



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 6, 2011

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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 \$11,653,639 for the year ended June 30, 2010, a 16 percent increase over the prior year. The receipts included \$2,269,053 in property tax, \$606,363 from tax increment financing, \$2,362,898 from charges for service, \$1,680,313 from operating grants, contributions and restricted interest, \$1,353,473 from capital grants, contributions and restricted interest, \$56,227 from hotel/motel tax, \$602,626 from local option sales tax, \$8,260 from unrestricted interest on investments, \$169,696 from franchise fees, \$2,503,145 from bond proceeds and \$41,585 from other general receipts. The increase in receipts is primarily due to an increase in state and federal grants and bond proceeds received in fiscal year 2010.

Disbursements for the year totaled \$11,735,766, a 2 percent decrease from the prior year, and included \$2,235,914 for public works, \$1,551,274 for public safety and \$1,258,654 for culture and recreation. Also, disbursements for business type activities totaled \$912,660. In addition, \$2,501,000 of sewer revenue bonds and notes were refunded during the 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/1020-0237-B00F.pdf>.

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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, 2010

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 Changes in Cash Balances	B	18-19
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and 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		23-34
Required Supplementary Information:		
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		36-37
Notes to Required Supplementary Information – Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	40-41
Schedule of Indebtedness	2	42-43
Bond Maturities	3	44-45
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	46-47
Schedule of Expenditures of Federal Awards	5	48-49
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 <u>Government Auditing Standards</u>		51-52
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		55-56
Schedule of Findings and Questioned Costs		57-66
Staff		67

City of Perry

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
(Before January 2010)		
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
(After January 2010)		
Jay Pattee	Mayor	Jan 2012
Eduardo Diaz-Cardenas (Appointed)	Council Member	Nov 2010
Chuck Schott (Appointed)	Council Member	Nov 2010
Wilford Roberts	Council Member	Jan 2012
Phillip Stone	Council Member	Jan 2012
Jenny Eklund	Council Member	Jan 2014
Morris Michaelsen	Council Member	(Deceased)
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Jeanette Peddicord	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

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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, 2010, 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.

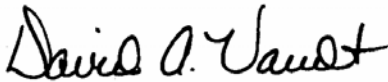
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2010, 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.

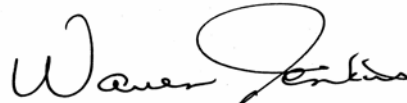
In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2010 on our consideration of the City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2009 (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

December 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 6%, or approximately \$540,000, from fiscal year 2009 to fiscal year 2010. Bond proceeds decreased approximately \$1,076,000 while capital grants, contributions and restricted interest increased approximately \$394,000.
- Disbursements of the City's governmental activities decreased 25%, or approximately \$2,757,000, in fiscal year 2010 from fiscal year 2009. Capital projects disbursements decreased approximately \$1,521,000 and general government disbursements decreased approximately \$1,085,000. Capital projects for fiscal year 2010 included the Raccoon River Valley Trail and crossing, street resurfacing, Safe Routes to School project and continued work on the development of the Brownfields. General government disbursements decreased, 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, which occurred in fiscal year 2009.
- The City's total cash basis net assets decreased 4.8%, or \$82,127, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased \$24,670 and the assets of the business type activities decreased \$106,797.

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.

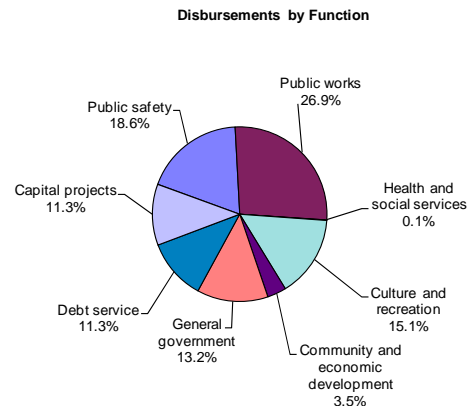
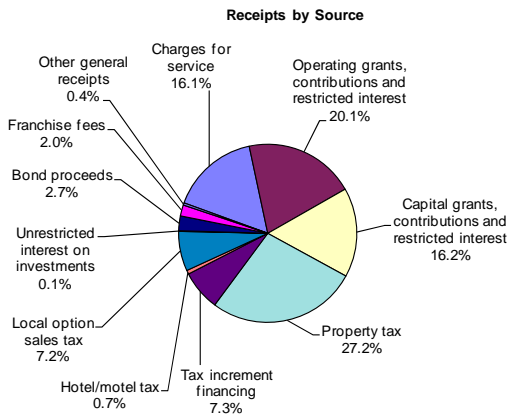
3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the City's own programs. The fiduciary fund includes the accounts for the Police Pension Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased slightly from a year ago, increasing to approximately \$520,000 from approximately \$495,000. 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,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 1,342,596	1,461,713
Operating grants, contributions and restricted interest	1,680,313	1,322,240
Capital grants, contributions and restricted interest	1,353,473	959,452
General receipts:		
Property tax	2,269,053	2,252,102
Tax increment financing	606,363	419,463
Hotel/motel tax	56,227	51,202
Local option sales tax	602,626	796,936
Unrestricted interest on investments	4,414	9,019
Bond proceeds	225,000	1,301,300
Loan proceeds	-	125,000
Franchise fees	169,696	184,113
Other general receipts	37,015	3,861
Total receipts	<u>8,346,776</u>	<u>8,886,401</u>
Disbursements:		
Public safety	1,551,274	1,547,689
Public works	2,235,914	2,381,072
Health and social services	10,189	18,680
Culture and recreation	1,258,654	1,405,708
Community and economic development	287,332	424,397
General government	1,099,548	2,184,524
Debt service	939,524	655,998
Capital projects	939,671	2,460,564
Total disbursements	<u>8,322,106</u>	<u>11,078,632</u>
Increase (decrease) in cash basis net assets before transfers	24,670	(2,192,231)
Transfers, net	-	86,673
Increase (decrease) in cash basis net assets	<u>24,670</u>	<u>(2,105,558)</u>
Cash basis net assets beginning of year	495,473	2,601,031
Cash basis net assets end of year	<u>\$ 520,143</u>	<u>495,473</u>



The City's total receipts for governmental activities decreased 6%, or \$539,625. The total cost of all programs and services decreased \$2,756,526, or 25%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$8.322 million compared to approximately \$11.079 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 \$3.946 million because some of the cost was paid by those who directly benefited from the programs (\$1,342,596), by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,680,313) or from capital grants, contributions and restricted interest (\$1,353,473). Overall, the City's program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2010 from approximately \$3,743,000 in the prior year to approximately \$4,376,000. The increase is primarily due to the receipt of more state and federal grants during fiscal year 2010. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3.970 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,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 924,676	1,062,177
Sewer discharge	95,626	79,088
General receipts:		
Unrestricted interest on investments	3,846	4,134
Miscellaneous	4,570	8,856
Bond proceeds	2,278,145	-
Bonds/notes refunded	(2,501,000)	-
Total receipts	<u>805,863</u>	<u>1,154,255</u>
Disbursements:		
Sewer	895,307	937,215
Sewer discharge	17,353	4,639
Total disbursements	<u>912,660</u>	<u>941,854</u>
Increase (decrease) in cash basis net assets before transfers	(106,797)	212,401
Transfers, net	-	(86,673)
Increase (decrease) in cash basis net assets	<u>(106,797)</u>	<u>125,728</u>
Cash basis net assets beginning of year	<u>1,199,397</u>	<u>1,073,669</u>
Cash basis net assets end of year	<u>\$ 1,092,600</u>	<u>1,199,397</u>

Total business type activities receipts for the fiscal year were \$805,863 compared to \$1,154,255 last year. The cash balance decreased \$106,797 from the prior year. Receipts decreased due to a payment of \$150,000 from the City of Bouton to connect to the City's utilities in fiscal year 2009. Total disbursements for the fiscal year decreased 3% to approximately \$913,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$520,143, an increase of \$24,670 from last year's balance of \$495,473. 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 \$40,473 from the prior year to \$101,295. Miscellaneous receipts decreased in the current year due to decreased donations. Disbursements also decreased due to expenses for storm damage and demolition of Perry Bowl in fiscal year 2009. Disbursements still outpaced receipts, resulting in an overall decrease in fund balance.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$108,072 to \$212,906 during the fiscal year. This decrease in the cash balance was primarily attributable to an increase in public works disbursements due to the heavier snow fall and the related snow removal costs and \$50,000 paid for a new salt dome in fiscal year 2010.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$116,502, an increase of \$97,961 over the previous year. The increase was the result of the City receiving approximately \$187,000 more in tax increment financing in the current year and \$112,896 in RISE grant funds used to fund a project in the urban renewal area. This was offset by an increase of approximately \$145,000 in transfers out to service debt.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$159,956 from the prior year to (\$107,746), due primarily to a decrease of approximately \$194,000 in local option sales tax receipts.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$1,593 from the prior year to \$0. Current year receipts and disbursements did not vary significantly from the prior year.
- The Debt Service Fund cash balance decreased \$2,010 to (\$186,399) during the fiscal year. The deficit is a result of the City making the first payment on a bond from the Debt Service Fund balance in fiscal year 2009. The City will transfer the amount of the first payment from the Special Revenue, Local Option Sales Tax Fund as funds become available.
- The Capital Projects Fund cash balance increased \$190,955 from the prior year to (\$50,672). This increase was due to the City receiving various reimbursements from state and federal grants to fund progress on various projects.
- The Permanent, Cemetery Perpetual Care Fund balance increased \$4,202 to \$198,814 due to current year contributions to perpetual care.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased \$185,070 to \$860,000, due primarily to the refunding of various outstanding sewer revenue bonds and notes.
- The Enterprise, Sewer Discharge Fund cash balance increased \$78,273 to \$232,600 due to an increase in sewer discharge rates from \$2 to \$3. In addition, no major repairs or improvements were performed in the current fiscal year, allowing the receipts to significantly outpace the related disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 7, 2010 and resulted in an increase in receipts and disbursements primarily related to capital improvement projects and the refunding of sewer revenue bonds and notes.

The City's receipts were \$499,384 less than the amended budget. This was primarily due to the City budgeting tax increment financing, local option sales tax receipts and federal grants at higher amounts than were actually received due to timing differences. In addition, actual receipts for Waterworks charges for service were less than budgeted.

Total disbursements were \$3,129,151 less than the amended budget. The actual disbursements for the community and economic development and business type activities functions were \$210,250 and \$2,948,300, respectively, less than the amended budget. This was primarily due to the City anticipating payments in fiscal year 2010 for the Neighborhood Stabilization Project which did not occur until fiscal year 2011. In addition, the City budgeted \$2,501,000 for refunding bonds/notes which were reported as an other financing use rather than disbursements.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$7,040,041 in bonds and other long-term debt outstanding, compared to \$8,146,236 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation bonds and notes	\$ 4,090,000	4,585,000
Urban renewal tax increment financing revenue bonds	458,750	380,000
Revenue bonds and notes	2,285,000	2,882,000
Lease purchase agreement	91,843	134,385
Real estate contract	31,115	39,851
Bank loan	83,333	125,000
Total	\$ 7,040,041	8,146,236

Debt decreased due to the issuance of sewer revenue refunding bonds to refinance sewer revenue bonds and notes outstanding at the end of fiscal 2009. In addition, the City issued \$225,000 of urban renewal tax increment financing revenue bonds to finance the construction of the 26th street construction project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,755,041 is significantly below its constitutional debt limit of approximately \$13,250,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Taxable valuations used for the fiscal year 2010 budget increased \$4,643,567, or 3.1%, over the value used for the fiscal year 2009 budget. Taxable valuations used for the fiscal year 2011 budget increased \$7,472,857, or 4.9%, over the value used for the fiscal year 2010 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 construction of the DMACC Academy and 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 extension of Research Drive due to the addition of the Hy-Line Poultry Hatchery in the Perry Industrial Park. Continued growth at the Sun-Am Development Project, the Van Kirk addition, the Tri-County Subdivision and the proposed subdivision in the location of the former Perry Middle School will supplement the growth of the City's taxable valuations. The Hotel Pattee has reopened and the City's hotel/motel tax receipts increased \$5,025, or 9.8%, from fiscal year 2009 to fiscal year 2010. The in-town construction and the Highway 141 crossing 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 trailhead is located in what is now known as Caboose Park. The former Milwaukee Road caboose has been renovated thanks to a donation from a local business and houses a food stand. Dallas County Conservation has almost completed the trail section from Dawson to Perry as well. A grant from Dallas County Board of Health will provide for an off-street trail which will connect all of Perry's parks. Perry's section of 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 receipts to finance programs we currently offer.

The City continues to work to correct the interconnections and infiltrations of the sanitary sewer system. The City is pleased to report there were no sewer backups caused by overcharged sanitary sewers in the past year.

The City of Perry began collecting a one percent Local Option Sales Tax on July 1, 2010. The State of Iowa's fiscal year 2011 estimated Local Option Sales Tax revenue for the City of Perry is \$1,132,046. The City will continue to receive half of the Perry Community School District's SILO Tax and the City will pay the District half of the City's Local Option Sales Tax revenue until December 31, 2013. The remainder will be used for street and sewer improvement projects, capital projects and building and grounds maintenance.

During fiscal year 2009, the City began to replace existing lighting with energy efficient lighting at the McCreary Center, Public Safety Building and Public Works Shop. In fiscal year 2010, the City partnered with Alliant Energy to study the cost savings in the Security Bank Building by installing LED bulbs on the 3rd floor. Alliant will review the difference in energy usage between the 3rd floor and the other floors in the building. Alliant Energy paid for the cost of the LED bulbs as well as their installation. After this study is completed, the City will begin replacing the lights in the remainder of the building. The City received a grant from the Iowa Office of Energy Independence to retrofit the lights on the remaining floors in the Security Bank Building, replace the current roof material with a white energy-efficient roof and for the replacement of the HVAC system at the McCreary Community Building. The City will receive \$117,427 from the Office of Energy Independence and will fund the remainder of the project with General Fund and Local Option Sales Tax monies.

The City of Perry created a low interest Urban Renewal Revolving Loan Fund of \$200,000 as part of a bond issue in fiscal year 2009. This revolving loan account provides increased incentive for property owners in the Perry Cultural/Historic Downtown District to make improvements to their buildings. During the year ended June 30, 2010, \$159,600 was disbursed to qualified business owners.

During fiscal year 2010, the City began the third step of the Downtown Revitalization Project. The City traded the property on which the former Perry Bowl building was located for a parking lot next to Bredeaux Pizza that was owned by Hotel Pattee. The Downtown Alley Enhancement Project will place an alleyway which runs from Warford to the alley behind the Hotel Pattee which will include a parking area and green space. The former parking lot owned by the Hotel Pattee will be transformed into a courtyard with a Bocce Ball court and sitting area. The courtyard will also be used as a downtown venue for bands or Cultural District events.

Improvements have been made at the Perry Municipal Airport in fiscal year 2010 to assist in attracting jets used by businesses and industries. Improvements include two taxilane

rehabilitation projects, a Cardtrol Fuel System to allow for self-fueling of aircraft and a 100 foot by 80 foot conventional hangar capable of housing two jets. The City received grants from the Federal Aviation Administration and the Department of Transportation for these improvements. An update of the Airport Layout Plan is scheduled for fiscal year 2011.

The City is working with the Environmental Protection Agency, the Iowa Department of Economic Development and the Iowa Department of Natural Resources through grants which provide 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 held 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. In fiscal year 2011, the backbone of an electrical system was laid in the Brownfields area.

In fiscal year 2010, the City of Perry was awarded a Recreation Cost Share Grant of \$25,900 from the Iowa Department of Natural Resources for the Raccoon River Boat Ramp Project. The City will use these funds to upgrade the existing gravel parking lot to asphalt, add large rocks to define the drive and parking lot and place a new sign at the entrance. City employees will match the in-kind portion of the grant with labor.

During the fiscal year 2011 budget process, the City planned on a positive balance of \$250,627 to use as a beginning balance in the General Fund. However, with the increased costs for general operating expenses and lower than anticipated revenues, the actual beginning balance in the General Fund for fiscal year 2011 will be \$101,295.

These factors were taken into account when adopting the General Fund budget for fiscal year 2011. Amounts available for appropriation in the fiscal year 2011 General Fund budget are budgeted at \$3,411,464. Disbursements in the fiscal year 2011 General Fund budget are budgeted at \$3,459,718. The City has added no major new programs or initiatives to the fiscal year 2011 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, Corey Eastman, 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, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,551,274	9,913	82,120	-
Public works	2,235,914	789,851	1,020,866	-
Health and social services	10,189	-	2,520	-
Culture and recreation	1,258,654	422,363	118,585	-
Community and economic development	287,332	29,131	182,944	165,292
General government	1,099,548	90,606	273,278	-
Debt service	939,524	-	-	-
Capital projects	939,671	732	-	1,188,181
Total governmental activities	8,322,106	1,342,596	1,680,313	1,353,473
Business type activities:				
Sewer	895,307	924,676	-	-
Sewer discharge	17,353	95,626	-	-
Total business type activities	912,660	1,020,302	-	-
Total Primary Government	\$ 9,234,766	2,362,898	1,680,313	1,353,473
Component Units:				
Perry Police Officers Association	\$ 2,804	-	3,844	-
Perry Volunteer Firefighter's Association	101,753	-	106,401	-
Perry Municipal Waterworks	1,352,868	1,152,273	187,506	-
Total Component Units	\$ 1,457,425	1,152,273	297,751	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Hotel/motel tax				
Local option sales tax received from Perry Community School District				
Unrestricted interest on investments				
Franchise fees				
Bond proceeds (net of \$6,855 discount)				
Bonds/notes refunded				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(1,459,241)	-	(1,459,241)	-
(425,197)	-	(425,197)	-
(7,669)	-	(7,669)	-
(717,706)	-	(717,706)	-
90,035	-	90,035	-
(735,664)	-	(735,664)	-
(939,524)	-	(939,524)	-
249,242	-	249,242	-
<u>(3,945,724)</u>	<u>-</u>	<u>(3,945,724)</u>	<u>-</u>
-	29,369	29,369	-
-	78,273	78,273	-
-	107,642	107,642	-
<u>(3,945,724)</u>	<u>107,642</u>	<u>(3,838,082)</u>	<u>-</u>
-	-	-	1,040
-	-	-	4,648
-	-	-	(13,089)
-	-	-	(7,401)
2,044,173	-	2,044,173	-
224,880	-	224,880	-
606,363	-	606,363	-
56,227	-	56,227	-
602,626	-	602,626	-
4,414	3,846	8,260	8,788
169,696	-	169,696	-
225,000	2,278,145	2,503,145	-
-	(2,501,000)	(2,501,000)	-
37,015	4,570	41,585	-
<u>3,970,394</u>	<u>(214,439)</u>	<u>3,755,955</u>	<u>8,788</u>
24,670	(106,797)	(82,127)	1,387
495,473	1,199,397	1,694,870	474,165
<u>\$ 520,143</u>	<u>1,092,600</u>	<u>1,612,743</u>	<u>475,552</u>
\$ 247,465	-	247,465	-
212,906	-	212,906	-
116,502	-	116,502	-
-	456,500	456,500	300,784
186,792	-	186,792	87,971
(243,522)	636,100	392,578	86,797
<u>\$ 520,143</u>	<u>1,092,600</u>	<u>1,612,743</u>	<u>475,552</u>

City of Perry

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

As of and for the year ended June 30, 2010

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,220,587	-	-	-
Tax increment financing	-	-	606,363	-
Other city tax	228,529	-	-	-
Licenses and permits	59,023	-	-	-
Use of money and property	31,288	-	-	61
Intergovernmental	394,523	708,050	112,896	882,904
Charges for service	1,249,577	-	-	-
Special assessments	-	-	-	-
Miscellaneous	172,298	-	68,667	7,162
Total receipts	3,355,825	708,050	787,926	890,127
Disbursements:				
Operating:				
Public safety	1,112,046	-	-	42,453
Public works	639,031	816,122	-	611,392
Health and social services	10,189	-	-	-
Culture and recreation	903,506	-	-	125,529
Community and economic development	270,821	-	-	-
General government	512,798	-	451,363	21,677
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,448,391	816,122	451,363	801,051
Excess (deficiency) of receipts over (under) disbursements	(92,566)	(108,072)	336,563	89,076
Other financing sources (uses):				
Bond proceeds	-	-	225,000	-
Operating transfers in	52,093	-	-	-
Operating transfers out	-	-	(463,602)	(249,032)
Total other financing sources (uses)	52,093	-	(238,602)	(249,032)
Net change in cash balances	(40,473)	(108,072)	97,961	(159,956)
Cash balances beginning of year	141,768	320,978	18,541	52,210
Cash balances end of year	\$ 101,295	212,906	116,502	(107,746)
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 101,295	-	-	-
Special revenue funds	-	212,906	116,502	(107,746)
Debt service fund	-	-	-	-
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 101,295	212,906	116,502	(107,746)

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Permanent Cemetery		Total
			Perpetual Care	Nonmajor	
782,053	224,407	-	-	37,006	2,264,053
-	-	-	-	-	606,363
1,834	473	-	-	87	230,923
-	-	-	-	-	59,023
-	-	-	-	3,090	34,439
-	-	1,076,938	-	-	3,175,311
-	-	5,382	-	575	1,255,534
-	-	-	-	732	732
49,574	-	88,706	4,202	104,789	495,398
833,461	224,880	1,171,026	4,202	146,279	8,121,776
388,565	-	-	-	8,210	1,551,274
169,369	-	-	-	-	2,235,914
-	-	-	-	-	10,189
153,938	-	-	-	75,681	1,258,654
14,598	-	-	-	1,913	287,332
93,584	-	-	-	20,126	1,099,548
-	939,524	-	-	-	939,524
-	-	780,071	-	159,600	939,671
820,054	939,524	780,071	-	265,530	8,322,106
13,407	(714,644)	390,955	4,202	(119,251)	(200,330)
-	-	-	-	-	225,000
-	712,634	-	-	202,331	967,058
(15,000)	-	(200,000)	-	(39,424)	(967,058)
(15,000)	712,634	(200,000)	-	162,907	225,000
(1,593)	(2,010)	190,955	4,202	43,656	24,670
1,593	(184,389)	(241,627)	194,612	191,787	495,473
-	(186,399)	(50,672)	198,814	235,443	520,143
-	-	-	-	-	101,295
-	-	-	-	186,792	408,454
-	(186,399)	-	-	-	(186,399)
-	-	(50,672)	-	-	(50,672)
-	-	-	198,814	48,651	247,465
-	(186,399)	(50,672)	198,814	235,443	520,143

Exhibit C

City of Perry

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

As of and for the year ended June 30, 2010

	Enterprise		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 924,676	95,626	1,020,302
Operating disbursements:			
Business type activities	345,690	17,353	363,043
Excess of operating receipts over operating disbursements	578,986	78,273	657,259
Non-operating receipts (disbursements):			
Interest on investments	3,846	-	3,846
Miscellaneous	4,570	-	4,570
Bond proceeds (net of \$6,855 discount)	2,278,145	-	2,278,145
Bonds/notes refunded	(2,501,000)	-	(2,501,000)
Debt service	(493,346)	-	(493,346)
Capital projects	(56,271)	-	(56,271)
Total non-operating receipts (disbursements)	(764,056)	-	(764,056)
Net change in cash balances	(185,070)	78,273	(106,797)
Cash balances beginning of year	1,045,070	154,327	1,199,397
Cash balances end of year	\$ 860,000	232,600	1,092,600
Cash Basis Fund Balances			
Reserved for debt service	\$ 456,500	-	456,500
Unreserved	403,500	232,600	636,100
Total cash basis fund balances	\$ 860,000	232,600	1,092,600

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, 2010

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ 55,690
Deductions:	
Benefits paid	<u>75,891</u>
Net change in cash balances	(20,201)
Cash balance beginning of year	<u>609,346</u>
Cash balance end of year	<u><u>\$ 589,145</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, 2010

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Municipal Waterworks	Total Component Units
Disbursements	\$ 2,804	101,753	1,352,868	1,457,425
Program receipts:				
Charges for service	-	-	1,152,273	1,152,273
Operating grants and contributions	3,844	106,401	187,506	297,751
Total program receipts	3,844	106,401	1,339,779	1,450,024
Net program (disbursements) receipts	1,040	4,648	(13,089)	(7,401)
General receipts:				
Interest on investments	-	-	8,788	8,788
Change in cash basis net assets	1,040	4,648	(4,301)	1,387
Cash basis net assets beginning of year	4,454	12,314	457,397	474,165
Cash basis net assets end of year	\$ 5,494	16,962	453,096	475,552
Cash Basis Net Assets				
Restricted:				
Debt service	\$ -	-	300,784	300,784
Other purposes	5,494	16,962	65,515	87,971
Unrestricted	-	-	86,797	86,797
Total cash basis net assets	\$ 5,494	16,962	453,096	475,552

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2010

(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 3rd 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., Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and the Dallas County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The 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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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, 2010, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions. In addition, disbursements exceeded the amounts budgeted in the public safety, public works and business type activities functions before the budget was amended.

(2) Cash and Pooled Investments

The City's and its component units' deposits in banks at June 30, 2010 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.

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

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

(3) Long-Term Debt

Primary Government

Bonds and Notes Payable

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

Year Ending June 30,	General Obligation		Urban Renewal Tax Increment Financing Revenue Bonds		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2011	\$ 515,000	152,553	151,250	18,670	385,000	45,476	1,051,250
2012	535,000	135,248	151,250	12,533	390,000	40,218	1,076,250	187,999
2013	600,000	116,802	156,250	6,381	400,000	33,097	1,156,250	156,280
2014	420,000	95,742	-	-	410,000	24,382	830,000	120,124
2015	435,000	80,028	-	-	405,000	14,403	840,000	94,431
2016 - 2020	1,175,000	204,040	-	-	295,000	8,306	1,470,000	212,346
2021 - 2022	410,000	25,630	-	-	-	-	410,000	25,630
Total	\$ 4,090,000	810,043	458,750	37,584	2,285,000	165,882	6,833,750	1,013,509

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds

The City issued \$380,000 and \$225,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2008 and November 2009, respectively. The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects 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 \$496,334, payable through June 2013. For the current year, principal and interest paid and total TIF receipts were \$167,750 and \$606,363, respectively. Annual principal and interest payments on the bonds are expected to require less than 28 percent of TIF receipts.

Sewer Revenue Refunding Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,285,000 of sewer revenue refunding bonds issued June 3, 2010. The bonds were issued for the purpose of refunding the City's outstanding Series 1996, 1998A, 1998B and 2004 sewer revenue bonds/notes. The City refunded the bonds/notes to reduce its total debt service payments by approximately \$54,626 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$25,927. The bonds are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2016. The total principal and interest remaining to be paid on the bonds is \$2,450,882. For the current year, principal and interest paid and total customer net receipts were \$0 and \$578,986, respectively. Annual principal and interest payments on these sewer revenue refunding bonds are expected to require less than 75 percent of net receipts.

The resolution providing for the issuance of the sewer revenue refunding bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) A sewer reserve fund shall be established and maintained in the amount of \$228,500. The reserve fund will be used for the payment of principal and interest whenever funds on deposit in the sinking fund are insufficient.
- (d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City has not established a sewer reserve fund as required by the bond resolution.

Capital Lease Purchase Agreement

The City previously entered into a capital lease purchase agreement to lease an aerial truck with a 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, 2010:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 49,539
2012	49,539
Total minimum lease payments	99,078
Less amount representing interest	(7,235)
Present value of net minimum Lease payments	<u>\$ 91,843</u>

Payments under the capital lease purchase agreement totaled \$49,539 for the year ended June 30, 2010.

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, 2010 totaled \$31,115.

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. For the year ended June 30, 2010, principal and interest paid under the bank loan agreement totaled \$45,854. The balance of the loan at June 30, 2010 was \$83,333.

Discretely Presented Component Unit

Bonds and Notes Payable

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

Year Ending June 30,	Water Revenue Bonds Issued Jun 1, 1999			Water Revenue Notes Issued Sep 1, 2004			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2011	3.00%	\$ 31,000	9,600	3.60%	\$ 45,000	20,240	76,000	29,840
2012	3.00	32,000	8,670	3.80	45,000	18,620	77,000	27,290
2013	3.00	33,000	7,710	4.00	45,000	16,910	78,000	24,620
2014	3.00	34,000	6,720	4.10	50,000	15,110	84,000	21,830
2015	3.00	35,000	5,700	4.25	50,000	13,060	85,000	18,760
2016-2019	3.00	155,000	11,820	4.40-4.70	240,000	28,320	395,000	40,140
Total		<u>\$ 320,000</u>	<u>50,220</u>		<u>\$ 475,000</u>	<u>112,260</u>	<u>795,000</u>	<u>162,480</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 48 percent of net receipts. The total principal and interest remaining to be paid on the notes and bonds is \$957,480. For the current year, principal and interest paid and total customer net receipts were \$103,955 and \$219,633, 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 and notes.

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$169,477, \$144,720 and \$135,066, 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, 2010, 2009 and 2008 were \$75,891, \$74,848 and \$72,220, 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% benefit 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

Retiree and Beneficiary Benefits as of January 1, 2009	\$ 969,974
Net Assets Available for Benefits as of June 30, 2010	<u>589,145</u>
Unfunded Pension Benefit Obligation	<u>\$ 380,829</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, 2010 was \$400,345.

During the year ended June 30, 2010, 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, 2010, 2009 and 2008 was \$39,543, \$36,106 and \$37,369, respectively.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 53 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal Life Insurance Company. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$400 for single coverage and \$925 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$447,398 and plan members eligible for benefits contributed \$64,309 to the plan.

(6) 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 hours payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 161,900
Compensatory time	35,600
Sick leave	<u>121,900</u>
Total	<u>\$ 319,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) 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, 2010 was \$2,533 and the balance due was \$9,286.

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. No repayments have been made as of June 30, 2010.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 15,000
	Emergency	37,093
		<u>52,093</u>
Special Revenue:	Special Revenue:	
Library Gift	Friends of the Perry Public Library	<u>2,331</u>
Urban Renewal Revolving Loan	Capital Projects	<u>200,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	463,602
	Local Option Sales Tax	249,032
		<u>712,634</u>
Total		<u>\$ 967,058</u>

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

(9) Construction Commitments

The City has entered into construction contracts totaling approximately \$1,762,000 for airport, trail, street and storm sewer improvements. As of June 30, 2010, approximately \$1,307,000 had been paid on the contracts. The remaining \$455,000 will be paid as work on the projects progresses.

(10) 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 634 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, 2010 was \$98,759 and the Perry Municipal Waterworks' contribution was \$15,420.

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 \$150,000 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, 2010, 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.

(11) 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, 2010, the City made payments of \$87,500 to the developer. The

City did not pay the final fiscal 2010 payment of \$12,500 until after June 30, 2010. The balance remaining under the agreement at June 30, 2010 is \$312,500.

(12) 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 2, 2009, at least forty percent of the principal was repaid as required under the agreement, 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. During the year ended June 30, 2010, Tri-County Cash Lumber Mart made principal payments of \$63,333. The balance remaining on the loan at June 30, 2010 was \$114,445.

(13) Urban Renewal Loan Program

During the year ended June 30, 2010, the City established a Special Revenue, Urban Renewal Revolving Loan Fund. The fund was established from the series 2008A general obligation bond proceeds. Loans are made to qualifying business owners to aid them in maintaining or enhancing their properties in Perry. The loans have repayment terms of three to ten years with interest charged at 3% per annum. During the year ended June 30, 2010, the City disbursed \$159,600 in urban renewal loans and received \$17,155 in repayments. The balance remaining on the loans at June 30, 2010 was \$142,445.

(14) Pollution Remediation

The City purchased land which 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. The City's obligation is \$40,000 in clean-up costs. At June 30, 2010, the City has not paid any of the \$40,000 obligation.

(15) Deficit Balances

The City had deficit balances at June 30, 2010, as follows:

Special Revenue:	
Local Option Sales Tax Fund	\$ (107,746)
Debt Service Fund	(186,399)
Capital Projects Fund	(50,672)

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 receipts and grant reimbursements.

(16) Subsequent Event

In August 2010, the City approved a real estate contract for \$315,000 for the acquisition of the First National Bank Building. The contract requires a 10% down payment at signing and two annual payments beginning September 15, 2011, including interest at a rate of .53% per annum.

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,264,053	-	-	-
Tax increment financing	606,363	-	-	-
Other city tax	230,923	-	-	-
Licenses and permits	59,023	-	-	-
Use of money and property	34,439	3,846	8,789	-
Intergovernmental	3,175,311	-	-	-
Charges for service	1,255,534	1,020,302	1,152,273	-
Special assessments	732	-	-	-
Miscellaneous	495,398	4,570	297,751	110,245
Total receipts	<u>8,121,776</u>	<u>1,028,718</u>	<u>1,458,813</u>	<u>110,245</u>
Disbursements:				
Public safety	1,551,274	-	104,557	104,557
Public works	2,235,914	-	-	-
Health and social services	10,189	-	-	-
Culture and recreation	1,258,654	-	-	-
Community and economic development	287,332	-	-	-
General government	1,099,548	-	-	-
Debt service	939,524	-	-	-
Capital projects	939,671	-	-	-
Business type activities	-	912,660	1,352,869	-
Total disbursements	<u>8,322,106</u>	<u>912,660</u>	<u>1,457,426</u>	<u>104,557</u>
Excess (deficiency) of receipts over (under) disbursements	(200,330)	116,058	1,387	5,688
Other financing sources (uses), net	225,000	(222,855)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	24,670	(106,797)	1,387	5,688
Balances beginning of year	495,473	1,199,397	474,165	16,768
Balances end of year	<u>\$ 520,143</u>	<u>1,092,600</u>	<u>475,552</u>	<u>22,456</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,264,053	2,198,853	2,198,853	65,200
606,363	608,818	872,485	(266,122)
230,923	357,518	357,518	(126,595)
59,023	40,975	27,875	31,148
47,074	84,102	89,022	(41,948)
3,175,311	2,103,413	3,317,138	(141,827)
3,428,109	3,617,924	3,661,424	(233,315)
732	900	900	(168)
687,474	235,003	473,231	214,243
<u>10,499,062</u>	<u>9,247,506</u>	<u>10,998,446</u>	<u>(499,384)</u>
1,551,274	1,560,556	1,631,629	80,355
2,235,914	1,885,295	2,273,620	37,706
10,189	10,200	10,200	11
1,258,654	1,177,284	1,260,936	2,282
287,332	487,222	497,582	210,250
1,099,548	585,587	1,079,342	(20,206)
939,524	833,570	833,570	(105,954)
939,671	200,000	916,078	(23,593)
<u>2,265,529</u>	<u>2,323,288</u>	<u>5,213,829</u>	<u>2,948,300</u>
<u>10,587,635</u>	<u>9,063,002</u>	<u>13,716,786</u>	<u>3,129,151</u>
(88,573)	184,504	(2,718,340)	2,629,767
2,145	-	2,345,000	(2,342,855)
(86,428)	184,504	(373,340)	286,912
<u>2,152,267</u>	<u>3,226,366</u>	<u>3,226,366</u>	<u>(1,074,099)</u>
<u>2,065,839</u>	<u>3,410,870</u>	<u>2,853,026</u>	<u>(787,187)</u>

City of Perry

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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, one budget amendment increased budgeted disbursements by \$4,653,784. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions. In addition, disbursements exceeded the amounts budgeted in the public safety, public works and business type activities functions before the budget was amended.

Other Supplementary Information

City of Perry

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special			
	Emergency	Police Drug	Special Assessment	Library Gift
Receipts:				
Property tax	\$ 37,006	-	-	-
Other City tax	87	-	-	-
Use of money and property	-	-	-	1,709
Charges for service	-	575	-	-
Special assessments	-	-	732	-
Miscellaneous	-	-	-	18,479
Total receipts	<u>37,093</u>	<u>575</u>	<u>732</u>	<u>20,188</u>
Disbursements:				
Operating:				
Public safety	-	8,210	-	-
Culture and recreation	-	-	-	43,376
Community and economic development	-	-	-	-
General government	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>-</u>	<u>8,210</u>	<u>-</u>	<u>43,376</u>
Excess (deficiency) of receipts over (under) disbursements	<u>37,093</u>	<u>(7,635)</u>	<u>732</u>	<u>(23,188)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	2,331
Operating transfers out	(37,093)	-	-	-
Total other financing sources (uses)	<u>(37,093)</u>	<u>-</u>	<u>-</u>	<u>2,331</u>
Net change in cash balances	-	(7,635)	732	(20,857)
Cash balances beginning of year	-	28,354	6,916	42,686
Cash balances end of year	<u>\$ -</u>	<u>20,719</u>	<u>7,648</u>	<u>21,829</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ -	20,719	7,648	21,829
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>20,719</u>	<u>7,648</u>	<u>21,829</u>

See accompanying independent auditor's report.

Revenue							Permanent	
Recreation Memorial	Wiese Park	Fullhart Carnegie	Caboose	Urban Renewal Revolving Loan	Friends of the Perry Public Library	O'Brien Beautification	Total	
-	-	-	-	-	-	-	37,006	
-	-	-	-	-	-	-	87	
-	-	-	-	-	-	1,381	3,090	
-	-	-	-	-	-	-	575	
-	-	-	-	-	-	-	732	
30,440	23,297	1,458	3,398	17,155	10,562	-	104,789	
30,440	23,297	1,458	3,398	17,155	10,562	1,381	146,279	
-	-	-	-	-	-	-	8,210	
-	23,317	-	-	-	8,988	-	75,681	
-	-	-	-	-	-	1,913	1,913	
-	-	17,792	2,334	-	-	-	20,126	
-	-	-	-	159,600	-	-	159,600	
-	23,317	17,792	2,334	159,600	8,988	1,913	265,530	
30,440	(20)	(16,334)	1,064	(142,445)	1,574	(532)	(119,251)	
-	-	-	-	200,000	-	-	202,331	
-	-	-	-	-	(2,331)	-	(39,424)	
-	-	-	-	200,000	(2,331)	-	162,907	
30,440	(20)	(16,334)	1,064	57,555	(757)	(532)	43,656	
8,946	10,981	41,649	-	-	3,072	49,183	191,787	
39,386	10,961	25,315	1,064	57,555	2,315	48,651	235,443	
39,386	10,961	25,315	1,064	57,555	2,315	-	186,792	
-	-	-	-	-	-	48,651	48,651	
39,386	10,961	25,315	1,064	57,555	2,315	48,651	235,443	

City of Perry
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
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	Nov 5, 2008	4.75 %	\$ 380,000
Urban renewal tax increment financing revenue bonds	Nov 20, 2009	2.9	225,000
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
Sewer revenue refunding bonds	Jun 3, 2010	1.25-3.25	2,285,000
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 Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,790,000	-	225,000	1,565,000	70,852
2,045,000	-	90,000	1,955,000	74,902
750,000	-	180,000	570,000	23,178
\$ 4,585,000	-	495,000	4,090,000	168,932
380,000	-	90,000	290,000	18,050
-	225,000	56,250	168,750	3,450
\$ 380,000	225,000	146,250	458,750	21,500
300,000	-	300,000	-	8,443
730,000	-	730,000	-	20,884
262,000	-	262,000	-	7,509
1,590,000	-	1,590,000	-	47,561
-	2,285,000	-	2,285,000	-
\$ 2,882,000	2,285,000	2,882,000	2,285,000	84,397
134,385	-	42,542	91,843	6,997
39,851	-	8,736	31,115	2,513
125,000	-	41,667	83,333	4,187

City of Perry
Bond Maturities
June 30, 2010

Year Ending June 30,	General Obligation Urban Renewal Corporate Purpose Bonds		General Obligation Corporate Purpose Bonds		General Obligation Urban Renewal Corporate Purpose Bonds		Total
	Issued May 15, 2006		Issued March 19, 2008		Issued July 1, 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 1,565,000</u>		<u>\$ 1,955,000</u>		<u>\$ 570,000</u>	<u>4,090,000</u>

See accompanying independent auditor's report.

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Bonds Issued Nov 5, 2008		Urban Renewal Tax Increment Financing Revenue Bonds Issued Nov 20, 2009		Total	Sewer Revenue Refunding Bonds Issued Jun 3, 2010	
	Interest		Interest			Interest	
	Rates	Amount	Rates	Amount		Rates	Amount
2011	4.75%	\$ 95,000	2.90%	\$ 56,250	151,250	1.60%	\$ 385,000
2012	4.75	95,000	2.90	56,250	151,250	2.00	390,000
2013	4.75	100,000	2.90	56,250	156,250	2.30	400,000
2014		-		-	-	2.60	410,000
2015		-		-	-	3.00	405,000
2016		-		-	-	3.25	180,000
2017		-		-	-		115,000
2018		-		-	-		-
2019		-		-	-		-
2020		-		-	-		-
2021		-		-	-		-
2022		-		-	-		-
Total		<u><u>\$ 290,000</u></u>		<u><u>\$ 168,750</u></u>	<u><u>458,750</u></u>		<u><u>\$ 2,285,000</u></u>

City of Perry

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

For the Last Eight Years

	2010	2009	2008	2007
Receipts:				
Property tax	\$ 2,264,053	2,248,217	2,208,743	2,061,483
Tax increment financing	606,363	419,463	390,257	285,989
Other city tax	230,836	239,200	215,237	282,455
Licenses and permits	59,023	70,342	90,554	63,653
Use of money and property	34,526	31,829	69,272	93,085
Intergovernmental	3,175,311	2,590,279	1,903,116	2,697,784
Charges for service	1,255,534	1,255,071	1,215,632	1,108,878
Special assessments	732	786	846	901
Miscellaneous	495,398	601,053	755,632	406,806
Total	\$ 8,121,776	7,456,240	6,849,289	7,001,034
Disbursements:				
Operating:				
Public safety	\$ 1,551,274	1,547,689	1,622,210	1,620,051
Public works	2,235,914	2,381,072	2,035,449	1,519,021
Health and social services	10,189	18,680	9,372	8,972
Culture and recreation	1,258,654	1,405,708	1,147,763	1,226,133
Community and economic development	287,332	424,397	175,985	252,031
General government	1,099,548	2,184,524	1,015,089	574,582
Debt service	939,524	655,998	585,461	532,123
Capital projects	939,671	2,460,564	683,645	2,949,134
Total	\$ 8,322,106	11,078,632	7,274,974	8,682,047

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
<u>5,736,845</u>	<u>5,542,451</u>	<u>5,446,105</u>	<u>5,427,779</u>
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
<u>6,247,255</u>	<u>6,801,245</u>	<u>6,212,143</u>	<u>5,423,886</u>

Schedule 5

City of Perry
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2007CKWX0098	\$ 364
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-1949	43,110
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0075-04-2009	156,040
Airport Improvement Program	20.106	3-19-0075-05-2009	13,625
Airport Improvement Program	20.106	3-19-0075-06-2010	11,299
			<u>180,964</u>
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF 98780501-02	82,194
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF 98796401-01	46,604
			<u>128,798</u>
Total direct			<u>353,236</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07-HSG-050	3,034
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-NSP-014	160,258
			<u>163,292</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
ARRA - Highway Planning and Construction	20.205	ESL-5970(610)-7S-25	269,251
Highway Planning and Construction	20.205	SRTS-U-5970(609)-8U-25	4,781
			<u>274,032</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	09-410, Task 58	1,114
State and Community Highway Safety	20.600	10-410, Task 59	7,748
			<u>8,862</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Funds (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	9,115
Total indirect			<u>455,301</u>
Total			<u>\$ 808,537</u>

City of Perry

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Perry's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-E-10 and II-F-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10, II-C-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

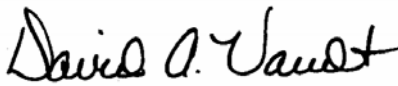
As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2010 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

December 16, 2010

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

City of Perry



OFFICE OF AUDITOR OF STATE

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Perry, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Perry's internal control over compliance.

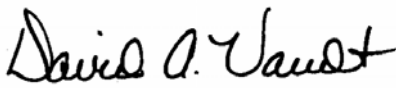
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-10 and III-B-10 to be material weaknesses.

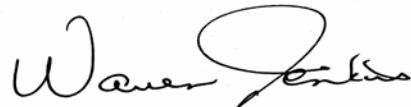
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-10 to be a significant deficiency.

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

December 16, 2010

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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 and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (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 as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 20.205 – Highway Planning and Construction and ARRA – 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, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City, including the Library Gift Fund and the Friends of the Library:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Disbursements – 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 and Corrective Action Planned – The City will create a written policy designating the duties to be handled by the City Clerk and Finance Officer, which will also provide for duties during vacations and other leaves of absence. The Finance Officer enters the new payroll rates and the City Clerk reviews the new payroll rates for accuracy. The City will save a copy of the annual payroll testing for audit purposes.

Conclusion – Response accepted.

II-B-10 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.

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

Response – A Council member will periodically collect the petty cash drawers at each location and count the drawers at City Hall with the assistance of the Finance Officer. This verification will be noted on a document which will be kept on file at City Hall.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-C-10 Building Permits – Building permit fees are calculated based on the valuation of the structure being constructed. One of five permits tested was calculated incorrectly.

Recommendation – Building permits should be calculated in accordance with the fee structure approved by the City Council.

Response – The Building Official will use the fee structure which was approved by the City Council to calculate the building permit fees.

Conclusion – Response accepted.

II-D-10 Library Gift Fund – Unused checks are not properly safeguarded.

Recommendation – Unused checks should be properly safeguarded to ensure proper usage.

Response – The Perry Public Library will keep the Library Gift Fund checks in a secured area.

Conclusion – Response accepted.

II-E-10 Perry Police Association – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Supporting documentation could not be located for certain disbursements and certain invoices were not cancelled to prevent reuse.

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

Supporting documentation should be maintained for all disbursements and invoices should be cancelled to prevent reuse.

Response – The Police Clerk or Police Chief will reconcile the Perry Police Association's financial statements on a quarterly basis and will provide a signature and date for each reconciliation. The Perry Police Association will keep all supporting documentation in a file and will mark "PAID" along with the date on all paid invoices. The Perry Police Association will segregate duties to the extent possible.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-F-10 Perry Volunteer Firefighters Association – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department’s financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

The bank balances and the Association’s ledger balances were not reconciled monthly.

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

To improve financial accountability and control, the ledger balances should be reconciled monthly to the bank balances. Any variances should be investigated and resolved in a timely manner. An independent person should review the reconciliations and document the review by initialing and dating the monthly reconciliations.

Response – The Fire Chief will reconcile the Perry Volunteer Firefighters Association’s financial statements on a monthly basis and will provide a signature and date for each reconciliation. The Perry Volunteer Firefighters Association will segregate duties to the extent possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 07-HSG-050, 08-NSP-014

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 and ARRA – Highway Planning and Construction

Pass-through Agency Number: SRTS-U-5970(609)-8U-25, ESL-5970(610)-7S-25

Federal Award Year: 2008, 2009

Department of Transportation

Passed through the Iowa Department of Transportation

- III-A-10 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-10.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 07-HSG-050, 08-NSP-014

Federal Award Year: 2007, 2008

Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

- III-B-10 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 was 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

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

federal awards each year are formally reviewed in a timely manner, including appropriate follow-up.

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

Conclusion – Response accepted.

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 07-HSG-050

Federal Award Year: 2007

Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-C-10 Financial Reporting – 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 the reports filed by the administrative entity are reconciled to financial records at the City.

Response and Corrective Action Planned – 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, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the general government, debt service and capital projects functions. In addition, disbursements exceeded the amounts budgeted in the public safety, public works and business type activities functions before the budget was amended.

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

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

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

Conclusion – Response accepted.

IV-B-10 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-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jay Pattee, Mayor, Owner of Ben Franklin	Supplies	\$ 230
Brian Eiteman, Recycle Collector and Volunteer Firefighter	CPR training	270
Josh Sparks, Police Officer, independent contractor providing storm sewer repair	Storm sewer repair	6,600
Rodney Cromwell, Volunteer Firefighter, Owner of Cromwell Towing and Recovery	Towing services	625
Ana Jiminez, Police Dispatcher	Interpreter services	533

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor, volunteer firefighters 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 may represent a conflict of interest in accordance with Chapter 362.5(10) and Chapter 362.5(4) of the Code of Iowa since the transactions exceeded \$1,500 during the fiscal year and were not entered into through competitive bidding.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

During the year ended June 30, 2010, the City entered into urban renewal loans with Jay Pattee, Council Member and owner of Ben Franklin, and Morris A. Michaelsen, Council Member. In accordance with Chapter 15A.2 of the Code of Iowa, the transactions do not appear to represent conflicts of interest since the interest of the individuals was made known to the governing body and the members who had a direct interest did not participate in the decision-making process with regards to the urban renewal loans.

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 consult legal counsel to determine the disposition of the transactions with the police officer.

Response – The City is now using an informal bid process when purchases or contracts would benefit a City employee or officer. The City Clerk will maintain records of the bid awards. We will seek the advice of legal counsel in this matter.

Conclusion – Response acknowledged. The City should seek competitive bids in writing, publicly invited and opened, as required by Chapter 362.5 of the Code of Iowa.

IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days and did not contain a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required.

Response – The City will publish minutes as required by the Code of Iowa.

Conclusion – Response accepted.

IV-G-10 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-10 Revenue Bonds – The City has not established a sewer reserve fund as required by the bond resolution.

Recommendation – The City should comply with the sewer revenue bond resolution requirements.

Response – The Finance Officer will transfer the required amount to the Sewer Reserve Account from the Sewer Sinking Account.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-I-10 Payment of Loan Obligations – The provisions of the bank loan dated May 18, 2009 require the City to fund the loan payments from the General Fund. During the year ended June 30, 2010, the City paid the principal and interest on the loan from the Debt Service Fund, but did not make a transfer from the General Fund as required by the loan agreement. A correction was made in the financial statements to record the transfer from the Special Revenue, Local Option Sales Tax Fund to the Debt Service Fund.

Recommendation – The City should comply with the provisions of the bank loan agreement.

Response – The City will fund the debt obligation from the correct funds.

Conclusion – Response accepted.

IV-J-10 Issuance of Sewer Revenue Refunding Bonds – The City did not publish notice of sale not less than four nor more than twenty days before the sale of the sewer revenue refunding bonds as required by Chapter 75.2 of the Code of Iowa.

Recommendation – The City should publish notice of sale for debt issuances as required by Chapter 75 of the Code of Iowa.

Response – The City will comply with Chapter 75.2 of the Code of Iowa when publishing notice of sale for debt issuances.

Conclusion – Response accepted.

IV-K-10 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

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

Response – The City will 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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-L-10 Tax Increment Financing Indebtedness Certification – In 2004, the City loaned \$200,000 to a developer under a development agreement. The loan was made from the Special Revenue, Urban Renewal Tax Increment Fund and loan repayments are used to replenish this fund. During the year ended June 30, 2010, the City received loan payments from the developer of \$68,667, including interest of \$5,334. These repayments represent amounts in excess of debt certified to the County Auditor and, accordingly, the amounts received should be de-certified to the County Auditor in accordance with Chapter 403.19(5)(b) of the Code of Iowa. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions to the County Auditor resulting from reduction in debt or for any other reason.

Recommendation – The City should de-certify the amount of payments received from the developers as required by Chapter 403.19(5)(b) of the Code of Iowa.

Response – The City will de-certify the amount of payments from the developer on the FY2012 TIF debt certification.

Conclusion – Response accepted.

IV-M-10 Financial Condition – The City had deficit balances at June 30, 2010, as follows:

Special Revenue:	
Local Option Sales Tax Fund	\$ 107,746
Debt Service Fund	186,399
Capital Projects Fund	50,672

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 Local Option Sales Tax Fund through the collection of local option sales tax funds beginning July 1, 2010. The City will eliminate the deficit in the Debt Service Fund over the next three years through transfers from the Local Option Sales Tax Fund for debt payments. The City will eliminate the deficit in the Capital Projects Fund through the receipt of grant reimbursements.


Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Michael R. Field, Staff Auditor
Casey L. Johnson, Assistant Auditor
Ryan A. Yeager, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State