53                | 34,000            | 7,908         | 4.10                | 50,000            | 15,110         | 84,000         | 23,018         |
| 2015-2019                  | 3.53                | 190,000           | 20,615        | 4.25-4.70           | 290,000           | 41,380         | 480,000        | 61,995         |
| Total                      |                     | <u>\$ 350,000</u> | <u>71,448</u> |                     | <u>\$ 515,000</u> | <u>133,860</u> | <u>865,000</u> | <u>205,308</u> |

The Waterworks has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 of water revenue bonds issued in June 1999 and \$700,000 of 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 81 percent of net receipts. The total principal and interest remaining to be paid on the notes and bonds is \$1,070,308. For the current year, principal and interest paid and total customer net receipts were \$105,259 and \$129,990, 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 fund 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 Agreement

The City previously entered into a capital lease purchase agreement 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 agreement in effect at June 30, 2009:

| <u>Year<br/>Ending<br/>June 30,</u>            | <u>Amount</u>     |
|--|-------------------|
| 2010   | \$ 49,539         |
| 2011   | 49,539            |
| 2012   | <u>49,539</u>     |
| Total minimum lease payments                   | 148,617           |
| Less amount representing interest              | <u>(14,232)</u>   |
| Present value of net minimum<br>Lease payments | <u>\$ 134,385</u> |

Payments under the capital lease purchase agreement totaled \$49,539 for the year ended June 30, 2009.

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, 2009 totaled \$39,851.

Bank Loan Agreement

On May 18, 2009, the City entered into a loan agreement with a local bank for \$125,000. The funds were used for the purchase of land. The loan bears 3.25% per annum interest and is to be repaid in three annual installments of \$41,667 beginning June 1, 2010 and ending June 1, 2012. The balance of the loan at June 30, 2009 was \$125,000.

**(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$144,720, \$135,066 and \$134,819, 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, 2009, 2008 and 2007 were \$74,848, \$72,220 and \$70,423, 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 5.0%. 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 2.25% salary increases as a result of inflation.

As of January 1, 2009, 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 January 1, 2009 | \$ 969,974        |
| Net Assets Available for Benefits as of June 30, 2009     | <u>609,346</u>    |
| Unfunded Pension Benefit Obligation                       | <u>\$ 360,628</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. Seventeen police officers were enrolled in the Plan and the fair value of Plan assets at June 30, 2009 was \$283,486.

During the year ended June 30, 2009, 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, 2009, 2008 and 2007 was \$36,106, \$37,369 and \$37,588, 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, 2009, primarily relating to the General Fund, is as follows:

| Type of Benefit   | Amount            |
|-------------------|-------------------|
| Vacation          | \$ 141,300        |
| Compensatory time | 35,400            |
| Sick leave        | <u>111,400</u>    |
| Total             | <u>\$ 288,100</u> |

This liability has been computed based on rates of pay in effect at June 30, 2009.

**(6) Interfund Loans**

During the year ended June 30, 2003, the Enterprise, Sewer Fund loaned the General Fund \$25,328 at no interest. Principal repaid during the year ended June 30, 2009 was \$2,533 and the balance due was \$11,819.

During the year ended June 30, 2009, the Enterprise, Sewer Fund loaned the General Fund \$63,879 at no interest. The loan will be repaid over ten years beginning July 1, 2010.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| Transfer to       | Transfer from                       | Amount            |
|-------------------|-------------------------------------|-------------------|
| General           | Special Revenue:                    |                   |
|                   | Employee Benefits                   | \$ 15,000         |
|                   | Emergency                           | 37,596            |
|                   | Enterprise:                         |                   |
|                   | Sewer                               | 63,879            |
|                   |                                     | <u>116,475</u>    |
| Special Revenue:  |                                     |                   |
| Employee Benefits | General                             | <u>33,269</u>     |
| Library Gift      | Special Revenue:                    |                   |
|                   | Friends of the Perry Public Library | <u>2,646</u>      |
| Debt Service      | Special Revenue:                    |                   |
|                   | Urban Renewal Tax Increment         | 186,991           |
|                   | Capital projects                    | 11,249            |
|                   | Enterprise:                         |                   |
|                   | Sewer                               | 22,794            |
|                   |                                     | <u>221,034</u>    |
| Capital Projects  | Special Revenue:                    |                   |
|                   | Local Option Sales Tax              | 19,500            |
|                   | Urban Renewal Tax Increment         | 131,799           |
|                   |                                     | <u>151,299</u>    |
| Total             |                                     | <u>\$ 524,723</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 \$2,390,000 for airport, trail, street and storm sewer improvements. As of June 30, 2009, approximately \$1,832,000 had been paid on the contracts. The remaining \$558,000 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 577 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, 2009 was \$97,265 and the Perry Municipal Waterworks' contribution was \$23,501.

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 by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, 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) Development Agreement**

The City has entered into a development agreement with Hotel Perry, LLC. The City agreed to pay Hotel Perry LLC. \$500,000 in incentive payments to maintain twenty full-time equivalent jobs. Payments of \$25,000 will be made quarterly for a period of five years providing the developer is in compliance with the terms of the agreement. During the year ended June 30, 2009, the City made payments of \$100,000 to the developer.

**(11) Economic Development**

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, 2009 was \$177,778. Tri-County Cash Lumber Mart subsequently made a payment on July 2, 2009 of \$57,778 to meet the requirement to repay forty percent of the principal.

**(12) 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, 2009, the City received the final payment of \$31,135 from the developer.

**(13) Pollution Remediation**

The City purchased land that was formerly used to operate a railroad line and house maintenance and storage facilities for the railroad. The City has undertaken voluntary assessment and clean-up activities of the property in order to facilitate future development as a historical and recreational venue. The City has obtained three grants from the Environmental Protection Agency to assist in funding the assessment of the Brownfields area and clean-up approximately 44 acres of the property. Total federal grants obtained for the assessment and cleanup were \$600,000, with the City matching \$40,000 in clean-up costs.

**(14) Deficit Balances**

The City had deficit balances at June 30, 2009, as follows:

|                       |              |
|-----------------------|--------------|
| Debt Service Fund     | \$ (184,389) |
| Capital Projects Fund | (241,627)    |

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balances will be eliminated upon receipt of local option sales tax and state and federal grants, respectively.

**(15) Subsequent Events**

In July 2009, the Iowa Department of Transportation awarded the City a maximum of \$148,000, or 80%, of eligible costs for a grant to update the fuel tanks at the Perry Municipal Airport and install a Cardtrol fuel system.

In August 2009, the City approved a contract with Des Moines Asphalt Company for resurfacing of several City blocks for \$105,213.

In August 2009, the Iowa Department of Economic Development awarded the City \$708,604 for the Neighborhood Stabilization Grant to rehabilitate or tear down vacant or dilapidated homes.

**City of Perry**

**Required Supplementary Information**

City of Perry

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds, Proprietary Funds  
and Discretely Presented Component Units

Required Supplementary Information

Year ended June 30, 2009

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Component<br>Units<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|------------------------------|---|
| <b>Receipts:</b>  |                                 |                                |                              |   |
| Property tax  | \$ 2,248,217                    | -                              | -                            | -   |
| Tax increment financing   | 419,463                         | -                              | -                            | -   |
| Other city tax  | 239,200                         | -                              | -                            | -   |
| Licenses and permits  | 70,342                          | -                              | -                            | -   |
| Use of money and property   | 31,829                          | 4,134                          | 15,293                       | 8   |
| Intergovernmental   | 2,590,279                       | -                              | -                            | -   |
| Charges for service   | 1,255,071                       | 1,141,265                      | 1,141,602                    | -   |
| Special assessments   | 786                             | -                              | -                            | -   |
| Miscellaneous   | 601,053                         | 8,856                          | 178,942                      | 18,933  |
| Total receipts  | <u>7,456,240</u>                | <u>1,154,255</u>               | <u>1,335,837</u>             | <u>18,941</u>                                   |
| <b>Disbursements:</b>   |                                 |                                |                              |   |
| Public safety   | 1,547,689                       | -                              | -                            | 15,212  |
| Public works  | 2,381,072                       | -                              | -                            | -   |
| Health and social services  | 18,680                          | -                              | -                            | -   |
| Culture and recreation  | 1,405,708                       | -                              | -                            | -   |
| Community and economic development  | 424,397                         | -                              | -                            | -   |
| General government  | 2,184,524                       | -                              | -                            | -   |
| Debt service  | 655,998                         | -                              | -                            | -   |
| Capital projects  | 2,460,564                       | -                              | -                            | -   |
| Business type activities  | -                               | 941,854                        | 1,373,006                    | -   |
| Total disbursements   | <u>11,078,632</u>               | <u>941,854</u>                 | <u>1,373,006</u>             | <u>15,212</u>                                   |
| Excess (deficiency) of receipts over<br>(under) disbursements   | (3,622,392)                     | 212,401                        | (37,169)                     | 3,729   |
| Other financing sources, net  | 1,516,834                       | (86,673)                       | -                            | -   |
| Excess (deficiency) of receipts and other<br>financing sources over (under)<br>disbursements and other financing uses | (2,105,558)                     | 125,728                        | (37,169)                     | 3,729   |
| Balances beginning of year  | 2,601,031                       | 1,073,669                      | 511,334                      | 13,039  |
| Balances end of year  | <u>\$ 495,473</u>               | <u>1,199,397</u>               | <u>474,165</u>               | <u>16,768</u>                                   |

See accompanying independent auditor's report.

| Total       | Budgeted Amounts |             | Final to<br>Total<br>Variance |
|-------------|------------------|-------------|-------------------------------|
|             | Original         | Final       |                               |
| 2,248,217   | 2,161,447        | 2,161,447   | 86,770                        |
| 419,463     | 428,943          | 428,943     | (9,480)                       |
| 239,200     | 335,954          | 368,954     | (129,754)                     |
| 70,342      | 37,975           | 37,975      | 32,367                        |
| 51,248      | 155,970          | 218,684     | (167,436)                     |
| 2,590,279   | 1,999,423        | 3,475,918   | (885,639)                     |
| 3,537,938   | 3,618,152        | 3,627,152   | (89,214)                      |
| 786         | 900              | 900         | (114)                         |
| 769,918     | 203,676          | 728,579     | 41,339                        |
| 9,927,391   | 8,942,440        | 11,048,552  | (1,121,161)                   |
| 1,532,477   | 1,612,899        | 1,636,290   | 103,813                       |
| 2,381,072   | 1,924,735        | 2,556,523   | 175,451                       |
| 18,680      | 10,000           | 18,680      | -                             |
| 1,405,708   | 1,212,485        | 1,355,383   | (50,325)                      |
| 424,397     | 425,948          | 575,948     | 151,551                       |
| 2,184,524   | 495,329          | 1,771,042   | (413,482)                     |
| 655,998     | 447,525          | 646,525     | (9,473)                       |
| 2,460,564   | 2,200,000        | 2,942,021   | 481,457                       |
| 2,314,860   | 2,352,642        | 2,433,642   | 118,782                       |
| 13,378,280  | 10,681,563       | 13,936,054  | 557,774                       |
| (3,450,889) | (1,739,123)      | (2,887,502) | (563,387)                     |
| 1,430,161   | -                | 912,074     | 518,087                       |
| (2,020,728) | (1,739,123)      | (1,975,428) | (45,300)                      |
| 4,172,995   | 5,440,144        | 5,440,144   | (1,267,149)                   |
| 2,152,267   | 3,701,021        | 3,464,716   | (1,312,449)                   |

City of Perry

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,254,491. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

**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, 2009

|  | Special         |                |                       |                 |
|--|-----------------|----------------|-----------------------|-----------------|
|  | Emergency       | Police Drug    | Special<br>Assessment | Library<br>Gift |
| Receipts:  |                 |                |                       |                 |
| Property tax   | \$ 37,527       | -              | -                     | -               |
| Other city tax   | 69              | -              | -                     | -               |
| Use of money and property                                  | -               | -              | -                     | 59              |
| Intergovernmental  | -               | -              | -                     | 2,963           |
| Charges for service  | -               | 1,450          | -                     | -               |
| Special assessments  | -               | -              | 786                   | -               |
| Miscellaneous  | -               | 1,010          | -                     | 38,554          |
| Total receipts   | <u>37,596</u>   | <u>2,460</u>   | <u>786</u>            | <u>41,576</u>   |
| Disbursements:   |                 |                |                       |                 |
| Public safety  | -               | 4,212          | -                     | -               |
| Culture and recreation                                     | -               | -              | -                     | 35,047          |
| Community and economic development                         | -               | -              | -                     | -               |
| Total disbursements  | <u>-</u>        | <u>4,212</u>   | <u>-</u>              | <u>35,047</u>   |
| Excess (deficiency) of receipts over (under) disbursements | <u>37,596</u>   | <u>(1,752)</u> | <u>786</u>            | <u>6,529</u>    |
| Other financing sources (uses):                            |                 |                |                       |                 |
| Operating transfers in                                     | -               | -              | -                     | 2,646           |
| Operating transfers out                                    | (37,596)        | -              | -                     | -               |
| Total other financing sources (uses)                       | <u>(37,596)</u> | <u>-</u>       | <u>-</u>              | <u>2,646</u>    |
| Net change in cash balances                                | -               | (1,752)        | 786                   | 9,175           |
| Cash balances beginning of year                            | -               | 30,106         | 6,130                 | 33,511          |
| Cash balances end of year                                  | <u>\$ -</u>     | <u>28,354</u>  | <u>6,916</u>          | <u>42,686</u>   |
| <b>Cash Basis Fund Balances</b>                            |                 |                |                       |                 |
| Unreserved:  |                 |                |                       |                 |
| Special revenue funds                                      | \$ -            | 28,354         | 6,916                 | 42,686          |
| Permanent fund   | -               | -              | -                     | -               |
| Total cash basis fund balances                             | <u>\$ -</u>     | <u>28,354</u>  | <u>6,916</u>          | <u>42,686</u>   |

See accompanying independent auditor's report.

| Revenue             |            |                   |                                     |                        | Permanent |  |
|---------------------|------------|-------------------|-------------------------------------|------------------------|-----------|--|
| Recreation Memorial | Wiese Park | Fullhart Carnegie | Friends of the Perry Public Library | O'Brien Beautification | Total     |  |
| -                   | -          | -                 | -                                   | -                      | 37,527    |  |
| -                   | -          | -                 | -                                   | -                      | 69        |  |
| -                   | -          | -                 | -                                   | 3,252                  | 3,311     |  |
| -                   | -          | -                 | -                                   | -                      | 2,963     |  |
| -                   | -          | -                 | -                                   | -                      | 1,450     |  |
| -                   | -          | -                 | -                                   | -                      | 786       |  |
| 205                 | 9,786      | 60,299            | 10,965                              | -                      | 120,819   |  |
| 205                 | 9,786      | 60,299            | 10,965                              | 3,252                  | 166,925   |  |
| -                   | -          | -                 | -                                   | -                      | 4,212     |  |
| -                   | 10,484     | 18,650            | 7,232                               | -                      | 71,413    |  |
| -                   | -          | -                 | -                                   | 2,153                  | 2,153     |  |
| -                   | 10,484     | 18,650            | 7,232                               | 2,153                  | 77,778    |  |
| 205                 | (698)      | 41,649            | 3,733                               | 1,099                  | 89,147    |  |
| -                   | -          | -                 | -                                   | -                      | 2,646     |  |
| -                   | -          | -                 | (2,646)                             | -                      | (40,242)  |  |
| -                   | -          | -                 | (2,646)                             | -                      | (37,596)  |  |
| 205                 | (698)      | 41,649            | 1,087                               | 1,099                  | 51,551    |  |
| 8,741               | 11,679     | -                 | 1,985                               | 48,084                 | 140,236   |  |
| 8,946               | 10,981     | 41,649            | 3,072                               | 49,183                 | 191,787   |  |
| 8,946               | 10,981     | 41,649            | 3,072                               | -                      | 142,604   |  |
| -                   | -          | -                 | -                                   | 49,183                 | 49,183    |  |
| 8,946               | 10,981     | 41,649            | 3,072                               | 49,183                 | 191,787   |  |

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2009

| 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                |
| Urban renewal corporate purpose bonds               | Jul 1, 2008   | 3.00-3.25      | 925,000                  |
| Total   |               |                |                          |
| Urban renewal tax increment financing revenue bonds |               |                |                          |
| Urban renewal tax increment financing revenue bonds | May 20, 2005  | 3.96%          | \$ 750,000               |
| Urban renewal tax increment financing revenue bonds | Nov 5, 2008   | 4.75           | 380,000                  |
| Total   |               |                |                          |
| Revenue bonds and notes:                            |               |                |                          |
| Sewer   | Jun 20, 1996  | 3.00%          | \$ 1,082,000             |
| Sewer   | Sep 24, 1998  | 3.00           | 1,178,613                |
| Sewer   | Sep 24, 1998  | 3.00           | 421,387                  |
| Sewer revenue refunding notes                       | Apr 15, 2004  | 1.10-3.60      | 2,705,000                |
| Total   |               |                |                          |
| Lease purchase agreement:                           |               |                |                          |
| Aerial truck  | Nov 20, 2001  | 5.21%          | \$ 384,415               |
| Real estate contract:                               |               |                |                          |
| Bess land   | Feb 3, 2003   | 7.00%          | \$ 117,845               |
| Bank loan:  |               |                |                          |
| Land acquisition                                    | May 18, 2009  | 3.25%          | \$ 125,000               |

See accompanying independent auditor's report.

| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 110,000                         | -                        | 110,000                    | -                         | 4,620            |
| 1,790,000                       | -                        | -                          | 1,790,000                 | 70,852           |
| 2,045,000                       | -                        | -                          | 2,045,000                 | 89,883           |
| -                               | 925,000                  | 175,000                    | 750,000                   | 26,059           |
| <b>\$ 3,945,000</b>             | <b>925,000</b>           | <b>285,000</b>             | <b>4,585,000</b>          | <b>191,414</b>   |
| 103,797                         | -                        | 103,797                    | -                         | 3,113            |
| -                               | 380,000                  | -                          | 380,000                   | 10,286           |
| <b>\$ 103,797</b>               | <b>380,000</b>           | <b>103,797</b>             | <b>380,000</b>            | <b>13,399</b>    |
| 340,000                         | -                        | 40,000                     | 300,000                   | 9,600            |
| 803,000                         | -                        | 73,000                     | 730,000                   | 27,933           |
| 287,000                         | -                        | 25,000                     | 262,000                   | 10,000           |
| 1,825,000                       | -                        | 235,000                    | 1,590,000                 | 53,196           |
| <b>\$ 3,255,000</b>             | <b>-</b>                 | <b>373,000</b>             | <b>2,882,000</b>          | <b>100,729</b>   |
| 174,821                         | -                        | 40,436                     | 134,385                   | 9,103            |
| 47,999                          | -                        | 8,148                      | 39,851                    | 3,102            |
| -                               | 125,000                  | -                          | 125,000                   | -                |

City of Perry  
Bond and Note Maturities  
June 30, 2009

| Year<br>Ending<br>June 30, | General Obligation Urban Renewal<br>Corporate Purpose Bonds<br>Issued May 15, 2006 |                     | General Obligation<br>Corporate Purpose Bonds<br>Issued March 19, 2008 |                     | General Obligation Urban Renewal<br>Corporate Purpose Notes<br>Issued July 1, 2008 |                   | Total            |
|----------------------------|--|---------------------|--|---------------------|--|-------------------|------------------|
|                            | Interest   |                     | Interest   |                     | Interest   |                   |                  |
|                            | Rates  | Amount              | Rates  | Amount              | Rates  | Amount            |                  |
| 2010                       | 3.80%  | \$ 225,000          | 2.70%  | \$ 90,000           | 3.00%  | \$ 180,000        | 495,000          |
| 2011                       | 3.85   | 235,000             | 2.85   | 95,000              | 3.00   | 185,000           | 515,000          |
| 2012                       | 3.90   | 245,000             | 3.00   | 100,000             | 3.00   | 190,000           | 535,000          |
| 2013                       | 3.95   | 255,000             | 3.10   | 150,000             | 3.00   | 195,000           | 600,000          |
| 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>\$ 1,790,000</u> |  | <u>\$ 2,045,000</u> |  | <u>\$ 750,000</u> | <u>4,585,000</u> |

See accompanying independent auditor's report.

| Urban Renewal Tax Increment<br>Financing Revenue Bonds<br>Issued Nov 5, 2008 |                   | Sewer Revenue<br>Bond<br>Issued Jun 20, 1996 |                   | Sewer Revenue<br>Bond<br>Issued Sep 24, 1998 |                   | Sewer Revenue<br>Bond<br>Issued Sep 24, 1998 |                   | Sewer Revenue<br>Refunding Notes<br>Issued Apr 15, 2004 |                     | Total            |
|--|-------------------|--|-------------------|--|-------------------|--|-------------------|---|---------------------|------------------|
| Interest<br>Rates  | Amount            | Interest<br>Rates                            | Amount            | Interest<br>Rates                            | Amount            | Interest<br>Rates                            | Amount            | Interest<br>Rates                                       | Amount              |                  |
| 4.75%  | \$ 90,000         | 3.00%  | \$ 40,000         | 3.00%  | \$ 75,000         | 3.00%  | \$ 26,000         | 2.60%   | \$ 240,000          | 381,000          |
| 4.75   | 95,000            | 3.00   | 40,000            | 3.00   | 78,000            | 3.00   | 28,000            | 2.85  | 250,000             | 396,000          |
| 4.75   | 95,000            | 3.00   | 40,000            | 3.00   | 78,000            | 3.00   | 28,000            | 3.10  | 260,000             | 406,000          |
| 4.75   | 100,000           | 3.00   | 45,000            | 3.00   | 78,000            | 3.00   | 28,000            | 3.30  | 270,000             | 421,000          |
| -  | -                 | 3.00   | 45,000            | 3.00   | 85,000            | 3.00   | 32,000            | 3.45  | 280,000             | 442,000          |
| -  | -                 | 3.00   | 45,000            | 3.00   | 85,000            | 3.00   | 32,000            | 3.60  | 290,000             | 452,000          |
| -  | -                 | 3.00   | 45,000            | 3.00   | 109,000           | 3.00   | 33,000            | -   | -                   | 187,000          |
| -  | -                 | -  | -                 | 3.00   | 85,000            | 3.00   | 32,000            | -   | -                   | 117,000          |
| -  | -                 | -  | -                 | 3.00   | 51,000            | 3.00   | 20,000            | -   | -                   | 71,000           |
| -  | -                 | -  | -                 | 3.00   | 6,000             | 3.00   | 3,000             | -   | -                   | 9,000            |
| -  | -                 | -  | -                 | -  | -                 | -  | -                 | -   | -                   | -                |
| -  | -                 | -  | -                 | -  | -                 | -  | -                 | -   | -                   | -                |
| -  | -                 | -  | -                 | -  | -                 | -  | -                 | -   | -                   | -                |
|  | <u>\$ 380,000</u> |  | <u>\$ 300,000</u> |  | <u>\$ 730,000</u> |  | <u>\$ 262,000</u> |   | <u>\$ 1,590,000</u> | <u>2,882,000</u> |

City of Perry

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

For the Last Seven Years

|                                    | 2009                 | 2008             | 2007             |
|------------------------------------|----------------------|------------------|------------------|
| Receipts:                          |                      |                  |                  |
| Property tax                       | \$ 2,248,217         | 2,208,743        | 2,061,483        |
| Tax increment financing            | 419,463              | 390,257          | 285,989          |
| Other city tax                     | 239,200              | 215,237          | 282,455          |
| Licenses and permits               | 70,342               | 90,554           | 63,653           |
| Use of money and property          | 31,829               | 69,272           | 93,085           |
| Intergovernmental                  | 2,590,279            | 1,903,116        | 2,697,784        |
| Charges for service                | 1,255,071            | 1,215,632        | 1,108,878        |
| Special assessments                | 786                  | 846              | 901              |
| Miscellaneous                      | 601,053              | 755,632          | 406,806          |
| <b>Total</b>                       | <b>\$ 7,456,240</b>  | <b>6,849,289</b> | <b>7,001,034</b> |
| Disbursements:                     |                      |                  |                  |
| Operating:                         |                      |                  |                  |
| Public safety                      | \$ 1,547,689         | 1,622,210        | 1,620,051        |
| Public works                       | 2,381,072            | 2,035,449        | 1,519,021        |
| Health and social services         | 18,680               | 9,372            | 8,972            |
| Culture and recreation             | 1,405,708            | 1,147,763        | 1,226,133        |
| Community and economic development | 424,397              | 175,985          | 252,031          |
| General government                 | 2,184,524            | 1,015,089        | 574,582          |
| Debt service                       | 655,998              | 585,461          | 532,123          |
| Capital projects                   | 2,460,564            | 683,645          | 2,949,134        |
| <b>Total</b>                       | <b>\$ 11,078,632</b> | <b>7,274,974</b> | <b>8,682,047</b> |

See accompanying independent auditor's report.

| 2006             | 2005             | 2004             | 2003             |
|------------------|------------------|------------------|------------------|
| 1,986,821        | 2,188,259        | 2,138,066        | 1,866,408        |
| 398,759          | 440,601          | 405,732          | 355,388          |
| 116,767          | -                | 714,035          | 700,060          |
| 75,891           | 68,061           | 53,771           | 47,792           |
| 72,532           | 28,862           | 8,556            | 24,062           |
| 1,617,367        | 1,466,781        | 811,712          | 1,197,948        |
| 1,073,038        | 1,157,225        | 1,126,046        | 991,731          |
| 970              | 1,441            | 2,609            | -                |
| 394,700          | 191,221          | 185,578          | 244,390          |
| <b>5,736,845</b> | <b>5,542,451</b> | <b>5,446,105</b> | <b>5,427,779</b> |
| 1,466,889        | 1,402,090        | 1,361,838        | 1,287,994        |
| 2,072,543        | 1,639,507        | 2,591,640        | 2,155,227        |
| 8,850            | 5,370            | 9,856            | 13,118           |
| 1,074,267        | 956,329          | 963,581          | 949,744          |
| 212,968          | 73,741           | 68,702           | 63,874           |
| 715,365          | 335,705          | 294,024          | 409,474          |
| 369,394          | 1,306,484        | 364,134          | 372,254          |
| 326,979          | 1,082,019        | 558,368          | 172,201          |
| <b>6,247,255</b> | <b>6,801,245</b> | <b>6,212,143</b> | <b>5,423,886</b> |

**Schedule 6**

## City of Perry

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| Grantor/Program  | CFDA<br>Number | Agency<br>Pass-through<br>Number | Program<br>Expendi-<br>tures |
|--|----------------|----------------------------------|------------------------------|
| Direct:  |                |                                  |                              |
| U.S. Department of Justice<br>Public Safety Partnership and Community Policing<br>Grants | 16.710         | 2007CKWX0098                     | \$ 2,287                     |
| U.S. Department of Transportation:   |                |                                  |                              |
| Federal Aviation Administration:   |                |                                  |                              |
| Airport Improvement Program  | 20.106         | 3-19-0075-02-2008                | 126,135                      |
| Airport Improvement Program  | 20.106         | 3-19-0075-03-2008                | 33,193                       |
| Airport Improvement Program  | 20.106         | 3-19-0075-04-2009                | 14,960                       |
|  |                |                                  | <u>174,288</u>               |
| U.S. Environmental Protection Agency:  |                |                                  |                              |
| Brownfields Assessment and Cleanup<br>Cooperative Agreements                             |                |                                  |                              |
|  | 66.818         | BF 98763601-01                   | 1,880                        |
| Brownfields Assessment and Cleanup<br>Cooperative Agreements                             |                |                                  |                              |
|  | 66.818         | BF 98780501-01                   | 50,646                       |
| Brownfields Assessment and Cleanup<br>Cooperative Agreements                             |                |                                  |                              |
|  | 66.818         | BF 98780401-01                   | 12,578                       |
|  |                |                                  | <u>65,104</u>                |
| Total direct   |                |                                  | <u>241,679</u>               |
| Indirect:  |                |                                  |                              |
| U.S. Department of Housing and Urban Development:  |                |                                  |                              |
| Iowa Department of Economic Development:   |                |                                  |                              |
| Community Development Block Grants/State's Program                                       | 14.228         | 07-HSG-050                       | 193,835                      |
| Community Development Block Grants/State's Program                                       | 14.228         | 08-WS-056                        | 306,563                      |
|  |                |                                  | <u>500,398</u>               |
| U.S. Department of Transportation:   |                |                                  |                              |
| Iowa Department of Transportation:   |                |                                  |                              |
| Highway Planning and Construction  | 20.205         | SRTS-U-5970(609)-8U-25           | 116,943                      |
| Iowa Department of Public Safety:  |                |                                  |                              |
| State and Community Highway Safety   | 20.600         | 08-410, Task 52                  | 1,539                        |
| State and Community Highway Safety   | 20.600         | 09-410, Task 52                  | 4,480                        |
|  |                |                                  | <u>6,019</u>                 |

City of Perry  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

| Grantor/Program  | CFDA<br>Number | Agency<br>Pass-through<br>Number | Program<br>Expendi-<br>tures |
|--|----------------|----------------------------------|------------------------------|
| U.S. Department of Homeland Security:<br>Iowa Department of Public Defense:<br>Homeland Security and Emergency<br>Management Division:<br>Disaster Grants-Public Assistance<br>(Presidentially Declared Disasters) | 97.036         | FEMA-IA-DR1763                   | 163,833                      |
| Total indirect   |                |                                  | 787,193                      |
| Total  |                |                                  | <u>\$ 1,028,872</u>          |

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

See accompanying independent auditor's report.

**City of Perry**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 19, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 19, 2009

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

**City of Perry**



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

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

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Perry, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. The City of Perry's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Perry's management. Our responsibility is to express an opinion on the City of Perry's compliance based on our audit.

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

In our opinion, the City of Perry complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described as items III-A-09 and III-B-09 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

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

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

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-09 to be a significant deficiency.

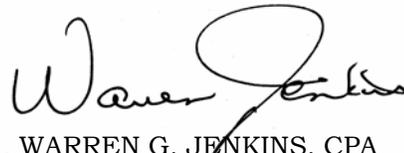
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-09 to be a material weakness.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 19, 2009

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

**SIGNIFICANT DEFICIENCIES:**

II-A-09 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 retained 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 Mayor or a Council Member reviews and approves the bank reconciliation monthly. In addition, a Council Member periodically traces a sample of receipts to deposit and signs off as evidence of the review. The Finance Officer enters the new payroll rates and the City Clerk reviews the new payroll rates for accuracy. The Finance Officer will have the City Administrator test the payroll rates after entry.

Conclusion – Response accepted.

II-B-09 Financial Reporting – The proceeds of two debt issuances which were material to the City's financial statements were disbursed directly to another entity and were not recorded in the City's financial records. In addition, interest on the urban renewal tax increment financing revenue bonds issued in November 2008, which was material to the financial statements, was paid from the Debt Service Fund. These errors have been corrected for financial reporting purposes.

Recommendation – The City should implement procedures to ensure all financial transactions are recorded correctly in the City's financial statements.

Response – Proceeds and disbursements of all debt issued by the City will be recorded correctly in the City's financial records.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- II-C-09 Petty Cash – Petty cash funds are maintained at City Hall and the Library. Amounts in the petty cash funds are not verified by surprise counts. In addition, the Library petty cash does not equal the authorized amount and is not periodically reconciled to the authorized amount.
- Recommendation – The amounts maintained in the petty cash funds should be periodically verified by an independent person performing surprise counts. The Library petty cash fund should be periodically reconciled to the authorized amount.
- Response – City Council Members will periodically reconcile petty cash during surprise inspections in each location. The Library petty cash fund will be reconciled to the authorized amount.
- Conclusion – Response accepted.
- II-D-09 Receipts – A restrictive endorsement is not placed on checks immediately upon receipt.
- Recommendation – A restrictive endorsement should be placed on checks immediately upon receipt.
- Response – A staff member other than the City Clerk or Finance Officer opens the mail and prepares an initial listing of collections. The restrictive endorsement will be placed on the checks at this time. Checks received during the day will be endorsed when received.
- Conclusion – Response accepted.
- II-E-09 Building Permits – Building permit fees are calculated based on the valuation of the structure being constructed. Two of five permits tested were calculated incorrectly.
- Recommendation – Building permits should be calculated in accordance with the fee structure approved by the City Council.
- Response – The Building Official hired on July 20, 2009 will use the fee structure approved by resolution of the City Council.
- Conclusion – Response accepted.
- II-F-09 Disbursements – In accordance with City policy, all checks issued by the City should be signed by two authorized signers. Two disbursements tested contained only one signature on the check.
- Recommendation – The City should ensure all checks are signed by two authorized signers.
- Response – The City Clerk and Finance Officer will review all checks to confirm each contain two signatures.
- Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 14.228: Community Development Block Grants/State's Program**  
**Pass-through Agency Number: 07-HSG-050, 08-WS-056**  
**Federal Award Year: 2007, 2008**  
**Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

III-A-09 Financial Reporting – Per the grant agreement with the Iowa Department of Economic Development for the sanitary sewer improvements, the City is required to file certain reports within sixty days of the contract expiration date. Work on the project has been complete for more than sixty days but the final reports have not been filed.

Per the grant agreement with the Iowa Department of Economic Development for the housing contract, the City is required to file a Housing Recipient Quarterly Performance Report-Activity Status by the 15<sup>th</sup> of the month following the end of each quarter of the contract. Two of the four quarterly reports required to be filed in fiscal year 2009 for the housing grants were not filed timely.

Under the Community Development Block Grant (CDBG) program, grants are awarded to local governments. A local government may administer the program or may enter into a subrecipient agreement with an administrative entity, such as a Council of Governments, to administer the program. The City has entered into a subrecipient agreement with a separate entity to administer the housing program. However, the quarterly performance reports filed by the administrative entity are not reconciled with the financial records of the City.

Recommendation – The City should develop procedures to ensure required reports are filed timely. Reports filed by the administrative entity should be reconciled to financial records at the City.

Response and Corrective Action Planned – The City of Perry will set up a system to track the submittal of all required reports. The Finance Officer will reconcile all quarterly performance reports to the City's financial records on a quarterly basis.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**CFDA Number 14.228: Community Development Block Grants/State's Program**  
**Pass-through Agency Number: 07-HSG-050, 08-WS-056**  
**Federal Award Year: 2007, 2008**  
**Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

III-B-09 Monitoring of Subrecipient Audit Reports – OMB Circular A-133 requires the City to ensure required audit reports of subrecipients expending \$500,000 or more in Federal awards are completed within nine months of the subrecipient's fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all findings.

The City has not established policies and procedures for obtaining and performing desk reviews of audit reports for subrecipients who expend more than \$500,000 each year and no review of subrecipient audit reports were performed during the year.

Recommendation – The City should develop policies and procedures for performing reviews of subrecipient audit reports. The City should ensure audit reports for all subrecipients which expend \$500,000 or more in federal awards each year are formally reviewed in a timely manner, including appropriate follow-up.

Response and Corrective Action Planned – The City will require all subrecipients expending \$500,000 or more in Federal awards to submit the required audit reports. The Finance Officer will review the required audit reports and present the findings to the City Council.

Conclusion – Response accepted.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 14.228: Community Development Block Grants/State's Program**  
**Pass-through Agency Number: 07-HSG-050, 08-WS-056**  
**Federal Award Year: 2007, 2008**  
**Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

**CFDA Number 20.205: Highway Planning and Construction**  
**Pass-through Agency Number: SRTS-U-5970(609)-8U-25**  
**Federal Award Year: 2008**  
**Department of Transportation**  
**Passed through the Iowa Department of Transportation**

III-C-09 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-09.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

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

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

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

Conclusion – Response accepted.

IV-B-09 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title, and<br>Business Connection   | Transaction<br>Description               | Amount |
|---|--|--------|
| Jay Pattee, Council Member, Owner<br>of Ben Franklin                                    | Supplies                                 | \$ 507 |
| Mike Landals, Street Maintenance<br>employee, Owner of Landals<br>Concrete Construction | Concrete work                            | 3,800  |
| Josh Sparks, Police Officer, independent<br>contractor providing storm sewer repair     | Storm sewer repair,<br>competitively bid | 4,089  |
| Rodney Cromwell, Volunteer Firefighter,<br>Owner of Cromwell Towing and<br>Recovery     | Towing services                          | 137    |
| Ana Jiminez, Police Dispatcher  | Interpreter services                     | 255    |

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member, Volunteer Firefighter 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. The transaction with the Police Officer does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

In accordance with Chapter 362.5 of the Code of Iowa, the non-bid transactions with the Street Maintenance employee appear to represent a conflict of interest since total transactions exceed \$1,500 during the fiscal year.

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

Response – The City will use an informal bid process when minor water and sewer line repair projects are needed. The City Clerk will maintain records of the bid awards. We will seek the advice of legal counsel in this matter.

Conclusion – Response accepted.

IV-E-09 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.

IV-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

For one Council meeting reviewed, the City did not publish the minutes as required by the Code of Iowa.

Also, minutes for closed sessions did not document the reason for holding the closed session by reference to a specific exemption as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response – The City will comply with Chapter 21 of the Code of Iowa and will publish minutes as required.

Conclusion – Response accepted.

IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-09 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 – The City Council approved a resolution resulting in an exchange of water services in lieu of sewer charges to the City.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-I-09 Issuance of Debt Commitments – The City did not publish notice of sale in accordance with Chapter 75.2 of the Code of Iowa for the urban renewal tax increment financing revenue bonds issued in November, 2008.

Recommendation – The City should publish notice of sale for debt issuances in accordance with Chapter 75 of the Code of Iowa.

Response – The City will publish notice of sale for debt issuances in accordance with Chapter 75 of the Code of Iowa.

Conclusion – Response accepted.

IV-J-09 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

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

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

Conclusion – Response accepted.

IV-K-09 Financial Condition – The City had deficit balances at June 30, 2009, as follows:

|                       |            |
|-----------------------|------------|
| Debt Service Fund     | \$ 184,389 |
| Capital Projects Fund | 241,627    |

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

Response – The City will eliminate the deficit in the Debt Service Fund over the next four years through transfers from the Special Revenue, Local Option Sales Tax Fund for debt payment for the purchase of the Security Bank Building. The deficit in the Capital Projects Fund will be eliminated by receipt of grant funds in fiscal 2010.

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  
Casey L. Johnson, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State