



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 14, 2017

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the City of Perry, Iowa.

The City's receipts totaled \$12,097,582 for the year ended June 30, 2016, a 22.68% increase over the prior year. The receipts included \$2,517,915 in property tax, \$522,774 from tax increment financing, \$2,533,909 from charges for service, \$1,348,065 from operating grants, contributions and restricted interest, \$1,050,128 from capital grants, contributions and restricted interest, \$102,206 from hotel/motel tax, \$1,076,469 from local option sales tax, \$99,504 from commercial/industrial tax replacement, \$5,128 from unrestricted interest on investments, \$2,629,650 from bond and loan proceeds, \$203,064 from franchise fees and \$8,770 from miscellaneous receipts.

The significant increase in receipts is primarily due to approximately \$2,000,000 in increased bond and loan proceeds used to fund various projects and to refund the 2008 general obligation bonds.

Disbursements for the year ended June 30, 2016 totaled \$10,740,833, a 7.14% increase over the prior year, and included \$2,637,060 for public works, \$2,236,609 for debt service and payments to refunding bond agent and \$1,563,339 for public safety. Also, disbursements for business type activities totaled \$835,781.

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 <https://auditor.iowa.gov/reports/1620-0237-B00F>.

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CITY OF PERRY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

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City of Perry

Officials

(Before January 2016)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|----------------------|---------------------|
| Jay Pattee | Mayor | Jan 2016 |
| Chuck Schott | Council Member | Jan 2016 |
| Phillip Stone | Council Member | Jan 2016 |
| Barbara Wolling | Council Member | Jan 2016 |
| John Andorf | Council Member | Jan 2018 |
| Dr. Randall McCaulley | Council Member | Jan 2018 |
| Sven Peterson | City Administrator | Indefinite |
| Susie Moorhead | Finance Officer | Indefinite |
| Corey Eastman | City Clerk/Treasurer | Indefinite |
| DuWayne Dalen | Attorney | Indefinite |

(After January 2016)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|----------------------|---------------------|
| Jay Pattee | Mayor | Jan 2020 |
| John Andorf | Council Member | Jan 2018 |
| Dr. Randall McCaulley | Council Member | Jan 2018 |
| Dean Berkland | Council Member | Jan 2020 |
| Chuck Schott | Council Member | Jan 2020 |
| Barbara Wolling | Council Member | Jan 2020 |
| Sven Peterson | City Administrator | Indefinite |
| Susie Moorhead | Finance Officer | Indefinite |
| Corey Eastman | City Clerk/Treasurer | Indefinite |
| DuWayne Dalen | Attorney | Indefinite |

City of Perry



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

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, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the Perry Public Library Foundation, a legally separate entity which should be reported as a discretely presented component unit. The amount by which this departure would affect the receipts, disbursements and balances of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the omission of the Perry Public Library Foundation which should be reported as a discretely presented component unit, as discussed in the preceding paragraph, the financial statements do not present fairly the cash basis financial position of the aggregate discretely presented component units as of June 30, 2016, 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.

Unmodified Opinions

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, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


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 third paragraph of this report, the financial statements for the four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Perry Public Library Foundation. We also previously audited, in accordance with the standards referred to in the third paragraph of the report, the financial statements for the five years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The Other Information, Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 16 and 42 through 48, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2017 on our consideration of the City of Perry’s internal control over financial reporting and on 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 in considering the City of Perry’s internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 2, 2017

City of Perry

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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 25.4%, or approximately \$2,231,000, from fiscal year 2015 to fiscal year 2016. General obligation bond proceeds increased approximately \$1,932,000. Loan proceeds increased \$96,000. Capital grants, contributions and restricted interest increased approximately \$98,000. The City received state grant funds for the airport terminal apron rehabilitation project.
- Disbursements of the City's governmental activities increased approximately 9.4%, or approximately \$848,000, in fiscal year 2016 from fiscal year 2015. Debt service and public works disbursements increased approximately \$1,292,000 and \$287,000, respectively. Capital project disbursements decreased approximately \$613,000, Capital projects disbursements decreased primarily due to fewer projects in the current year. Public works disbursements increased primarily due to the airport rehabilitation and environmental study projects. The City also refunded \$1,130,000 of the 2008 general obligation bonds.
- The City's total cash basis net assets increased 40.9%, or approximately \$1,357,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net assets of the governmental activities increased approximately \$1,244,000 and the cash basis net assets of the business type activities increased approximately \$113,000.

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 Cash Basis Statement of Activities and Net Position. 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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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, Urban Renewal Tax Increment, Local Option Sales Tax and Employee Benefits, 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 consists of the Police Pension Fund.

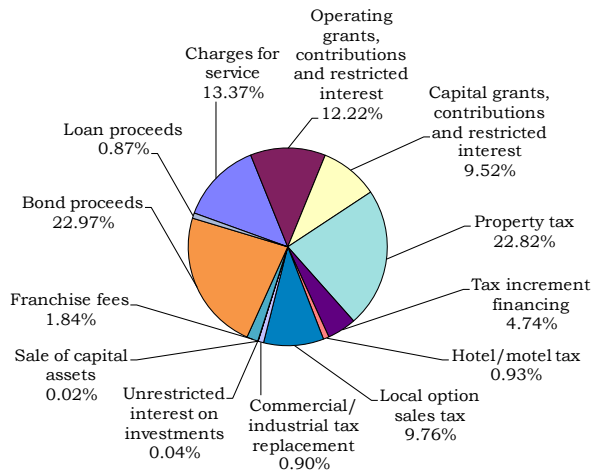
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

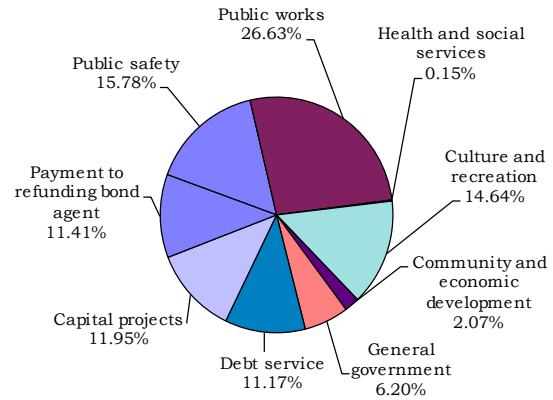
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing to approximately \$3.240 million from approximately \$1.996 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities | | |
|---|---------------------|-----------|
| | Year ended June 30, | |
| | 2016 | 2015 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 1,475,131 | 1,467,275 |
| Operating grants, contributions and restricted interest | 1,348,065 | 1,404,491 |
| Capital grants, contributions and restricted interest | 1,050,128 | 951,870 |
| General receipts: | | |
| Property tax | 2,517,915 | 2,473,346 |
| Tax increment financing | 522,774 | 542,233 |
| Hotel/motel tax | 102,206 | 88,949 |
| Local option sales tax | 1,076,469 | 1,003,304 |
| Commercial/industrial tax replacement | 99,504 | 49,535 |
| Unrestricted interest on investments | 4,427 | 3,496 |
| Sale of capital assets | 2,754 | - |
| Franchise fees | 203,064 | 215,157 |
| Bond proceeds | 2,533,650 | 601,513 |
| Loan proceeds | 96,000 | - |
| Total receipts | 11,032,087 | 8,801,169 |
| Disbursements: | | |
| Public safety | 1,563,339 | 1,632,212 |
| Public works | 2,637,060 | 2,349,694 |
| Health and social services | 14,826 | 14,470 |
| Culture and recreation | 1,450,563 | 1,398,103 |
| Community and economic development | 205,174 | 241,440 |
| General government | 614,041 | 678,916 |
| Debt service | 1,106,609 | 945,024 |
| Capital projects | 1,183,440 | 1,796,878 |
| Payment to refunding bond agent | 1,130,000 | - |
| Total disbursements | 9,905,052 | 9,056,737 |
| Change in cash basis net position before transfers | 1,127,035 | (255,568) |
| Transfers, net | 116,963 | (116,000) |
| Change in cash basis net position | 1,243,998 | (371,568) |
| Cash basis net position beginning of year | 1,995,825 | 2,367,393 |
| Cash basis net position end of year | \$ 3,239,823 | 1,995,825 |

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 25.4%, or \$2,230,918, over the prior year. The total cost of all programs and services increased \$848,315, or 9.4%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.905 million compared to approximately \$9.057 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$6.060 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,475,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,370,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$3,824,000 to approximately \$3,845,000. The increase is primarily due to the City receiving grant funds of approximately \$898,000 for the Airport Improvement Program and the Brownfields Assessment and Cleanup Cooperative Agreements.

| Changes in Cash Basis Net Position of Business Type Activities | | | |
|--|---------------------|-----------|--|
| | Year ended June 30, | | |
| | 2016 | 2015 | |
| Receipts: | | | |
| Program receipts: | | | |
| Charges for service: | | | |
| Sewer | \$ 943,061 | 959,940 | |
| Sewer discharge | 115,717 | 95,542 | |
| General receipts: | | | |
| Unrestricted interest on investments | 701 | 686 | |
| Miscellaneous | 6,016 | 3,724 | |
| Total receipts | 1,065,495 | 1,059,892 | |
| Disbursements: | | | |
| Sewer | 745,309 | 922,071 | |
| Sewer discharge | 90,472 | 45,794 | |
| Total disbursements | 835,781 | 967,865 | |
| Change in cash basis net position before transfers | 229,714 | 92,027 | |
| Transfers, net | (116,963) | 116,000 | |
| Change in cash basis net position | 112,751 | 208,027 | |
| Cash basis net position beginning of year | 1,319,957 | 1,111,930 | |
| Cash basis net position end of year | \$ 1,432,708 | 1,319,957 | |

Total business type activities receipts for the fiscal year were \$1,065,495 compared to \$1,059,892 last year. The cash balance increased \$112,751 from the prior year. Program receipts remained steady due to no changes in utility rates in fiscal year 2016. Total disbursements for the fiscal year decreased 13.65% to approximately \$836,000, primarily due to a decrease in debt service principal payments.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$3,239,823, an increase of \$1,243,998 over last year's balance of \$1,995,825. 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 \$35,082 from the prior year to \$(22,355). The decrease in the cash balance was primarily attributable to a decrease in miscellaneous receipts caused by less donations to the McCreary Center as well as less magistrate fees.
- The Special Revenue, Road Use Tax Fund cash balance increased \$29,316 to \$259,333. Receipts increased approximately \$151,000 or 18.9% due to the ten cent per gallon increase in the State's fuel tax which increased the amount of road use tax paid to the City. The City transferred \$135,000 to the Special Revenue, Employee Benefits Fund to cover benefits paid for public works employees not covered by the benefits tax levy.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance at year end was \$370,731, a increase of \$28,497 from the previous year. The increase in cash balance was primarily due to decreased transfers for the payment of debt.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$404,383 over the prior year to \$1,137,302, due primarily to a reduction in public safety function disbursements as well as less transfers out.
- The Special Revenue, Employee Benefits Fund cash balance increased \$31,418 over the prior year to \$57,052. This increase in cash balance was primarily due to a transfer from the Special Revenue, Road Use Tax Fund to cover the benefit costs of public works employees.
- The Debt Service Fund cash balance increased \$758 to \$40,163 during the fiscal year. Receipts increased approximately \$88,000 or 28.4% primarily due to the City increasing the debt service levy from \$2.00139 per \$1,000 of taxable valuation to \$2.51160 per \$1,000 of taxable valuation.
- The Capital Projects Fund cash balance increased \$755,862 over the prior year to \$981,226. The increase is due primarily to a transfer of bond proceeds from the Debt Service Fund to cover project costs.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$4,852 to \$227,131.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$70,874 to \$929,122, primarily due to a decrease in disbursements for debt service principal payments.
- The Enterprise, Sewer Discharge Fund cash balance increased \$41,877 to \$503,586. Receipts increased 21.1% due to a rate increase in January 2016.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 16, 2016 and resulted in an increase in budgeted receipts and disbursements, primarily related to intergovernmental receipts, other financing sources and budgeted disbursements in the public works, debt service and capital projects functions.

The City's receipts were \$14,448 less than the amended budget. Total disbursements were \$1,824,566, or 13.7%, less than the amended budget primarily related to the debt service function. While the City budgeted for the 2008 general obligation bond refunding, the payment to the refunding bond agent was properly posted to other financing uses. However, disbursements in the public works, health and social services, community and economic development, general government and capital project functions exceeded the budget prior to the budget amendment.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$6,566,549 of bonds and other long-term debt outstanding, compared to \$6,204,120 last year, as shown below.

| | Outstanding Debt at Year-End | |
|---------------------------|------------------------------|-----------|
| | June 30, | |
| | 2016 | 2015 |
| General obligation bonds | \$ 5,870,000 | 5,275,000 |
| Energy conservation bonds | 517,549 | 565,845 |
| Revenue bonds | 115,000 | 295,000 |
| Bank loans | 64,000 | 68,275 |
| Total | \$ 6,566,549 | 6,204,120 |

Debt increased as a result of issuing general obligation bonds for the purpose of paying the costs of financing the construction and reconstruction of improvements to streets and bridges, the installation of traffic signals and refunding the outstanding balance of the City's general obligation bonds series 2008.

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 \$6,451,549 plus development agreements of \$460,556 which are subject to the debt limit totals \$6,912,105, which is significantly below its constitutional debt limit of approximately \$12,421,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Taxable valuations used for the fiscal year 2016 budget increased \$1,333,599, or .87%, over the taxable valuation used for the fiscal year 2015 budget. Taxable valuations used for the fiscal year 2017 budget increased \$1,926,517, or 1.25%, over the taxable valuation used for the fiscal year 2016 budget.

Hotel/motel tax receipts increased \$36,695, or 70.22%, in FY 2015 and \$13,257, or 14.9%, in FY 2016. Local ownership and management of the Hotel Pattee, as well as the popularity of the Raccoon River Valley Trail, has increased traffic and events at the establishment.

The City continues to work to correct the interconnections and infiltrations of the sanitary sewer system. The City has worked with Bolton and Menk Engineering and Accu-Jet to camera, clean and repair sanitary sewers in the areas with the highest concentration of sewer issues. The City will continue to camera, clean and repair sanitary sewers in other areas in the upcoming months. The City has also repaired manholes and removed tree roots from sewers in the east side of town to alleviate the interconnection issues.

The City began collecting a 1% local option sales tax (LOST) on July 1, 2010. The State of Iowa's fiscal year 2016 LOST receipts for the City were \$1,076,469, which was an increase of \$73,165, or 7.29%, over fiscal year 2015. In fiscal year 2016, an adjustment of \$83,098 was received for LOST underpaid in fiscal year 2015. The City's LOST collections in fiscal year 2017 are estimated to be \$800,000. LOST receipts are used for street and sewer improvement projects, capital projects, grant matching funds and building and grounds maintenance.

The City continued improvements at the Perry Municipal Airport. The City continues to submit capital improvement plans to the Federal Aviation Authority (FAA) in order to remain eligible for grants for airport improvements. In fiscal year 2015, the City was awarded grants from the FAA for \$637,830 to rehabilitate 4,700 square yards of the terminal apron and \$71,955 for an Environmental Study at the Perry Municipal Airport in order to facilitate future expansion. The City was awarded a grant from the Iowa Department of Transportation for \$19,550 for an Airport Zoning Update. These projects were completed in fiscal year 2016. In FY 2016, the City was awarded grants from the Iowa Department of Transportation for \$14,000 for hangar roof repair and for \$105,000 for runway pavement rehabilitation. These projects will be completed in FY 2017. The next step of the airport improvements will be land acquisition so the City can construct a new, longer runway. This will be funded by a \$2,520,000 grant from the FAA with a \$280,000 local match.

Building and grounds improvements continue at the Perry Public Library, the McCreary Community Building and Pattee Park. Local grants and donations, as well as local option sales tax funds, have paid for the improvements. The McCreary Community Building, the Public Safety Building, and the Perry Public Library were all upgraded from florescent tube lighting to energy efficient LED tube lights. This project will drastically reduce energy use related to lighting.

The City entered into a loan agreement with the Iowa Energy Bank for \$613,543 to finance energy conservation improvements, including light fixtures, a solar array on a City building to provide power to the marketplace (farmers' market building), parks storage buildings and the building housing the local bicycle cooperative and HVAC renovations at the Public Safety Building in fiscal year 2015. This project continued into fiscal year 2016. In fiscal year 2016, the Perry Street Department retrofitted the remaining boulevard and decorative globe lights in the downtown areas with LED bulbs. The next upgrade will be to the traffic signal bulbs. Energy efficiency continues to be a priority for City leaders.

The City has closed out the Neighborhood Stabilization Project (NSP), as well as the third Owner Occupied Housing Rehabilitation CDBG. This project allowed for the rehabilitation of twelve homes in Perry, with a federal share of \$352,490 and a local match of \$30,000. The final grant funds spent to close out the NSP project will benefit local housing improvement projects of Dallas County Habitat for Humanity. The City will apply for a fourth Owner Occupied Housing Rehabilitation CDBG in the future.

Other fiscal year 2016 projects benefitting the community include the 1st Street (Iowa Highway 144) Intersection Renovation Project, which reconstructed the 1st Street and Willis Avenue Intersection with new lane layouts and new traffic control signals. This project was funded with a \$380,000 grant from the Iowa Department of Transportation. In fiscal year 2017, the City will begin the North Street Construction Project, which will include pavement construction, storm sewer installation and grading on North Street from 16th Street to 18th Street. The North Street Construction Project will be subsidized with Department of Transportation STP Funds. Other projects beginning in fiscal year 2017 include the Willis Avenue Bridge Replacement Project, which will be subsidized with grant funds from the Iowa Department of Transportation.

The additional road use tax received from the 2015 increase in Iowa's gas tax will be used to pay for a 45 block HMA overlay project beginning in fiscal year 2016. The City will put aside the additional road use tax along with local option sales tax collections to pay for this major overlay project over a three year period. The City sold bonds to fund this project in early 2016. This project was completed in fiscal year 2017.

The need for a soccer complex has garnered community support for a proposed soccer complex in the Pattee Park area. In fiscal year 2015, the City received a REAP grant from the Iowa Department of Natural Resources for \$100,000 for the development of a strip of land as a natural buffer and wetland with a recreational trail between a local neighborhood and the future soccer complex. Several local grants from community foundations and donations from area businesses and soccer clubs have been received for the construction of the soccer complex. The first phase of the Soccer Complex Project, which included the buffer and the wetland, recreational trail around the pond, a portion of the parking lot and two athletic fields, began in fiscal year 2016 and will be completed in fiscal year 2017. Community support continues to grow for this project. The fields will begin being utilized in fiscal year 2018.

These factors were taken into account when adopting the General Fund budget for fiscal year 2017. Budgeted amounts available for appropriation in the fiscal year 2017 General Fund budget total \$3,409,101. Budgeted disbursements in the fiscal year 2017 General Fund budget total \$3,380,568. The City has added no major new programs or initiatives to the fiscal year 2017 budget.

In September of 2016, the City adopted a Tax Abatement Program. This program grants new construction abatement for 5 years at 100% and an additional 5 years phased in. This program also grants an abatement of taxes for improvements done to homes. Improvements must increase the assessed valuation by at least \$20,000 to be eligible for a 100% abatement for 5 years on the improved value. New construction must follow the City of Perry's Green Building Guidelines to be eligible for the abatement.

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 Sven Peterson, City Administrator, Paula Rychnovsky, City Clerk/Treasurer or Susie Moorhead, Finance Officer, at Perry City Hall located at 1102 Willis Avenue, Perry, Iowa 50220.

Basic Financial Statements

City of Perry

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

| | 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 | \$ 1,563,339 | 12,145 | 77,566 | - |
| Public works | 2,637,060 | 873,267 | 987,930 | 610,537 |
| Health and social services | 14,826 | - | - | - |
| Culture and recreation | 1,450,563 | 456,504 | 123,039 | - |
| Community and economic development | 205,174 | 97,314 | 31,794 | 3,874 |
| General government | 614,041 | 32,143 | 127,736 | - |
| Debt service | 1,106,609 | - | - | - |
| Capital projects | 1,183,440 | 3,758 | - | 435,717 |
| Total governmental activities | 8,775,052 | 1,475,131 | 1,348,065 | 1,050,128 |
| Business type activities: | | | | |
| Sewer | 745,309 | 943,061 | - | - |
| Sewer discharge | 90,472 | 115,717 | - | - |
| Total business type activities | 835,781 | 1,058,778 | - | - |
| Total Primary Government | \$ 9,610,833 | 2,533,909 | 1,348,065 | 1,050,128 |
| Component Units: | | | | |
| Perry Police Officers Association | \$ 8,027 | - | 8,098 | - |
| Perry Volunteer Firefighter's Association | 53,504 | - | 31,760 | - |
| Perry Municipal Waterworks | 1,860,114 | 1,688,544 | 165,564 | - |
| Total Component Units | \$ 1,921,645 | - | 205,422 | - |
| 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 | | | | |
| Commercial/industrial tax replacement | | | | |
| Unrestricted interest on investments | | | | |
| Sale of assets | | | | |
| Franchise fees | | | | |
| Bond proceeds, net of discount \$6,350 | | | | |
| Payment to refunding bond agent | | | | |
| Loan proceeds | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position beginning of year | | | | |
| Cash basis net position end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Permanent Funds | | | | |
| Expendable: | | | | |
| Streets | | | | |
| Urban renewal purposes | | | | |
| Capital projects | | | | |
| Debt service | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Position | | | |
|--|-----------------------------|-------------|-----------------|
| Primary Government | | | |
| Governmental Activities | Business Type Activities | Total | Component Units |
| (1,473,628) | - | (1,473,628) | |
| (165,326) | - | (165,326) | |
| (14,826) | - | (14,826) | |
| (871,020) | - | (871,020) | |
| (72,192) | - | (72,192) | |
| (454,162) | - | (454,162) | |
| (1,106,609) | - | (1,106,609) | |
| (743,965) | - | (743,965) | |
| (4,901,728) | - | (4,901,728) | |
| - | 197,752 | 197,752 | |
| - | 25,245 | 25,245 | |
| - | 222,997 | 222,997 | |
| (4,901,728) | 222,997 | (4,678,731) | |
| | | | 71 |
| | | | (21,744) |
| | | | (6,006) |
| | | | (27,679) |
| 2,132,076 | - | 2,132,076 | - |
| 385,839 | - | 385,839 | - |
| 522,774 | - | 522,774 | - |
| 102,206 | - | 102,206 | - |
| 1,076,469 | - | 1,076,469 | - |
| 99,504 | - | 99,504 | - |
| 4,427 | 701 | 5,128 | 2,980 |
| 2,754 | - | 2,754 | - |
| 203,064 | - | 203,064 | - |
| 2,533,650 | - | 2,533,650 | - |
| (1,130,000) | - | (1,130,000) | - |
| 96,000 | - | 96,000 | - |
| - | 6,016 | 6,016 | 19,191 |
| 116,963 | (116,963) | - | - |
| 6,145,726 | (110,246) | 6,035,480 | 22,171 |
| 1,243,998 | 112,751 | 1,356,749 | (5,508) |
| 1,995,825 | 1,319,957 | 3,315,782 | 858,817 |
| \$ 3,239,823 | 1,432,708 | 4,672,531 | 853,309 |
| \$ 273,046 | - | 273,046 | - |
| 259,333 | - | 259,333 | - |
| 370,731 | - | 370,731 | - |
| 981,226 | - | 981,226 | - |
| 40,163 | 184,263 | 224,426 | 130,455 |
| 1,280,627 | - | 1,280,627 | 127,578 |
| 34,697 | 1,248,445 | 1,283,142 | 595,276 |
| \$ 3,239,823 | 1,432,708 | 4,672,531 | 853,309 |

City of Perry

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

As of and for the year ended June 30, 2016

| | Special Revenue | | | | |
|---|-----------------|--------------------|-----------------------------------|------------------------------|----------------------|
| | General | Road Use Tax | Urban Renewal Tax Increment | Local Option Sales Tax | Employee Benefits |
| Receipts: | | | | | |
| Property tax | \$ 1,235,272 | - | - | - | 828,247 |
| Tax increment financing | - | - | 522,774 | - | - |
| Other city tax | 141,622 | - | - | 1,076,469 | 29,141 |
| Licenses and permits | 312,691 | - | - | - | - |
| Use of money and property | 46,078 | - | 2,575 | 31 | - |
| Intergovernmental | 116,075 | 951,807 | - | 617,130 | 34,433 |
| Charges for service | 1,272,223 | - | - | - | - |
| Miscellaneous | 180,310 | - | 28,611 | - | 27,521 |
| Total receipts | 3,304,271 | 951,807 | 553,960 | 1,693,630 | 919,342 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | 1,131,217 | - | - | 29,436 | 398,598 |
| Public works | 648,743 | 657,491 | - | 1,024,140 | 306,686 |
| Health and social services | 14,826 | - | - | - | - |
| Culture and recreation | 1,006,694 | - | - | 144,995 | 208,778 |
| Community and economic development | 58,177 | - | 112,122 | 12,200 | 21,925 |
| General government | 479,696 | - | - | 33,810 | 86,937 |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Total disbursements | 3,339,353 | 657,491 | 112,122 | 1,244,581 | 1,022,924 |
| Excess (deficiency) of receipts over (under) disbursements | (35,082) | 294,316 | 441,838 | 449,049 | (103,582) |
| Other financing sources (uses): | | | | | |
| Bond proceeds, net discount of \$6,350 | - | - | - | - | - |
| Payment to refunding bond agent | - | - | - | - | - |
| Loan proceeds | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - |
| Transfers in | - | - | - | 96,000 | 135,000 |
| Transfers out | - | (265,000) | (413,341) | (140,666) | - |
| Total other financing sources (uses) | - | (265,000) | (413,341) | (44,666) | 135,000 |
| Change in cash balances | (35,082) | 29,316 | 28,497 | 404,383 | 31,418 |
| Cash balances beginning of year | 12,727 | 230,017 | 342,234 | 732,919 | 25,634 |
| Cash balances end of year | \$ (22,355) | 259,333 | 370,731 | 1,137,302 | 57,052 |
| Cash Basis Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Cemetery perpetual care | \$ - | - | - | - | - |
| O'Brien beautification | - | - | - | - | - |
| Restricted for: | | | | | |
| Streets | - | 259,333 | - | - | - |
| Urban renewal purposes | - | - | 370,731 | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Other purposes | - | - | - | 1,137,302 | - |
| Unassigned | (22,355) | - | - | - | 57,052 |
| Total cash basis fund balances | \$ (22,355) | 259,333 | 370,731 | 1,137,302 | 57,052 |

See notes to financial statements.

| Debt Service | Capital Projects | Permanent Cemetery | | Nonmajor | Total |
|--------------|------------------|--------------------|---|----------|-------------|
| | | Perpetual Care | | | |
| 374,029 | - | - | - | - | 2,437,548 |
| - | - | - | - | - | 522,774 |
| 11,810 | - | - | - | - | 1,259,042 |
| - | - | - | - | - | 312,691 |
| - | - | - | - | 608 | 49,292 |
| 13,981 | 307,137 | - | - | 9,148 | 2,049,711 |
| - | 3,758 | - | - | 400 | 1,276,381 |
| - | 128,580 | 4,852 | - | 122,370 | 492,244 |
| 399,820 | 439,475 | 4,852 | - | 132,526 | 8,399,683 |
| - | - | - | - | 4,088 | 1,563,339 |
| - | - | - | - | - | 2,637,060 |
| - | - | - | - | - | 14,826 |
| - | - | - | - | 90,096 | 1,450,563 |
| - | - | - | - | 750 | 205,174 |
| - | - | - | - | 13,598 | 614,041 |
| 1,106,609 | - | - | - | - | 1,106,609 |
| - | 1,183,440 | - | - | - | 1,183,440 |
| 1,106,609 | 1,183,440 | - | - | 108,532 | 8,775,052 |
| (706,789) | (743,965) | 4,852 | - | 23,994 | (375,369) |
| 2,533,650 | - | - | - | - | 2,533,650 |
| (1,130,000) | - | - | - | - | (1,130,000) |
| 96,000 | - | - | - | - | 96,000 |
| - | 2,754 | - | - | - | 2,754 |
| 670,970 | 1,497,073 | - | - | - | 2,399,043 |
| (1,463,073) | - | - | - | - | (2,282,080) |
| 707,547 | 1,499,827 | - | - | - | 1,619,367 |
| 758 | 755,862 | 4,852 | - | 23,994 | 1,243,998 |
| 39,405 | 225,364 | 222,279 | - | 165,246 | 1,995,825 |
| 40,163 | 981,226 | 227,131 | - | 189,240 | 3,239,823 |
| - | - | 227,131 | - | - | 227,131 |
| - | - | - | - | 45,915 | 45,915 |
| - | - | - | - | - | 259,333 |
| - | - | - | - | - | 370,731 |
| - | 981,226 | - | - | - | 981,226 |
| 40,163 | - | - | - | - | 40,163 |
| - | - | - | - | 143,325 | 1,280,627 |
| - | - | - | - | - | 34,697 |
| 40,163 | 981,226 | 227,131 | - | 189,240 | 3,239,823 |

Exhibit C

City of Perry

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

As of and for the year ended June 30, 2016

| | Enterprise | | Total |
|--|------------|--------------------|-----------|
| | Sewer | Sewer Discharge | |
| Operating receipts: | | | |
| Charges for service | \$ 943,061 | 115,717 | 1,058,778 |
| Operating disbursements: | | | |
| Business type activities | 412,098 | 90,472 | 502,570 |
| Excess of operating receipts over operating disbursements | 530,963 | 25,245 | 556,208 |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | 701 | - | 701 |
| Wind turbine receipts | 6,016 | - | 6,016 |
| Debt service | (186,938) | - | (186,938) |
| Capital projects | (146,273) | - | (146,273) |
| Net non-operating receipts (disbursements) | (326,494) | - | (326,494) |
| Excess of receipts over disbursements | 204,469 | 25,245 | 229,714 |
| Transfers in | 40,000 | 16,632 | 56,632 |
| Transfers out | (173,595) | - | (173,595) |
| Total transfers in (out) | (133,595) | 16,632 | (116,963) |
| Change in cash balances | 70,874 | 41,877 | 112,751 |
| Cash balances beginning of year | 858,248 | 461,709 | 1,319,957 |
| Cash balances end of year | \$ 929,122 | 503,586 | 1,432,708 |
| Cash Basis Fund Balances | | | |
| Restricted for debt service | \$ 184,263 | - | 184,263 |
| Unrestricted | 744,859 | 503,586 | 1,248,445 |
| Total cash basis fund balances | \$ 929,122 | 503,586 | 1,432,708 |

See notes to financial statements.

City of Perry

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2016

| | <u>Police</u> <u>Pension</u> |
|---|---------------------------------|
| Additions: | |
| Employer contributions | \$ 11,860 |
| Deductions: | |
| Benefits paid | <u>56,824</u> |
| Change in cash balance | (44,964) |
| Cash balance held in trust for pension benefits beginning of year | <u>589,688</u> |
| Cash balance held in trust for pension benefits end of year | <u>\$ 544,724</u> |

See notes to financial statements.

Exhibit E

City of Perry

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

As of and for the year ended June 30, 2016

| | Perry Police Officers Association | Perry Volunteer Firefighter's Association | Perry Citizens Against Crime, Inc. | Perry Municipal Waterworks | Total |
|---|---|---|--|----------------------------------|-----------|
| Disbursements | \$ 8,027 | 53,504 | - | 1,860,114 | 1,921,645 |
| Program receipts: | | | | | |
| Charges for service | - | - | - | 1,688,544 | 1,688,544 |
| Operating grants and contributions | 8,098 | 31,760 | - | 165,564 | 205,422 |
| Total program receipts | 8,098 | 31,760 | - | 1,854,108 | 1,893,966 |
| General receipts: | | | | | |
| Interest on investments | - | - | - | 2,980 | 2,980 |
| Rent | - | - | - | 19,191 | 19,191 |
| Total general receipts | - | - | - | 22,171 | 22,171 |
| Change in cash basis net position | 71 | (21,744) | - | 16,165 | (5,508) |
| Cash basis net position beginning of year | 4,430 | 40,497 | 8,778 | 805,112 | 858,817 |
| Cash basis net position end of year | \$ 4,501 | 18,753 | 8,778 | 821,277 | 853,309 |
| Cash Basis Net Position | | | | | |
| Restricted: | | | | | |
| Sinking account | \$ - | - | - | 84,455 | 84,455 |
| Reserve account | - | - | - | 46,000 | 46,000 |
| Other purposes | 4,501 | 18,753 | 8,778 | 95,546 | 127,578 |
| Unrestricted | - | - | - | 595,276 | 595,276 |
| Total cash basis net position | \$ 4,501 | 18,753 | 8,778 | 821,277 | 853,309 |

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2016

(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, except as noted, 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, except the Perry Public Library Foundation. 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.

Perry Citizens Against Crime, Inc. is organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose of the group is to support and enhance the Perry Police Department's ability to reduce crime by developing and supporting programs through community partnership. The group is legally separate from the City but is financially accountable to the City, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Excluded Component Unit

The financial statements do not include financial data for the Perry Public Library Foundation, a legally separate entity which should be reported as a discretely presented component unit.

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 Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 funds 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 repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the City's local option sales tax (LOST) receipts 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 Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sewer system.

The Enterprise, 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 position 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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the public works, health and social services, community and economic development, general government and capital projects functions before the budget was amended.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The City is 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Long-Term Debt

Primary Government

Bonds Payable

Annual debt service requirements to maturity for general obligation bonds, energy conservation bonds and sewer revenue refunding bonds are as follows:

| Year Ending June 30, | General Obligation Bonds | | Energy Conservation Bonds | | Sewer Revenue Refunding Bonds | | Total | |
|----------------------------|-----------------------------|----------|---------------------------------|----------|-------------------------------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 880,000 | 100,108 | 48,901 | 5,054 | 115,000 | 1,869 | 1,043,901 | 107,031 |
| 2018 | 900,000 | 88,098 | 49,514 | 4,563 | - | - | 949,514 | 92,661 |
| 2019 | 915,000 | 76,905 | 50,135 | 4,066 | - | - | 965,135 | 80,971 |
| 2020 | 620,000 | 64,225 | 50,764 | 3,563 | - | - | 670,764 | 67,788 |
| 2021 | 630,000 | 53,835 | 51,401 | 3,054 | - | - | 681,401 | 56,889 |
| 2022-2026 | 1,925,000 | 108,450 | 266,834 | 7,406 | - | - | 2,191,834 | 115,856 |
| Total | \$ 5,870,000 | 491,621 | 517,549 | 27,706 | 115,000 | 1,869 | 6,502,549 | 521,196 |

On April 18, 2016, the City issued \$2,540,000 of general obligation corporate purpose bonds with interest rates ranging from .75% to 2.00% per annum. The bonds were issued for the purpose of paying the costs of financing the construction and reconstruction of improvements to streets and bridges, the installation of traffic signals and refunding the outstanding balance of the City's series 2008 general obligation bonds. The City refunded the series 2008 bonds to reduce its total debt service payments by approximately \$96,200 and to obtain an economic gain (difference between the present value of debt services payments on the old and new debt) of approximately \$95,000.

On April 18, 2016, the City approved the issuance of a \$360,000 interest free general obligation corporate purpose note to Minburn Telephone Company. The note was issued for the purpose of financing improvements to the City's police station. As of June 30, 2016, the City had not drawn down any of the proceeds from this note issuance.

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 \$116,869. For the current year, principal and interest paid and total customer net receipts were \$186,437 and \$530,963, respectively. For the current year, annual principal and interest payments on the sewer revenue refunding bonds required approximately 35% 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 \$116,869. 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.

Energy Conservation Bonds

On November 5, 2013, the City entered into an agreement with the Iowa Finance Authority and the Iowa Economic Development Authority for the issuance of not to exceed \$613,543 of energy conservation bonds with interest at 1.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of financing energy conservation improvements, including light fixtures at various locations, and renovation of the HVAC system at the Public Safety Building. At June 30, 2016, the City had drawn \$613,543 of the authorized amount and repaid \$107,549 of principal and interest. An initiation fee of 2% of the authorized borrowing for the bonds was charged. The total initiation fee was withheld by the Iowa Finance Authority from the proceeds of the bonds drawn by the City.

Bank Loans

In October 2015, the City entered into a general obligation loan agreement with Raccoon Valley Bank to borrow \$96,000 for the purpose of paying the cost of acquiring a garbage truck. The agreement requires annual principal payments of \$32,000 beginning June 1, 2016 with interest at 2.90% per annum payable annually beginning June 1, 2016. For the year ended June 30, 2016, principal and interest paid on the loan totaled \$33,663. The principal balance of the loan at June 30, 2016 was \$64,000.

Discretely Presented Component Unit

Bonds Payable

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

| Year Ending June 30, | Water Revenue Refunding Bonds | | | |
|----------------------------|-------------------------------|------------|----------|---------|
| | Issued Jul 26, 2011 | | | |
| | Interest Rates | Principal | Interest | Total |
| 2017 | 2.25% | \$ 100,000 | 4,850 | 104,850 |
| 2018 | 2.60 | 100,000 | 2,600 | 102,600 |
| Total | | \$ 200,000 | 7,450 | 207,450 |

The Waterworks has pledged future water customer receipts, net of specified operating disbursements, to repay \$640,000 of water revenue refunding bonds issued in July 2011. The bonds were issued for the purpose of refunding and early retirement of the Waterworks' outstanding water revenue bonds/notes. The refunding bonds are payable solely and only out of the net earnings of the Waterworks and are payable through 2018. The total principal and interest remaining to be paid on the refunding bonds is \$207,450. For the current year, principal and interest paid on the refunding bonds and total customer net receipts were \$106,750 and \$567,263, respectively. Annual principal and interest payments on the water revenue refunding bonds are expected to require less than 20% of net receipts.

The resolution providing for the issuance of the water refunding revenue bonds includes the following provisions:

- (a) The Board shall provide for the collection rates sufficient to pay the expenses of the utility and to leave a balance of net revenues equal to at least 110% of the principal and interest due in the fiscal year.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) A reserve fund shall be established and maintained in the amount of the lesser of (1) the maximum amount of the principal and interest coming due on the bonds in any succeeding fiscal year, (2) 10% of the principal amount of the bonds then outstanding, which is \$30,000, or (3) 125% of the average amount of principal and interest coming due on the bonds in any succeeding fiscal year.

(4) Iowa Public Employees' Retirement System (IPERS)

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$213,016.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$1,112,112 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.022510%, which was an increase of 0.000755% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$124,216, \$344,936 and \$410,520, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

| | |
|--|---|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum. |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 1990) | 4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28% | 2.04% |
| Domestic equity | 24 | 6.29 |
| International equity | 16 | 6.75 |
| Private equity/debt | 11 | 11.32 |
| Real estate | 8 | 3.48 |
| Credit opportunities | 5 | 3.63 |
| U.S. TIPS | 5 | 1.91 |
| Other real assets | 2 | 6.24 |
| Cash | 1 | (0.71) |
| Total | 100% | |

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability | \$ 2,350,111 | 1,112,112 | 67,666 |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Police Pension and Retirement Benefits

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, 2016, 2015 and 2014 were \$11,860, \$31,823 and \$75,844, 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.

At June 30, 2016, the City has two retired police officers and a spouse receiving benefits under the plan.

Presented below is the total pension benefit obligation of the City for the 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 5.00%. 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 3.00% benefit increases as a result of inflation.

As of July 1, 2014, the latest actuarial valuation made, the standardized measure of the unfunded pension obligation is as follows:

| | |
|---|-------------------|
| Retiree and beneficiary benefits as of July 1, 2014 | \$ 763,372 |
| Cash balance available for benefits as of June 30, 2016 | <u>544,724</u> |
| Unfunded pension benefit obligation | <u>\$ 218,648</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 withdrawn from each paycheck, with the City providing matching funds. Funds are forwarded to a plan administrator. Twenty-four police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2016 was \$705,866.

During the year ended June 30, 2016, 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, 2016, 2015 and 2014 was \$38,642, \$38,539 and \$37,778, respectively.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 47 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark. 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 \$517 for single coverage and \$1,244 for family coverage. For the year ended June 30, 2016, the City contributed \$510,223 and plan members eligible for benefits contributed \$62,510 to the plan.

(7) 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 payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount |
|-------------------|-------------------|
| Vacation | \$ 174,000 |
| Compensatory time | 59,000 |
| Sick leave | <u>151,000</u> |
| Total | <u>\$ 384,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2016.

(8) Interfund Loans

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, 2016 and the repayment terms have not been amended.

During the year ended June 30, 2014, the Enterprise, Sewer Fund loaned the Special Revenue, Urban Renewal Tax Increment Fund \$350,000 at no interest. Payments are to be made on the loan on June 1 of each year to the extent there are incremental tax receipts available which have been allocated to or accrued in the Special Revenue, Urban Renewal Tax Increment Fund. Principal repaid during the year ended June 30, 2016 was \$40,000. The balance of the loan at June 30, 2016 was \$270,000.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---------------------------------------|---|---------------------|
| Special Revenue: Employee Benefits | Special Revenue: Road Use Tax | \$ 135,000 |
| Local Option Sales Tax | Debt Service | 96,000 |
| Debt Service | Special Revenue: Urban Renewal Tax Increment | 373,341 |
| | Local Option Sales Tax | 140,666 |
| | Sewer | 156,963 |
| | | <u>670,970</u> |
| Capital Projects | Special Revenue: Road Use Tax | 130,000 |
| | Debt Service | 1,367,073 |
| | | <u>1,497,073</u> |
| Enterprise: Sewer | Special Revenue: Urban Renewal Tax Increment | 40,000 |
| Sewer Discharge | Enterprise: Sewer | 16,632 |
| Total | | <u>\$ 2,455,675</u> |

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

(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 746 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2016 was \$109,971 and the Perry Municipal Waterworks' contribution was \$18,687.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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 claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's 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) Employee Health Insurance Plan

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self funds up to \$2,000 per individual or \$4,000 per family, with employees contributing the first \$500 and \$1,000, respectively. Administrative service fees and premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2016, the City paid \$58,991 to the account for self-insurance claims. At June 30, 2016, the account balance was \$86,902. The activity in this account is recorded in the City's Special Revenue, Employee Benefits Fund.

(12) Development Agreements

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 seven annual payments, not to exceed \$78,831 for year one and \$96,718 for years two through seven, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2016, the City paid \$96,718 to the developer. The balance remaining under the agreement at June 30, 2016 is \$290,152, which is subject to the City's constitutional debt limit.

The City has entered into a development agreement with Dallas County Development, Inc. (dba Dallas County Development Alliance). The Alliance agreed to undertake programs, projects and other activities specifically directed at encouraging or providing incentives for private economic development within the City's urban renewal area during the term of the agreement. The City agreed to make annual economic development tax increment payments of \$15,404 to the Alliance beginning July 30, 2012 and continuing for 10 years. The payments to be made in any fiscal year shall be subject to action by the City Council to appropriate sufficient tax increment financing receipts as a part of the City's budget for such fiscal year. During the year ended June 30, 2016, the City paid \$15,404 to the developer. The balance remaining under the agreement at June 30, 2016 is \$92,424, of which \$15,404 has been appropriated by the City and is subject to the City's constitutional debt limit.

The City has entered into a development agreement with Pattee Hotel, LLC. The City agreed to pay Pattee Hotel, LLC \$350,000 in incentive payments to maintain twenty full-time equivalent jobs for ten years. The first payment of \$195,000 was due December 2013. The second payment of \$155,000 is due November 2016. The incentive payments will be treated as forgivable loans and will be subject to repayment if the Developer is not in compliance with the terms of the agreement. During the year ended June 30, 2016, the City did not make any payments to the developer.

The City has entered into a real estate development agreement with the Herman L. Rowley Memorial Trust under which the City established a seventy foot road right-of-way across the Rowley Masonic Community. The City agreed to pay the construction costs of the street and utilities. However, the City is financially responsible to a maximum of \$255,256. In exchange, the Rowley Memorial Trust will pay its share of project costs to the City in ten equal payments over a period of ten years beginning May 2013 for the portion of the street benefiting the Rowley Masonic Community building addition. During the year ended June 30, 2016, the Rowley Masonic Trust remitted \$28,335 to the City for its portion of project costs.

(13) Economic Development Loan

On July 21, 2003, the City loaned \$200,000 to Tri-County Cash Lumber Mart, Inc. for construction of water, sewer and street improvements for the Homes of Hiawatha subdivision under the provisions of Chapter 15A of the Code of Iowa. Interest 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 40% of the principal was repaid, as required under the agreement, with the remaining balance due on July 1, 2013. On March 4, 2013, the City approved an amendment to the agreement, extending the loan maturity date to July 1, 2017. The agreement states the developer will pay the City an amount equal to one quarter of the outstanding principal balance on the loan as of July 1, 2013 in annual installments due no later than July 1 of each year, with the first payment due July 1, 2014. 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, 2016, Tri-County Cash Lumber Mart, Inc. made payments totaling \$28,611. Tri-County Cash Lumber Mart, Inc. also made two payments in fiscal year 2014, prior to the first due date. As a result, payments received by the City appear to comply with the amended agreement. The balance remaining on the loan at June 30, 2016 was \$57,222.

(14) Urban Renewal Loan Program

During the year ended June 30, 2010, the City established the 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 at 3% per annum. During the year ended June 30, 2016, the City did not make any new urban renewal loans and received \$32,262 in principal repayments. The balance remaining on the loans at June 30, 2016 was \$171,181.

(15) Construction Commitments

The City has entered into construction contracts totaling approximately \$3,732,000 for various street, trail, airport, parking lot and sanitary sewer improvements. As of June 30, 2016, approximately \$2,690,000 has been paid on the contracts. The remaining \$1,042,000 will be paid as work on the projects progresses.

(16) Financial Guarantee

In August 2014, the City guaranteed the \$750,000 general obligation bond issuance of Nudgers, Inc., a legally separate entity located within the City. The purpose of the project is to provide security for a loan for a project in the Perry Urban Renewal Area consisting of remodeling and improvement of a building located on 2nd Street. The bond originally matured on August 6, 2015, but has been extended to August 6, 2016. In the event Nudgers, Inc. is unable to make a payment, the City will be required to make the payment. As of the date of this report, no payments had been made by Nudgers, Inc. or the City.

(17) Deficit Balance

The General Fund had a deficit balance of \$22,355 at June 30, 2016. The deficit balance is due to the deficit in the General Fund, Carnegie Library Account. The City is investigating sources of revenue for the Carnegie Library Museum.

(18) New Accounting Pronouncement

The City of Perry adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other 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

Other Information

Year ended June 30, 2016

| | Governmental Funds Actual | Proprietary Funds Actual | Component Units Actual | Less Funds not Required to be Budgeted |
|---|---------------------------------|--------------------------------|------------------------------|---|
| Receipts: | | | | |
| Property tax | \$ 2,437,548 | - | - | - |
| Tax increment financing | 522,774 | - | - | - |
| Other city tax | 1,259,042 | - | - | - |
| Licenses and permits | 312,691 | - | - | - |
| Use of money and property | 49,292 | 701 | 22,171 | - |
| Intergovernmental | 2,049,711 | - | - | - |
| Charges for service | 1,276,381 | 1,058,778 | 1,688,544 | - |
| Miscellaneous | 492,244 | 6,016 | 205,422 | 39,858 |
| Total receipts | 8,399,683 | 1,065,495 | 1,916,137 | 39,858 |
| Disbursements: | | | | |
| Public safety | 1,563,339 | - | 61,531 | 61,531 |
| Public works | 2,637,060 | - | - | - |
| Health and social services | 14,826 | - | - | - |
| Culture and recreation | 1,450,563 | - | - | - |
| Community and economic development | 205,174 | - | - | - |
| General government | 614,041 | - | - | - |
| Debt service | 1,106,609 | - | - | - |
| Capital projects | 1,183,440 | - | - | - |
| Business type activities | - | 835,781 | 1,860,114 | - |
| Total disbursements | 8,775,052 | 835,781 | 1,921,645 | 61,531 |
| Excess (deficiency) of receipts over (under) disbursements | (375,369) | 229,714 | (5,508) | (21,673) |
| Other financing sources (uses), net | 1,619,367 | (116,963) | - | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 1,243,998 | 112,751 | (5,508) | (21,673) |
| Balances beginning of year | 1,995,825 | 1,319,957 | 858,817 | 53,705 |
| Balances end of year | \$ 3,239,823 | 1,432,708 | 853,309 | 32,032 |

See accompanying independent auditor's report.

| Total | Budgeted Amounts | | Final to Total Variance |
|------------|------------------|-------------|-------------------------------|
| | Original | Final | |
| 2,437,548 | 2,422,965 | 2,422,965 | 14,583 |
| 522,774 | 525,462 | 525,462 | (2,688) |
| 1,259,042 | 957,272 | 1,217,272 | 41,770 |
| 312,691 | 267,600 | 314,600 | (1,909) |
| 72,164 | 99,100 | 99,100 | (26,936) |
| 2,049,711 | 1,032,556 | 2,026,306 | 23,405 |
| 4,023,703 | 4,291,480 | 4,298,965 | (275,262) |
| 663,824 | 289,820 | 451,235 | 212,589 |
| 11,341,457 | 9,886,255 | 11,355,905 | (14,448) |
| 1,563,339 | 1,663,450 | 1,694,685 | 131,346 |
| 2,637,060 | 1,976,505 | 2,813,488 | 176,428 |
| 14,826 | 9,905 | 15,000 | 174 |
| 1,450,563 | 1,400,417 | 1,479,182 | 28,619 |
| 205,174 | 183,898 | 209,852 | 4,678 |
| 614,041 | 541,347 | 652,227 | 38,186 |
| 1,106,609 | 1,070,648 | 2,243,764 | 1,137,155 |
| 1,183,440 | 138,480 | 1,395,560 | 212,120 |
| 2,695,895 | 2,676,255 | 2,791,755 | 95,860 |
| 11,470,947 | 9,660,905 | 13,295,513 | 1,824,566 |
| (129,490) | 225,350 | (1,939,608) | 1,810,118 |
| 1,502,404 | - | 2,638,754 | (1,136,350) |
| 1,372,914 | 225,350 | 699,146 | 673,768 |
| 4,120,894 | 3,936,050 | 3,936,050 | 184,844 |
| 5,493,808 | 4,161,400 | 4,635,196 | 858,612 |

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2016

The budgetary comparison is presented 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 the Fiduciary Fund 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 \$3,634,608. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, and capital projects functions before the budget was amended.

City of Perry

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

| | 2016 | 2015 |
|---|-----------|-----------|
| City's proportion of the net pension liability | 0.022510% | 0.021755% |
| City's proportionate share of the net pension liability | \$ 1,112 | 863 |
| City's covered-employee payroll | \$ 2,335 | 2,288 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 47.62% | 37.72% |
| IPERS' net position as a percentage of the total pension liability | 85.19% | 87.61% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Perry

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

| | 2016 | 2015 | 2014 | 2013 |
|---|----------|-------|-------|-------|
| Statutorily required contribution | \$ 213 | 216 | 212 | 207 |
| Contributions in relation to the statutorily required contribution | (213) | (216) | (212) | (207) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| City's covered-employee payroll | \$ 2,319 | 2,335 | 2,288 | 2,264 |
| Contributions as a percentage of covered-employee payroll | 9.18% | 9.25% | 9.27% | 9.14% |

See accompanying independent auditor's report.

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------|-------|-------|-------|-------|-------|
| 202 | 179 | 169 | 145 | 135 | 135 |
| (202) | (179) | (169) | (145) | (135) | (135) |
| - | - | - | - | - | - |
| 2,337 | 2,296 | 2,323 | 2,093 | 2,004 | 1,945 |
| 8.64% | 7.80% | 7.28% | 6.93% | 6.74% | 6.94% |

City of Perry

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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, 2016

| | Special | | | | | |
|---------------------------------------|-----------------|------------------|-----------------|------------------------|---------------|--------------|
| | Police Drug | Police Canine | Library Gift | Recreation Memorial | Wiese Park | Fly Iowa |
| Receipts: | | | | | | |
| Use of money and property | \$ - | - | - | - | - | - |
| Intergovernmental | - | - | 9,148 | - | - | - |
| Charges for service | 400 | - | - | - | - | - |
| Miscellaneous | 164 | - | 44,441 | - | 23,591 | - |
| Total receipts | 564 | - | 53,589 | - | 23,591 | - |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | 4,088 | - | - | - | - | - |
| Culture and recreation | - | - | 51,753 | 306 | 24,961 | - |
| Community and economic development | - | - | - | - | - | - |
| General government | - | - | - | - | - | - |
| Total disbursements | 4,088 | - | 51,753 | 306 | 24,961 | - |
| Change in cash balances | (3,524) | - | 1,836 | (306) | (1,370) | - |
| Cash balances beginning of year | 12,682 | 3,000 | 17,987 | 31,912 | 10,636 | 3,820 |
| Cash balances end of year | \$ 9,158 | 3,000 | 19,823 | 31,606 | 9,266 | 3,820 |
| Cash Basis Fund Balances | | | | | | |
| Nonspendable - O'Brien beautification | \$ - | - | - | - | - | - |
| Restricted for other purposes | 9,158 | 3,000 | 19,823 | 31,606 | 9,266 | 3,820 |
| Total cash basis fund balances | \$ 9,158 | 3,000 | 19,823 | 31,606 | 9,266 | 3,820 |

See accompanying independent auditor's report.

| Revenue | | | | | Permanent | |
|---------|--------------|------------------------------|-------------------------------------|------------------------|-----------|---------|
| Caboose | Perry Safety | Urban Renewal Revolving Loan | Friends of the Perry Public Library | O'Brien Beautification | | Total |
| - | - | - | - | 608 | | 608 |
| - | - | - | - | - | | 9,148 |
| - | - | - | - | - | | 400 |
| - | - | 35,666 | 18,508 | - | | 122,370 |
| - | - | 35,666 | 18,508 | 608 | | 132,526 |
| - | - | - | - | - | | 4,088 |
| - | - | - | 13,076 | - | | 90,096 |
| - | - | - | - | 750 | | 750 |
| - | - | 13,598 | - | - | | 13,598 |
| - | - | 13,598 | 13,076 | 750 | | 108,532 |
| - | - | 22,068 | 5,432 | (142) | | 23,994 |
| 560 | 5,000 | 29,107 | 4,485 | 46,057 | | 165,246 |
| 560 | 5,000 | 51,175 | 9,917 | 45,915 | | 189,240 |
| - | - | - | - | 45,915 | | 45,915 |
| 560 | 5,000 | 51,175 | 9,917 | - | | 143,325 |
| 560 | 5,000 | 51,175 | 9,917 | 45,915 | | 189,240 |

City of Perry
Schedule of Indebtedness
Year ended June 30, 2016

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------------------|---------------|----------------|--------------------------|
| General obligation bonds: | | | |
| Corporate purpose bonds | Mar 19, 2008 | 2.70-4.15% | \$ 2,045,000 |
| Corporate purpose bonds | Feb 2, 2011 | 1.75-3.75 | 545,000 |
| Sewer improvement and refunding bonds | Apr 16, 2013 | 0.40-2.20 | 2,300,000 |
| Corporate purpose bonds | Nov 5, 2013 | 2.00-2.85 | 2,065,000 |
| Corporate purpose bonds | Apr 18, 2016 | 0.75-2.00 | 2,540,000 |
| Total | | | |
| Energy conservation bonds | Nov 5, 2013 | 1.00% * | \$ 613,543 |
| Revenue bonds: | | | |
| Sewer revenue refunding | Jun 3, 2010 | 1.25-3.25% | \$ 2,285,000 |
| Bank loans: | | | |
| Industrial park street improvements | Aug 15, 2012 | 2.90% | \$ 177,100 |
| End loader | Sep 12, 2012 | 2.90 | 96,000 |
| Garbage truck | Oct 19, 2015 | 2.90 | 96,000 |
| Total | | | |

* The agreement also required the City to pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 1,295,000 | - | 1,295,000 | - | 51,400 |
| 345,000 | - | 55,000 | 290,000 | 11,675 |
| 1,745,000 | - | 420,000 | 1,325,000 | 23,815 |
| 1,890,000 | - | 175,000 | 1,715,000 | 43,278 |
| - | 2,540,000 | - | 2,540,000 | - |
| \$ 5,275,000 | 2,540,000 | 1,945,000 | 5,870,000 | 130,168 |
| 565,845 | - | 48,296 | 517,549 | 5,538 |
| 295,000 | - | 180,000 | 115,000 | 6,437 |
| 44,275 | - | 44,275 | - | 1,320 |
| 24,000 | - | 24,000 | - | 715 |
| - | 96,000 | 32,000 | 64,000 | 1,663 |
| \$ 68,275 | 96,000 | 100,275 | 64,000 | 3,698 |

City of Perry
 Bond Maturities
 June 30, 2016

| Year Ending June 30, | Corporate Purpose Issued Feb 2, 2011 | | Sewer Improvement and Refunding Issued April 16, 2013 | | Corporate Purpose Issued Nov 5, 2013 | | Corporate Purpose Issued April 18, 2016 | | Total |
|----------------------------|---|-------------------|---|---------------------|---|---------------------|--|---------------------|------------------|
| | Interest | | Interest | | Interest | | Interest | | |
| | Rates | Amount | Rates | Amount | Rates | Amount | Rates | Amount | |
| 2017 | 3.25% | \$ 55,000 | 0.80% | \$ 135,000 | 2.00% | \$ 175,000 | 0.75% | \$ 515,000 | 880,000 |
| 2018 | 3.25 | 55,000 | 1.00 | 140,000 | 2.00 | 175,000 | 0.85 | 530,000 | 900,000 |
| 2019 | 3.50 | 60,000 | 1.20 | 140,000 | 2.00 | 175,000 | 1.00 | 540,000 | 915,000 |
| 2020 | 3.50 | 60,000 | 1.40 | 145,000 | 2.00 | 175,000 | 1.15 | 240,000 | 620,000 |
| 2021 | 3.75 | 60,000 | 1.60 | 145,000 | 2.15 | 175,000 | 1.30 | 250,000 | 630,000 |
| 2022 | | - | 1.80 | 150,000 | 2.35 | 175,000 | 1.45 | 250,000 | 575,000 |
| 2023 | | - | 2.00 | 155,000 | 2.55 | 240,000 | 1.60 | 50,000 | 445,000 |
| 2024 | | - | 2.10 | 155,000 | 2.70 | 220,000 | 1.75 | 55,000 | 430,000 |
| 2025 | | - | 2.20 | 160,000 | 2.85 | 205,000 | 2.00 | 55,000 | 420,000 |
| 2026 | | - | | - | | - | | 55,000 | 55,000 |
| Total | | <u>\$ 290,000</u> | | <u>\$ 1,325,000</u> | | <u>\$ 1,715,000</u> | | <u>\$ 2,540,000</u> | <u>5,870,000</u> |

See accompanying independent auditor's report.

| Energy Conservation Bonds Issued Nov 5, 2013 | | Sewer Revenue Refunding Bonds Issued June 3, 2010 | | |
|--|-------------------|---|-------------------|------------|
| Interest Rates | Amount | Year Ending June 30, | Interest Rates | Amount |
| 1.00% | \$ 48,901 | 2017 | 3.25% | \$ 115,000 |
| 1.00 | 49,514 | | | |
| 1.00 | 50,135 | | | |
| 1.00 | 50,764 | | | |
| 1.00 | 51,401 | | | |
| 1.00 | 52,045 | | | |
| 1.00 | 52,698 | | | |
| 1.00 | 53,358 | | | |
| 1.00 | 54,028 | | | |
| 1.00 | 54,705 | | | |
| | <u>\$ 517,549</u> | | | |

City of Perry

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

For the Last Ten Years

| | 2016 | 2015 | 2014 | 2013 |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Receipts: | | | | |
| Property tax | \$ 2,437,548 | 2,392,227 | 2,409,834 | 2,330,809 |
| Tax increment financing | 522,774 | 542,233 | 540,051 | 739,788 |
| Other city tax | 1,259,042 | 1,173,372 | 1,089,529 | 1,342,358 |
| Licenses and permits | 312,691 | 270,368 | 311,707 | 242,096 |
| Use of money and property | 49,292 | 37,755 | 42,017 | 36,907 |
| Intergovernmental | 2,049,711 | 1,991,083 | 1,807,427 | 1,964,791 |
| Charges for service | 1,276,381 | 1,308,588 | 1,285,154 | 1,331,225 |
| Special assessments | - | - | - | - |
| Miscellaneous | 492,244 | 484,030 | 650,263 | 388,709 |
| Total | \$ 8,399,683 | 8,199,656 | 8,135,982 | 8,376,683 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 1,563,339 | 1,632,212 | 1,614,752 | 1,604,947 |
| Public works | 2,637,060 | 2,349,694 | 1,870,026 | 1,799,742 |
| Health and social services | 14,826 | 14,470 | 10,994 | 10,967 |
| Culture and recreation | 1,450,563 | 1,382,165 | 1,476,546 | 1,310,457 |
| Community and economic development | 205,174 | 241,440 | 598,418 | 322,332 |
| General government | 614,041 | 641,939 | 935,558 | 1,506,007 |
| Debt service | 2,236,609 | 945,024 | 789,995 | 2,112,217 |
| Capital projects | 1,183,440 | 1,849,793 | 2,379,565 | 918,113 |
| Total | \$ 9,905,052 | 9,056,737 | 9,675,854 | 9,584,782 |

See accompanying independent auditor's report.

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------|-----------|-----------|------------|-----------|-----------|
| 2,514,976 | 2,422,350 | 2,264,053 | 2,248,217 | 2,208,743 | 2,061,483 |
| 626,265 | 573,577 | 606,363 | 419,463 | 390,257 | 285,989 |
| 497,224 | 966,384 | 230,836 | 239,200 | 215,237 | 282,455 |
| 236,897 | 245,724 | 59,023 | 70,342 | 90,554 | 63,653 |
| 32,838 | 31,831 | 34,526 | 31,829 | 69,272 | 93,085 |
| 1,918,667 | 3,489,056 | 3,175,311 | 2,590,279 | 1,903,116 | 2,697,784 |
| 1,266,250 | 1,211,909 | 1,255,534 | 1,255,071 | 1,215,632 | 1,108,878 |
| - | 660 | 732 | 786 | 846 | 901 |
| 597,199 | 432,189 | 495,398 | 601,053 | 755,632 | 406,806 |
| 7,690,316 | 9,373,680 | 8,121,776 | 7,456,240 | 6,849,289 | 7,001,034 |
| 1,693,376 | 1,674,978 | 1,551,274 | 1,547,689 | 1,622,210 | 1,620,051 |
| 2,327,984 | 2,789,156 | 2,235,914 | 2,381,072 | 2,035,449 | 1,519,021 |
| 10,819 | 10,515 | 10,189 | 18,680 | 9,372 | 8,972 |
| 1,374,120 | 1,301,685 | 1,258,654 | 1,405,708 | 1,147,763 | 1,226,133 |
| 183,097 | 627,177 | 287,332 | 424,397 | 175,985 | 252,031 |
| 1,124,064 | 1,505,904 | 1,099,548 | 2,184,524 | 1,015,089 | 574,582 |
| 1,078,111 | 810,955 | 939,524 | 655,998 | 585,461 | 532,123 |
| 755,163 | 1,032,264 | 939,671 | 2,460,564 | 683,645 | 2,949,134 |
| 8,546,734 | 9,752,634 | 8,322,106 | 11,078,632 | 7,274,974 | 8,682,047 |

Schedule 5

City of Perry

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

| 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 | 3-19-0075-008-2014 | 567,006 |
| Airport Improvement Program | 20.106 | 3-19-0075-009-2015 | 45,265 |
| | | | 612,271 |
| U.S. Environmental Protection Agency: | | | |
| Brownfields Assessment and Cleanup | | | |
| Cooperative Agreements | 66.818 | BF-97738901 | 211,154 |
| Total direct | | | 823,425 |
| Indirect: | | | |
| U.S. Department of Transportation: | | | |
| Iowa Department of Public Safety: | | | |
| National Priority Safety Programs | 20.616 | 15-405d-M6OT | 1,706 |
| National Priority Safety Programs | 20.616 | 16-405d-M6OT | 1,609 |
| | | | 3,315 |
| U.S. Environmental Protection Agency: | | | |
| Iowa Department of Natural Resources: | | | |
| State and Tribal Response Program Grants | 66.817 | 17-7540-15 | 24,999 |
| Total indirect | | | 28,314 |
| Total | | | \$ 851,739 |

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Perry under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Perry, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Perry.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Perry has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
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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 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, the 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, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2017 expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Perry Public Library Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Perry's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Perry's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Perry's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items II-A-16 through II-F-16, we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2016 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 the Findings

The City of Perry's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Perry's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


MARY MOSIMAN, CPA
Auditor of State

March 2, 2017



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

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) Compliance Supplement that could have a direct and material effect on the City of Perry's major federal program for the year ended June 30, 2016. The City of Perry's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Perry's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Perry's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Perry complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.


Report on Internal Control Over Compliance

The management of the City of Perry is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Perry's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State

March 2, 2017

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

- a) Unmodified opinions were issued on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the discretely presented component units because of the omission of the Perry Public Library Foundation.
- b) 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) No material weaknesses in internal control over the major program were noted.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i) The City of Perry did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- 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.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The City will create a written policy designating the duties to be handled by the City Administrator, City Clerk and Finance Officer, as well as elected officials, which will provide for duties during vacations and other leaves of absence. Controls will be reviewed to obtain the maximum control possible.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

II-B-16 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. An elected official or other independent person should review the reconciliations and monitor delinquencies.

Response – The City will review the reconciliation spreadsheet sent from the Perry Water Works and compare it to the Account Aging Report. The City will ask an elected official to monitor delinquencies.

Conclusion – Response accepted.

II-C-16 Perry Police Officers Association

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Association's financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Association has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Effect – Inadequate segregation of duties could adversely affect the Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Association will review its current control activities and create a policy for additional control procedures, such as review of financial transactions, reconciliations and reports.

Conclusion – Response accepted.

II-D-16 Perry Volunteer Firefighter’s Association – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Association’s financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Association has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The Association will review its current control activities and create a policy for additional control procedures, such as review of financial transactions, reconciliations and reports.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

II-E-16 Perry Volunteer Firefighter's Association Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling bank and book balances.

Condition – The Association does not reconcile bank balances to the general ledger balance monthly. At June 30, 2016, the bank balance was \$496 greater than the general ledger balance.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – The Association should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The Association Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

II-F-16 Perry Citizen's Against Crime, Inc.

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Generally, one individual has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

Cause – The Perry Citizen's Against Crime, Inc. has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Recommendation – The Perry Citizen’s Against Crime, Inc. should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – An independent person will periodically review the financial transactions and reconciliations of the Perry Citizen’s Against Crime, Inc. This review will be signed and dated.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal controls over compliance were noted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Disbursements during fiscal year ended June 30, 2016 exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government and capital projects functions prior to the budget amendment.

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. The City will also request notification from the Perry Water Works if its budget requires an amendment.

Conclusion – Response accepted.

IV-B-16 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-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-16 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|--------------------------------|---------------|
| Jay Pattee, Mayor, Owner of Ben Franklin | Supplies | \$ 495 |
| Josh Sparks, Police Officer, Owner of Jansen Plumbing, LLC | Repairs | 335 |
| Rodney Cromwell, Firefighter, owner of Cromwell Towing | Towing services | 390 |
| Wayne Schuttler, Police Officer | Repairs | 1,641 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Jay Pattee, Josh Sparks and Rodney Cromwell do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

The transactions with Wayne Schuttler may represent a conflict of interest since the transactions exceeded \$1,500 and were not competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will ensure formal bids are solicited for purchases that may exceed the \$1,500 statutory limit within the fiscal year. The City will obtain quotes through a publicly invited bidding process.

Conclusion – Response accepted.

IV-E-16 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-16 City Council Minutes – Disbursements for the Special Revenue, Library Gift Fund were presented to the City Council for approval, but were not published as part of the list of claims allowed in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should include the Special Revenue, Library Gift Fund disbursements in the published list of claims allowed in accordance with Chapter 372.13(6) of the Code of Iowa.

Response – The City of Perry will publish the monthly list of Library Gift Fund disbursements.

Conclusion – Response accepted.

IV-G-16 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-16 Sewer Revenue Bonds – No instances of non-compliance with the sewer revenue bond resolution were noted.

IV-I-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

The obligations on the Levy Authority Summary were overstated by \$160,000 due to duplicate reporting of development agreements and related internal loans which funded a portion of the payments under the agreements.

Recommendation – The City should ensure the debt amounts reported on the Levy Authority Summary are accurate.

Response – In the future, the City will not list both the development agreement and the interfund loan on the Annual Urban Renewal Report. The City did contact the Iowa Department of Management to determine the best way to solve this issue, but it was recommended to continue showing the debt as listed until the final interfund loan payment is made. The ending TIF Fund balance is shown correctly on the Annual Urban Renewal Report.

Conclusion – Response accepted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

IV-J-16 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 has begun the process of reviewing all outstanding checks and will determine if payment has been made by another means. The City will then report and remit obligations to the State Treasurer annually.

Conclusion – Response accepted.

IV-K-16 Interfund Loan – During the year ended June 30, 2009, the City approved a loan of \$63,879 from the Enterprise, Sewer Fund to the General Fund for the payment of an energy efficient lighting project. The loan was to be repaid over a ten year period beginning July 1, 2010. As of June 30, 2016, the City has not made any payments on the interfund loan and has not amended the terms of the interfund loan agreement.

Recommendation – The City should repay the interfund loan as scheduled or amend the terms of the interfund loan agreement.

Response – The City will begin to repay the interfund loan and will amend the terms of the interfund loan agreement.

Conclusion – Response accepted.

IV-L-16 Financial Condition – The General Fund had a deficit balance of \$22,355 at June 30, 2016.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The negative balance in the General Fund is due to the deficit in the General Fund, Carnegie Library Account. The City is investigating sources of revenue for the Carnegie Library Museum, including the utilization of the building by a non-profit entity which will increase visitors and donations for the Carnegie Library Museum.

Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
April D. Harbst, Senior Auditor
Anthony J.T. Mallie, CPA, Assistant Auditor
Jacob N. Bennett, Assistant Auditor
Chris M. Anderson, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State