

CITY OF PERRY, IOWA

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
AND FINDINGS

June 30, 2005

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City of Perry, Iowa

Officials

Name		Title		Term Expires
Alan Shirley		Mayor		
(Passed away August 20, 2004)				
Vivi Shirley		Mayor		December 31, 2005
(Appointed September 20, 2004)				
Carolyn McNeill		Council Member		December 31, 2005
Jay Pattee		Council Member		December 31, 2007
Rusty Martin		Council Member		December 31, 2005
Wilford Roberts		Council Member		December 31, 2007
David Swinton		Council Member		December 31, 2007
Delbert Niebuhr		City Administrator		Indefinite
Jeanette Peddicord		Clerk/Treasurer		Indefinite
Susie Moorhead		Finance Officer		Indefinite
DuWayne Dalen		City Attorney		Indefinite

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Perry

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Perry, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Perry's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Perry as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City of Perry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

September 1, 2005

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Perry's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$2,873,347.00 at June 30th, 2005. This includes the City of Perry Water Works.
- During the year, the City's expended \$593,016 less than the \$8,238,878 generated in taxes and other revenues for all activities. The City of Perry Water Works expended \$345,627 less than the \$1,873,027 generated in revenues.
- The Perry Police Department received grants from the State of Iowa in the amount of \$18,173 for Traffic Safety and for Drug Enforcement. The Perry Police Department received a Local Law Enforcement Block Grant in the amount of \$8,660 for additional hours and benefits for a Police Administrative Position. The Perry Police Department received a grant from the United States Department of Justice in the amount of \$1,538 for the purchase of armored vests.
- The City of Perry received a grant payment from the Iowa Department of Natural Resources in the amount of \$1,432 for equipment and educational materials for the City's recycling center. This was the final payment for this grant.
- The City of Perry received \$4,211 from the Iowa Department of Economic Development. Region XII Council of Governments implemented a home improvement grant in the City of Perry. The City of Perry is acting as the pass-through agent. A minimal amount of City of Perry funds are being used for administration. This project will continue in FY 2006.
- The City of Perry received a grant from the Iowa Department of Natural Resources in the amount of \$100,000 for the purchase of a Brownfield area. The City purchased this property in FY 2004 and was reimbursed in FY 2005 in the amount of \$96,697. \$624 was reimbursed in FY 2006. The Department of Natural Resources will allow the City of Perry to use the remaining \$2,679 for cleanup of the Brownfield area. The City of Perry also received a \$200,000 grant from the Environmental Protection Agency for an environmental site assessment for the Brownfield area.
- The General Fund reported a fund balance this year of (\$310,696). This is a decrease of \$303,240 from the previous fiscal year.
- The City entered into a TIF Revenue Bond agreement for the amount of \$750,000 for the first phase of the Downtown Redevelopment Project. This debt will be paid in full during fiscal year 2009.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.
- The Perry Municipal Water Works is a discretely presented component unit and has its own Management Discussion and Analysis included in its audited financial statements which are available at the Perry Municipal Water Works Office.

Basis of Accounting

The City maintains its financial reports on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—are one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City of Perry has the following types of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass

the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

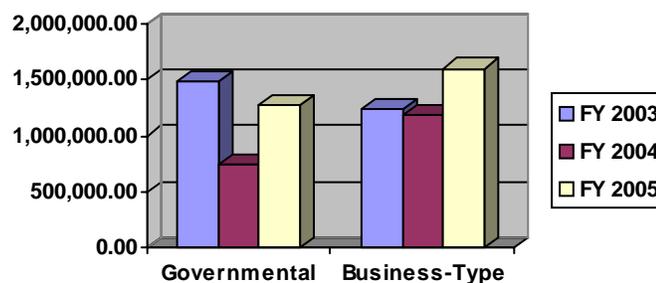
Changes in net assets.

For the year ending June 30th, 2005, net assets of the City of Perry, including the Perry Water Works, changed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Net Assets:	\$749,558	\$1,185,146	\$1,934,704
Increase in Net Assets:	\$522,559	\$416,084	\$938,643
Ending Net Assets:	\$1,272,117	\$1,601,230	\$2,873,347

The above reflects an increase of 70% in Governmental Activities and an increase of 36% in Business-Type Activities in net assets. The City of Perry received, as its share, \$615,136 in Local Option Sales Tax funds from the Perry Community School District. The school district and the City of Perry split the funds 50/50.

Changes in Net Assets



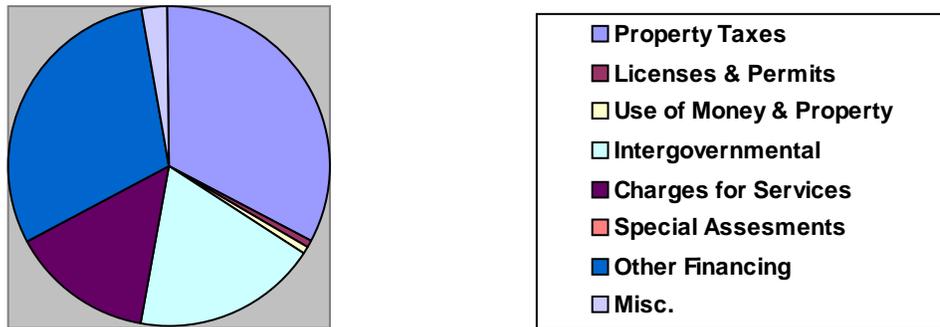
Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balances. You will notice that expenditures are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Disbursements)/Receipts. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general receipts or if it is self-supporting through fees and grants or contributions. All other governmental receipts are reported as general. It is important to note that all taxes are classified as general receipts even if restricted for a specific purpose.

The City's total receipts, including the Perry Water Works, were \$10,063,289. The receipts for Governmental Activities were \$7,323,804. A significant portion of the City's receipts comes from property taxes. In FY 2005, \$2,628,860 was collected in property taxes.

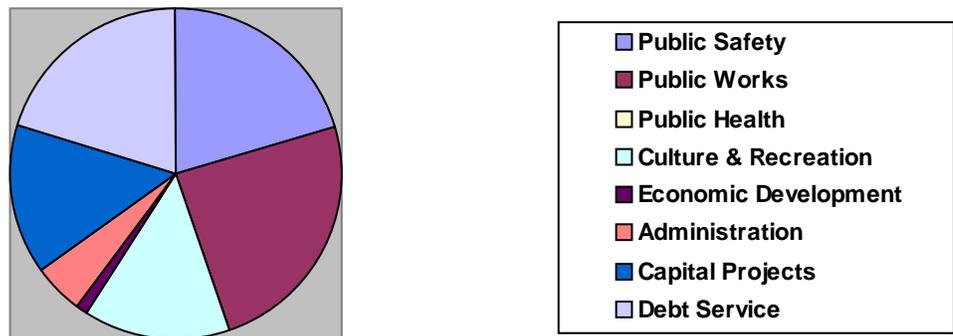
For the year ending June 30, 2005, the City of Perry's Governmental Activities were funded as follows:

Sources of Funds for Governmental Activities



For the year ending June 30th, 2005, total expenses for Governmental Activities amounted to \$6,801,245. Taxpayers, including property tax and tax increment financing, funded \$2,628,860 of these expenditures. Intergovernmental fees, such as Local Option Sales Tax fund split with Perry Community Schools, State Road Use funds, grants and county and township contributions funded \$1,466,781 of these expenditures. Those directly benefiting from the program or service paid \$1,157,225 towards the disbursements. The remainder of the disbursements was funded from licenses and permits, miscellaneous revenues, interest and from fund balances.

Uses of Funds in Governmental Activities



Business-Type Activities

The total revenues from the City sewer collection and storm water discharge were \$915,074, which includes \$2,533 for repayment of an interfund loan for the purchase of land for the Violet Hill Cemetery and charges for sewer usage and availability fees, interest, storm water discharge fees and other miscellaneous receipts.

The total disbursements for the City Sewer Fund and Storm Water Discharge Fund were \$847,150, including \$447,230 in bond payments, interest and fees and transfers out to the Debt Service Fund and General Fund of

\$24,149 and \$27,000 respectively. Sewer treatment operating disbursements totaled \$334,816. Storm sewer collection operating disbursements totaled \$13,955.

Also, see the Management Discussion and Analysis by the Perry Municipal Water Works in the audit performed by the State of Iowa.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- In FY 2004, the City of Perry and Perry Community Schools entered into a 28E agreement to split the Local Option one-cent sales tax 50/50. The City of Perry then pays the Cities of Bouton and Dawson, which are also located in the Perry School District, an amount based on population. 10% is then transferred to the Building Maintenance Fund and the remainder is transferred to the General Fund to reduce the deficit. This countywide tax is extremely important due to the growth of the retail markets in southeastern Dallas County. In FY 2005, the City of Perry transferred \$530,882 to the General Fund.
- Due to a state funding shortfall in FY 2004, capital expenditures were decreased dramatically in the FY 2005 budget.
- The City of Perry completed Phase 1 of the Downtown Redevelopment Project. This phase included street and infrastructure improvements in the Otley Avenue/Railroad Street/Second Street area. The project cost was approximately one million dollars. The City of Perry entered into a TIF Revenue Bond, repaying \$235,000 per year from the TIF Fund. This debt will be paid in full during FY 2009.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget once. With this adjustment, actual expenditures in the General Fund were \$54,583 below final budget amounts. Actual revenues in the General Fund were \$23,789 below final budget amounts. This discrepancy in the revenues was caused by a decline in collection fees at the McCreary Community Building, the inability of the City of Perry to collect garbage in the City of Bouton due to a contract conflict with the North Dallas County Landfill (Bouton must be a member before we can collect their garbage), the anticipated garbage fees from Bouton were budgeted, a decrease in pet license costs due to the change of the registration date from July 1st to September 1st, as well as other factors.

On July 1st, 2004, the General Fund had a deficit of (\$613,936) as stated in the FY 2004 Audit Report. City officials, the City Administrator and the Finance Officer held capital expenditures in the FY 2005 budget to a minimum, with only lease and loan payments being allowed in most cases. When the City of Perry began to realize the income generated from the countywide Local Option Sales Tax which is split with Perry Community Schools, several capital expenditures were allowed on a case by case basis in several departments. The Police Department was allowed to purchase file cabinets, a digital copier and to remodel the booking room. The Perry Public Library was allowed to proceed with an exterior painting project. A new washing machine and dryer were purchased for the Fire Department and the Police Department to use. All of these expenditures were included in the FY 2005 budget amendment.

The City of Perry had mistakenly included several lease and loan payments in the debt service levy in the budget certification for FY 2005. The amount certified to be paid from Debt Service in FY 2005 was \$141,205.00 for these lease and loan payments for the Fire Department aerial truck, several police vehicles, a garbage truck, the Bess land addition at the Violet Hill Cemetery, the Library computer payment and the baler at the Recycle Center. When informed of this error by the City Auditor, the Finance Officer amended the budget to pay for these items from the General Fund. If not for the Local Option Sales Tax transfer, the City would have entered into an even greater deficit in the General Fund. The City of Perry did contact Bonding Counsel Robert Josten and have since entered into a valid lease and loan agreement that will allow future payments of the above mentioned lease and loan payments to be certified in the Debt Service Levy.

The City of Perry hopes to completely reduce the deficit in the General Fund by June 30th, 2006. After the deficit is reduced, the City will then study and propose a suggested use for the collected tax, as it is a ten-year referendum. The Finance Officer is currently working on drafting a capital improvement plan. Department Heads will be asked to evaluate their 5 and 10 year needs during the upcoming FY 2007 budget work sessions.

DEBT ADMINISTRATION

Long Term Debt

As of June 30th, 2005, the City of Perry had outstanding General Obligation Debt of \$420,000 in a General Obligation Note, \$380,015 in lease and loan payments payable from the debt service levy and a \$69,291 real estate contract payable from the debt service levy. These are all paid from Governmental Activities. The City of Perry had outstanding Revenue Bond Debt in the amount of \$5,416,000 which is all paid from Business-Type Activities. This includes SRF bonds from 1996, 1998 and the bond refinanced in 2004 for the Water Pollution Control Facility and the 1999 and 2004 Water Revenue Bonds. The City of Perry had outstanding TIF Revenue Bond Debt in the amount of \$924,301. This is paid from Governmental Activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2006 budget preparation has increased by \$3,048,083 or 3% from the appraised value used for the 2005 budget. Dallas County is currently in the process of reassessing the homes and businesses in Perry.
- General operating fund spending increases in the FY 2006 budget from \$2,737,301 actually expended in FY 2005 to \$2,817,260 budgeted in FY 2006. This is a 4% increase. Part of this increase is due to administration allowing several capital expenditure items in the budget, including a new squad car and interior camera system for the Police Department, bunker gear for the Fire Department, a new hangar roof for the Perry Municipal Airport, a new garbage truck and packer, new mowers for the Parks Department and Violet Hill Cemetery and interior renovation and new equipment for the McCreary Community Building. These expenditures were allowed in FY 2006 due to the past two budgets with little or no capital items allowed.

These indicators were taken into account when adopting the General Fund budget for 2006. Amounts available for appropriation in the 2006 General Fund budget are \$3,031,523, an increase of 1% from the final 2005 budget of \$3,019,179. Property taxes will increase due to the increased valuation but the City needs to be cautious of the reduction in the residential rollback. However, valuations in the next few years will increase with upcoming projects such as the completion of fourteen duplexes on the east side of Perry, the renovation of several downtown buildings to include high-end lofts and apartments, the UI Physicians Clinic, the Movie Gallery building and a new office complex. The City will use this increase in revenues to finance programs we currently offer.

The City has added no major new programs or initiatives to the 2006 budget. The largest project in FY 2006 is the Storm Sewer Improvement Project being funded through a revenue note paid through the Sewer Discharge Fund and also possibly Local Option Sales Tax. The City of Perry also plans on spending down the fund balance of the Local Option Sales Tax/Streets and Sewers Fund to improve several alley approaches and to install new manholes in a few "trouble spots" in Perry.

The City is working with the Environmental Protection Agency through a grant that provides an environmental assessment of the Brownfield area. The City is currently working to develop the Brownfield area and the former Union Pacific Railroad line through Perry for a recreation trail that would attach to other trails in the area.

The Business-Type Activities, Sewer Operations, will operate with a \$3,458 revenue surplus in FY 2006. The City of Perry is working on blower improvements at the Water Pollution Control Facility for FY 2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Officer, City Clerk or City Administrator at City Hall, located at 908 Willis Avenue, Perry, Iowa 50220 or telephone (515) 465-2481.

City of Perry, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2005

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities				
Public safety	\$ 1,402,090	\$ 42,495	\$ 51,893	\$ -
Public works	1,639,507	711,238	7,623	-
Health and social services	5,370	-	-	-
Culture and recreation	956,329	303,255	19,072	-
Community and economic development	73,741	51,874	-	-
General government	335,705	84,567	31,613	-
Debt service	1,374,239	-	-	-
Capital projects	1,014,264	-	-	-
Total governmental activities	6,801,245	1,193,429	110,201	-
Business type activities				
Water	1,527,400	1,173,027	-	-
Sewer	796,001	915,074	-	-
Total business type activities	2,323,401	2,088,101	-	-
Total	\$ 9,124,646	\$ 3,281,530	\$ 110,201	\$ -
General Receipts				
Property tax levied for				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Special assessments				
Loan repayments				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash basis net assets				
Restricted				
Streets				
Urban renewal purposes				
Debt service				
Local option sales tax				
Other purposes				
Unrestricted (deficit)				
Total cash basis net assets				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,307,702)	\$ -	\$ (1,307,702)
(920,646)	-	(920,646)
(5,370)	-	(5,370)
(634,002)	-	(634,002)
(21,867)	-	(21,867)
(219,525)	-	(219,525)
(1,374,239)	-	(1,374,239)
(1,014,264)	-	(1,014,264)
(5,497,615)	-	(5,497,615)
-	(354,373)	(354,373)
-	119,073	119,073
-	(235,300)	(235,300)
\$ (5,497,615)	\$ (235,300)	\$ (5,732,915)
1,832,539	-	1,832,539
440,601	-	440,601
355,717	-	355,717
615,136	-	615,136
28,862	-	28,862
1,732,737	700,000	2,432,737
964,525	-	964,525
1,441	-	1,441
(2,533)	2,533	-
51,149	(51,149)	-
6,020,174	651,384	6,671,558
522,559	416,084	938,643
749,558	1,185,146	1,934,704
\$ 1,272,117	\$ 1,601,230	\$ 2,873,347
\$ 302,592	\$ -	\$ 302,592
282,767	-	282,767
127,676	844,930	972,606
509,885	-	509,885
359,893	178,042	537,935
(310,696)	578,258	267,562
\$ 1,272,117	\$ 1,601,230	\$ 2,873,347

City of Perry, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2005

	General	Special Revenue		
		Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts				
Property Taxes	\$ 1,061,768	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	440,601	-
Other City Tax	-	-	-	-
Licenses and Permits	68,061	-	-	-
Use of Money and Property	24,350	-	3,276	336
Intergovernmental	111,385	634,653	-	615,136
Charges for Services	1,124,758	-	-	-
Special Assessments	-	-	-	-
Miscellaneous	45,204	5,000	-	-
Total Receipts	2,435,526	639,653	443,877	615,472
Disbursements				
Operating				
Public Safety	1,055,551	-	-	-
Public Works	583,298	539,396	-	319,395
Health and Social Services	5,370	-	-	-
Culture and Recreation	791,392	-	-	-
Community and Economic Development	63,645	-	-	-
General Government	226,796	-	-	22,740
Debt Service	11,249	-	1,053,230	-
Capital Projects	-	-	987,981	-
Total Disbursements	2,737,301	539,396	2,041,211	342,135
Excess (deficiency) of receipts over (under) disbursements	(301,775)	100,257	(1,597,334)	273,337
Other financing sources (uses)				
Intrafund Loans	(2,533)	-	-	-
Bond Sales	10,125	-	1,722,612	-
Operating transfers in	597,423	-	-	-
Operating transfers out	-	-	(102,449)	(530,882)
Total other financing sources (uses)	605,015	-	1,620,163	(530,882)
Net change in cash balances	303,240	100,257	22,829	(257,545)
Cash balance (deficit) - beginning of year	(613,936)	202,335	259,938	767,430
Cash balance (deficit) - end of year	\$ (310,696)	\$ 302,592	\$ 282,767	\$ 509,885
Cash basis fund balances (deficit)				
Unreserved				
Debt service	\$ -	\$ -	\$ -	\$ -
General fund	(310,696)	-	-	-
Special revenue funds	-	302,592	282,767	509,885
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ (310,696)	\$ 302,592	\$ 282,767	\$ 509,885
<i>The accompanying notes to financial statements are an integral part of this statement.</i>				

Special Revenue		Other Nonmajor Governmental Funds	Total
Employee Benefits	Debt Service		
\$ 738,495	\$ 355,717	\$ 32,279	\$ 2,188,259
-	-	-	440,601
-	-	-	-
-	-	-	68,061
687	-	213	28,862
-	-	105,607	1,466,781
32,467	-	-	1,157,225
-	-	1,441	1,441
-	-	141,017	191,221
771,649	355,717	280,557	5,542,451
337,598	-	8,941	1,402,090
197,418	-	-	1,639,507
-	-	-	5,370
100,462	-	64,475	956,329
10,096	-	-	73,741
46,954	800	38,415	335,705
-	309,760	-	1,374,239
-	-	26,283	1,014,264
692,528	310,560	138,114	6,801,245
79,121	45,157	142,443	(1,258,794)
-	-	-	(2,533)
			1,732,737
-	126,598	-	724,021
-	-	(39,541)	(672,872)
-	126,598	(39,541)	1,781,353
79,121	171,755	102,902	522,559
3,398	(44,079)	174,472	749,558
\$ 82,519	\$ 127,676	\$ 277,374	\$ 1,272,117
\$ -	\$ 127,676	\$ -	\$ 127,676
-	-	-	(310,696)
82,519	-	101,921	1,279,684
-	-	3,243	3,243
-	-	172,210	172,210
\$ 82,519	\$ 127,676	\$ 277,374	\$ 1,272,117

City of Perry, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2005

	Sewer	Component Unit Water	Total
Operating receipts			
Use of money and property	\$ 6,638	\$ 10,282	\$ 16,920
Charges for service	908,436	1,036,525	1,944,961
Miscellaneous	-	126,220	126,220
Total operating receipts	915,074	1,173,027	2,088,101
Operating disbursements			
Business type activities	348,771	1,426,440	1,775,211
Excess of operating receipts over operating disbursements			
	566,303	(253,413)	312,890
Non-operating receipts (disbursements)			
Bond proceeds	-	700,000	700,000
Miscellaneous	(1,338)	(3,942)	(5,280)
Debt service	(445,892)	(97,018)	(542,910)
Total non-operating receipts (disbursements)	(447,230)	599,040	151,810
Excess (deficiency) of receipts over (under) disbursements			
	119,073	345,627	464,700
Intrafund loan repayment	2,533	-	2,533
Operating transfers out	(51,149)	-	(51,149)
	(48,616)	-	(48,616)
Net change in cash balances	70,457	345,627	416,084
Cash balances - beginning of year	857,726	327,420	1,185,146
Cash balances - end of year	\$ 928,183	\$ 673,047	\$ 1,601,230
Cash basis fund balances			
Reserved for debt service	\$ 674,225	\$ 170,705	\$ 844,930
Other purposes	-	178,042	178,042
Unreserved	253,958	324,300	578,258
Total cash basis fund balances	\$ 928,183	\$ 673,047	\$ 1,601,230
<i>See notes to financial statements.</i>			

City of Perry, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund - Police Pension
As of and for the year ended June 30, 2005

Receipts			
	Employer contributions		\$ 67,486
	Investment earnings - interest		16,433
	Total receipts		<u>83,919</u>
Disbursements			
	Benefits		67,486
	Administration expense		-
	Total disbursements		<u>67,486</u>
Excess of receipts over disbursements			<u>16,433</u>
Cash balance - beginning of year			524,684
Cash balance - end of year			<u>\$ 541,117</u>

City of Perry, Iowa
Notes to Financial Statements
June 30, 2005

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 nonpartisan 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.

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 unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Perry Municipal Waterworks office.

Discretely Presented Component Unit

The Perry Municipal Waterworks (Waterworks) was established to operate the City's waterworks facilities. The Waterworks is governed by a three-member Board of Trustees. The Trustees are appointed by the Mayor and subject to the approval of the City Council. Title to all property of the Waterworks is held in the name of the City. A financial benefit/burden relationship 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. The Waterworks is presented as an enterprise fund type.

Jointly Governed Organizations

The City also 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, Dallas County Joint E911 Service Board, Metropolitan Design Standards, and The Central Iowa Regional Transportation Planning Alliance.

In addition, the City, the Perry Community School District and the Dallas County Hospital (Members), created the Perry Area Child Development Corp. to provide a full service child day care center for the community served by the Members. The not for profit organization's board consists of a representative from each of the Members plus two at-large representatives from the community. During the year ended June 30, 2005, the City paid \$1,500. No further fees or capital contributions shall be required unless the amounts are agreed upon by unanimous vote of all Members.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which 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 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 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 that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the City and County sales tax receipts and the disbursements financed by such.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment, sanitary and storm water sewer systems.

C. Measurement Focus and Basis of Accounting

The City of Perry 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted. See Note 12.

2. Cash and Pooled Investments

The City and its component unit's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and its component unit are authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City of Perry's name. The City's investments at June 30, 2005 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreements	<u>\$1,175,906</u>	<u>\$1,175,906</u>

The repurchase agreements are collateralized with FNCL bonds.

Police Pension Fund

Investment of the police pension fund is authorized under Chapter 410 of the Code of Iowa. The Treasurer may invest these funds at the direction of the Board of Trustees in interest bearing bonds, notes, certificates, or other evidences of indebtedness which are obligations of or guaranteed by the United States, or in interest bearing bonds of the State of Iowa, or any County, township, or municipal corporation of the State of Iowa.

3. Bonds and Notes Payable

Primary Government

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

Year Ending June 30,	General Obligation Bonds and Notes		State Revolving Loan/ Sewer Revenue Bonds		Urban Renewal Tax Increment Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 186,400	\$ 36,841	\$ 332,000	\$ 139,142	\$ 263,705	\$ 39,051	\$ 518,400	\$ 215,034
2007	179,918	28,633	346,000	130,776	276,323	26,433	525,918	185,842
2008	155,674	20,697	358,000	121,311	280,476	14,168	513,674	156,176
2009	150,435	13,723	373,000	110,638	103,797	2,054	523,435	126,415
2010	42,541	6,998	381,000	98,873			423,541	105,871
2011-2015	91,843	7,264	2,117,000	282,764			2,208,843	290,028
2016-2019			384,000	20,204			384,000	20,204
Total	\$ 806,811	\$ 114,156	\$ 4,291,000	\$ 903,708	\$ 924,301	\$ 81,706	\$ 5,097,811	\$ 1,099,570

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the sewer activity and the note holders hold a lien on the future earnings of the sewer fund.
- b. Sufficient monthly transfers shall be made to a separate revenue bond sinking account for the purpose of making the next bond principal and interest payments.
- c. Sufficient monthly transfers to a sewer revenue bond reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for note principal and interest payments which the other account might be unable to make.

The City has established the sinking and reserve funds required by the above resolutions.

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

3. Bonds and Notes Payable (continued)

Component Unit

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

Year Ending June 30,	Revenue Bonds Issued June 1, 1999		Revenue Notes Issued September 1, 2004		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 26,000	\$ 16,238	\$ 35,000	\$ 25,830	\$ 61,000	\$ 42,068
2007	27,000	15,320	35,000	25,025	62,000	40,345
2008	28,000	14,367	40,000	24,080	68,000	38,447
2009	29,000	13,379	40,000	22,880	69,000	36,259
2010	30,000	12,355	40,000	21,600	70,000	33,955
2011-2015	165,000	45,185	235,000	83,940	400,000	129,125
2016-2019	155,000	13,910	240,000	28,320	395,000	42,230
Total	\$ 460,000	\$ 130,754	\$ 665,000	\$ 231,675	\$ 1,125,000	\$ 362,429

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- a. The bond and notes will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a water revenue sinking account for the purpose of making the bond principal and interest payments when due.
- c. A reserve fund shall be established and maintained in the amount of \$110,739.
- d. The Board will provide for the collection of rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the waterworks and to have a balance of net revenues equal to at least 110% of the average annual payments of principal and interest due on the bonds.

Real Estate Contracts

In 2003, the City purchased the Bess land for cemetery expansion in exchange for a real estate contract totaling \$117,845. After the initial payments, the remaining debt service requirements to maturity are as follows:

Year Ending June 30,							Principal	Interest
2006							\$ 6,608	\$ 4,641
2007							7,086	4,163
2008							7,598	3,651
2009							8,147	3,102
2010							8,736	2,513
2011-2015							31,116	3,568
Total							<u>\$ 69,291</u>	<u>\$ 21,638</u>

In 2003, the City purchased the Stokely property in exchange for a real estate contract totaling \$80,000. A payment of \$40,000 was made by June 30, 2004. The property is being rented for \$400/month and will be deducted from the \$40,000 non-interest bearing balance until the seller makes a demand, but no later than August 15, 2005, for the remaining balance.

4. Pension and Retirement Benefits

A. IPERS

The City and its component unit contribute to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City and its component unit are required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The City and its component unit's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$148,942, \$147,430, and \$148,608, respectively, which is equal to the required contributions for each year.

4. Pension and Retirement Benefits (continued)

B. Police Pension

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 Trust Fund. The City finances the amount necessary to fund the annual contribution to this pension plan by levying property tax, which is included in the Special Revenue Fund. The City's contributions to this plan for the years ended June 30, 2005, 2004 and 2003, were \$67,486, \$66,032, and \$53,850, 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 60 percent of the monthly salary at retirement or disability and 30 percent of the monthly salary at death.

The City has four eligible police officers. All are retired and are receiving benefits.

Presented below is the total pension benefit obligation of the City for this pension plan. The amount is based on a standardized measurement established by GASB-5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure including:

1. The present value of future pension payments was computed using a discount rate of 6.0%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
2. Future pension payments reflect an assumption of 2.22% salary increase as a result of inflation.

As of July 1, 2003, the latest actuarial valuation made, the standardized measure of the unfunded pension obligation is as follows:

<u>Pension Benefit Obligation</u>	
Retirees and Beneficiaries Benefits as of July 1, 2003	\$905,664
Net Assets Available For Benefits as of June 30, 2005	<u>541,117</u>
Unfunded Pension Benefit Obligations	<u>\$364,547</u>

The ten-year historical trend information related to this pension plan is not available.

C. Police Retirement Plan

The City provides a replacement plan for social security benefits for its police employees through a defined contribution plan. The City matches the employees 6.2% of compensation contribution. The amount paid by the City for the year ended June 30, 2005, 2004, and 2003 was \$35,392, \$33,104, and \$32,627, respectively.

5. Compensated Absences

Employees of the City and its component unit accumulate a limited amount of earned but unused vacation 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. The City and its component unit's approximate liability for earned compensated absences for vacation hours payable to employees is \$200,000 at June 30, 2005. The liability has been computed based on rates of pay as of June 30, 2005.

6. Related Party Transactions

The City had business transactions totaling \$1,660 between the City and City officials during the year ended June 30, 2005.

7. Risk Management

The City and its component unit are members in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The property and casualty contributions to the risk pool are recorded as disbursements from operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$81,627, and the Waterwork's were \$12,999.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

7. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with airport operations. 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.

8. Intrafund Loan

During the year ended June 30, 1997, the Enterprise Fund Sewer Operation Fund (Sewer) loaned \$100,000 to the Special Revenue Fund Tax Increment Financing account. No principal or interest was repaid during the year ended June 30, 2005. During the year ended June 30, 2003, Sewer loaned the General Fund \$25,328 with no interest. A total of \$2,533 was repaid during the year. At June 30, 2005, the balance due was \$19,418.

9. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

	Transfer To		
	General	Debt Service	Total
Transfer from			
Urban Renewal Tax Increment	\$ -	\$ 102,449	\$ 102,449
Local Option Sales Tax	530,882	-	530,882
Nonmajor Governmental	39,541	-	39,541
Enterprise	27,000	24,149	51,149
	<u>\$ 597,423</u>	<u>\$ 126,598</u>	<u>\$ 724,021</u>

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

10. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the amounts of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

11. Local Option Tax

The City's local option tax expired December 31, 2003. Any funds received, but not spent before that date are available for streets, sewers, and building maintenance, in accordance with the terms of the resolution dated August 17, 1998, until those funds are depleted.

In 2003, Dallas County passed a countywide 1% local option tax to benefit school districts. The City entered into a 28E agreement with the Perry Community School District to share the tax receipts equally. In addition, the City entered into agreements with the cities of Bouton and Dawson for redistribution to them. Per City council resolution, the tax receipts will be allocated 10% for building maintenance, approximately 3.7% to the other cities and the balance to the general fund.

12. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Debt Service and Capital Projects functions exceeded the amounts budgeted.

13. Deficit Fund Balance

The General Fund had a deficit balance of \$310,696 at June 30, 2005. Unless additional property tax can be collected through higher assessed values, the deficit will have to be eliminated by lowering disbursements, transfers from other funds and county local option sales tax receipts.

14. Contingencies

In June, 1999, the City entered into a five year contract with Rinehart Construction Company, Inc. d/b/a North Dallas Landfill. The contractor is obligated to pay all costs associated with the site. The City is charged a per capita fee. Annually, the fee may be increased or decreased for inflation or deflation or a change in operating costs, caused by changes required by the State of Iowa in order for the contractor to maintain its permit to operate.

The City is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

15. Municipal Leases

During the year, the city entered into various municipal leases for equipment. The leases are subject to annual appropriations. The lease payments totaling \$84,656 were charged to the General Fund. In February 2005, a resolution was passed to levy taxes annually and therefore, the payments totaling \$92,050 will be from the Debt Service Fund in the year ended June 30, 2006.

16. Economic Development Loan

The City loaned \$200,000 to Tri County Cash Lumber Mart, Inc. to assist in the development of water, sewer and street improvements for the Homes of Hiawatha under the provisions of Chapter 15A of the Code of Iowa. Interest will be paid at the rate of 3% on July 1 of each year. By July 1, 2009, forty percent of the principal will be paid and the entire remaining balance will be paid by July 1, 2013. The loan is secured by a mortgage on the lots and property located within the Homes of Hiawatha subdivision. The proceeds were paid from the tax increment fund and the repayments will be used to replenish that fund.

City of Perry, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds Actual	Enterprise Funds Actual
Receipts		
Property Taxes	\$ 2,188,259	\$ -
Tax increment financing collections	440,601	-
Other city tax	-	-
Licenses and permits	68,061	-
Use of money and property	28,862	16,920
Intergovernmental	1,466,781	-
Charges for Service	1,157,225	1,944,961
Special assessments	1,441	-
Miscellaneous	191,221	126,220
Total Receipts	5,542,451	2,088,101
Disbursements		
Public safety	1,402,090	-
Public works	1,639,507	-
Health and social services	5,370	-
Culture and recreation	956,329	-
Community and economic development	73,741	-
General government	335,705	-
Debt service	1,374,239	542,910
Capital projects	1,014,264	-
Business type activities	-	1,775,211
Total Disbursements	6,801,245	2,318,121
Excess (deficiency) of receipts over (under) disbursements		
	(1,258,794)	(230,020)
Other financing sources, net		
	1,781,353	646,104
Excess of receipts and other financing sources over disbursements and other financing uses		
	522,559	416,084
Balance - beginning of year	749,558	1,185,146
Balance - end of year	\$ 1,272,117	\$ 1,601,230
<i>See accompanying independent auditors' report.</i>		

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 2,188,259	\$ 2,104,501	\$ 2,104,501	\$ 83,758
440,601	426,435	426,435	14,166
-	468,012	691,012	(691,012)
68,061	89,725	104,725	(36,664)
45,782	31,400	53,234	(7,452)
1,466,781	715,546	831,074	635,707
3,102,186	2,886,054	3,628,104	(525,918)
1,441	1,500	1,500	(59)
317,441	420,389	534,156	(216,715)
7,630,552	7,143,562	8,374,741	(744,189)
1,402,090	1,386,656	1,417,380	15,290
1,639,507	1,372,447	1,661,177	21,670
5,370	6,000	6,000	630
956,329	938,334	988,361	32,032
73,741	67,757	76,297	2,556
335,705	647,996	1,731,291	1,395,586
1,917,149	361,021	361,021	(1,556,128)
1,014,264	-	35,659	(978,605)
1,775,211	2,011,227	2,462,801	687,590
9,119,366	6,791,438	8,739,987	(379,379)
(1,488,814)	352,124	(365,246)	(1,123,568)
2,427,457	-	972,687	(1,454,770)
938,643	352,124	607,441	331,202
1,934,704	3,482,126	3,482,126	(1,547,422)
\$ 2,873,347	\$ 3,834,250	\$ 4,089,567	\$ (1,216,220)

City of Perry, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary 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, a budget amendment increased budgeted disbursements by \$1,948,549. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions.

City of Perry, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2005

		Special Revenue			
		Emergency Levy	Police Drug Fund	Special Assessment	Library Gift Fund
Receipts					
	Property tax	\$ 32,279	\$ -	\$ -	\$ -
	Use of money and property	-	-	-	85
	Intergovernmental	-	-	-	-
	Special assessments	-	-	1,441	-
	Miscellaneous	-	12,692	-	66,536
	Total Receipts	32,279	12,692	1,441	66,621
Disbursements					
	Operating				
	Public Safety	-	8,675	-	-
	Culture and recreation	-	-	-	62,307
	General government	-	-	-	-
	Capital projects	-	-	-	-
	Total Disbursements	-	8,675	-	62,307
	Excess (deficiency) of receipts over disbursements	32,279	4,017	1,441	4,314
Other financing uses					
	Operating transfers out	(30,577)	-	-	-
	Net change in cash balances	1,702	4,017	1,441	4,314
	Cash balance (deficit) - beginning of year	45	2,539	1,972	10,818
	Cash balance - end of year	\$ 1,747	\$ 6,556	\$ 3,413	\$ 15,132
Cash basis fund balances					
	Unreserved				
	Special revenue funds	\$ 1,747	\$ 6,556	\$ 3,413	\$ 15,132
	Capital project fund	-	-	-	-
	Permanent fund	-	-	-	-
	Total cash basis fund balances	\$ 1,747	\$ 6,556	\$ 3,413	\$ 15,132
<i>See accompanying independent auditors' report.</i>					

Special Revenue			Permanent	(Schedule 1b)	
Recreation Memorial	Wiese Park	O'Brien Beautification	Cemetery Perpetual Care	Total Capital Projects	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,279
-	-	128	-	-	213
-	-	-	-	105,607	105,607
-	-	-	-	-	1,441
1,500	16,472	-	5,399	38,418	141,017
1,500	16,472	128	5,399	144,025	280,557
-	-	-	-	266	8,941
-	1,168	1,000	-	-	64,475
-	-	-	-	38,415	38,415
-	-	-	-	26,283	26,283
-	1,168	1,000	-	64,964	138,114
1,500	15,304	(872)	5,399	79,061	142,443
-	-	-	-	(8,964)	(39,541)
1,500	15,304	(872)	5,399	70,097	102,902
7,435	(445)	52,151	166,811	(66,854)	174,472
\$ 8,935	\$ 14,859	\$ 51,279	\$ 172,210	\$ 3,243	\$ 277,374
\$ 8,935	\$ 14,859	\$ 51,279	\$ -	-	\$ 101,921
-	-	-	-	3,243	3,243
-	-	-	172,210	-	172,210
\$ 8,935	\$ 14,859	\$ 51,279	\$ 172,210	\$ 3,243	\$ 277,374

City of Perry, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2005

		Capital Projects			
		Pattee Park	McCreary Maintenance	Career Link	Pegasus Project
Receipts					
	Intergovernmental	\$ -	\$ -	\$ 250	\$ -
	Miscellaneous	-	-	-	38,415
	Total Receipts	-	-	250	38,415
Disbursements					
	Operating				
	Public Safety	-	-	-	-
	Culture and recreation	-	-	-	-
	General government	-	-	-	38,415
	Capital projects	-	-	-	-
	Total Disbursements	-	-	-	38,415
Excess (deficiency) of receipts over disbursements		-	-	250	-
Other financing uses					
	Operating transfers out	-	-	-	-
Net change in cash balances		-	-	250	-
Cash balance (deficit) beginning of year		635	10,483	(250)	-
Cash balance (deficit) end of year - all unreserved		\$ 635	\$ 10,483	\$ -	\$ -
<i>See accompanying independent auditors' report.</i>					

Capital Projects			
Capital Acquisitions	Law Enforcement Grant	Brownfield Grant	Total Capital Projects
\$ -	\$ 8,660	\$ 96,697	\$ 105,607
3	-	-	38,418
3	8,660	96,697	144,025
-	266	-	266
-	-	-	-
-	-	-	38,415
-	-	26,283	26,283
-	266	26,283	64,964
3	8,394	70,414	79,061
-	(8,964)	-	(8,964)
3	(570)	70,414	70,097
279	2,487	(80,488)	(66,854)
\$ 282	\$ 1,917	\$ (10,074)	\$ 3,243

City of Perry, Iowa
Statement of Indebtedness Including Discretely Presented Component Unit
For the year ended June 30, 2005

	Date of Issue	Interest Rates	Amount Originally Issued
Primary Government			
General Obligation Bonds and Notes			
Corporate Purpose Bonds	July 15, 1995	4.60 to 4.625%	\$ 1,375,000
General Obligation Notes			
Garbage Truck	May 1, 1999	3.60 to 4.20%	880,000
Police Car	August 8, 2003	4.75%	31,246
TIF Anticipation	July 25, 2003	4.75%	16,622
Police Car	May 3, 2004	1.97%	1,000,000
	May 11, 2005	4.90%	10,125
Bess Land Real Estate Contract			
	February 3, 2003	7.00%	117,845
Urban Renewal Tax Increment			
Revenue Bond	May 20, 2005	3.96%	750,000
Revenue Note	July 1, 2003	6.00%	285,000
State Revolving Loans			
1996 Sewer Revenue Bond	June 20, 1996	4.19%	1,082,000
1998 Sewer Revenue Bond	September 25, 1998	4.23%	1,600,000
2004 Sewer Revenue Refunding	April 15, 2004	1.10 to 3.60%	2,705,000
Component Unit			
Revenue Bond			
Water	June 1, 1999	3.53%	600,000
Revenue Note			
Water	September 1, 2004	2.00-4.70%	700,000
<i>See accompanying independent auditor's report.</i>			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 180,000	\$ -	\$ 180,000	\$ -	\$ 8,325
520,000	-	100,000	420,000	21,435
31,246	-	31,246	-	1,334
16,622	-	5,280	11,342	807
-	972,612	972,612	-	12,863
-	10,125	-	10,125	-
\$ 747,868	\$ 982,737	\$ 1,289,138	\$ 441,467	\$ 44,764
\$ 75,454	\$ -	\$ 6,163	\$ 69,291	\$ 5,086
\$ -	\$ 750,000	\$ -	\$ 750,000	\$ -
227,880	-	53,579	174,301	14,176
\$ 227,880	\$ 750,000	\$ 53,579	\$ 924,301	\$ 14,176
480,000	-	35,000	445,000	19,379
1,397,000	-	51,000	1,346,000	58,015
2,705,000	-	205,000	2,500,000	77,498
\$ 4,582,000	\$ -	\$ 291,000	\$ 4,291,000	\$ 154,892
\$ 485,000	\$ -	\$ 25,000	\$ 460,000	\$ 17,120
\$ -	\$ 700,000	\$ 35,000	\$ 665,000	\$ 19,898

City of Perry, Iowa
 Urban Renewal
 Tax Increment Revenue
 For the year ended June 30, 2005

	Bond			Note		
	Issued May 20, 2005			Issued July 1, 2003		
Year Ending June 30,	Interest Rates (%)	Amount	Year Ending June 30,	Interest Rates (%)	Amount	Total
2006	3.96	\$ 206,407	2006	6.00	\$ 57,298	\$ 263,705
2007	3.96	215,587	2007	6.00	60,736	276,323
2008	3.96	224,209	2008	6.00	56,267	280,476
2009	3.96	103,797	2009	6.00	-	103,797
Totals		<u>\$ 750,000</u>	Totals		<u>\$ 174,301</u>	<u>\$ 924,301</u>

City of Perry, Iowa
 Bond Maturities
 Component Unit - Waterworks
 For the year ended June 30, 2005

Year Ending June 30,	Revenue Bond Waterworks		Revenue Notes Waterworks		Total
	Issued June 1, 1999		Issued September 1, 2004		
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	
2006	3.53	\$ 26,000	2.30	\$ 35,000	\$ 61,000
2007	3.53	27,000	2.70	35,000	62,000
2008	3.53	28,000	3.00	40,000	68,000
2009	3.53	29,000	3.20	40,000	69,000
2010	3.53	30,000	3.40	40,000	70,000
2011-2015	3.53	165,000	3.60-4.25	235,000	400,000
2016-2019	3.53	155,000	4.40-4.70	240,000	395,000
Totals		<u>\$ 460,000</u>		<u>\$ 665,000</u>	<u>\$ 1,125,000</u>

City of Perry, Iowa
 Schedule of Receipts by Source and Disbursements by Function
 All Government Funds
 For Last Three Years

	2005	2004	2003
Receipts			
Property taxes	\$ 2,188,259	\$ 2,138,066	\$ 1,866,408
Tax increment financing collections	440,601	405,732	355,388
Other city tax	-	714,035	700,060
Licenses and permits	68,061	53,771	47,792
Use of money and property	28,862	8,556	24,062
Intergovernmental	1,466,781	811,712	1,197,948
Charges for service	1,157,225	1,126,046	991,731
Special assessments	1,441	2,609	-
Miscellaneous	191,221	185,578	244,390
Total	\$ 5,542,451	\$ 5,446,105	\$ 5,427,779
Disbursements			
Operating			
Public safety	\$ 1,402,090	\$ 1,361,838	\$ 1,287,994
Public works	1,639,507	2,591,640	2,155,227
Health and human services	5,370	9,856	13,118
Culture and recreation	956,329	963,581	949,744
Community and economic development	73,741	68,702	63,874
General government	335,705	294,024	409,474
Debt service	1,306,484	364,134	372,254
Capital projects	1,082,019	558,368	172,201
Total	\$ 6,801,245	\$ 6,212,143	\$ 5,423,886
<i>See accompanying independent auditors' report.</i>			

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Perry, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City of Perry's basic financial statements listed in the table of contents and have issued our report as dated below. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Perry's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Perry and other parties to whom the City of Perry may report. This report is not intended to be and should not be used by any one other than these specified parties.



September 1, 2005

City of Perry, Iowa
Schedule of Findings
Year Ended June 30, 2005

Part I: Other Findings Related to Statutory Reporting

I-A-05 Official Depositories

A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

I-B-05 Certified Budget

Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Debt Service and Capital Projects functions. Chapter 384.20 of the Code of Iowa states in part that 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 budget was amended, but Capital Projects were reported as General Government. The Debt Service deficit was funded by issuing bonds and this was not amended accordingly. The budget will be amended properly in the future, if applicable.

Conclusion

Response accepted.

I-C-05 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

I-D-05 Travel Expense

We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

I-E-05 Business Transactions

Business transactions between the City and City officials or employees are as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
1. Jay Pattee, Council Member Owner of Ben Franklin	Office supplies	\$ 449
2. Jose Arceo, Maintenance	Interpreter fees	\$ 75
3. Sandra Ponce, Police dispatcher	Interpreter fees	\$1,136

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to be a conflict of interest, since total transactions with each individual were less than \$1,500.

- I-E-05 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 insure that the coverage is adequate for current operations.
- I-F-05 Council Minutes
No transactions were found that we believe should have been approved in the Council minutes but were not.

We noted one instance where the City did not publish the Council minutes within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation
The minutes should be published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Response
We will publish the minutes as required.

Conclusion
Response accepted.
- I-G-05 Deposits and Investments
No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- I-H-05 Financial Condition
As further explained in Note 13 of the financial statements, the General Fund has a deficit balance at June 30, 2005.

Recommendation
The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position. In addition, the General Fund has had a deficiency of receipts under disbursements, after transfers from other funds, of \$76,878, \$227,414, \$105,974, and \$277,691 in the years ended June 30, 2004, 2003, 2002, and 2001, respectively.

Response
Note 13 of the financial statements indicates the City's plans to eliminate the deficits.

Conclusion
Response accepted.