



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 19, 2012

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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 \$11,036,764 for the year ended June 30, 2011, a 5.3% decrease from the prior year. The receipts included \$2,426,126 in property tax, \$573,577 from tax increment financing, \$2,433,333 from charges for service, \$1,936,887 from operating grants, contributions and restricted interest, \$1,099,960 from capital grants, contributions and restricted interest, \$59,627 from hotel/motel tax, \$1,671,000 from local option sales tax, \$4,909 from unrestricted interest on investments, \$182,448 from franchise fees, \$545,000 from bond proceeds and \$103,897 from other general receipts.

Disbursements for the year totaled \$10,668,060, a 9.1% decrease from the prior year, and included \$2,789,156 for public works, \$1,674,978 for public safety and \$1,505,904 for general government. Also, disbursements for business type activities totaled \$915,426.

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/1120-0237-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, 2011

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City of Perry

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Jay Pattee	Mayor	Jan 2012
Eduardo Diaz-Cardenas	Council Member	Resigned June 2011
Chuck Schott	Council Member	Jan 2012
Wilford Roberts	Council Member	Jan 2012
Phillip Stone	Council Member	Jan 2012
Jenny Eklund	Council Member	Jan 2014
Delbert Niebuhr	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Corey Eastman	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, 2011, 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.

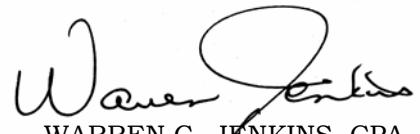
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2011, 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 21, 2011 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 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (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 21, 2011

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 20%, or approximately \$1,631,000, from fiscal year 2010 to fiscal year 2011. Local option sales tax increased approximately \$1,068,000 and bond proceeds increased approximately \$320,000. The City began collecting a 1% local option sales tax July 1, 2010. The City continued to receive half of the Perry Community School District's SILO tax.
- Disbursements of the City's governmental activities increased 17%, or approximately \$1,431,000, in fiscal year 2011 over fiscal year 2010. Public works disbursements increased approximately \$553,000, general government disbursements increased approximately \$406,000 and community and economic development disbursements increased approximately \$340,000. Public works disbursements increased primarily due to airport improvement projects. General government disbursements increased primarily due to remitting half of the City's local option sales tax receipts to the Perry Community School District. Community and economic development disbursements increased, primarily due to an increase in Neighborhood Stabilization Program disbursements.
- The City's total cash basis net assets increased 22.9%, or \$368,704, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$254,796 and the assets of the business type activities increased \$113,908.

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 financial statement by providing information about the most significant funds.

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

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 systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax 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.

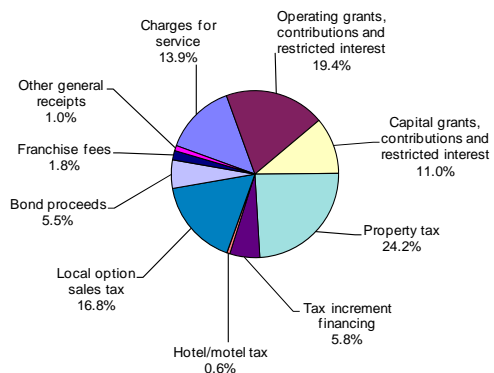
The required financial statement for the fiduciary fund is a statement of changes in fiduciary net assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

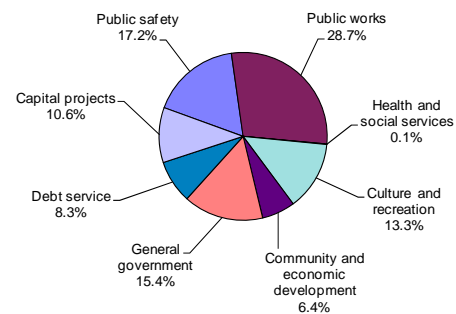
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing to approximately \$775,000 from approximately \$520,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 1,384,040	1,342,596
Operating grants, contributions and restricted interest	1,936,887	1,680,313
Capital grants, contributions and restricted interest	1,099,960	1,353,473
General receipts:		
Property tax	2,426,126	2,269,053
Tax increment financing	573,577	606,363
Hotel/motel tax	59,627	56,227
Local option sales tax	1,671,000	602,626
Unrestricted interest on investments	3,358	4,414
Franchise fees	182,448	169,696
Bond proceeds	545,000	225,000
Other general receipts	95,756	37,015
Total receipts	9,977,779	8,346,776
Disbursements:		
Public safety	1,674,978	1,551,274
Public works	2,789,156	2,235,914
Health and social services	10,515	10,189
Culture and recreation	1,301,685	1,258,654
Community and economic development	627,177	287,332
General government	1,505,904	1,099,548
Debt service	810,955	939,524
Capital projects	1,032,264	939,671
Total disbursements	9,752,634	8,322,106
Change in cash basis net assets before transfers	225,145	24,670
Transfers, net	29,651	-
Change in cash basis net assets	254,796	24,670
Cash basis net assets beginning of year	520,143	495,473
Cash basis net assets end of year	\$ 774,939	520,143

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 20%, or \$1,631,003. The total cost of all programs and services increased \$1,430,528, or 17%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.753 million compared to approximately \$8.322 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$5.332 million because some of the cost was paid by those who directly benefited from the programs (\$1,384,040), by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,936,887) or from capital grants, contributions and restricted interest (\$1,099,960). Overall, the City's program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$4,376,000 in the prior year to approximately \$4,421,000. The increase is primarily due to the receipt of more state and federal grants during fiscal year 2011. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5.587 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,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 954,072	924,676
Sewer discharge	95,221	95,626
General receipts:		
Unrestricted interest on investments	1,551	3,846
Miscellaneous	8,141	4,570
Bond proceeds	-	2,278,145
Bonds/notes refunded	-	(2,501,000)
Total receipts	<u>1,058,985</u>	<u>805,863</u>
Disbursements:		
Sewer	840,829	895,307
Sewer discharge	74,597	17,353
Total disbursements	<u>915,426</u>	<u>912,660</u>
Increase (decrease) in cash basis net assets before transfers	143,559	(106,797)
Transfers, net	(29,651)	-
Increase (decrease) in cash basis net assets	<u>113,908</u>	<u>(106,797)</u>
Cash basis net assets beginning of year	<u>1,092,600</u>	<u>1,199,397</u>
Cash basis net assets end of year	<u>\$ 1,206,508</u>	<u>1,092,600</u>

Total business type activities receipts for the fiscal year were \$1,058,985 compared to \$805,863 last year. The cash balance increased \$113,908 from the prior year. Receipts increased due to the increase of Sewer Treatment fees and Sewer Availability fees beginning with the July 2010 billing cycle. Total disbursements for the fiscal year increased less than 1% to approximately \$915,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$774,939, an increase of \$254,796 from last year's balance of \$520,143. 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 \$151,091 from the prior year to a deficit of \$16,833. This decrease in the cash balance was primarily attributable to an increase in community and economic development disbursements due to increased grant expenses for the Neighborhood Stabilization Program.
- The Special Revenue, Road Use Tax Fund cash balance increased \$42,067 to \$254,973 during the fiscal year. This increase in the cash balance was primarily attributable to a decrease 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 \$121,045, an increase of \$4,543 over the previous year. The increase in cash balance was primarily due to a decrease in expenses for the RISE grant project. This was offset by a decrease in intergovernmental receipts for grant proceeds from the RISE grant.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$404,750 from the prior year to \$297,004, due primarily to an increase of approximately \$1,068,000 in local option sales tax receipts. The City began collecting a one percent local option sales tax on July 1, 2010. This increase in receipts was offset by an increase in payments made to Perry Community School District for half of the local option sales tax received by the City.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$126,426 from the prior year to (\$126,426). This decrease in cash balance was primarily due to Streets Department benefits usually being paid out of the Special Revenue, Road Use Tax Fund. However, all benefits for fiscal year 2011 were paid from the Special Revenue, Employee Benefits Fund.
- The Debt Service Fund cash balance decreased \$1,498 to (\$187,897) 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 eliminate the deficit through future transfers from the Special Revenue, Local Option Sales Tax Fund as funds become available.
- The Capital Projects Fund cash balance increased \$76,663 from the prior year to \$25,991. This increase was due to transfers from the Special Revenue, Urban Renewal Tax Increment Fund from bond proceeds to be used for various capital projects.
- The Permanent, Cemetery Perpetual Care Fund balance increased \$850 to \$199,664 due to current year lot sale proceeds to be used for perpetual care.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$93,284 to \$953,284, due primarily to a decrease in sewer revenue bond payments as a result of the refunding of various outstanding sewer revenue bonds and notes in fiscal year 2010.
- The Enterprise, Sewer Discharge Fund cash balance increased \$20,624 to \$253,224, primarily due to receipts outpacing related disbursements. Disbursements increased approximately \$57,000 over the prior year due to a storm sewer project in the current year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 6, 2011 and resulted in an increase in receipts and disbursements, primarily related to capital improvement projects.

The City's receipts were \$353,932 less than the amended budget. This was primarily due to the City budgeting local option sales tax receipts at higher amounts than were actually received.

Total disbursements were \$1,006,529 less than the amended budget. Disbursements in the public safety and debt service functions exceeded the amounts budgeted. The actual disbursements for the capital projects and business type activities functions were \$350,071 and \$331,980, respectively, less than the amended budget. This was primarily due to projects, such as the Energy Efficiency and Conservation Block Grant, the Otley Avenue Street Project, the Brownfield Development Project and the Perry Resource Center Project, beginning later than planned with payment requests being submitted in fiscal year 2012 instead of fiscal year 2011 as budgeted. In addition, the City did not spend as much as budgeted for capital infrastructure improvement projects from the Special Revenue, Local Option Sales Tax Fund for capital airport and street improvements and capital parks and recreation building projects.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$6,437,189 of bonds and other long-term debt outstanding, compared to \$7,040,041 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation bonds and notes	\$ 4,120,000	4,090,000
Urban renewal tax increment financing revenue bonds	307,500	458,750
Revenue bonds and notes	1,900,000	2,285,000
Lease purchase agreement	47,087	91,843
Real estate contracts	304,436	31,115
Bank loan	41,666	83,333
Total	\$ 6,720,689	7,040,041

Debt decreased due to the annual payments for principal on outstanding debts. The City issued \$545,000 of general obligation corporate purpose bonds to finance the down payment on the former First National Bank building, heating and air conditioning improvements at McCreary Center and City Hall, demolition of the old middle school building and construction improvements to alleys. The City entered into a real estate contract for the former First National Bank building and provided a secured promissory note for \$283,500 to be paid over the next two fiscal years.

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 \$4,820,689, plus development agreements of \$200,000 and \$454,000, respectively, totals \$5,565,689 and is significantly below its constitutional debt limit of approximately \$13,660,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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. Taxable valuations used for the fiscal year 2012 budget increased \$3,105,399, or 1.93%, over the value used for the fiscal year 2011 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. Although these projects are tax

exempt, the DMACC Academy and the new performing arts auditorium at the Middle School/High School Complex have helped generate more traffic in Perry. The City 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, which should be completed in 2012. 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 should supplement the growth of the City's taxable valuation. The City Council is considering a \$1 million sewer extension to the Van Kirk Addition on the north side of the City. The Hotel Pattee (Hotel Perry LLC) continues to draw guests and conferences causing the City's hotel/motel tax receipts to increase \$3,400, or 6%, from fiscal year 2010 to fiscal year 2011. The in-town construction and the Highway 141 crossing of the Raccoon River Valley Recreational Trail running through the City 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 completed the trail section from Dawson to Perry and from Waukee to Dallas Center. Dallas County Conservation will complete the final section of the trail from Dallas Center to Perry in 2012, which will create a 33 mile loop, bringing the total trail distance to 89 miles. A grant from the Dallas County Board of Health provided for an off-street trail which connected all of the City's parks. This should attract many recreational enthusiasts and businesses geared toward serving trail users. The City will use this increase in receipts to finance programs currently offered.

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. Flows have been reduced to record levels at the Water Pollution Control Facility.

The City began collecting a 1% Local Option Sales Tax on July 1, 2010. The State of Iowa's fiscal year 2011 Local Option Sales Tax revenue for the City is \$902,981. 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, the Public Safety Building and the 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. The City has begun 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 lights at the Perry Public Library and the remaining lights at the Perry Public Safety Building 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 the General and Local Option Sales Tax Funds.

The City created a low interest Special Revenue, Urban Renewal Revolving Loan Fund of \$200,000 as part of a bond issue in fiscal year 2009. This revolving loan fund 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, 2011, \$41,627 was disbursed to qualified business owners.

During fiscal year 2011, the City completed 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 owned by Hotel Pattee. The Downtown Alley Enhancement Project placed an alleyway which ran from Warford to the alley behind the Hotel Pattee which

includes a parking area and green space. The former parking lot owned by the Hotel Pattee was 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 were made at the Perry Municipal Airport in fiscal year 2011 to assist in attracting jets used by businesses and industries. Improvements include 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. The update of the Airport Layout Plan will be completed in fiscal year 2012.

In fiscal year 2011, the City was selected as one of twenty-six entities nationwide the EPA has selected to receive technical assistance in the form of a feasibility study on a contaminated site. The RE-Powering America's Land Initiative promotes the siting of renewable energy on contaminated lands instead of greenspace as part of the larger EPA goal to clean up and revitalize contaminated sites. These studies are the first step to transforming these sites from eyesores to community assets.

In fiscal year 2010, the City 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 complete this project in fiscal year 2012 and 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 matched the in-kind portion of the grant with labor.

During the fiscal year 2012 budget process, the City planned on a positive balance of \$46,936 to use as a beginning balance in the General Fund. However, with the City funding its share of property rehabilitation for the Neighborhood Stabilization Plan from the General Fund, the actual beginning balance in the General Fund for fiscal year 2012 will be a deficit \$16,833. The City will be reimbursed for its share of disbursements when the properties are sold.

These factors were taken into account when adopting the General Fund budget for fiscal year 2012. Amounts available for appropriation in the fiscal year 2012 General Fund budget are budgeted at \$3,483,285. Disbursements in the fiscal year 2012 General Fund budget are budgeted at \$3,525,961. The City has added no major new programs or initiatives to the fiscal year 2012 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, 2011

	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	\$ 1,674,978	81,819	87,184	-
Public works	2,789,156	805,925	1,589,488	-
Health and social services	10,515	-	2,625	-
Culture and recreation	1,301,685	411,704	125,134	-
Community and economic development	627,177	25,995	11,409	455,498
General government	1,505,904	57,937	121,047	-
Debt service	810,955	-	-	-
Capital projects	1,032,264	660	-	644,462
Total governmental activities	9,752,634	1,384,040	1,936,887	1,099,960
Business type activities:				
Sewer	840,829	954,072	-	-
Sewer discharge	74,597	95,221	-	-
Total business type activities	915,426	1,049,293	-	-
Total Primary Government	\$ 10,668,060	2,433,333	1,936,887	1,099,960
Component Units:				
Perry Police Officers Association	\$ 8,723	-	16,735	-
Perry Volunteer Firefighter's Association	184,830	-	187,314	-
Perry Municipal Waterworks	1,331,227	1,276,509	184,711	-
Total Component Units	\$ 1,524,780	1,276,509	388,760	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Hotel/motel tax				
Local option sales tax				
Local option sales tax received from Perry Community School District				
Unrestricted interest on investments				
Franchise fees				
Bond proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Capital projects				
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			Total	Component Units
Governmental Activities	Business Type Activities			
(1,505,975)	-	(1,505,975)	-	
(393,743)	-	(393,743)	-	
(7,890)	-	(7,890)	-	
(764,847)	-	(764,847)	-	
(134,275)	-	(134,275)	-	
(1,326,920)	-	(1,326,920)	-	
(810,955)	-	(810,955)	-	
(387,142)	-	(387,142)	-	
(5,331,747)	-	(5,331,747)	-	
-	113,243	113,243	-	
-	20,624	20,624	-	
-	133,867	133,867	-	
(5,331,747)	133,867	(5,197,880)	-	
-	-	-	8,012	
-	-	-	2,484	
-	-	-	129,993	
-	-	-	140,489	
2,197,076	-	2,197,076	-	
229,050	-	229,050	-	
573,577	-	573,577	-	
59,627	-	59,627	-	
902,981	-	902,981	-	
768,019	-	768,019	-	
3,358	1,551	4,909	6,061	
182,448	-	182,448	-	
545,000	-	545,000	-	
59,099	-	59,099	-	
36,657	8,141	44,798	-	
29,651	(29,651)	-	-	
5,586,543	(19,959)	5,566,584	6,061	
254,796	113,908	368,704	146,550	
520,143	1,092,600	1,612,743	475,552	
\$ 774,939	1,206,508	1,981,447	622,102	
\$ 244,664	-	244,664	-	
254,973	-	254,973	-	
121,045	-	121,045	-	
25,991	-	25,991	-	
-	506,038	506,038	288,308	
464,465	-	464,465	107,402	
(336,199)	700,470	364,271	226,392	
\$ 774,939	1,206,508	1,981,447	622,102	

City of Perry

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

As of and for the year ended June 30, 2011

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 1,340,918	-	-	-
Tax increment financing	-	-	573,577	-
Other city tax	61,653	-	-	902,982
Licenses and permits	245,724	-	-	-
Use of money and property	27,574	-	3,492	71
Intergovernmental	552,058	737,056	7,292	1,588,957
Charges for service	1,191,909	-	-	-
Special assessments	660	-	-	-
Miscellaneous	219,532	-	-	-
Total receipts	<u>3,640,028</u>	<u>737,056</u>	<u>584,361</u>	<u>2,492,010</u>
Disbursements:				
Operating:				
Public safety	1,113,381	-	-	59,821
Public works	661,653	665,338	-	1,188,786
Health and social services	10,515	-	-	-
Culture and recreation	974,918	-	-	99,869
Community and economic development	612,240	-	-	-
General government	579,414	-	286,751	515,567
Debt service	-	-	-	-
Capital projects	-	-	-	14,303
Total disbursements	<u>3,952,121</u>	<u>665,338</u>	<u>286,751</u>	<u>1,878,346</u>
Excess (deficiency) of receipts over (under) disbursements	(312,093)	71,718	297,610	613,664
Other financing sources (uses):				
Bond proceeds	-	-	420,000	125,000
Sale of capital assets	-	-	-	-
Operating transfers in	161,002	-	-	-
Operating transfers out	-	(29,651)	(713,067)	(333,914)
Total other financing sources (uses)	<u>161,002</u>	<u>(29,651)</u>	<u>(293,067)</u>	<u>(208,914)</u>
Net change in cash balances	(151,091)	42,067	4,543	404,750
Cash balances beginning of year, as restated	134,258	212,906	116,502	(107,746)
Cash balances end of year	<u>\$ (16,833)</u>	<u>254,973</u>	<u>121,045</u>	<u>297,004</u>
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
O'Brien beautification	-	-	-	-
Restricted for:				
Streets	-	254,973	-	-
Urban renewal purposes	-	-	121,045	-
Capital projects	-	-	-	-
Other purposes	5,043	-	-	297,004
Unassigned	(21,876)	-	-	-
Total cash basis fund balances	<u>\$ (16,833)</u>	<u>254,973</u>	<u>121,045</u>	<u>297,004</u>

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Nonmajor	Total
852,726	228,706	-	-	-	2,422,350
-	-	-	-	-	573,577
1,405	344	-	-	-	966,384
-	-	-	-	-	245,724
-	-	-	-	694	31,831
-	-	603,693	-	-	3,489,056
-	-	-	-	20,000	1,211,909
-	-	-	-	-	660
42,708	-	10,331	850	158,768	432,189
896,839	229,050	614,024	850	179,462	9,373,680
442,546	-	-	-	59,230	1,674,978
273,379	-	-	-	-	2,789,156
-	-	-	-	-	10,515
154,960	-	-	-	71,938	1,301,685
13,437	-	-	-	1,500	627,177
123,943	-	-	-	229	1,505,904
-	810,955	-	-	-	810,955
-	-	976,334	-	41,627	1,032,264
1,008,265	810,955	976,334	-	174,524	9,752,634
(111,426)	(581,905)	(362,310)	850	4,938	(378,954)
-	-	-	-	-	545,000
-	-	59,099	-	-	59,099
-	580,407	379,874	-	3,006	1,124,289
(15,000)	-	-	-	(3,006)	(1,094,638)
(15,000)	580,407	438,973	-	-	633,750
(126,426)	(1,498)	76,663	850	4,938	254,796
-	(186,399)	(50,672)	198,814	202,480	520,143
(126,426)	(187,897)	25,991	199,664	207,418	774,939
-	-	-	199,664	-	199,664
-	-	-	-	45,000	45,000
-	-	-	-	-	254,973
-	-	-	-	-	121,045
-	-	25,991	-	-	25,991
-	-	-	-	162,418	464,465
(126,426)	(187,897)	-	-	-	(336,199)
(126,426)	(187,897)	25,991	199,664	207,418	774,939

City of Perry

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

As of and for the year ended June 30, 2011

	Enterprise		Total
	Sewer	Sewer Discharge	
Operating receipts:			
Charges for service	\$ 954,072	95,221	1,049,293
Operating disbursements:			
Business type activities	372,817	74,597	447,414
Excess of operating receipts over operating disbursements	581,255	20,624	601,879
Non-operating receipts (disbursements):			
Interest on investments	1,551	-	1,551
Miscellaneous	8,141	-	8,141
Debt service	(430,926)	-	(430,926)
Capital projects	(37,086)	-	(37,086)
Total non-operating receipts (disbursements)	(458,320)	-	(458,320)
Excess of receipts over disbursements	122,935	20,624	143,559
Operating transfers out	(29,651)	-	(29,651)
Net change in cash balances	93,284	20,624	113,908
Cash balances beginning of year	860,000	232,600	1,092,600
Cash balances end of year	\$ 953,284	253,224	1,206,508
Cash Basis Fund Balances			
Restricted for debt service	\$ 506,038	-	506,038
Unrestricted	447,246	253,224	700,470
Total cash basis fund balances	\$ 953,284	253,224	1,206,508

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, 2011

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ 92,370
Deductions:	
Benefits paid	<u>76,832</u>
Net change in cash balances	15,538
Cash balance beginning of year	<u>589,145</u>
Cash balance end of year	<u><u>\$ 604,683</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, 2011

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Municipal Waterworks	Total Component Units
Disbursements	\$ 8,723	184,830	1,331,228	1,524,781
Program receipts:				
Charges for service	-	-	1,276,509	1,276,509
Operating grants and contributions	16,735	187,314	184,711	388,760
Total program receipts	16,735	187,314	1,461,220	1,665,269
Net program receipts	8,012	2,484	129,992	140,488
General receipts:				
Interest on investments	-	-	6,062	6,062
Change in cash basis net assets	8,012	2,484	136,054	146,550
Cash basis net assets beginning of year	5,494	16,962	453,096	475,552
Cash basis net assets end of year	\$ 13,506	19,446	589,150	622,102
Cash Basis Net Assets				
Restricted:				
Debt service	\$ -	-	288,308	288,308
Other purposes	13,506	19,446	74,450	107,402
Unrestricted	-	-	226,392	226,392
Total cash basis net assets	\$ 13,506	19,446	589,150	622,102

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2011

(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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the payment of principal and interest on debt incurred for urban renewal projects.

The Local Option Sales Tax Fund is used to account for the City's local option sales tax (LOST) receipts and LOST 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 property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The Permanent, Cemetery Perpetual Care Fund is used to account for receipts from cemetery lot sales to be used for the upkeep and maintenance of the Violet Hill cemetery.

The City reports the following major proprietary funds:

The 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. A fiduciary fund is used to account for assets held by the City in a trustee capacity.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety and debt service functions. In addition, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and capital projects functions before the budget was amended.

(2) Cash and Pooled Investments

The City's and its component units' deposits in banks at June 30, 2011 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 refunding bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing Revenue Bonds		Sewer Revenue Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 585,000	156,270	151,250	12,533	390,000	40,218	1,126,250	209,021
2013	650,000	131,727	156,250	6,381	400,000	33,097	1,206,250	171,205
2014	470,000	109,793	-	-	410,000	24,382	880,000	134,175
2015	485,000	92,953	-	-	405,000	14,403	890,000	107,356
2016	510,000	74,965	-	-	180,000	6,437	690,000	81,402
2017 - 2021	1,210,000	188,977	-	-	115,000	1,869	1,325,000	190,846
2022	210,000	8,715	-	-	-	-	210,000	8,715
Total	\$ 4,120,000	763,400	307,500	18,914	1,900,000	120,406	6,327,500	902,720

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 \$326,414, payable through June 2013. For the current year, principal and interest paid and total TIF receipts were \$170,016 and \$573,577, respectively. Annual principal and interest payments on the bonds are expected to require less than 30 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 bonds are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2017. The total principal and interest remaining to be paid on the bonds is \$2,020,406. For the current year, principal and interest paid and total customer net receipts were \$430,476 and \$581,255, respectively. Annual principal and interest payments on these sewer revenue refunding bonds are expected to require less than 75% 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.

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, 2011:

Year Ending June 30,	Amount
2012	\$ 49,539
Less amount representing interest	<u>(2,452)</u>
Present value of net minimum Lease payments	<u>\$ 47,087</u>

Payments under the capital lease purchase agreement totaled \$49,538 for the year ended June 30, 2011.

Real Estate Contracts

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, 2011 totaled \$20,936.

On November 18, 2010, the City entered into a real estate contract to purchase the Town Craft Building (former First National Bank). The City paid \$28,108 at closing and provided the seller a secured promissory note for \$283,500 requiring two annual installments of \$141,750, plus interest at 0.35% per annum, beginning September 15, 2011. The unpaid balance at June 30, 2011 is \$283,500.

Bank Loan

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, 2011, principal and interest paid under the bank loan agreement totaled \$44,436. The principal balance of the loan at June 30, 2011 was \$41,666.

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
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	3.00	37,000	4,650	4.40	55,000	10,935	92,000	15,585
2017-2019	3.00	118,000	7,170	4.50-4.70	185,000	17,385	303,000	24,555
Total		\$ 289,000	40,620		\$ 430,000	92,020	719,000	132,640

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 30% of net receipts. The total principal and interest remaining to be paid on the notes and bonds is \$851,640. For the current year, principal and interest paid and total customer net receipts were \$105,840 and \$355,361, 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$178,838, \$169,477 and \$144,720, 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, 2011, 2010 and 2009 were \$92,370, \$55,690 and \$88,380, respectively.

The plan is administered by the City through the Police Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established by state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50% of the monthly salary at retirement or disability and 50% of the monthly salary at death.

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, 2011	<u>604,683</u>
Unfunded Pension Benefit Obligation	<u>\$ 365,291</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 enrolled in the Plan and the fair value of Plan assets at June 30, 2011 was \$583,459.

During the year ended June 30, 2011, 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, 2011, 2010 and 2009 was \$38,095, \$39,543 and \$36,106, 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 50 active and 5 retired members in the plan. Retired 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 \$450 for single coverage and \$1,100 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$446,839 and plan members eligible for benefits contributed \$84,699 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, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 134,700
Compensatory time	38,800
Sick leave	<u>138,400</u>
Total	<u>\$ 311,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(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, 2011 was \$2,533 and the balance due was \$6,753.

During the year ended June 30, 2009, the Enterprise, Sewer Fund loaned the General Fund \$63,879 at no interest. The loan is to be repaid over ten years beginning July 1, 2010. No repayments have been made as of June 30, 2011.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 29,651
	Local Option Sales Tax	86,700
	Employee Benefits	<u>15,000</u>
		131,351
	Enterprise:	
	Sewer	<u>29,651</u>
		<u>161,002</u>
Special Revenue:	Special Revenue:	
Library Gift	Friends of the Perry Public Library	<u>3,006</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	333,193
	Local Option Sales Tax	<u>247,214</u>
		<u>580,407</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	<u>379,874</u>
Total		<u>\$ 1,124,289</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 \$1,476,000 for airport, building, street and storm sewer improvements. As of June 30, 2011, approximately \$1,245,000 had been paid on the contracts. The remaining \$231,000 will be paid as work on the projects progresses.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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 150 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, 2011 was \$103,304 and the Perry Municipal Waterworks' contribution was \$16,383.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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, 2011, 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 Agreements

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, 2011, the City made payments of \$112,500 to the developer. The City did not pay the final fiscal year 2010 payment of \$12,500 until after June 30, 2010. The balance remaining under the agreement at June 30, 2011 is \$200,000.

The City has entered into a development agreement with Hy-Line International. The City agreed to construct street improvements in an amount not to exceed \$275,000 to serve the property for a chicken hatchery facility. Hy-Line International entered into a minimum assessment agreement with the City for a minimum taxable valuation of \$1,650,000 related to construction of the facility. The City will use the incremental property tax generated from the project to repay the City's TIF debt incurred to complete the street improvements and to provide economic development payments to Perry Economic Development Inc. pursuant to a separate development agreement.

The City has entered into a development agreement with Perry Economic Development Inc. (the developer). The City agreed to pay the developer \$545,000 plus interest to complete sewer, water and storm water improvements in an industrial park owned by the developer. The developer has sold a lot to Hy-Line International to construct a chicken hatchery facility. The agreement requires payments not to exceed \$78,831 to be made annually for a period of seven years provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2011, the City made no payments to the developer. The balance remaining under the agreement at June 30, 2011 is \$545,000.

(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 is to 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, 2011, Tri-County Cash Lumber Mart made no payments. The balance remaining on the loan at June 30, 2011 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 the City. The loans have repayment terms of three to ten years with interest charged at 3% per annum. During the year ended June 30, 2011, the City disbursed \$41,627 in urban renewal loans and received \$30,438 in repayments. The balance remaining on the loans at June 30, 2011 was \$153,634.

(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 of \$40,000 for the clean-up costs was met during the year ended June 30, 2011 through in-kind match.

(15) Deficit Balances

The City had deficit balances at June 30, 2011, as follows:

Fund	Amount
General	\$ 16,833
Special Revenue:	
Employee Benefits	126,426
Debt Service	187,897

The deficit balances are the result of costs incurred prior to availability of funds. The deficit in the General Fund is expected to be eliminated in fiscal year 2012. The deficit balance in the Special Revenue, Employee Benefits Fund will be eliminated through the Special Revenue, Road Use Tax Fund paying for Streets Department employee benefits. The deficit in the Debt Service Fund will be eliminated from future transfers from the Special Revenue, Local Option Sales Tax Fund.

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue, Fullhart Carnegie	Special Revenue, Special Assessment
Balances June 30, 2010, as previously reported	\$ 101,295	25,315	7,648
Change in fund type classification per implementation of GASB Statement No. 54	32,963	(25,315)	(7,648)
Balances July 1, 2010, as restated	\$ 134,258	-	-

(17) Subsequent Event

In July 2011, the City entered into a general obligation loan agreement for \$240,000 for the acquisition of garbage and recycling trucks for its municipal solid waste disposal system. The contract requires 6 semi-annual payments of \$41,959 beginning December 1, 2011, including interest at a rate of 2.90% 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,422,350	-	-	-
Tax increment financing	573,577	-	-	-
Other city tax	966,384	-	-	-
Licenses and permits	245,724	-	-	-
Use of money and property	31,831	1,551	6,061	-
Intergovernmental	3,489,056	-	-	-
Charges for service	1,211,909	1,049,293	1,276,509	-
Special assessments	660	-	-	-
Miscellaneous	432,189	8,141	388,760	204,049
Total receipts	9,373,680	1,058,985	1,671,330	204,049
Disbursements:				
Public safety	1,674,978	-	193,553	193,553
Public works	2,789,156	-	-	-
Health and social services	10,515	-	-	-
Culture and recreation	1,301,685	-	-	-
Community and economic development	627,177	-	-	-
General government	1,505,904	-	-	-
Debt service	810,955	-	-	-
Capital projects	1,032,264	-	-	-
Business type activities	-	915,426	1,331,227	-
Total disbursements	9,752,634	915,426	1,524,780	193,553
Excess (deficiency) of receipts over (under) disbursements	(378,954)	143,559	146,550	10,496
Other financing sources (uses), net	633,750	(29,651)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	254,796	113,908	146,550	10,496
Balances beginning of year	520,143	1,092,600	475,552	22,456
Balances end of year	\$ 774,939	1,206,508	622,102	32,952

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,422,350	2,344,261	2,344,261	78,089
573,577	597,222	597,222	(23,645)
966,384	1,448,724	1,465,724	(499,340)
245,724	68,975	65,675	180,049
39,443	46,380	46,380	(6,937)
3,489,056	1,916,321	3,453,411	35,645
3,537,711	3,519,337	3,539,837	(2,126)
660	900	900	(240)
625,041	532,506	740,468	(115,427)
11,899,946	10,474,626	12,253,878	(353,932)
1,674,978	1,552,442	1,594,442	(80,536)
2,789,156	1,857,043	2,927,149	137,993
10,515	10,600	10,600	85
1,301,685	1,341,902	1,444,484	142,799
627,177	474,768	775,768	148,591
1,505,904	1,121,139	1,511,690	5,786
810,955	943,435	780,715	(30,240)
1,032,264	200,000	1,382,335	350,071
2,246,653	2,462,533	2,578,633	331,980
11,999,287	9,963,862	13,005,816	1,006,529
(99,341)	510,764	(751,938)	652,597
604,099	-	569,500	34,599
504,758	510,764	(182,438)	687,196
2,065,839	2,457,917	2,457,917	(392,078)
2,570,597	2,968,681	2,275,479	295,118

City of Perry

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 \$3,041,954. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety and debt service functions. In addition, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and capital projects functions before the budget was amended.

Other Supplementary Information

City of Perry

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

As of and for the year ended June 30, 2011

	Special Revenue			
	Police Drug	Library Gift	Recreation Memorial	Wiese Park
Receipts:				
Use of money and property	\$ -	69	-	-
Charges for service	20,000	-	-	-
Miscellaneous	55,094	38,640	-	23,465
Total receipts	75,094	38,709	-	23,465
Disbursements:				
Operating:				
Public safety	59,230	-	-	-
Culture and recreation	-	40,306	-	23,465
Community and economic development	-	-	-	-
General government	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	59,230	40,306	-	23,465
Excess (deficiency) of receipts over (under) disbursements	15,864	(1,597)	-	-
Other financing sources (uses):				
Operating transfers in	-	3,006	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	3,006	-	-
Net change in cash balances	15,864	1,409	-	-
Cash balances beginning of year	20,719	21,829	39,386	10,961
Cash balances end of year	\$ 36,583	23,238	39,386	10,961
Cash Basis Fund Balances				
Nonspendable - O'Brien beautification	\$ -	-	-	-
Restricted for other purposes	36,583	23,238	39,386	10,961
Total cash basis fund balances	\$ 36,583	23,238	39,386	10,961

See accompanying independent auditor's report.

Caboose	Urban Renewal Revolving Loan	Friends of the Perry Public Library	Permanent		Total
			O'Brien Beautification		
-	-	-	625		694
-	-	-	-		20,000
-	30,438	11,131	-		158,768
-	30,438	11,131	625		179,462
-	-	-	-		59,230
-	-	8,167	-		71,938
-	-	-	1,500		1,500
229	-	-	-		229
-	41,627	-	-		41,627
229	41,627	8,167	1,500		174,524
(229)	(11,189)	2,964	(875)		4,938
-	-	-	-		3,006
-	-	(3,006)	-		(3,006)
-	-	(3,006)	-		-
(229)	(11,189)	(42)	(875)		4,938
1,064	57,555	2,315	48,651		202,480
835	46,366	2,273	47,776		207,418
-	-	-	45,000		45,000
835	46,366	2,273	2,776		162,418
835	46,366	2,273	47,776		207,418

City of Perry
Schedule of Indebtedness
Year ended June 30, 2011

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
Corporate purpose bonds	Feb 2, 2011	1.75-3.75	545,000
Total			
Urban renewal tax increment financing revenue bonds	Nov 5, 2008	4.75 %	\$ 380,000
Urban renewal tax increment financing revenue bonds	Nov 20, 2009	2.90	225,000
Total			
Revenue bonds:			
Sewer revenue refunding	Jun 3, 2010	1.25-3.25 %	\$ 2,285,000
Lease purchase agreement:			
Aerial truck	Nov 20, 2001	5.21 %	\$ 384,415
Real estate contracts:			
Bess land	Feb 3, 2003	7.00 %	\$ 117,845
Town Craft building	Nov 18, 2010	0.35	283,500
Total			
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
1,565,000	-	235,000	1,330,000	62,303
1,955,000	-	95,000	1,860,000	72,473
570,000	-	185,000	385,000	17,778
-	545,000	-	545,000	-
\$ 4,090,000	545,000	515,000	4,120,000	152,554
290,000	-	95,000	195,000	13,845
168,750	-	56,250	112,500	4,921
\$ 458,750	-	151,250	307,500	18,766
2,285,000	-	385,000	1,900,000	45,476
91,843	-	44,756	47,087	4,782
31,115	-	10,179	20,936	2,008
-	283,500	-	283,500	-
\$ 31,115	283,500	10,179	304,436	2,008
83,333	-	41,667	41,666	2,769

City of Perry
Bond Maturities
June 30, 2011

Year Ending June 30,	General Obligation Urban Renewal Corporate Purpose Bonds Issued May 15, 2006		General Obligation Corporate Purpose Bonds Issued March 19, 2008		General Obligation Urban Renewal Corporate Purpose Bonds Issued July 1, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2012	3.90%	\$ 245,000	3.00%	\$ 100,000	3.00%	\$ 190,000
2013	3.95	255,000	3.10	150,000	3.00	195,000
2014	4.00	265,000	3.30	155,000		-
2015	4.05	275,000	3.50	160,000		-
2016	4.10	290,000	3.70	165,000		-
2017		-	3.80	170,000		-
2018		-	3.90	175,000		-
2019		-	4.00	185,000		-
2020		-	4.05	190,000		-
2021		-	4.10	200,000		-
2022		-	4.15	210,000		-
Total		<u>\$ 1,330,000</u>		<u>\$ 1,860,000</u>		<u>\$ 385,000</u>

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
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>\$ 195,000</u>		<u>\$ 112,500</u>	<u>307,500</u>		<u>\$ 1,900,000</u>

See accompanying independent auditor's report.

General Obligation		
Corporate Purpose Bonds		
Issued February 2, 2011		
Interest		
Rates	Amount	Total
1.75%	\$ 50,000	585,000
1.75	50,000	650,000
2.25	50,000	470,000
2.50	50,000	485,000
3.00	55,000	510,000
3.25	55,000	225,000
3.25	55,000	230,000
3.50	60,000	245,000
3.50	60,000	250,000
3.75	60,000	260,000
	-	210,000
	<u>\$ 545,000</u>	<u>4,120,000</u>

City of Perry

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

For the Last Nine Years

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 2,422,350	2,264,053	2,248,217	2,208,743
Tax increment financing	573,577	606,363	419,463	390,257
Other city tax	966,384	230,836	239,200	215,237
Licenses and permits	245,724	59,023	70,342	90,554
Use of money and property	31,831	34,526	31,829	69,272
Intergovernmental	3,489,056	3,175,311	2,590,279	1,903,116
Charges for service	1,211,909	1,255,534	1,255,071	1,215,632
Special assessments	660	732	786	846
Miscellaneous	432,189	495,398	601,053	755,632
Total	\$ 9,373,680	8,121,776	7,456,240	6,849,289
Disbursements:				
Operating:				
Public safety	\$ 1,674,978	1,551,274	1,547,689	1,622,210
Public works	2,789,156	2,235,914	2,381,072	2,035,449
Health and social services	10,515	10,189	18,680	9,372
Culture and recreation	1,301,685	1,258,654	1,405,708	1,147,763
Community and economic development	627,177	287,332	424,397	175,985
General government	1,505,904	1,099,548	2,184,524	1,015,089
Debt service	810,955	939,524	655,998	585,461
Capital projects	1,032,264	939,671	2,460,564	683,645
Total	\$ 9,752,634	8,322,106	11,078,632	7,274,974

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
2,061,483	1,986,821	2,188,259	2,138,066	1,866,408
285,989	398,759	440,601	405,732	355,388
282,455	116,767	-	714,035	700,060
63,653	75,891	68,061	53,771	47,792
93,085	72,532	28,862	8,556	24,062
2,697,784	1,617,367	1,466,781	811,712	1,197,948
1,108,878	1,073,038	1,157,225	1,126,046	991,731
901	970	1,441	2,609	-
406,806	394,700	191,221	185,578	244,390
7,001,034	5,736,845	5,542,451	5,446,105	5,427,779
1,620,051	1,466,889	1,402,090	1,361,838	1,287,994
1,519,021	2,072,543	1,639,507	2,591,640	2,155,227
8,972	8,850	5,370	9,856	13,118
1,226,133	1,074,267	956,329	963,581	949,744
252,031	212,968	73,741	68,702	63,874
574,582	715,365	335,705	294,024	409,474
532,123	369,394	1,306,484	364,134	372,254
2,949,134	326,979	1,082,019	558,368	172,201
8,682,047	6,247,255	6,801,245	6,212,143	5,423,886

Schedule 5

City of Perry

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0075-06-2010	652,010
Airport Improvement Program	20.106	3-19-0075-07-2010	24,470
			676,480
U.S. Environmental Protection Agency:			
Brownfields Assessment and Cleanup			
Cooperative Agreements	66.818	BF 98780501-02	1,613
Brownfields Assessment and Cleanup			
Cooperative Agreements	66.818	BF 98796401-01	134,392
			136,005
Total direct			812,485
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	08-NSP-014	455,498
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	10-410, Task 59	4,188
State and Community Highway Safety	20.600	11-410, Task 59	2,974
			7,162
U.S. Department of Energy:			
Iowa Office of Energy Independence:			
ARRA - Energy Efficiency and Conservation Block Grant (EECBG)	81.128	EECBG10-3345	84,179
Total indirect			546,839
Total			\$ 1,359,324

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.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2011. 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 another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Perry's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-E-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-F-11 to be a significant deficiency.

Compliance and Other Matters

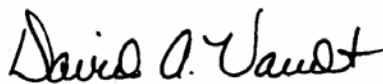
As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 2011 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.

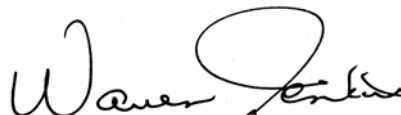
The City of Perry's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Perry's responses and, accordingly, we express no opinion on them.

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 21, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on 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
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on 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 City of Perry, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Perry's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

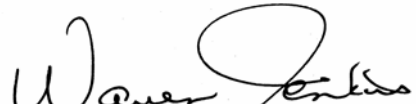
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance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

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 a 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

The City of Perry's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Perry's response and, accordingly, we express no opinion on it.

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, and 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 21, 2011

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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) A significant deficiency 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 material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Perry did not qualify as a low-risk auditee.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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 – initiating disbursements, check signing, recording and reconciling.
- 6) Payroll – preparing, signing and custody of undistributed warrants.
- 7) Accounting system – performing all general accounting functions and having custody of City assets.

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 utilizing currently available staff including elected officials.

Response – The City will create a written policy designating the duties to be handled by the City Clerk and Finance Officer, which will provide for duties during vacations and other leaves of absence. Currently, the Finance Officer enters the payroll rates and the City Clerk reviews the rates. A copy of testing is now being saved by the City.

Conclusion – Response accepted.

II-B-11 Financial Reporting – During the audit, we determined corrective transfers were necessary to record bond proceeds in the proper amounts to the proper funds and to report general obligation debt payments made from other sources in the Debt Service Fund. Adjustments were subsequently made to properly record these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure bond proceeds and debt service transfers are properly recorded in the City's financial statements.

Response – The City will review this more closely in the future. The City posted the suggested transfers as of June 30, 2011.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-C-11 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 Association’s financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

In addition, supporting documentation could not be located for 1 of 5 disbursements tested 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 – A Council Member assigned to the Public Safety Committee will periodically review the financial transactions and reconciliations of the Perry Police Association. This Council member will sign and date each review. Supporting documentation will be retained and marked paid.

Conclusion - Response accepted.

- II-D-11 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 Association’s financial statement. Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

In addition, monthly bank reconciliations were not performed to reconcile bank balances to the Association’s ledger balances.

Supporting documentation could not be located for 3 of 5 disbursements tested and invoices were not always 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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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 their review by initialing and dating the monthly reconciliations.

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

Response – The Fire Association Treasurer will perform monthly bank reconciliations. The Fire Association Treasurer will also keep in a file the cancelled supporting documentation. The Council Member assigned to the Public Safety Committee will periodically review the financial transactions and reconciliations of the Perry Fire Association. The Council member will sign and date each review.

Conclusion – Response accepted.

II-E-11 Utility Reconciliations – The City is not performing a reconciliation of billings, collections and receivables timely.

Recommendation – A reconciliation of utility billings, collections and receivables should be performed monthly.

Response – The City will resume updating the utility reconciliation on a monthly basis.

Conclusion – Response accepted.

II-F-11 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 – The Perry Public Library has closed its Petty Cash Fund. A Council Member will periodically collect the petty cash drawers at City Hall and the McCreary Center and count the drawers 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.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 14.228: Community Development Block Grants/State's Program
Pass-through Agency Number: 08-NSP-014
Federal Award Year: 2008
Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development**

- III-A-11 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 reviews of subrecipient audit reports were performed during the year.

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

Response and Corrective Action Planned – When the City enters into an agreement with a subrecipient, the City will send a letter to the subrecipient stating that the City requires that all subrecipients expending \$500,000 or more in Federal Awards submit the required audit report. The Finance Officer will review the required audit and present the findings to the City Council.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety and debt service functions. In addition, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, and capital projects functions before the budget was amended.

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

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

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

Conclusion – Response accepted.

IV-B-11 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-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 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	\$ 657
Josh Sparks, Police Officer, independent contractor providing storm sewer repair	Storm sewer repair	21,500
Rodney Cromwell, Volunteer Firefighter, Owner of Cromwell Towing and Recovery	Towing services	435
Jerry Eklund, Council Member, owner of Perry Paint and Design	Supplies, repair services	1,264
Ana Jiminez, Police Dispatcher	Interpreter services	427

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Mayor, Volunteer Firefighter, Council Member and Police Dispatcher do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

The transaction with the Police Officer may represent a conflict of interest in accordance with Chapter 362.5(3)(d) of the Code of Iowa since total 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, 2011

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 has begun using an informal bid process when purchases or contracts would benefit a City employee or officer. The records will be maintained in the administrative files.

Conclusion – Response acknowledged. The City should consult legal counsel regarding this matter. Chapter 362.5(3)(d) of the Code of Iowa requires bids to be in writing, publicly invited and opened.

IV-E-11 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-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish a summary of receipts as required.

Response – The City will publish the summary of receipts on a monthly basis.

Conclusion – Response accepted.

IV-G-11 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-11 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

IV-I-11 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, 2011, 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 by recording a transfer to the Debt Service Fund from the Special Revenue, Local Option Sales Tax Fund on behalf of the General Fund from monies available for transfer to the General 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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-J-11 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

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

Response – The City 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 Office of Treasurer of State annually.

Conclusion – Response accepted.

IV-K-11 Tax Increment Financing – 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 of \$68,667 from the developer, including interest of \$5,334. During the year ended June 30, 2011, the City received interest payments of \$3,492 from the developer. 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 fiscal year 2013 TIF debt certification.

Conclusion – Response accepted.

IV-L-11 Financial Condition – The City had deficit balances at June 30, 2011, as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 16,833
Special Revenue:	
Employee Benefits	187,897
Debt Service	126,426

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

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The City expects the deficit in the General Fund to be resolved during fiscal year 2012. The City will eliminate the deficit in the Debt Service Fund over the next two years through transfers from the Local Option Sales Tax Fund. The City will eliminate the deficit in the Employee Benefits Fund by paying the employee benefits for the Street Department employees from the Road Use Tax Fund.

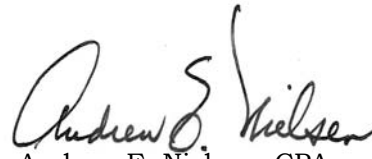
Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Casey L. Johnson, Staff Auditor
Michael T. Bunkers, 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