

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

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**NEWS RELEASE**

FOR RELEASE

March 9, 2018

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$9,336,846 for the year ended June 30, 2017, a 22.82% decrease from the prior year. The receipts included \$2,682,368 in property tax, \$236,314 from tax increment financing, \$2,620,285 from charges for service, \$1,378,829 from operating grants, contributions and restricted interest, \$737,203 from capital grants, contributions and restricted interest, \$123,872 from hotel/motel tax, \$1,225,345 from local option sales tax, \$86,977 from commercial/industrial tax replacement, \$5,572 from unrestricted interest on investments, \$22,000 from loan proceeds, \$211,557 from franchise fees and \$6,524 from miscellaneous receipts.

The significant decrease in receipts is primarily due to approximately \$2,534,000 of loan proceeds received in the prior year used to fund various projects and to refund the 2008 general obligation bonds.

Disbursements for the year ended June 30, 2017 totaled \$10,766,569, a 0.24% increase over the prior year, and included \$2,262,339 for capital projects, \$2,016,825 for public works, and \$1,781,990 for public safety. Also, disbursements for business type activities totaled \$966,479.

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/1720-0237-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, 2017**

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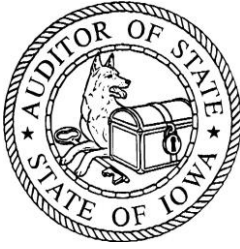
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**City of Perry**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jay Pattee	Mayor	Jan 2018
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	Resigned Oct 2016
Paula Rychnovsky (Appointed Dec 2016)	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, 2017, 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, 2017, 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, 2017, 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 five years ended June 30, 2016 (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 four years ended June 30, 2011 (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 44 through 50, 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 1, 2018 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 solely 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 effectiveness of the City’s 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 1, 2018

**City of Perry**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Perry provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 25.5%, or approximately \$2,810,000, from fiscal year 2016 to fiscal year 2017. General obligation bond proceeds decreased approximately \$2,534,000. Loan proceeds decreased \$74,000. Capital grants, contributions and restricted interest decreased approximately \$313,000.
- Disbursements of the City's governmental activities decreased 1.1%, or approximately \$105,000 in fiscal year 2017 from fiscal year 2016. Public works disbursements decreased approximately \$620,000, while public safety and community and economic development disbursements increased approximately \$219,000 and \$145,000, respectively. Capital project disbursements increased approximately \$1,079,000, primarily due to the 18<sup>th</sup> Street project in the current year. Public works disbursements decreased primarily due to the airport rehabilitation work completed in the prior year. The City did not refund any bonds in 2017 compared to \$1,130,000 refunded in 2016.
- The City's total cash basis net assets decreased 30.6%, or approximately \$1,430,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net assets of the governmental activities decreased approximately \$1,467,000 and the cash basis net assets of the business type activities increased approximately \$37,000.

### **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.

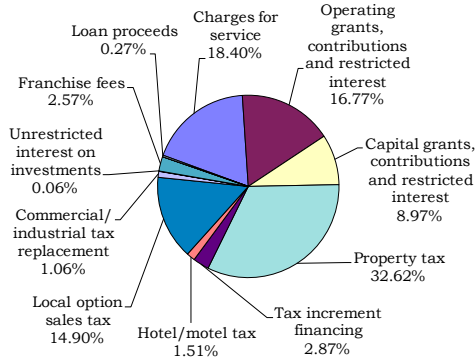
The required financial statement for the fiduciary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

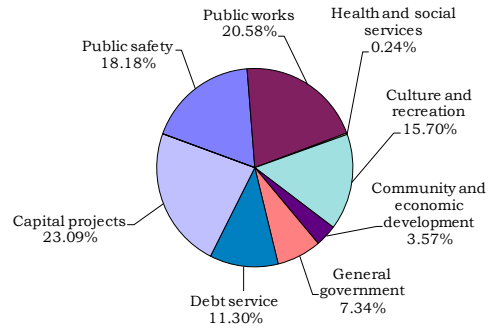
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing to approximately \$1.773 million from approximately \$3.240 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 1,513,091	1,475,131
Operating grants, contributions and restricted interest	1,378,829	1,348,065
Capital grants, contributions and restricted interest	737,203	1,050,128
General receipts:		
Property tax	2,682,368	2,517,915
Tax increment financing	236,314	522,774
Hotel/motel tax	123,872	102,206
Local option sales tax	1,225,345	1,076,469
Commercial/industrial tax replacement	86,977	99,504
Unrestricted interest on investments	4,884	4,427
Sale of capital assets	-	2,754
Franchise fees	211,557	203,064
Bond proceeds	-	2,533,650
Loan proceeds	22,000	96,000
Total receipts	8,222,440	11,032,087
Disbursements:		
Public safety	1,781,990	1,563,339
Public works	2,016,825	2,637,060
Health and social services	23,237	14,826
Culture and recreation	1,538,944	1,450,563
Community and economic development	349,930	205,174
General government	719,479	614,041
Debt service	1,107,346	1,106,609
Capital projects	2,262,339	1,183,440
Payment to refunding bond agent	-	1,130,000
Total disbursements	9,800,090	9,905,052
Change in cash basis net position before transfers	(1,577,650)	1,127,035
Transfers, net	111,085	116,963
Change in cash basis net position	(1,466,565)	1,243,998
Cash basis net position beginning of year	3,239,823	1,995,825
Cash basis net position end of year	\$ 1,773,258	3,239,823

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 25.5%, or approximately \$2,810,000, from the prior year. The total cost of all programs and services decreased approximately \$105,000, or 1.1%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$9.800 million compared to approximately \$9.905 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 \$6.171 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,513,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,116,000). 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, decreased in fiscal year 2017 from approximately \$3,873,000 to approximately \$3,629,000. The decrease is primarily due to the City receiving less grant funds related to 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,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 942,953	943,061
Sewer discharge	164,241	115,717
General receipts:		
Unrestricted interest on investments	688	701
Miscellaneous	6,524	6,016
Total receipts	<u>1,114,406</u>	<u>1,065,495</u>
Disbursements:		
Sewer	862,947	745,309
Sewer discharge	103,532	90,472
Total disbursements	<u>966,479</u>	<u>835,781</u>
Change in cash basis net position before transfers	147,927	229,714
Transfers, net	<u>(111,085)</u>	<u>(116,963)</u>
Change in cash basis net position	36,842	112,751
Cash basis net position beginning of year	<u>1,432,708</u>	<u>1,319,957</u>
Cash basis net position end of year	<u>\$ 1,469,550</u>	<u>1,432,708</u>

Total business type activities receipts for the fiscal year were approximately \$1,114,000 compared to approximately \$1,065,000 last year. The cash balance increased approximately \$37,000 from the prior year. Program receipts increased due to a sewer discharge rate increase in January 2016. Total disbursements for the fiscal year increased 15.64% to approximately \$966,000, primarily due to an increase in equipment purchases and professional services.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Perry completed the year, its governmental funds reported a combined fund balance of \$1,773,258, a decrease of \$1,466,565 from last year's balance of \$3,239,823. 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 \$19,810 from the prior year to \$(42,165). The decrease in the cash balance was primarily attributable to a decrease in licenses and permits receipts caused by less building permits purchased.
- The Special Revenue, Road Use Tax Fund cash balance increased \$2,950 to \$262,283. Receipts increased \$4,348, or less than one percent. The City transferred \$130,000 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 \$260,226, a decrease of \$110,505 from the previous year. The decrease in cash balance was primarily due to a \$155,000 payment to the Hotel Pattee pursuant to a developer agreement.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$428,601 over the prior year to \$1,565,903, due primarily to a reduction in public works function disbursements as various airport projects were completed in early fiscal year 2017.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$24,945 from the prior year to \$32,107. This decrease in cash balance was primarily due to decreased receipts in commercial and industrial replacement tax receipts and increased disbursements for workers compensation insurance and payments into the Fiduciary, Police Pension Fund.
- The Debt Service Fund cash balance increased \$8,841 to \$49,004 during the fiscal year. Receipts increased approximately \$57,000, or 14.25%, primarily due to the City increasing the debt service levy from \$2.51160 per \$1,000 of taxable valuation to \$2.85514 per \$1,000 of taxable valuation.
- The Capital Projects Fund cash balance decreased \$1,781,350 from the prior year to a deficit balance of \$(800,124). The decrease is due primarily to a disbursements related to the 18<sup>th</sup> Street project which were not reimbursed from the Iowa Department of Transportation by June 30, 2017.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$2,325 to \$229,456.

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

- The Enterprise, Sewer Fund cash balance decreased \$23,867 to \$905,255, primarily due to an increase in disbursements for equipment purchases and professional services.
- The Enterprise, Sewer Discharge Fund cash balance increased \$60,709 to \$564,295. Receipts increased 41.9% 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 15, 2017 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, community and economic development and capital projects functions.

The City's receipts were \$128,553 more than the amended budget. Total disbursements were \$790,811, or 5.9%, less than the amended budget primarily related to the capital projects and business type activities functions. However, disbursements in the community and economic development, general government and capital project functions exceeded the budget prior to the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2017, the City had \$5,499,049 of bonds and other long-term debt outstanding, compared to \$6,566,549 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
General obligation bonds	\$ 4,990,000	5,870,000
Energy conservation bonds	465,049	517,549
Revenue bonds	-	115,000
Bank loan	32,000	64,000
Rural economic development loan	12,000	-
Total	\$ 5,499,049	6,566,549

Debt decreased as a result of scheduled payments made on general obligation bonds and other long term debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,499,049 plus development agreements of \$208,838 which are subject to the debt limit totals \$5,707,888, which is significantly below its constitutional debt limit of approximately \$12,695,000.

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

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. Taxable valuations used for the fiscal year 2018 budget increased \$4,215,717, or 2.71%, over the taxable valuation used for the fiscal year 2017 budget.

Hotel/motel tax receipts increased \$13,257, or 14.9%, in fiscal year 2016 and \$21,666, or 21.2%, in fiscal year 2017. 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 2017 LOST receipts for the City were \$1,225,345, which was an increase of \$148,876, or 13.8%, over fiscal year 2016. In fiscal year 2017, an adjustment of \$13,487 was received for LOST underpaid in fiscal year 2016. The City's LOST collections in fiscal year 2018 are estimated to be \$820,000. LOST receipts are used for street and sewer improvement projects, capital projects, grant matching funds and building and grounds maintenance. The State of Iowa changed the deposit date of the LOST receipts in June 2017. The May 2017 deposit was made on June 1, 2017 and the June 2017 payment was made on June 30, 2017. In contrast, the June 2016 payment was made on July 1, 2016.

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 were 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. In May 2017, a new Fixed Base Operator, Walter Aviation, was granted the right by the Perry Airport Commission to operate at the Perry Municipal Airport and provide aeronautical services such as fueling, aircraft rental, aircraft maintenance, flight instruction and other services.

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 2017. In fiscal year 2017, 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.

Other fiscal year 2017 projects benefitting the community include the North Street Construction Project, which included pavement construction, storm sewer installation and grading on North Street from 16<sup>th</sup> Street to 18<sup>th</sup> Street. The North Street Construction Project will be subsidized with Department of Transportation STP Funds. Other projects beginning in fiscal year 2018 include the Willis Avenue Bridge Replacement Project, which will be subsidized with grant funds from the Iowa Department of Transportation and the 2017 Sanitary Sewer Project, which will provide approximately 2,700 linear feet of sanitary sewer on south 16<sup>th</sup> Street, which will allow for future development in that area.

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 2018. Community support continues to grow for this project. The fields will begin being utilized in fiscal year 2019.

These factors were taken into account when adopting the General Fund budget for fiscal year 2018. Budgeted amounts available for appropriation in the fiscal year 2018 General Fund budget total \$3,454,914. Budgeted disbursements in the fiscal year 2018 General Fund budget total \$3,479,689. The City has added no major new programs or initiatives to the fiscal year 2018 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. The City's Tax Abatement program has been successful in its first year. Three new single family homes as well as three sets of duplexes were constructed in the past year. There has been additional interest in construction and continued growth is expected. Proactive marketing and promotion of development opportunities in the City has led to interest in commercial and industrial development.

#### **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, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,781,990	9,832	84,231	-
Public works	2,016,825	896,370	1,034,815	183,476
Health and social services	23,237	-	-	-
Culture and recreation	1,538,944	456,537	111,570	-
Community and economic development	349,930	78,143	31,340	-
General government	719,479	69,163	116,873	-
Debt service	1,107,346	-	-	-
Capital projects	2,262,339	3,046	-	553,727
Total governmental activities	9,800,090	1,513,091	1,378,829	737,203
Business type activities:				
Sewer	862,947	942,953	-	-
Sewer discharge	103,532	164,241	-	-
Total business type activities	966,479	1,107,194	-	-
<b>Total Primary Government</b>	<b>\$ 10,766,569</b>	<b>2,620,285</b>	<b>1,378,829</b>	<b>737,203</b>
<b>Component Units:</b>				
Perry Police Officers Association	\$ 11,211	-	15,843	-
Perry Volunteer Firefighter's Association	24,437	-	20,671	-
Perry Municipal Waterworks	1,930,275	1,897,734	169,007	-
<b>Total Component Units</b>	<b>\$ 1,965,923</b>	<b>1,897,734</b>	<b>205,521</b>	<b>-</b>
<b>General Receipts and Transfers:</b>				
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				
Franchise fees				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent Funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

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
(1,687,927)	-	(1,687,927)	
97,836	-	97,836	
(23,237)	-	(23,237)	
(970,837)	-	(970,837)	
(240,447)	-	(240,447)	
(533,443)	-	(533,443)	
(1,107,346)	-	(1,107,346)	
(1,705,566)	-	(1,705,566)	
(6,170,967)	-	(6,170,967)	
-	80,006	80,006	
-	60,709	60,709	
-	140,715	140,715	
(6,170,967)	140,715	(6,030,252)	
			4,632
			(3,766)
			136,466
			137,332
2,239,453	-	2,239,453	-
442,915	-	442,915	-
236,314	-	236,314	-
123,872	-	123,872	-
1,225,345	-	1,225,345	-
86,977	-	86,977	-
4,884	688	5,572	2,924
211,557	-	211,557	-
22,000	-	22,000	-
-	6,524	6,524	22,650
111,085	(111,085)	-	-
4,704,402	(103,873)	4,600,529	25,574
(1,466,565)	36,842	(1,429,723)	162,906
3,239,823	1,432,708	4,672,531	853,309
\$ 1,773,258	1,469,550	3,242,808	1,016,215
\$ 275,640	-	275,640	-
262,283	-	262,283	-
260,226	-	260,226	-
49,004	-	49,004	133,170
1,768,394	-	1,768,394	143,973
(842,289)	1,469,550	627,261	739,072
\$ 1,773,258	1,469,550	3,242,808	1,016,215

City of Perry

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

As of and for the year ended June 30, 2017

	Special Revenue				
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
<b>Receipts:</b>					
Property tax	\$ 1,323,919	-	-	-	847,673
Tax increment financing	-	-	236,314	-	-
Other city tax	164,290	-	-	1,225,345	27,443
Licenses and permits	284,216	-	-	-	-
Use of money and property	49,492	-	1,717	31	-
Intergovernmental	111,404	956,155	-	180,276	28,597
Charges for service	1,338,767	-	-	5,941	-
Miscellaneous	209,851	-	28,611	-	30,081
<b>Total receipts</b>	<b>3,481,939</b>	<b>956,155</b>	<b>266,642</b>	<b>1,411,593</b>	<b>933,794</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	1,206,477	-	-	139,538	435,485
Public works	664,437	693,205	-	336,251	322,932
Health and social services	23,237	-	-	-	-
Culture and recreation	1,030,227	-	-	208,990	218,864
Community and economic development	66,343	-	267,122	2,500	13,222
General government	511,028	-	-	85,215	98,236
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
<b>Total disbursements</b>	<b>3,501,749</b>	<b>693,205</b>	<b>267,122</b>	<b>772,494</b>	<b>1,088,739</b>
Excess (deficiency) of receipts over (under) disbursements	(19,810)	262,950	(480)	639,099	(154,945)
<b>Other financing sources (uses):</b>					
Loan proceeds	-	-	-	-	-
Transfers in	-	-	-	-	130,000
Transfers out	-	(260,000)	(110,025)	(210,498)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(260,000)</b>	<b>(110,025)</b>	<b>(210,498)</b>	<b>130,000</b>
Change in cash balances	(19,810)	2,950	(110,505)	428,601	(24,945)
Cash balances beginning of year	(22,355)	259,333	370,731	1,137,302	57,052
Cash balances end of year	\$ (42,165)	262,283	260,226	1,565,903	32,107
<b>Cash Basis Fund Balances</b>					
<b>Nonspendable:</b>					
Cemetery perpetual care	\$ -	-	-	-	-
O'Brien beautification	-	-	-	-	-
<b>Restricted for:</b>					
Streets	-	262,283	-	-	-
Urban renewal purposes	-	-	260,226	-	-
Debt service	-	-	-	-	-
Other purposes	-	-	-	1,565,903	32,107
Unassigned	(42,165)	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ (42,165)</b>	<b>262,283</b>	<b>260,226</b>	<b>1,565,903</b>	<b>32,107</b>

See notes to financial statements.

Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Nonmajor	Total
429,603	-	-	-	2,601,195
-	-	-	-	236,314
13,312	-	-	-	1,430,390
-	-	-	-	284,216
-	-	-	1,012	52,252
13,880	519,142	-	4,476	1,813,930
-	3,046	-	125	1,347,879
-	34,585	2,325	128,811	434,264
456,795	556,773	2,325	134,424	8,200,440
-	-	-	490	1,781,990
-	-	-	-	2,016,825
-	-	-	-	23,237
-	-	-	80,863	1,538,944
-	-	-	743	349,930
-	-	-	25,000	719,479
1,107,346	-	-	-	1,107,346
-	2,262,339	-	-	2,262,339
1,107,346	2,262,339	-	107,096	9,800,090
(650,551)	(1,705,566)	2,325	27,328	(1,599,650)
-	22,000	-	-	22,000
659,392	223,463	-	-	1,012,855
-	(321,247)	-	-	(901,770)
659,392	(75,784)	-	-	133,085
8,841	(1,781,350)	2,325	27,328	(1,466,565)
40,163	981,226	227,131	189,240	3,239,823
49,004	(800,124)	229,456	216,568	1,773,258
-	-	229,456	-	229,456
-	-	-	46,184	46,184
-	-	-	-	262,283
-	-	-	-	260,226
49,004	-	-	-	49,004
-	-	-	170,384	1,768,394
-	(800,124)	-	-	(842,289)
49,004	(800,124)	229,456	216,568	1,773,258

**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, 2017

	Enterprise		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 942,953	164,241	1,107,194
Operating disbursements:			
Business type activities	585,287	103,532	688,819
Excess of operating receipts over operating disbursements	357,666	60,709	418,375
Non-operating receipts (disbursements):			
Interest on investments	688	-	688
Wind turbine receipts	4,937	-	4,937
Miscellaneous	1,587	-	1,587
Debt service	(117,119)	-	(117,119)
Capital projects	(160,541)	-	(160,541)
Net non-operating receipts (disbursements)	(270,448)	-	(270,448)
Excess of receipts over disbursements	87,218	60,709	147,927
Transfers in	45,000	-	45,000
Transfers out	(156,085)	-	(156,085)
Total transfers in (out)	(111,085)	-	(111,085)
Change in cash balances	(23,867)	60,709	36,842
Cash balances beginning of year	929,122	503,586	1,432,708
Cash balances end of year	\$ 905,255	564,295	1,469,550
<b>Cash Basis Fund Balances</b>			
Unrestricted	905,255	564,295	1,469,550
Total cash basis fund balances	\$ 905,255	564,295	1,469,550

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, 2017

	<u>Police Pension</u>
Additions:	
Employer contributions	\$ 29,800
Deductions:	
Benefits paid	<u>57,924</u>
Change in cash balance	(28,124)
Cash balance held in trust for pension benefits beginning of year	<u>544,724</u>
Cash balance held in trust for pension benefits end of year	<u><u>\$ 516,600</u></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, 2017

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Citizens Against Crime, Inc.	Perry Municipal Waterworks	Total
Disbursements	\$ 11,211	24,437	-	1,930,275	1,965,923
Program receipts:					
Charges for service	-	-	-	1,897,734	1,897,734
Operating grants and contributions	15,843	20,671	-	169,007	205,521
Total program receipts	15,843	20,671	-	2,066,741	2,103,255
General receipts:					
Interest on investments	-	-	-	2,924	2,924
Rent	-	-	-	22,650	22,650
Total general receipts	-	-	-	25,574	25,574
Change in cash basis net position	4,632	(3,766)	-	162,040	162,906
Cash basis net position beginning of year	4,501	18,753	8,778	821,277	853,309
Cash basis net position end of year	\$ 9,133	14,987	8,778	983,317	1,016,215
<b>Cash Basis Net Position</b>					
Restricted:					
Sinking account	\$ -	-	-	87,170	87,170
Reserve account	-	-	-	46,000	46,000
Other purposes	9,133	14,987	8,778	111,075	143,973
Unrestricted	-	-	-	739,072	739,072
<b>Total cash basis net position</b>	\$ 9,133	14,987	8,778	983,317	1,016,215

See notes to financial statements.

City of Perry

Notes to Financial Statements

June 30, 2017

**(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 3<sup>rd</sup> Street, PO Box 604, Perry, Iowa 50220.

The Perry Police Officers Association and the Perry Volunteer Firefighter's Association were organized as non-profit entities under Chapter 504A of the Code of Iowa. The purpose of each Association is to promote fellowship and brotherhood among members and to provide and support community service activities. The Associations are legally separate from the City but are financially accountable to the City, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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 receipts, 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, 2017, disbursements exceeded the amount budgeted in the 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, 2017 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 and energy conservation bonds are as follows:

Year Ending June 30,	General Obligation		Energy Conservation		Total	
	Bonds		Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 900,000	88,098	49,560	5,658	949,560	93,756
2019	915,000	76,905	50,181	5,037	965,181	81,942
2020	620,000	64,225	50,810	4,408	670,810	68,633
2021	630,000	53,835	51,447	3,771	681,447	57,606
2022	575,000	42,252	52,092	3,126	627,092	45,378
2023-2027	1,350,000	66,198	210,959	5,888	1,560,959	72,086
Total	\$ 4,990,000	391,513	465,049	27,888	5,455,049	419,401

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, 2017, the City had drawn down \$22,000 the proceeds from this note issuance. A final repayment schedule has not yet been adopted. During the year ended June 30, 2017, the City paid principal of \$10,000 on the bond under the preliminary repayment schedule.

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, 2017, the City had drawn \$613,543 of the authorized amount. During the year ended June 30, 2017 the City paid principal and interest of \$48,946, and \$6,272 respectively. The principal balance on the bonds at June 30, 2017 was \$465,049. 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, 2017, principal and interest paid on the loan totaled \$33,663. The principal balance of the loan at June 30, 2017 was \$32,000.

Discretely Presented Component Unit

Bonds Payable

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

Year	Water Revenue Refunding Bonds			
	Issued Jul 26, 2011			
Ending June 30,	Interest Rates	Principal	Interest	Total
2018	2.60%	\$ 100,000	2,600	102,600

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 \$102,600. For the current year, principal and interest paid on the refunding bonds and total customer net receipts were \$104,850 and \$800,450, respectively. Annual principal and interest payments on the water revenue refunding bonds are expected to require less than 14% 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](http://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 2017, 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, 2017 totaled \$222,982.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$1,505,016 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the City's proportion was 0.023915%, which was an increase of 0.001405% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$228,680, \$592,435 and \$286,479, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2016 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 arithmetic 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

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	\$2,757,626	1,505,016	448,212

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](http://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, 2017, 2016 and 2015 were \$29,800, \$11,860 and \$31,823, 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, 2017, 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, 2017	<u>516,600</u>
Unfunded pension benefit obligation	<u>\$ 246,722</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-five police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2017 was \$724,867.

During the year ended June 30, 2017, 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, 2017, 2016 and 2015 was \$42,372, \$38,642 and \$38,539, 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 48 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 \$536 for single coverage and \$1,304 for family coverage. For the year ended June 30, 2017, the City contributed \$512,478 and plan members eligible for benefits contributed \$79,738 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, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 174,000
Compensatory time	54,000
Sick leave	<u>144,000</u>
Total	<u>\$ 372,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(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, 2017 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, 2017 was \$45,000. The balance of the loan at June 30, 2017 was \$225,000.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Employee Benefits	Special Revenue: Road Use Tax	\$ 130,000
Debt Service	Special Revenue: Urban Renewal Tax Increment	65,025
	Local Option Sales Tax	117,035
	Capital Projects	321,247
	Sewer	<u>156,085</u>
		<u>659,392</u>
Capital Projects	Special Revenue: Road Use Tax	130,000
	Local Option Sales Tax	93,463
		<u>223,463</u>
Enterprise: Sewer	Special Revenue: Urban Renewal Tax Increment	45,000
Total		<u>\$ 1,057,855</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 753 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, 2017 was \$112,226 and the Perry Municipal Waterworks' contribution was \$18,122.

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 \$500,000 per claim. Claims exceeding \$500,000 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, 2017, the City paid \$34,875 to the account for self-insurance claims. At June 30, 2017, the account balance was \$97,267. 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, 2017, the City paid \$96,718 to the developer. The balance remaining under the agreement at June 30, 2017 is \$193,434, 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, 2017, the City paid \$15,404 to the developer. The balance remaining under the agreement at June 30, 2017 is \$77,020, 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 was 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, 2017, the City paid \$155,000 to the developer. There is no balance remaining at June 30, 2017.



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, 2017, the Rowley Masonic Trust remitted \$28,335 to the City for its portion of project costs.

### **(13) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$114,895 of property tax under the urban renewal and economic development projects.

### **(14) 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, 2017, 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, 2017 was \$28,611.

**(15) 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, 2017, the City disbursed \$25,000 in urban renewal loans and received \$38,180 in principal and interest repayments. The balance remaining on the loans at June 30, 2017 was \$161,062.

**(16) Construction Commitments**

The City has entered into construction contracts totaling approximately \$4,106,000 for various street, airport, park and sanitary sewer improvements. As of June 30, 2017, approximately \$3,355,000 has been paid on the contracts. The remaining \$751,000 will be paid as work on the projects progresses.

**(17) 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 2<sup>nd</sup> Street. The bond originally matured on August 6, 2016, but had been extended to August 6, 2017. On October 17, 2016 the guarantee had been reduced to \$500,000. 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.

**(18) Deficit Balance**

The General Fund had a deficit balance of \$42,165 at June 30, 2017. The deficit balance is primarily due to the deficit in the General Fund, Carnegie Library Account. The City is investigating sources of revenue for the Carnegie Library Museum. Additionally, the Capital Projects Fund had a deficit balance of \$800,124. The deficit is due to the 18<sup>th</sup> Street project. Reimbursements from the Iowa Department of Transportation were requested but were not received by June 30, 2017.

**(19) Subsequent Event**

In September 2017, the City approved a \$308,075 general obligation loan agreement for the purpose of acquiring two snow plows.

**(20) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements.

**(21) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

**City of Perry**

## **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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,601,195	-	-	-
Tax increment financing	236,314	-	-	-
Other city tax	1,430,390	-	-	-
Licenses and permits	284,216	-	-	-
Use of money and property	52,252	688	25,574	-
Intergovernmental	1,813,930	-	-	-
Charges for service	1,347,879	1,107,194	1,897,734	-
Miscellaneous	434,264	6,524	205,521	36,514
Total receipts	8,200,440	1,114,406	2,128,829	36,514
Disbursements:				
Public safety	1,781,990	-	35,648	35,648
Public works	2,016,825	-	-	-
Health and social services	23,237	-	-	-
Culture and recreation	1,538,944	-	-	-
Community and economic development	349,930	-	-	-
General government	719,479	-	-	-
Debt service	1,107,346	-	-	-
Capital projects	2,262,339	-	-	-
Business type activities	-	966,479	1,930,275	-
Total disbursements	9,800,090	966,479	1,965,923	35,648
Excess (deficiency) of receipts over (under) disbursements	(1,599,650)	147,927	162,906	866
Other financing sources, net	133,085	(111,085)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,466,565)	36,842	162,906	866
Balances beginning of year	3,239,823	1,432,708	853,309	32,032
Balances end of year	\$ 1,773,258	1,469,550	1,016,215	32,898

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,601,195	2,611,188	2,611,188	(9,993)
236,314	222,147	222,147	14,167
1,430,390	970,739	1,358,239	72,151
284,216	277,100	282,600	1,616
78,514	93,911	93,911	(15,397)
1,813,930	1,186,047	1,818,447	(4,517)
4,352,807	4,425,229	4,460,800	(107,993)
609,795	309,510	431,276	178,519
11,407,161	10,095,871	11,278,608	128,553
1,781,990	1,753,573	1,843,973	61,983
2,016,825	1,918,099	2,097,999	81,174
23,237	23,500	23,500	263
1,538,944	1,537,116	1,618,271	79,327
349,930	189,813	364,454	14,524
719,479	631,774	724,726	5,247
1,107,346	1,091,645	1,120,145	12,799
2,262,339	-	2,585,173	322,834
2,896,754	2,806,893	3,109,414	212,660
12,696,844	9,952,413	13,487,655	790,811
(1,289,683)	143,458	(2,209,047)	919,364
22,000	-	50,000	(28,000)
(1,267,683)	143,458	(2,159,047)	891,364
5,493,808	4,530,048	4,530,048	963,760
4,226,125	4,673,506	2,371,001	1,855,124

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 \$3,535,242. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the community and economic development, general government and capital projects functions before the budget was amended.



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City of Perry

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.023915%	0.022510%	0.021755%
City's proportionate share of the net pension liability	\$ 1,505	1,112	863
City's covered-employee payroll	\$ 2,319	2,335	2,288
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.90%	47.62%	37.72%
IPERS' net position as a percentage of the total pension liability	81.82%	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.

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City of Perry

Schedule of City Contributions

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

Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 223	213	216	212
Contributions in relation to the statutorily required contribution	<u>(223)</u>	<u>(213)</u>	<u>(216)</u>	<u>(212)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 2,426	2,319	2,335	2,288
Contributions as a percentage of covered-employee payroll	9.19%	9.18%	9.25%	9.27%

See accompanying independent auditor's report.

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2013	2012	2011	2010	2009	2008
207	202	179	169	145	135
(207)	(202)	(179)	(169)	(145)	(135)
-	-	-	-	-	-
2,264	2,337	2,296	2,323	2,093	2,004
9.14%	8.64%	7.80%	7.28%	6.93%	6.74%

City of Perry

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted 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 (unfunded actuarial liability) 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.

**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, 2017

	Special					
	Police Drug	Police Canine	Library Gift	Recreation Memorial	Wiese Park	Fly Iowa
<b>Receipts:</b>						
Use of money and property	\$ -	-	-	-	-	-
Intergovernmental	-	-	4,476	-	-	-
Charges for service	-	-	125	-	-	-
Miscellaneous	-	-	46,112	-	24,282	-
Total receipts	-	-	50,713	-	24,282	-
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	490	-	-	-	-	-
Culture and recreation	-	-	44,278	-	24,682	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Total disbursements	490	-	44,278	-	24,682	-
Change in cash balances	(490)	-	6,435	-	(400)	-
Cash balances beginning of year	9,158	3,000	19,823	31,606	9,266	3,820
Cash balances end of year	\$ 8,668	3,000	26,258	31,606	8,866	3,820
<b>Cash Basis Fund Balances</b>						
Nonspendable - O'Brien beautification	\$ -	-	-	-	-	-
Restricted for other purposes	8,668	3,000	26,258	31,606	8,866	3,820
Total cash basis fund balances	\$ 8,668	3,000	26,258	31,606	8,866	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	
-	-	-	-	1,012	1,012	
-	-	-	-	-	4,476	
-	-	-	-	-	125	
-	-	38,180	20,237	-	128,811	
-	-	38,180	20,237	1,012	134,424	
-	-	-	-	-	490	
-	-	-	11,903	-	80,863	
-	-	-	-	743	743	
-	-	25,000	-	-	25,000	
-	-	25,000	11,903	743	107,096	
-	-	13,180	8,334	269	27,328	
560	5,000	51,175	9,917	45,915	189,240	
560	5,000	64,355	18,251	46,184	216,568	
-	-	-	-	46,184	46,184	
560	5,000	64,355	18,251	-	170,384	
560	5,000	64,355	18,251	46,184	216,568	

City of Perry  
Schedule of Indebtedness  
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
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 loan:			
Garbage truck	Oct 19, 2015	2.90%	\$ 96,000
Rural economic development loan	Apr 18, 2016	0.00%	\$ 360,000

\* 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
290,000	-	55,000	235,000	10,025
1,325,000	-	135,000	1,190,000	21,085
1,715,000	-	175,000	1,540,000	39,777
2,540,000	-	515,000	2,025,000	29,221
\$ 5,870,000	-	880,000	4,990,000	100,108
513,995	-	48,946	465,049	6,272
115,000	-	115,000	-	1,869
64,000	-	32,000	32,000	1,663
-	22,000	10,000	12,000	-

City of Perry  
Bond Maturities  
June 30, 2017

Year Ending June 30,	Public Improvements Issued Feb 2, 2011		Sewer Improvement and Refunding Issued April 16, 2013		Public Improvements Issued Nov 5, 2013		Public Improvements and Refunding Issued April 18, 2016		Total
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
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
2027	-	-	-	-	-	-	-	-	-
Total		<u>\$ 235,000</u>		<u>\$ 1,190,000</u>		<u>\$ 1,540,000</u>		<u>\$ 2,025,000</u>	<u>4,990,000</u>

See accompanying independent auditor's report.

Energy	
Conservation Bonds	
Issued Nov 5, 2013	
Interest	
Rates	Amount
1.00%	\$ 49,560
1.00	50,181
1.00	50,810
1.00	51,447
1.00	52,092
1.00	52,746
1.00	53,407
1.00	54,077
1.00	50,729
	-
	<u>\$ 465,049</u>

City of Perry

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

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 2,601,195	2,437,548	2,392,227	2,409,834
Tax increment financing	236,314	522,774	542,233	540,051
Other city tax	1,430,390	1,259,042	1,173,372	1,089,529
Licenses and permits	284,216	312,691	270,368	311,707
Use of money and property	52,252	49,292	37,755	42,017
Intergovernmental	1,813,930	2,049,711	1,991,083	1,807,427
Charges for service	1,347,879	1,276,381	1,308,588	1,285,154
Special assessments	-	-	-	-
Miscellaneous	434,264	492,244	484,030	650,263
Total	<u>\$ 8,200,440</u>	<u>8,399,683</u>	<u>8,199,656</u>	<u>8,135,982</u>
Disbursements:				
Operating:				
Public safety	\$ 1,781,990	1,563,339	1,632,212	1,614,752
Public works	2,016,825	2,637,060	2,349,694	1,870,026
Health and social services	23,237	14,826	14,470	10,994
Culture and recreation	1,538,944	1,450,563	1,382,165	1,476,546
Community and economic development	349,930	205,174	241,440	598,418
General government	719,479	614,041	641,939	935,558
Debt service	1,107,346	2,236,609	945,024	789,995
Capital projects	2,262,339	1,183,440	1,849,793	2,379,565
Total	<u>\$ 9,800,090</u>	<u>9,905,052</u>	<u>9,056,737</u>	<u>9,675,854</u>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
2,330,809	2,514,976	2,422,350	2,264,053	2,248,217	2,208,743
739,788	626,265	573,577	606,363	419,463	390,257
1,342,358	497,224	966,384	230,836	239,200	215,237
242,096	236,897	245,724	59,023	70,342	90,554
36,907	32,838	31,831	34,526	31,829	69,272
1,964,791	1,918,667	3,489,056	3,175,311	2,590,279	1,903,116
1,331,225	1,266,250	1,211,909	1,255,534	1,255,071	1,215,632
-	-	660	732	786	846
388,709	597,199	432,189	495,398	601,053	755,632
<u>8,376,683</u>	<u>7,690,316</u>	<u>9,373,680</u>	<u>8,121,776</u>	<u>7,456,240</u>	<u>6,849,289</u>
1,604,947	1,693,376	1,674,978	1,551,274	1,547,689	1,622,210
1,799,742	2,327,984	2,789,156	2,235,914	2,381,072	2,035,449
10,967	10,819	10,515	10,189	18,680	9,372
1,310,457	1,374,120	1,301,685	1,258,654	1,405,708	1,147,763
322,332	183,097	627,177	287,332	424,397	175,985
1,506,007	1,124,064	1,505,904	1,099,548	2,184,524	1,015,089
2,112,217	1,078,111	810,955	939,524	655,998	585,461
918,113	755,163	1,032,264	939,671	2,460,564	683,645
<u>9,584,782</u>	<u>8,546,734</u>	<u>9,752,634</u>	<u>8,322,106</u>	<u>11,078,632</u>	<u>7,274,974</u>

**Schedule 5**

## City of Perry

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

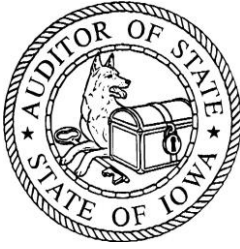
Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,013
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106		28,384
Total Direct			29,397
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BRM-U-5970(616)--70-25	21,209
Highway Planning and Construction	20.205	STP-U-5970(616)--70-25	896,691
			917,900
Iowa Department of Public Safety, Governor's Traffic Safety Bureau:			
Highway Safety Cluster:			
National Priority Safety Programs	20.616	16-405d-M6OT	6,883
National Priority Safety Programs	20.616	17-405d-M6OT	2,524
			9,407
Total indirect			927,307
Total			\$ 956,704

**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, 2017. 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.

**Indirect Cost Rate** – 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**

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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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2018. Our report 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items II-A-17 through II-F-17, 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, 2017 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

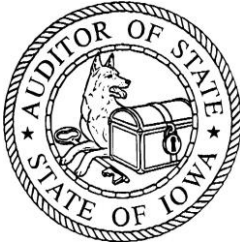
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance 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 1, 2018





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

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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, 2017. 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, 2017.


## 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 have not been 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 1, 2018

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

**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 200.516.
- g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- 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, 2017

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-17 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, 2017

II-B-17 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 the 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. The City will develop procedures to support adjustments to utility billings and to reconcile postings with deposits.

Conclusion – Response accepted.

II-C-17 Perry Police Officers 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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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-17 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, 2017

II-E-17 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, 2017, the bank balance was \$391 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 Fire Association Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

II-F-17 Perry Citizen's Against Crime, Inc. – 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 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, 2017

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.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

**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 control over compliance were noted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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

IV-A-17 Certified Budget – Disbursements during fiscal year ended June 30, 2017 exceeded the amounts budgeted in the 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-17 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-17 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-17 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	\$ 311
Mike Landals, Public Works, Owner of Landals Concrete Construction	Repairs	13,470
Rodney Cromwell, Firefighter, owner of Cromwell Towing	Towing services	590
Wayne Schuttler, Police Officer	Repairs	1,032

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

In accordance with Chapter 326.5(3)(d) of the Code of Iowa, the transactions with Mike Landals do not appear to represent a conflict of interest since the transactions were competitively bid.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

IV-E-17 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-17 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-17 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-17 Sewer Revenue Bonds – No instances of non-compliance with the sewer revenue bond resolution were noted.

IV-I-17 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 \$155,000 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 contacted 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 Urban Renewal Report.

Conclusion – Response accepted.

IV-J-17 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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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-17 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, 2017, 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-17 Financial Condition – The General Fund and Capital Projects Fund had deficit balances of \$42,165 and \$800,124, respectively, at June 30, 2017.

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

Response – The negative balance in the General Fund is due to the deficit in the 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. The Capital Projects Fund has a deficit balance due to the timing of the requests for reimbursements from grants and loans. In FY 2018, the City will receive grant funds from the Iowa Department of Transportation and the Federal Aviation Administration as well as loan funds from Minburn Telecommunications.

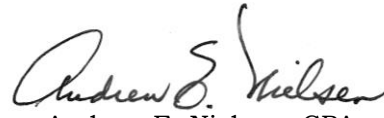
Conclusion – Response accepted.

City of Perry

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Sarah J. Swisher, Staff Auditor  
Christopher M. Anderson, Assistant Auditor  
Ryan A. Manglos, Assistant Intern

A handwritten signature in black ink, reading "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