



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

March 22, 2023

Contact: Ernest Ruben
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Perry, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$25,420,589 for the year ended June 30, 2022, a 48.6% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$25,041,209, a 65.9% increase over the prior year. The significant increase in receipts is primarily due to sewer revenue bond proceeds received in the current year. The significant increase in disbursements is primarily due to increased expenditures in the Enterprise, Sewer fund for the Water Pollution Control Works improvement project.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 64 through 73 of this report. The findings address issues such as a lack of segregation of duties, reconciliations of utility billings, collections and delinquent accounts were not prepared, disbursements exceeding budgeted amounts and noncompliance with Chapter 556.11 of the Code of Iowa pertaining to unclaimed property. Sand provided the City with recommendations to address each of the findings.

All the findings discussed above are repeated from the prior year. The City has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful a responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

###

CITY OF PERRY

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

JUNE 30, 2022

City of Perry



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Rob Sand
Auditor of State

March 7, 2023

Officials of the City of Perry
Perry, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Perry, Iowa, for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Perry throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Perry

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Andorf	Mayor	Jan 2022
Vicki Klein	Council Member	Jan 2022
Dr. Randall McCaulley	Council Member	Jan 2022
Dean Berkland	Council Member	Jan 2024
Chuck Schott	Council Member	Jan 2024
Barbara Wolling	Council Member	Jan 2024
Sven Peterson	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Liz Hix	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Andorf	Mayor	Jan 2024
Dean Berkland	Council Member	Jan 2024
Chuck Schott	Council Member	Jan 2024
Barbara Wolling	Council Member	Jan 2024
Curtis Hite	Council Member	(Resigned Feb 2022)
Jeremy Mahler (Appointed Apr 2022)	Council Member	Nov 2023
Vicki Klein	Council Member	Jan 2026
Sven Peterson	City Administrator	Indefinite
Susie Moorhead	Finance Officer	Indefinite
Liz Hix	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the aggregate discretely presented component units of the City of Perry as of June 30, 2022, 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, 2022, 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Perry, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial data included in the financial statements for the Perry Public Library Foundation Inc., a legally separate entity which is reported as a discretely presented component unit, include investments at fair market value. This is a departure from the basis of accounting described in Note 1. The amount by which this departure would affect the receipts, and balances of the aggregate discretely presented component units is not reasonably determinable.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

The City of Perry adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Perry's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 of Perry’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Perry’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 “Auditor’s Responsibilities for the Audit of the Financial Statements” section of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, 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. Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension liability (Asset) and the Schedule of City Contributions on pages 42 through 50 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2023 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 7, 2023

City of Perry

Basic Financial Statements

City of Perry

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 2,407,003	9,479	271,042	-
Public works	2,569,265	983,394	1,158,815	-
Health and social services	8,211	-	-	-
Culture and recreation	2,017,209	475,075	180,495	-
Community and economic development	848,428	112,692	182,488	-
General government	947,785	36,564	826,018	-
Debt service	1,585,105	-	-	-
Capital projects	2,848,854	-	-	1,825,446
Total governmental activities	13,231,860	1,617,204	2,618,858	1,825,446
Business type activities:				
Sewer	11,736,686	1,619,755	-	285,101
Sewer discharge	72,663	166,502	23,999	-
Total business type activities	11,809,349	1,786,257	23,999	285,101
Total Primary Government	\$ 25,041,209	3,403,461	2,642,857	2,110,547
Component Units:				
Perry Police Officers Association	\$ 7,101	-	8,652	-
Perry Volunteer Firefighter's Association	13,885	-	20,901	-
The Perry Public Library Foundation, Inc.	28,452	-	(83,095)	-
Perry Municipal Waterworks	1,811,783	2,288,696	142,677	-
Total Component Units	\$ 1,861,221	2,288,696	89,135	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Hotel/motel tax				
Local option sales tax				
Commercial/industrial tax replacement				
American Rescue Plan Act				
Unrestricted interest on investments				
Franchise fees				
Sewer revenue bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(2,126,482)	-	(2,126,482)	
(427,056)	-	(427,056)	
(8,211)	-	(8,211)	
(1,361,639)	-	(1,361,639)	
(553,248)	-	(553,248)	
(85,203)	-	(85,203)	
(1,585,105)	-	(1,585,105)	
(1,023,408)	-	(1,023,408)	
(7,170,352)	-	(7,170,352)	
-	(9,831,830)	(9,831,830)	
-	117,838	117,838	
-	(9,713,992)	(9,713,992)	
(7,170,352)	(9,713,992)	(16,884,344)	
			1,551
			7,016
			(111,547)
			619,590
			<u>516,610</u>
2,657,423	-	2,657,423	-
398,594	-	398,594	-
352,641	-	352,641	-
48,321	-	48,321	-
2,832,597	-	2,832,597	-
69,509	-	69,509	-
573,869	-	573,869	-
1,456	290	1,746	8,691
276,404	-	276,404	-
-	10,031,084	10,031,084	-
21,536	-	21,536	-
237,490	(237,490)	-	38,329
<u>7,469,840</u>	<u>9,793,884</u>	<u>17,263,724</u>	<u>47,020</u>
299,488	79,892	379,380	563,630
3,125,309	2,332,490	5,457,799	3,217,624
<u>\$ 3,424,797</u>	<u>2,412,382</u>	<u>5,837,179</u>	<u>3,781,254</u>
\$ 295,849	-	295,849	-
288,622	-	288,622	-
470,779	-	470,779	-
2,162,073	-	2,162,073	1,192,964
207,474	2,412,382	2,619,856	2,588,290
<u>\$ 3,424,797</u>	<u>2,412,382</u>	<u>5,837,179</u>	<u>3,781,254</u>

City of Perry

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

As of and for the year ended June 30, 2022

	Special Revenue				
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:					
Property tax	\$ 1,494,446	-	-	-	1,071,829
Local option sales tax	-	-	-	2,832,597	-
Tax increment financing	-	-	352,641	-	-
Other city tax	100,407	-	-	-	39,062
Licenses and permits	395,502	-	-	-	-
Use of money and property	90,287	-	-	-	-
Intergovernmental	992,015	1,079,858	-	520,083	25,502
Charges for service	1,419,206	-	-	-	-
Miscellaneous	378,141	-	-	37,383	34,203
Total receipts	<u>4,870,004</u>	<u>1,079,858</u>	<u>352,641</u>	<u>3,390,063</u>	<u>1,170,596</u>
Disbursements:					
Operating:					
Public safety	1,406,486	-	-	488,559	495,234
Public works	636,893	850,460	-	712,615	369,297
Health and social services	8,211	-	-	-	-
Culture and recreation	1,289,312	-	-	292,800	303,221
Community and economic development	346,087	-	40,404	403,700	57,337
General government	667,280	-	-	126,017	154,338
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>4,354,269</u>	<u>850,460</u>	<u>40,404</u>	<u>2,023,691</u>	<u>1,379,427</u>
Excess (deficiency) of receipts over (under) disbursements	<u>515,735</u>	<u>229,398</u>	<u>312,237</u>	<u>1,366,372</u>	<u>(208,831)</u>
Other financing sources (uses):					
Transfers in	268,810	-	-	-	165,000
Transfers out	(10,000)	(260,000)	(306,949)	(740,717)	-
Total other financing sources (uses)	<u>258,810</u>	<u>(260,000)</u>	<u>(306,949)</u>	<u>(740,717)</u>	<u>165,000</u>
Change in cash balances	774,545	(30,602)	5,288	625,655	(43,831)
Cash balances (deficits) beginning of year	400,573	319,224	65,175	1,341,509	(79,388)
Cash balances (deficits) end of year	<u>\$ 1,175,118</u>	<u>288,622</u>	<u>70,463</u>	<u>1,967,164</u>	<u>(123,219)</u>
Cash Basis Fund Balances					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	-	-
O'Brien beautification	-	-	-	-	-
Restricted for:					
Streets	-	288,622	-	-	-
Debt service	-	-	70,463	-	-
Other purposes	-	-	-	1,967,164	-
Unassigned	1,175,118	-	-	-	(123,219)
Total cash basis fund balances	<u>\$ 1,175,118</u>	<u>288,622</u>	<u>70,463</u>	<u>1,967,164</u>	<u>(123,219)</u>

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Total
		Cemetery Perpetual Care	Nonmajor	
385,368	-	-	-	2,951,643
-	-	-	-	2,832,597
-	-	-	-	352,641
13,226	-	-	-	152,695
-	-	-	-	395,502
-	52,288	-	1,512	144,087
8,634	1,778,555	-	18,915	4,423,562
-	-	-	706	1,419,912
-	850	5,563	165,079	621,219
407,228	1,831,693	5,563	186,212	13,293,858
-	-	-	16,724	2,407,003
-	-	-	-	2,569,265
-	-	-	-	8,211
-	-	-	131,876	2,017,209
-	-	-	900	848,428
-	-	-	150	947,785
1,585,105	-	-	-	1,585,105
-	2,848,854	-	-	2,848,854
1,585,105	2,848,854	-	149,650	13,231,860
(1,177,877)	(1,017,161)	5,563	36,562	61,998
1,145,038	262,255	-	-	1,841,103
-	(285,947)	-	-	(1,603,613)
1,145,038	(23,692)	-	-	237,490
(32,839)	(1,040,853)	5,563	36,562	299,488
433,155	203,148	245,286	196,627	3,125,309
400,316	(837,705)	250,849	233,189	3,424,797
-	-	250,849	-	250,849
-	-	-	45,000	45,000
-	-	-	-	288,622
400,316	-	-	-	470,779
-	-	-	194,909	2,162,073
-	(837,705)	-	(6,720)	207,474
400,316	(837,705)	250,849	233,189	3,424,797

City of Perry

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

As of and for the year ended June 30, 2022

	Enterprise		
	Sewer	Sewer Discharge	Total
Operating receipts:			
Charges for service	\$ 1,619,755	166,502	1,786,257
Operating disbursements:			
Business type activities	483,077	61,019	544,096
Excess of operating receipts over operating disbursements	1,136,678	105,483	1,242,161
Non-operating receipts (disbursements):			
Water Quality Improvement Grant	-	23,999	23,999
Community Development Block Grant	285,101		285,101
Interest on investments	290	-	290
Sewer revenue bond proceeds	10,031,084	-	10,031,084
Initiation fee	(100,000)	-	(100,000)
Repayment of project anticipation note	(775,482)	-	(775,482)
Debt service	(47,388)	-	(47,388)
Capital outlay	(10,330,739)	(11,644)	(10,342,383)
Net non-operating receipts (disbursements)	(937,134)	12,355	(924,779)
Excess of receipts over disbursements	199,544	117,838	317,382
Transfers in (out):			
Transfers in	45,000	-	45,000
Transfers out	(262,575)	(19,915)	(282,490)
Net transfers in (out)	(217,575)	(19,915)	(237,490)
Change in cash balances	(18,031)	97,923	79,892
Cash balances beginning of year	1,779,999	552,491	2,332,490
Cash balances end of year	\$ 1,761,968	650,414	2,412,382
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ 76,724	-	76,724
Unrestricted	1,685,244	650,414	2,335,658
Total cash basis fund balances	\$ 1,761,968	650,414	2,412,382

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, 2022

	<u>Police</u> <u>Pension</u>
Additions:	
Employer contributions	\$ -
Deductions:	
Benefits paid	<u>67,392</u>
Change in cash balance	(67,392)
Cash balance held in trust for pension benefits beginning of year	<u>369,831</u>
Cash balance held in trust for pension benefits end of year	<u>\$ 302,439</u>

See notes to financial statements.

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, 2022

	Perry Police Officers Association	Perry Volunteer Firefighter's Association	Perry Citizens Against Crime, Inc.
Disbursements	\$ 7,101	13,885	-
Program receipts:			
Charges for service	-	-	-
Operating grants and contributions	8,652	20,901	-
Total program receipts	8,652	20,901	-
General receipts:			
Interest (Loss) on investments	-	-	-
Rent	-	-	-
Total general receipts	-	-	-
Change in cash basis net position	1,551	7,016	-
Cash basis net position beginning of year	22,289	20,624	8,778
Cash basis net position end of year	\$ 23,840	27,640	8,778
Cash Basis Net Position			
Restricted:			
Other purposes	\$ 23,840	27,640	8,778
Unrestricted	-	-	-
Total cash basis net position	\$ 23,840	27,640	8,778

See notes to financial statements.

The Perry Public Library Foundation, Inc.	Perry Municipal Waterworks	Total
28,452	1,811,783	1,861,221
-	2,288,696	2,288,696
739	142,677	172,969
739	2,431,373	2,461,665
(83,834)	8,691	(75,143)
-	38,329	38,329
(83,834)	47,020	(36,814)
(111,547)	666,610	563,630
1,058,153	2,107,780	3,217,624
946,606	2,774,390	3,781,254
946,606	186,100	1,192,964
-	2,588,290	2,588,290
946,606	2,774,390	3,781,254

City of Perry

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

The City of Perry is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes the City of Perry has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Perry (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Perry Municipal Waterworks was established to operate the City's waterworks facilities. The Waterworks is governed by a three-member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Waterworks is held in the name of the City. A financial benefit/burden exists between the City and the Waterworks in that the City is authorized by statute to issue general obligation debt for a city utility and may certify taxes for the payment of the debt. Complete financial statements can be obtained from the Perry Municipal Waterworks, 1101 W 3rd Street, PO Box 604, Perry, Iowa 50220.

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

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.

The Perry Public Library Foundation, Inc. is organized as a non-profit entity under Chapter 504A of the Code of Iowa. The purpose for which this corporation is organized is for a charitable purpose which is to be operated exclusively for the independent enhancement and improvement of the Public Library of the City of Perry, Iowa.

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 911 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:

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.

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. Property Tax and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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, 2022, disbursements exceeded the amount budgeted in the culture and recreation, community and economic development and debt service functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, general government and business type activities functions before the budget was amended.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2022 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 evidence 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.

Component Units

The Perry Public Library Foundation Inc. invests funds with the Community Foundation of Greater Des Moines, long term growth portfolio. The Foundation's investment is a percentage of the overall performance of the portfolio and the portfolio is measured on a fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that would reflect the Foundation's assumption about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for an asset or liability that are used to measure fair value when observable inputs are not available. These inputs are developed based upon the best information available in such circumstances.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level inputs that is significant to the overall fair value measurements for a given asset or liability. The assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer into a different level, such transfers are recognized at the reporting period.

The following is a summary of the Perry Public Library Foundation Inc.'s investments under the hierarchy set by fair value guidance as of June 30, 2022, for assets measured at fair value on a recurring basis:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>
The Perry Public Library Foundation, Inc.				
Money market funds	\$ 8,361	8,361	-	-
Debt and equity securities:				
U.S. equity	256,714	256,714	-	-
International equity	179,277	93,041	71,002	15,234
Fixed income	130,976	99,549	31,427	
Natural resources	60,730	60,730	-	-
Real assets	41		-	41
Fund of funds	148,510		-	148,510
Other	606		-	606
Total debt and equity securities	776,854	510,034	102,429	164,391
Total invested assets	\$ 785,215	518,395	102,429	164,391

Alternative investments are redeemable with the fund at net asset value under the original terms of the partnership and/or subscription agreements. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interest in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The following table provides a summary of information for other investments, by net asset class, which are calculated using a net asset value per share using the practical expedient or its equivalent, as of June 30, 2022:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Perry Public Library Foundation, Inc.			
Debt and equity securities:			
International equity	\$ 15,234	Monthly	6-30 days
Real assets - nonredeemable	41	N/A	N/A
Fund of funds	148,510	Quarterly - N/A	100 days - N/A
Other	606	N/A	N/A
Total debt and equity securities	\$ 164,391		

The following information is provided for the investments of the foundation that are valued using the net asset value per share as a practical expedient:

- International equity – Funds represent primarily global diversified portfolios in debt and equity securities, including those issued or guaranteed by the United States and foreign governments and related agencies. Included in this portfolio is a fund invested in small cap stocks of foreign entities. Investments in foreign entities will incur exposure to risks from economic instability, unfavorable political developments and currency fluctuations. The portfolio allows monthly redemptions.
- Real assets – nonredeemable – Includes funds invested in debt and equity securities and other investments related to real estate, with a focus on residential, commercial, industrial and retail investments and properties with no particular geographic concentration. Redemptions for the portfolio are generally not allowed and are subject to approval of the fund administrator.
- Fund of funds – Includes globally diversified feeder funds and funds of funds invested in illiquid investments of closed-end funds with the remainder in debt and equity securities and futures and options. Redemptions in many cases are subject to the provisions of the underlying fund agreement, with some funds within the fund of funds currently suspending redemptions. Of the total net asset class some allow quarterly redemptions with a 100-day notice, some redemptions are not allowed. The remaining funds have suspended redemption.
- Other – These represent funds with no particular industry or geographic focus with the remainder in debt and equity securities and futures and options. Redemptions for the portfolio are generally not allowed.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities					
General obligation bond	\$ 7,675,000	-	1,130,000	6,545,000	1,110,000
General obligation notes	228,452	-	143,671	84,781	84,781
General obligation notes - Direct borrowing	190,000	-	40,000	150,000	40,000
Energy conservation bonds - Direct borrowing	288,854	-	77,895	210,959	52,746
Governmental activities total	<u>\$ 8,382,306</u>	-	<u>1,391,566</u>	<u>6,990,740</u>	<u>1,287,527</u>
Business type activities					
Sewer revenue project anticipation note - Direct borrowing	\$ 775,482	-	775,482	-	-
Sewer revenue bond - Direct borrowing	-	10,031,084	-	10,031,084	1,000 *
Business-type activities total	<u>775,482</u>	<u>10,031,084</u>	<u>775,482</u>	<u>10,031,084</u>	<u>1,000</u>

* Final drawdowns have not been made and therefore there is no final amortization schedule.

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	Sanitary Sewer Improvement and Refunding			Corporate Purpose		
	Issued Apr 16, 2013			Issued Nov 5, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.00%	\$ 155,000	9,875	2.55%	\$ 240,000	17,903
2024	2.10	155,000	6,775	2.70	220,000	11,783
2025	2.20	160,000	3,520	2.85	205,000	5,842
2026		-	-		-	-
2027		-	-		-	-
2028-2032		-	-		-	-
2033-2034		-	-		-	-
Total		<u>\$ 470,000</u>	<u>20,170</u>		<u>\$ 665,000</u>	<u>35,528</u>

Year Ending June 30,	Corporate Purpose and Refunding			Airport Improvement		
	Issued May 4, 2016			Issued Feb 5, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.45%	\$ 50,000	4,038	3.000%	\$ 140,000	61,406
2024	1.75	55,000	3,163	3.000	145,000	57,206
2025	1.75	55,000	2,200	3.000	145,000	52,856
2026	2.00	55,000	1,100	3.000	150,000	48,506
2027		-	-	3.000	160,000	44,006
2028-2032		-	-	3.000	885,000	144,881
2033-2034		-	-	3.125	405,000	19,061
Total		<u>\$ 215,000</u>	<u>10,501</u>		<u>\$ 2,030,000</u>	<u>427,922</u>

Year Ending June 30,	Street Construction and McCreary Building			Total		
	Issued Aug 4, 2020					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	2.00%	\$ 525,000	63,300	\$ 1,110,000	156,522	1,266,522
2024	2.00	535,000	52,800	1,110,000	131,727	1,241,727
2025	2.00	545,000	42,100	1,110,000	106,518	1,216,518
2026	2.00	300,000	31,200	505,000	80,806	585,806
2027	2.00	305,000	25,200	465,000	69,206	534,206
2028-2032	2.00	955,000	38,400	1,840,000	183,281	2,023,281
2033-2034		-	-	405,000	19,061	424,061
Total		<u>\$ 3,165,000</u>	<u>253,000</u>	<u>\$ 6,545,000</u>	<u>747,121</u>	<u>7,292,121</u>

On April 16, 2013, the City issued \$2,300,000 of general obligation bonds with interest rates ranging from 0.40% to 2.20% per annum. The bonds were issued for the purpose of constructing sanitary sewer improvements and refunding the outstanding balance of the City's general obligation urban renewal corporate purpose bonds, Series 2006. During the year ended June 30, 2022, the City paid \$150,000 of principal and \$12,575 of interest on the bonds.

On November 5, 2013, the City issued \$2,065,000 of general obligation bonds with interest rates ranging from 2.00% to 2.85% per annum. The bonds were issued for the purpose of financing construction of improvements to streets and related utilities, bridges, the municipal airport and a municipal parking lot, and the acquisition of equipment for the Fire Department. During the year ended June 30, 2022, the City paid \$175,000 of principal and \$22,015 of interest on the bonds.

On May 4, 2016, the City issued \$2,540,000 of general obligation bonds with interest rates ranging from 0.75% to 2.00% per annum. The bonds were issued for the purpose of financing construction and reconstruction of improvements to streets and bridges, the installation of traffic signals and refunding the outstanding balance of the City's general obligation corporate purpose bonds, Series 2008. During the year ended June 30, 2022, the City paid \$250,000 of principal and \$7,663 of interest on the bonds.

On February 5, 2019, the City issued \$2,075,000 of general obligation bonds with interest rates ranging from 3.000% to 3.125% per annum. The bonds were issued to pay for repairs to the existing municipal airport including land acquisition, reconstruction of the runway and general airport improvement. During the year ended June 30, 2022, the City paid \$30,000 of principal and \$62,306 of interest on the bonds.

On August 4, 2020, the City issued \$4,115,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to pay for constructing street and related improvements and for renovating the McCreary Community Building. During the year ended June 30, 2022, the City paid \$525,000 of principal and \$73,800 of interest was paid on the bonds.

General Obligation Notes

A summary of the City's June 30, 2022 general obligation notes payable is as follows:

Year	Garbage Equipment		
	Issued Aug 15, 2018		
Ending	Interest	Principal	Interest
June 30,	Rates		
2023	3.375%	\$ 84,781	2,861

On October 2, 2017, the City issued \$308,075 of general obligation notes to Raccoon Valley Bank with an interest rate of 2.50% per annum. The note was issued for the purpose of paying the cost of acquiring two snowplows. During the year ended June 30, 2022, the City paid the remaining \$61,615 of principal and \$1,540 of interest on the note.

On August 15, 2018, the City issued \$400,000 of general obligation notes to Raccoon Valley Bank with an interest rate of 3.375% per annum. The note was issued for the purpose of paying the cost of acquiring garbage trucks and equipment. During the year ended June 30, 2022, the City paid \$82,056 of principal and \$5,631 of interest on the note.

General Obligation Notes – Direct Borrowing

A summary of the City's June 30, 2022 general obligation notes payable is as follows:

Year Ending June 30,	Rural Economic Development Note Issued Apr 18, 2016		
	Interest Rates	Principal	Interest
2023	0.00%	\$ 40,000	-
2024	0.00	40,000	-
2025	0.00	40,000	-
2026	0.00	30,000	-
Total		<u>\$ 150,000</u>	<u>-</u>

On April 18, 2016, the City issued \$360,000 of general obligation notes to Minburn Telephone Company interest free. The note was issued for the purpose of financing improvements to the City's police station. The loan agreement provides that upon the occurrence of a default, Minburn Telephone Company may declare all or any portion of the indebtedness to be immediately due and payable. During the year ended June 30, 2022, the City paid principal of \$40,000 on the note under the repayment schedule.

Energy Conservation Bonds – Direct Borrowing

The City's June 30, 2022 energy conservation bonds payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2023	1.00%	\$ 52,746	2,472	55,218
2024	1.00	53,407	1,811	55,218
2025	1.00	54,077	1,141	55,218
2026	1.00	50,729	464	51,193
Total		<u>\$ 210,959</u>	<u>5,888</u>	<u>216,847</u>

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. 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 first proceeds of the bonds drawn by the City. At June 30, 2018, the City had drawn \$613,543 of the authorized amount. The agreement provides that the faith, credit, revenues and resources and all the real and personal property of the City are irrevocably pledged for the prompt payment of both principal and interest. During the year ended June 30, 2022, the City paid principal and interest of \$77,895 and \$4,931 respectively. The principal balance on the bonds at June 30, 2022 was \$210,959.

Revenue Project Anticipation Note – Direct Borrowing

On December 21, 2018, the City entered into an interim loan agreement with the Iowa Finance Authority to borrow up to \$870,000 for the purpose of paying the costs of planning and designing improvements and extensions to the City’s municipal sanitary sewer system. The note bears interest at 0% per annum, and is payable at maturity, three years from December 21, 2018. The note is subject to prepayment, in whole or in part, on any date prior to maturity. The note is payable solely from loan proceeds to be received pursuant to an authorized loan and disbursement agreement and the corresponding issuance of Sewer Revenue Bonds in a principal amount not to exceed \$870,000. The note does not constitute a general obligation of the City. Upon a breach or default of the note, a proceeding may be brought in law or in equity by suit or action to enforce and compel performance of the duties required under the terms on the note. During the year ended June 30, 2022, the City entered into a loan and disbursement agreement with the Iowa Finance Authority. A portion of that agreement was used to repay the \$775,482 revenue project anticipation note outstanding balance. See below for more information.

Sewer Revenue Bond – Direct Borrowing

On July 2, 2021, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$28,900,000 of sewer revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provision of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City’s municipal sanitary sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the City under the agreement. During the year ended June 30, 2022, the City had drawn \$9,255,602. An initiation fee of 0.50% of the authorized borrowing for the sewer revenue bonds, not to exceed \$100,000, was withheld from the first proceeds of the sewer revenue drawn. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the bonds. During the year ended June 30, 2022 the City paid interest of \$47,388. The principal balance on the bonds at June 30, 2022 was \$10,031,084.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) User rates shall be established at the level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (c) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking account within the Enterprise, Sewer Fund for the purpose of making the bond principal and interest payments when due.

(4) Pension Plan

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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time 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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s contributions to IPERS for the year ended June 30, 2022 totaled \$282,060.

Net Pension Asset, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City had an asset of \$640,661 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall plan net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion of the overall plan net pension asset was 0.185577%, which was an increase of 0.158900% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(198,065), \$388,314 and \$2,251,619, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension asset in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension asset was 7.00%. 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 of 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 asset.

Sensitivity of the City's Proportionate Share of the Net Pension liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 1,147,505	(640,661)	(2,138,581)

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

(5) Police Pension and Retirement Benefits

Chapter 410 Police Pension Plan

Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.

This pension plan is accounted for by the City in the Police Pension Fund. The City finances the amount necessary to fund the annual contribution to this pension plan by levying property tax. The City's contributions to this plan for the years ended June 30, 2022, 2021 and 2020 were \$0, \$9,943, and \$24,985, 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, 2022, the City has two retired police officers and a spouse receiving benefits under the plan.

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. Thirty-five police officers are enrolled in the Plan and the fair value of Plan assets at June 30, 2022 was \$1,105,839.

During the year ended June 30, 2022, 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, 2022, 2021, and 2020 was \$46,058, \$47,074, and \$43,619, 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. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$796,992 and plan members eligible for benefits contributed \$142,184 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>47</u>
Total	<u>48</u>

(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, 2022, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 289,892
Compensatory time	80,248
Sick leave	<u>133,612</u>
Total	<u>\$ 503,752</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(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, 2022 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, 2022 was \$45,000. The balance of the loan at June 30, 2022 was \$0.

During the year ended June 30, 2020, the Enterprise, Sewer Fund loaned the Special Revenue, Urban Renewal Tax Increment Fund \$350,000 at no interest. Payments are subject to the determination of the City Council that there are incremental property tax revenues available for such purpose which have been allocated to or accrued in the Special Revenue, Tax Increment Fund relative to the loan, and the City Council reserves the right to appropriate funds to the repayment of the loan, or to withhold such appropriation at its discretion. No repayments have been made as of June 30, 2022.

In November 2019, the City amended the Urban Renewal Plan to provide funding to the General Fund for the purpose of funding the Community and Economic Development Department. At that time, the City determined a surplus balance existed in the City's Enterprise, Sewer Fund and the City approved a resolution authorizing a loan from the Enterprise, Sewer Fund to the Special Revenue, Urban Renewal Tax Increment Fund (TIF). The total loan amount is \$1,100,000, and is to be paid in increments of \$110,000, each year for a period of ten years beginning July 1, 2020. The loan funds are to be used by the Special Revenue, TIF Fund to provide funding to the General Fund for the Community and Economic Development Department.

During the year, the Special Revenue, TIF Fund transferred \$100,000 to the General Fund for the Community and Economic Development Department. As of the year ended June 30, 2022, the Special Revenue, TIF fund had transferred a total of \$300,000 to the General Fund for the Community and Economic Development Department.

Because funds were available in the Special Revenue, TIF fund, in fiscal year 2022, the City has not transferred the available loan funds from the Enterprise, Sewer Fund to the Special Revenue, TIF fund, effectively reducing the amount of the loan. As a result, the TIF fund does not have an outstanding obligation to the Enterprise, Sewer Fund at June 30, 2022. The remaining loan balance available to be transferred to the Special Revenue, TIF fund from the Enterprise, Sewer Fund at June 30, 2022 is \$800,000.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 93,810
	Urban Renewal Tax Increment	100,000
	Enterprise:	
	Sewer	<u>75,000</u>
		<u>268,810</u>
Special Revenue: Employee Benefits	General	10,000
	Special Revenue:	
	Road Use Tax	130,000
	Enterprise:	
	Sewer	<u>25,000</u>
		<u>165,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	161,949
	Local Option Sales Tax	534,567
	Capital Projects	285,947
	Sewer	<u>162,575</u>
		<u>1,145,038</u>
Capital Projects	Special Revenue:	
	Road Use Tax	130,000
	Local Option Sales Tax	112,340
	Enterprise:	
	Storm Water Discharge	<u>19,915</u>
		<u>262,255</u>
Enterprise: Sewer	Special Revenue:	
	Urban Renewal Tax Increment	<u>45,000</u>
Total		<u>\$ 1,886,103</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 794 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, 2022 was \$190,450 and the Perry Municipal Waterworks' contribution was \$23,680.

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. At June 30, 2022, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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, 2022, the City paid \$69,527 to the account for self-insurance claims. At June 30, 2022, the account balance was \$8,969. 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 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, 2022, the City paid \$15,404 to the developer. The balance remaining under the agreement at June 30, 2022 is \$0.

Perry Economic Development, Inc (PED) agreed to sell property to T.C. and B. Corporate Wearables, Inc (the "Company") for use as an industrial facility (the "Project") and make a grant to the Company in the amount of \$250,000. The Company must execute a minimum assessment agreement related to the property which mandates a minimum assessed valuation of the property at not less than \$1,900,000 for a period of ten years after the date of the agreement. The Company must hire at least ten (10) FTE jobs above a base employment of approximately 30 jobs within a three-year period and retain those jobs for at least two years. The City entered into a development agreement with PED on September 3, 2019 to reimburse PED for the cost of paying principal and interest on the loan incurred by PED to make the grant to the Company. The City agrees to make economic development tax increment payments to PED not to exceed \$340,000. The payments from the City will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2022, and continuing for ten years. During the fiscal year 2022, no payments were made to the Company and the balance remaining under the agreement at June 30, 2022 is \$340,000.

On March 17, 2020, the City entered into a development agreement and promissory note with Maxwell Hospitality, LLC. The Enterprise, Sewer Fund made an economic development loan to Maxwell Hospitality, LLC (the "Company") in the amount of \$350,000 at no interest. The Company agreed to maintain its ownership and operation of the Hotel Pattee and agreed to complete improvements to the hotel. No payments of the principal was required for a period of five years after the date of the Promissory Note. Thereafter, annual payment in the amount of \$70,000 each was to be made starting on March 1, 2026 through March 1, 2030. In February 2021, the City entered into a Memorandum of Understanding with Perry Economic Development (PED) for PED to purchase the Hotel Pattee from Maxwell Hospitality, LLC. The City agreed to provide a grant in the amount of \$300,000, to forgive the remainder of the 2018 development agreement with Maxwell Hospitality and to forgive the 2020 loan in the amount of \$350,000 with Maxwell Hospitality and for the City to become the owner of the hotel by July 5, 2024. PED agreed to lead a fundraising effort to secure funds for the remaining purchase price of the Hotel Pattee properties.

In March 2020, the City entered into a development agreement with Perry Economic Development Inc. (PED). PED agrees to provide financial assistance in an amount not to exceed \$425,000 to Maxwell Hospitality, LLC., provided the City agrees to make economic development payments to PED. The payments from the City will be made on July 1 of each year, beginning July 1, 2020, and continuing for a total of ten years. The first payment shall be made from the City's Local Option Tax Revenue Fund; while the payments to be made in each succeeding year shall be made from incremental property tax revenues collected in the Special Revenue, Urban Renewal Tax Increment Fund. Payments made in the first three years shall be in the amount of \$25,000 each, and payments to be made in the final seven years shall be in the amount of \$50,000 each. The balance remaining under the agreement at June 30, 2022 is \$375,000.

In November 2021, the City 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 \$20,000 to the Alliance beginning June 1, 2023 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, 2022, the City made no payments to the developer. The balance remaining under the agreement at June 30, 2022 is \$200,000.

In April 2022, the City entered into a development agreement with Perry Economic Development Inc. (PED). The City agrees to make an economic development grant in the amount of \$150,000 in order to provide fiscal support to PED as it undertakes certain repair, maintenance and capital improvement needs of the Hotel Pattee/La Poste. On May 2, 2022 the City made a one-time, lump sum disbursement in the amount of \$150,000 from the City's Special Revenue, Local Option Sales Tax fund to satisfy the City's obligation.

In April 2022, the City entered into an economic development loan agreement with Perry Economic Development Inc. (PED) and Perry Industries, Inc. (together with PED). PED agrees to undertake the construction of a 30,000 square foot speculative shell industrial building (the Project) and to substantially complete such construction by no later than December 31, 2022. PED agrees to use best efforts to promote the sale of the Project for its highest and best use at a sale price sufficient to repay the loan to the City. PED further agrees to remit the proceeds from the sale of the Property to the City within thirty (30) days of such sale in an amount sufficient to repay the loan. The loan is interest free. The loan is to be repaid by April 30, 2025. During the year ended June 30, 2022 no payments on the loan have been made and the outstanding loan balance to PED and Perry Industries, Inc. is \$250,000.

(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 receipts 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.

Additionally, the City of Perry offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

For the year ended June 30, 2022, \$17,320 of property tax was diverted from the City under the urban renewal and economic development agreement and \$56,489 of property tax was diverted from the City under Chapter 404, tax abatement program.

(14) Lease Agreements

The City owns a 100' X 100' Hangar. Effective May 1, 2020, the City entered into a thirty-year lease with Hickory Aviation LLC whereby Hickory Aviation, LLC shall use the premises primarily for the storage, maintenance, repair and other issues that may be incidental to the operation of its aircraft. The City is to receive \$4,100 in land and hangar rent annually with an implicit rate of 2.75%.

Year Ending June 30,	Hangar Rental		
	Principal	Interest	Total
2023	\$ 1,971	2,129	4,100
2024	2,025	2,075	4,100
2025	2,081	2,019	4,100
2026	2,138	1,962	4,100
2027	2,197	1,903	4,100
2028-2032	11,924	8,576	20,500
2033-2037	13,656	6,844	20,500
2038-2042	15,641	4,859	20,500
2042-2047	17,913	2,587	20,500
2048-2049	7,873	327	8,200
Total	\$ 77,419	33,281	110,700

(15) Economic Development Loan Program

During the year ended June 30, 2010, the City established the Special Revenue, Economic Development 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, 2022, the City disbursed no economic development loans and received \$23,742 and \$2,909, in principal and interest repayments, respectively. The principal balance remaining on the loans at June 30, 2022 was \$164,584.

(16) Construction Commitments

The City has entered into construction contracts totaling \$33,867,133 for various street, airport, park and sanitary sewer improvements. As of June 30, 2022, \$11,547,144 has been paid on the contracts. The remaining \$22,319,989 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 2nd Street. The bond originally matured on August 6, 2016, but on January 26, 2018 the remaining balance of the bond, \$595,000, was refinanced with a new maturity of January 1, 2023. Under this refinancing the guarantee was reduced to \$350,000. 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 the City.

(18) Deficit Balance

The Special Revenue, Employee Benefits Fund had a deficit balance of \$123,219. The deficit is due to an increase in insurance costs during fiscal year 2022. The Special Revenue, FEMA Safer Fire Grant Fund had a deficit of \$6,720. The deficit is due to the timing of grant reimbursements. The Capital Projects Fund had a deficit balance of \$837,705. The deficit is due to the timing in grant reimbursements for current year disbursements.

(19) Subsequent Event

In January 2023, the City approved a purchase agreement for land acquisition for the Iowa Street stormwater wetland project of \$112,000.

City of Perry

Other Information

City of Perry
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual – All Governmental Funds, Proprietary Funds
 and Discretely Presented Component Units

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Units Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 2,951,643	-	-	-
Tax increment financing	352,641	-	-	-
Other city tax	2,985,292	-	-	-
Licenses and permits	395,502	-	-	-
Use of money and property	144,087	290	(36,814)	(83,834)
Intergovernmental	4,423,562	309,100	-	-
Charges for service	1,419,912	1,786,257	2,288,696	-
Miscellaneous	621,219	-	172,969	30,292
Total receipts	<u>13,293,858</u>	<u>2,095,647</u>	<u>2,424,851</u>	<u>(53,542)</u>
Disbursements:				
Public safety	2,407,003	-	20,986	20,986
Public works	2,569,265	-	-	-
Health and social services	8,211	-	-	-
Culture and recreation	2,017,209	-	28,452	28,452
Community and economic development	848,428	-	-	-
General government	947,785	-	-	-
Debt service	1,585,105	-	-	-
Capital projects	2,848,854	-	-	-
Business type activities	-	10,933,867	1,811,783	-
Total disbursements	<u>13,231,860</u>	<u>10,933,867</u>	<u>1,861,221</u>	<u>49,438</u>
Excess (deficiency) of receipts over (under) disbursements	61,998	(8,838,220)	563,630	(102,980)
Other financing sources, net	237,490	8,918,112	-	-
Change in balances	299,488	79,892	563,630	(102,980)
Balances beginning of year	3,125,309	2,332,490	3,217,624	1,109,844
Balances end of year	<u>\$ 3,424,797</u>	<u>2,412,382</u>	<u>3,781,254</u>	<u>1,006,864</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,951,643	2,926,872	2,926,872	24,771
352,641	357,353	357,353	(4,712)
2,985,292	1,944,036	3,007,036	(21,744)
395,502	348,875	368,875	26,627
191,397	67,600	159,578	31,819
4,732,662	3,163,096	4,729,933	2,729
5,494,865	5,420,698	5,451,698	43,167
763,896	266,923	486,822	277,074
17,867,898	14,495,453	17,488,167	379,731
2,407,003	2,593,488	2,794,953	387,950
2,569,265	2,442,804	2,621,488	52,223
8,211	8,000	8,212	1
2,017,209	1,880,396	2,005,175	(12,034)
848,428	288,853	532,553	(315,875)
947,785	762,343	1,080,429	132,644
1,585,105	1,554,418	1,554,418	(30,687)
2,848,854	2,000,000	3,109,882	261,028
12,745,650	4,702,493	13,258,375	512,725
25,977,510	16,232,795	26,965,485	987,975
(8,109,612)	(1,737,342)	(9,477,318)	1,367,706
9,155,602	2,435,490	10,860,490	(1,704,888)
1,045,990	698,148	1,383,172	(337,182)
7,565,579	9,349,577	9,349,577	(1,783,998)
8,611,569	10,047,725	10,732,749	(2,121,180)

City of Perry

City of Perry

Notes to Other Information – Budgetary Reporting

June 30, 2022

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 \$10,732,690. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the culture and recreation, community and economic development and debt service functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, general government and business type activities functions before the budget was amended.

City of Perry

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability/asset	0.185577% **	0.026677%	0.023627%	0.023607%
City's proportionate share of the net pension liability (asset)	\$ (641)	1,874	1,368	1,494
City's covered payroll	\$ 2,970	2,772	2,611	2,482
City's proportionate share of the net pension liability as a percentage of its covered payroll	-21.58%	67.60%	52.39%	60.19%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%

* 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.

** Overall plan net pension asset

See accompanying independent auditor's report.

2018	2017	2016	2015
0.023659%	0.023915%	0.022510%	0.021755%
1,576	1,505	1,112	863
2,426	2,319	2,335	2,288
64.96%	64.90%	47.62%	37.72%
82.21%	81.82%	85.19%	87.61%

City of Perry
 Schedule of City Contributions
 Iowa Public Employees' Retirement System
 For the Last Ten Years
 (In Thousands)

Other Information

	2022	2021	2020	2019
Statutorily required contribution	\$ 282	282	265	252
Contributions in relation to the statutorily required contribution	(282)	(282)	(265)	(252)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 3,008	2,970	2,772	2,611
Contributions as a percentage of covered payroll	9.38%	9.49%	9.56%	9.65%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
228	223	213	216	212	207
(228)	(223)	(213)	(216)	(212)	(207)
-	-	-	-	-	-
2,482	2,426	2,319	2,335	2,288	2,264
9.19%	9.19%	9.18%	9.25%	9.27%	9.14%

City of Perry

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- 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.

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, 2022

	Special						
	Police Drug	Police Canine	Library Gift	Recreation Memorial	Wiese Park	Senior Fellowship	Fly Iowa
Receipts:							
Use of money and property	\$ -	-	-	-	-	-	-
Intergovernmental	-	-	5,101	-	-	-	-
Charges for service	-	-	706	-	-	-	-
Miscellaneous	726	-	48,915	50	78,489	-	-
Total receipts	726	-	54,722	50	78,489	-	-
Disbursements:							
Operating:							
Public safety	220	-	-	-	-	-	-
Culture and recreation	-	-	64,596	-	59,546	-	-
Community and economic development	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Total disbursements	220	-	64,596	-	59,546	-	-
Change in cash balances	506	-	(9,874)	50	18,943	-	-
Cash balances beginning of year	6,540	3,000	32,575	26,661	9,266	4,516	3,820
Cash balances end of year	\$ 7,046	3,000	22,701	26,711	28,209	4,516	3,820
Cash Basis Fund Balances							
Nonspendable - O'Brien beautification	\$ -	-	-	-	-	-	-
Restricted for other purposes	7,046	3,000	22,701	26,711	28,209	4,516	3,820
Unassigned	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 7,046	3,000	22,701	26,711	28,209	4,516	3,820

See accompanying independent auditor's report.

Revenue							Permanent	
Caboose	Perry Historical Preservation	Perry Safety	FEMA Safer Fire Grant	Economic Development Revolving Loan	Friends of the Perry Public Library	O'Brien Beautification	Total	
839	-	-	-	-	-	673	1,512	
-	-	-	13,814	-	-	-	18,915	
-	-	-	-	-	-	-	706	
99	50	-	-	26,651	10,099	-	165,079	
938	50	-	13,814	26,651	10,099	673	186,212	
-	-	-	16,504	-	-	-	16,724	
-	-	-	-	-	7,734	-	131,876	
-	-	-	-	-	-	900	900	
150	-	-	-	-	-	-	150	
150	-	-	16,504	-	7,734	900	149,650	
788	50	-	(2,690)	26,651	2,365	(227)	36,562	
5,169	1,971	5,000	(4,030)	45,281	10,787	46,071	196,627	
5,957	2,021	5,000	(6,720)	71,932	13,152	45,844	233,189	
-	-	-	-	-	-	45,000	45,000	
5,957	2,021	5,000	-	71,932	13,152	844	194,909	
-	-	-	(6,720)	-	-	-	(6,720)	
5,957	2,021	5,000	(6,720)	71,932	13,152	45,844	233,189	

City of Perry

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

For the Last Ten Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 2,951,643	2,972,104	2,781,533	2,697,918
Local option sales tax	2,832,597	2,406,137	2,148,510	1,741,690
Tax increment financing	352,641	234,536	123,182	223,706
Other city tax	152,695	182,987	202,951	191,873
Licenses and permits	395,502	399,924	322,563	325,869
Use of money and property	144,087	66,870	59,429	55,613
Intergovernmental	4,423,562	1,759,024	2,262,618	1,712,500
Charges for service	1,419,912	1,273,487	1,225,051	1,262,382
Miscellaneous	621,219	1,428,966	598,575	455,802
Total	<u>\$ 13,293,858</u>	<u>10,724,035</u>	<u>9,724,412</u>	<u>8,667,353</u>
Disbursements:				
Operating:				
Public safety	\$ 2,407,003	3,143,689	1,909,233	1,888,607
Public works	2,569,265	2,221,491	2,121,556	2,597,463
Health and social services	8,211	-	10,916	14,607
Culture and recreation	2,017,209	2,083,901	2,023,788	1,872,008
Community and economic development	848,428	575,993	246,258	212,384
General government	947,785	720,225	811,435	651,656
Debt service	1,585,105	1,506,954	1,018,463	1,244,358
Capital projects	2,848,854	3,733,980	3,743,809	887,375
Total	<u>\$ 13,231,860</u>	<u>13,986,233</u>	<u>11,885,458</u>	<u>9,368,458</u>

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
2,653,809	2,601,195	2,437,548	2,392,227	2,409,834	2,330,809
1,081,533	1,225,345	1,076,469	1,003,304	958,765	1,196,073
232,118	236,314	522,774	542,233	540,051	739,788
206,150	205,045	182,573	170,068	130,764	146,285
312,114	284,216	312,691	270,368	311,707	242,096
53,492	52,252	49,292	37,755	42,017	36,907
2,026,614	1,813,930	2,049,711	1,991,083	1,807,427	1,964,791
1,331,304	1,347,879	1,276,381	1,308,588	1,285,154	1,331,225
564,235	434,264	492,244	484,030	650,263	388,709
8,461,369	8,200,440	8,399,683	8,199,656	8,135,982	8,376,683
1,764,235	1,781,990	1,563,339	1,632,212	1,614,752	1,604,947
2,239,927	2,016,825	2,637,060	2,349,694	1,870,026	1,799,742
23,553	23,237	14,826	14,470	10,994	10,967
1,703,848	1,538,944	1,450,563	1,382,165	1,476,546	1,310,457
337,739	349,930	205,174	241,440	598,418	322,332
646,479	719,479	614,041	641,939	935,558	1,506,007
1,184,838	1,107,346	2,236,609	945,024	789,995	2,112,217
1,682,308	2,262,339	1,183,440	1,849,793	2,379,565	918,113
9,582,927	9,800,090	9,905,052	9,056,737	9,675,854	9,584,782

City of Perry

City of Perry
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2022

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-OT-018	\$ 11,471
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-WS-043	341,760
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-HSG-007	184,601
Total U.S. Department of Housing and Urban Development			<u>537,832</u>
U.S. Department of Transportation:			
Passed through Iowa Department of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	402-MOPT, TASK 56-00	<u>2,591</u>
Airport Improvement Program	20.106	3-19-0075-012-2020	318,412
Airport Improvement Program	20.106	3-19-0075-014-2021	500,462
Airport Improvement Program	20.106	3-19-0075-015-2021	1,750
Airport Improvement Program	20.106	3-19-0075-016-2021	529,976
Airport Improvement Program	20.106	3-19-0075-017-2022	625,625
Airport Improvement Program	20.106	3-19-0075-018-2022	32,000
Airport Improvement Program	20.106	3-19-0075-019-2022	462,898
			<u>2,471,123</u>
Total U.S. Department of Transportation			<u>2,473,714</u>
U.S. Department of Homeland Security:			
Passed through Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4557-IA	<u>469,396</u>
Federal Emergency Management Agency:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FF-00226	<u>16,504</u>
Total U.S. Department of Homeland Security			<u>485,900</u>
Total			<u>\$ 3,497,446</u>

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, 2022. 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 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 auditing standards generally accepted in the United States of America 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 City of Perry, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 7, 2023. Our report expressed a qualified opinion on the financial statements of the aggregate discretely presented component units due to reporting of the Perry Library Foundation Inc.'s investments at fair market value. Our report expressed unmodified opinions on the financial statements of the governmental activities, 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.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 that a material misstatement of the City'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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-009 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which 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, 2022 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.

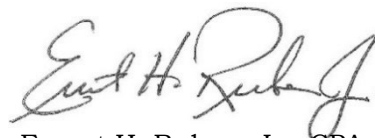
City of Perry's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Perry's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Perry's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 7, 2023

City of Perry



**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

Opinion on Each Major Federal Program

We have audited the City of Perry, Iowa's compliance with the types of compliance requirements identified as subject to audit in the 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, 2022. The City of Perry's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Perry complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Perry and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Perry's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Perry's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Perry's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the City of Perry's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Perry's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Perry's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Perry's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink, appearing to read "Ernest H. Ruben, Jr.", written in a cursive style.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 7, 2023

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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 prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. A qualified opinion was issued on the aggregate discretely presented component units due to the Perry Public Library Foundation, Inc., reporting investments at fair market value.
- (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 did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Perry did not qualify as a low-risk auditee.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 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. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – City staff is currently creating a written policy designing 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 acknowledged. The review of employees' work should be performed at all times during the year and not only during vacations and absences.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-002 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 work with Perry Waterworks to determine how to best review the reconciliation spreadsheet and compare it to the Account Aging Report. The city will request delinquent account reports on a regular basis and 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.

2022-003 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.

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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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.

2022-004 Perry Police Officers 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.

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 Perry Police Officers Association Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

2022-005 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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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.

2022-006 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.

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.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-007 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.

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 – This account has not been active for several years. City staff will ask the remaining board members of the Perry Citizen's Against Crime if they would be willing to transfer the funds to the Perry Policy Officer's Association Fund.

Conclusion – Response accepted.

2022-008 The Perry Public Library Foundation, 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 Foundation 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, 2022

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.

Recommendation – The Foundation 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 Foundation.

Conclusion – Response accepted.

2022-009 The Perry Public Library Foundation, Inc. – Bank Reconciliations

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

Condition – The Foundation does not reconcile bank balances to the general ledger balance monthly.

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 Foundation 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 Foundation Treasurer will perform monthly bank reconciliations with an independent person reviewing, signing and dating the monthly reconciliation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal controls over the major program noted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the culture and recreation, community and economic development and debt service functions. In addition, disbursements exceeded the amounts budgeted in the health and social services, general government and business type activities functions before the budget was amended.

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

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

Response – The City will amend the budget as need arises. The City will also request notification from the Perry Water Works if its budget requires an amendment.

Conclusion – Response accepted.

2022-B Questionable Disbursements – No disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived have not been clearly documented.

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions –No business transactions between the City and City officials or employees were noted.

2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F 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

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2022-H 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.

2022-I Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

2022-J Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2022 were noted.

City of Perry

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-K Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

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

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

Conclusion – Response accepted.

2022-L 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, 2021, 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 amend the terms of the interfund loan agreement to allow the Sewer Fund to be repaid by the Local Option Sales Tax Fund.

Conclusion – Response accepted.

2022-M Financial Condition – The Special Revenue, Employee Benefits Fund had a deficit balance of \$123,219, the Special Revenue, FEMA Safer Fire Grant Fund had a deficit balance of \$6,720, and the Capital Projects Fund had a deficit balance of \$837,705 at June 30, 2022.

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

Response – The City of Perry will work to eliminate the deficit in the Employee Benefits Fund in FY23. Grants and other revenues are in transit, which will eliminate the deficit in the FEMA Safer Grant Fund and the Capital Projects Fund.

Conclusion – Response accepted.

2022-N Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Perry

Staff

This audit was performed by:

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