



## **Financial Statements**

**Year Ended  
June 30, 2010**

**PERRY CITY CORPORATION**

**FINANCIAL REPORT**

**JUNE 30, 2010**

**PERRY CITY CORPORATION  
FINANCIAL REPORT  
JUNE 30, 2010**

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Independent Auditors' Report

Honorable Mayor and City Council  
Perry City, Utah

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 Perry City (the City), as of and for the year ended June 30, 2010, which collectively comprises the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010 on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Crane, Christensen & Ambrose*

November 15, 2010

MANAGEMENT  
DISCUSSION  
&  
ANALYSIS

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

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The following is a discussion and analysis of Perry City's financial performance and activities for the year ended June 30, 2010. Please read it in conjunction with the financial statements that follow.

**HIGHLIGHTS**

**Government-wide**

- The City's combined net assets increased \$583,550 or 4.8 percent from the prior year. Business-type activities increased \$627,304 and governmental activities decreased \$43,754.

**Governmental Fund Level**

- Fund balances in the City's governmental funds decreased \$158,469, or 47.7 percent over the prior year due in the end effect to a general decrease in charges for services revenues, an increase in debt service payments, and the lack of the extraordinary item of the sale of property easements as was seen in 2009.

**Proprietary Fund**

- The increase in the Utilities Fund balance was a solid 10.2 percent over last year. With the exception of the Wastewater Treatment plant, all segments in the Utilities fund provided program revenues which exceeded their program expenses, for a net increase in Net Assets of \$627,307 over last year.
- The City began construction on the new wastewater treatment plant in 2009 with a projected cost of \$12,356,000, spending \$6,081,378 during fiscal year 2010. The total spent to date is \$11,767,857. Ownership of the Wastewater Treatment Plant shifted in April, 2010 to Perry City owning 61 percent and Willard City 39 percent.

**Long-term Debt**

- The City's long-term debt increased from \$6,781,283 to \$13,319,828, or 96.4 percent due primarily to the receipt of \$6,673,000 in loan funds from the Utah Department of Water Quality for the new wastewater treatment plant. Principal reductions of bonds and notes payable totaled \$149,363 during 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information concerning budgetary comparisons.

**Government-wide Statements - Reporting the City as a Whole**

The Statement of Net Assets and the Statement of Activities comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the City's net assets - the difference between total assets and total liabilities - and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The government-wide statements distinguish the programs of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Perry City's governmental activities include general administration, public safety, highways and public improvements, planning and zoning, health and social services, and interest on long-term debt. The City has one business-type activity which is related to the operation and maintenance of the City's utilities.

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

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**Fund Financial Statements - Reporting the City's Most Significant Funds**

The fund financial statements provide detailed information about individual major funds, and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach:

*Governmental Funds* – The majority of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the City's financial position helps determine whether the city has sufficient resources to cover expenditures for its basic services in the near future.

*Proprietary Funds* – The City uses an *Enterprise Fund* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has one enterprise fund, which is the Utilities Fund. The City also operates an internal service fund to account for the City's fleet operations.

**Reconciliation Between Government-wide and Fund Statements**

The financial statements include schedules that reconcile the amounts reported for governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Long-term debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

**Notes to the Financial Statements**

The notes provide additional schedules and information that are essential for a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

**Required Supplementary Information**

Perry City adopts an annual budget for its governmental funds as well as its proprietary funds. A budgetary comparison schedule for the City's General Fund is included.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

A large component of the City's net assets, 88.3 percent, reflects investments in capital assets (land, buildings, improvements, infrastructure, and construction in progress, vehicles, and equipment) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

The City's net assets increased \$583,550 or 4.8 percent as a whole. Net assets of governmental activities decreased \$43,754 over last year, or .07 percent. Net assets of business-type activities increased in the amount of \$627,304 or 10.2 percent.

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

Restricted net assets comprise 4.6 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 7.1 percent of net assets is unrestricted and may be used by the City to meet ongoing obligations to citizens and creditors.

A summary of the net assets of the City is as follows:

<b>Perry City Corporation</b>						
<b>Net Assets</b>						
<b>June 30, 2010</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total*</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and Other Assets	\$ 3,034,063	2,935,881	3,862,532	2,197,389	6,509,524	5,133,270
Capital Assets	7,494,104	7,533,498	16,021,081	10,012,595	23,515,185	17,546,093
<b>Total Assets</b>	<b>10,528,167</b>	<b>10,469,379</b>	<b>19,883,613</b>	<b>12,209,984</b>	<b>30,024,709</b>	<b>22,679,363</b>
Current and Other Liabilities	3,093,974	2,891,147	1,680,622	1,024,633	4,387,525	3,915,780
Long-term Liabilities	1,507,486	1,607,771	11,414,485	5,024,149	12,921,971	6,631,920
<b>Total Liabilities</b>	<b>4,601,460</b>	<b>4,498,918</b>	<b>13,095,107</b>	<b>6,048,782</b>	<b>17,309,496</b>	<b>10,547,700</b>
Net Assets:						
Invested in Capital Assets, Net of Rel Debt	5,801,287	5,762,749	4,331,224	4,954,375	10,132,511	10,717,124
Restricted	74,774	241,821	313,590	314,887	388,364	556,708
Unrestricted	50,646	(34,109)	2,143,692	891,940	2,194,338	857,831
<b>Total Net Assets</b>	<b>\$ 5,926,707</b>	<b>5,970,461</b>	<b>6,788,506</b>	<b>6,161,202</b>	<b>12,715,213</b>	<b>12,131,663</b>
Percentage change from prior year:	-0.73%	9.00%	10.18%	1.85%	4.81%	5.24%

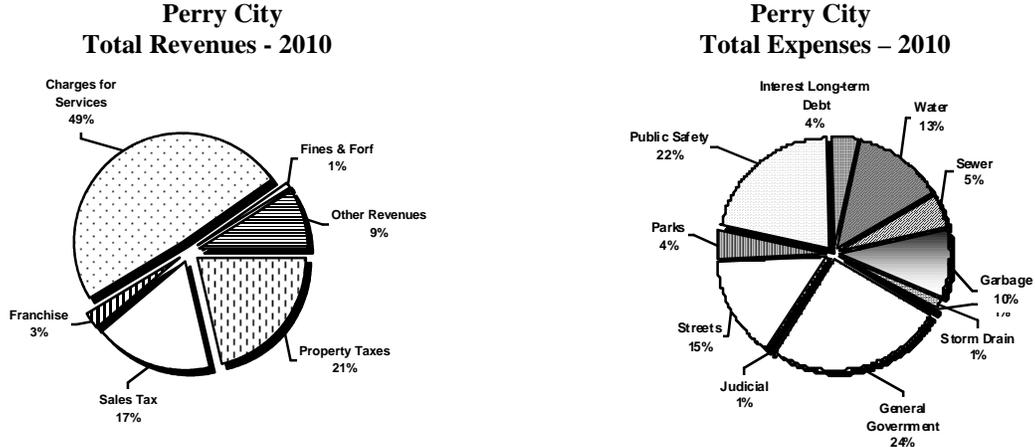
\* Internal balances eliminated in total

**Change in Net Assets**

Total Revenues for 2010 increased 14.5 percent from last year, due in large part to a 12.5 percent increase in tax revenues in the General Fund and a 15 percent increase in charges for services, mostly seen in the Utilities Fund. Program expenses decreased \$394,926, or 13.9 percent overall due for the most part to a decrease of \$132,301 or 30.0 percent in Highway and Street expenditures, as well as a \$105,471, or 16.1 percent decrease in Public Safety costs in the General Fund, and a decrease of expenses in all segments of the Utilities Fund totaling \$173,593, a decrease of 20.2 percent in Utilities program expenses.

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

Below is a table comparing the City's sources of revenues and expenses for fiscal year 2010:



Perry City, Utah  
**Changes in Net Assets**  
**For the Year Ended June 30, 2010**

	Governmental		Business-type		TOTAL		Total
	Activities		Activities		TOTAL	TOTAL	Percent
	2010	2009	2010	2009	2010	2009	Change 2009- 2010
<b>Revenues</b>							
General Revenues							
Taxes	\$ 1,261,622	\$ 1,239,725	\$ -	\$ -	\$ 1,261,622	\$ 1,239,725	1.8%
Other Revenues/(Expenses)	129,878	184,261	9,182	10,935	139,060	195,196	-28.8%
Program Revenues							
Charges for Services	136,547	389,944	1,350,443	1,065,600	1,486,990	1,455,544	2.2%
Operating Grants	159,063	158,509	-	-	159,063	158,509	0.3%
Capital Grants	-	-	-	-	-	-	#DIV/0!
<b>Total Revenues</b>	<b>1,687,110</b>	<b>1,972,439</b>	<b>1,359,625</b>	<b>1,076,535</b>	<b>3,046,735</b>	<b>3,048,974</b>	<b>-0.1%</b>
<b>Expenses</b>							
Judicial	16,367	13,222	-	-	16,367	13,222	23.8%
Administration	508,272	515,940	-	-	508,272	515,940	-1.5%
Public Safety	533,251	548,696	-	-	533,251	548,696	-2.8%
Highways and Streets	363,740	307,985	-	-	363,740	307,985	18.1%
Parks	98,430	120,741	-	-	98,430	120,741	-18.5%
Community Development	118,313	200,936	-	-	118,313	200,936	-41.1%
Interest on Long-Term Debt	92,490	50,635	-	-	92,490	50,635	82.7%
Utilities	-	-	732,318	686,280	732,318	686,280	6.7%
<b>Total Expenses</b>	<b>1,730,863</b>	<b>1,758,155</b>	<b>732,318</b>	<b>686,280</b>	<b>2,463,181</b>	<b>2,444,435</b>	<b>0.8%</b>
<b>Transfers In (Out)</b>	<b>-</b>	<b>278,613</b>	<b>-</b>	<b>(278,613)</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Change in Net Assets</b>	<b>(43,753)</b>	<b>492,897</b>	<b>627,307</b>	<b>111,642</b>	<b>583,554</b>	<b>604,539</b>	<b>3.5%</b>
Net Assets - Beginning	5,970,460	5,477,564	6,161,199	6,049,560	12,131,659	11,527,124	5.2%
<b>Net Assets - Ending</b>	<b>\$ 5,926,707</b>	<b>\$ 5,970,461</b>	<b>\$ 6,788,506</b>	<b>\$ 6,161,202</b>	<b>\$ 12,715,213</b>	<b>\$12,131,663</b>	<b>4.8%</b>

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

**Governmental Activities**

The table below shows to what extent the City's governmental activities relied on taxes and other general Revenue to cover all of their costs. For 2010, these programs generated \$295,610, or 17.1 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,435,253 for program expenses, which was \$225,551 more than was required last year.

General fund tax collections increased from \$1,239,725 to \$1,261,622, or 1.8 percent, and other revenues decreased 29.5 percent from \$184,261 to \$129,878 in 2010. This decrease was caused by the lack of the extraordinary sale of property easements during fiscal year 2009 in the amount of \$156,493, but was made up for by the donation of Capital Assets in the building of the new soccer field in the amount of \$119,818 plus investment earnings, which were 54.4 percent less than the prior year. Charges for services decreased \$253,397 primarily due to the lack of the sale of property mentioned above, but overall due to decreases in community development charges including building permits (down \$17,846 or 36.1 percent), inspection fees (down \$8,036 or 44.2 percent), zoning and subdivision fees (down 6,623 or 119.2 percent), and a decrease in miscellaneous income of \$14,860 or 97 percent). Increases in Franchise fees (up 5,263 or 109.2 percent), and fines and forfeitures (up 3,991 or 16.6 percent) offset some of those decreases in revenue. Operating grants remained approximately the same at \$159,063 in 2010.

General Government expenditures decreased only \$27,292 or 1.6 percent during fiscal year 2010 over 2009, which turned out to be a balance between a \$82,623 or 41.1 percent decrease in Community Development expenditures along with a \$22,311 or 18.5 percent decrease in Parks expenditures, and a \$55,755, or 18.1 percent increase in Highways and Streets expenditures and a \$41,855 or 82.7 percent increase in interest on Long-term Debt. The Administration department showed a small decrease of \$7,668 or 1.5 percent. The Public Safety Department also showed a modest decrease in expenditures during 2010 of \$15,445 or 2.8 percent.

Perry City, Utah  
**Net Cost of Governmental Activities**  
For Year Ended June 30, 2010

	Total Program Expenses	Less Program Revenues	Net Program Costs	Program Revenues as a Percentage of Total Expense		
	2010	2010	2010	2009	2010	2009
<b>Governmental Activities</b>						
Judicial	\$ 16,367	\$ 28,025	\$ (11,658)	\$ (10,812)	171.2%	181.8%
Administration	508,272	25,100	483,172	277,013	4.9%	46.3%
Public Safety	533,251	8,000	525,251	539,311	1.5%	1.7%
Streets	363,740	154,057	209,683	156,914	42.4%	49.1%
Parks	98,430	4,258	94,172	118,513	4.3%	1.8%
Community Development	118,313	76,170	42,143	78,128	64.4%	61.1%
Interest on Long-term Debt	92,490	-	92,490	50,635	0.0%	0.0%
<b>Total Governmental Activities</b>	<b>\$ 1,730,863</b>	<b>\$ 295,610</b>	<b>\$ 1,435,253</b>	<b>\$ 1,209,702</b>	<b>17.1%</b>	<b>31.2%</b>

**Business-type Activities**

Total Utilities Fund revenues for 2010 were \$1,359,625, an increase of \$283,090 or 26.3 percent over last year. 92.1 percent of total revenues were charges for services. Impact and connection fees accounted for 7.2 percent and investment earnings the other .7 percent. Total expenditures increased by \$46,038 or 6.7 percent, and the Utilities fund showed income \$627,307, an increase of \$515,665 over last year. Most of this positive change was due to an increase of \$296,004 or 89.2 percent in Sewer Charges for Services during the year. The water, garbage, and Storm Drain departments all operated on very similar revenue streams as last year, but made no transfer to the General Fund of \$278,613, making up the rest of the increase in the total Change in Net Assets. With the exception of the Wastewater Treatment plant department (which had no revenues, but \$15,672 in initial expenses preparing for

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

completion during fiscal year 2011), all departments were able to cover their share of program expenses with charges for services, without relying on other sources of revenue. Impact Fees in all departments slowed again this year from \$121,314 in 2009 to \$98,414 in 2010, a decrease of 18.9 percent.

It was noted last year that the garbage department showed operating income of \$29,533. During 2010, operating expenses increased by \$18,608 or 8.3 percent which left operating income of \$8,541, a decrease of 7.1 percent.

Perry City, Utah Net Cost of Business-type Activities For Year Ended June 30, 2010					
	Total Program Expenses	Less Program Revenues	Net Program Costs	Program Revenues as a Percentage of Total Expense	
	2010	2010	2010	2009	2010
<b>Business-type activities</b>					
Utility	\$ 732,318	\$ 1,350,443	\$ (618,125)	\$ (379,320)	184.4%
<b>Total Business-type activities</b>	<b>\$ 732,318</b>	<b>\$ 1,350,443</b>	<b>\$ (618,125)</b>	<b>\$ (379,320)</b>	<b>184.4%</b>

**CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION**

**Capital Assets**

Perry City added \$113,726 in new capital assets during 2010 and spent \$6,313,166 on construction for ongoing projects citywide. General government purchased two vehicles for the Police and Streets Departments at a cost of \$25,428 and \$40,751 respectively, as well as disposed of three older vehicles with original costs totaling \$24,909. \$67,013 was spent on the construction of the 2000 South Street Improvement, and \$33,088 was spent for construction on the new soccer field with an additional 119,818 donated for the soccer field in equipment use and labor.

Additions to Business-type capital assets included \$45,547 for the replacement of the fire lines along the water main on Highway 89 and \$6,687 for storm drain for the soccer field, and construction in progress in the amount of \$6,081,379 for work on the new wastewater treatment plant. It is anticipated that the wastewater treatment plant will be completed at a total cost of \$12,356,000.

The City holds \$23,515,185 in Net Capital Assets. Of those, \$7,494,104 or 31.9 percent is held in Governmental Activity net capital assets. Business-type activities hold \$16,021,081 or 68.1 percent of total net Capital Assets. More information about capital assets is included in Note 4.

**Long-term Debt**

The repayment of bonds issued for water continues with current principal balances of \$339,857, as well as the reduction of \$108,000 on the special assessment bond to finance improvements at Pointe Perry with a remaining principal balance of \$1,573,000. Principal obligations totaling \$41,363 on Water Bonds Payable were made during 2010, reducing the principal balance owing by 10.9 percent. The City made an interest only payment on the Department of Water Quality Loan for the Wastewater Treatment plant in the amount of \$236,018. Next year is the first year that principal will also be due on the DWQ loan of \$240,000.

Compensated absences has a balance of \$56,971. As a whole, long-term liabilities increased from \$6,781,283 in 2009 to \$13,319,828 in 2010, up by \$6,538,545 or 96.4 percent.

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

Long-term debt consisted of the following at June 30, 2010:

Perry City, Utah							
Long-term Liabilities							
June 30, 2010							
	Governmental		Business-type		TOTAL		Total
	Activities		Activities		TOTAL		Percent
	2010	2009	2010	2009	2010	2009	Change 2009- 2010
Bonds Payable	\$ 1,573,000	1,681,000	\$ 339,857	381,220	\$ 1,912,857	2,062,220	-7.2%
Bonds Payable	-	-	11,350,000	4,677,000	11,350,000	4,677,000	142.7%
Compensated Absences	47,486	34,771	9,485	7,292	56,971	42,063	35.4%
<b>Total</b>	<b>\$ 1,620,486</b>	<b>1,715,771</b>	<b>11,699,342</b>	<b>5,065,512</b>	<b>\$ 13,319,828</b>	<b>6,781,283</b>	<b>96.4%</b>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Fund Balances**

At June 30, 2010 Perry City's governmental funds reported combined fund balances of \$173,570. \$62,205 was reserved for park impact fees, \$2,690 for Police impact fees, \$9,879 for Fire impact fees, and \$28,317 is reserved for Debt Service. These amounts are unavailable for future spending. The fund balance of the Internal Service Fund (Fleet) is \$95,374 but is made up entirely of capital assets held in that fund. There was no reservation made for Class C Road projects since all Class C Road revenues received were expended during the year. The General Fund's unreserved fund balance closed with a negative balance of \$24,895, down \$19,739 from last year.

The following chart presents the City's 2010 ending fund balances.

Perry City, Utah					
Fund Balances/Net Assets					
June 30, 2010					
	General	Debt	Utility	Internal Serv	
	Fund	Service	Fund	Fund	Total
Invested in Capital Assets	\$ -		4,331,224	95,374	\$ 4,426,598
Reserved/Restricted	74,774	28,317	313,590		416,681
Unreserved/Undesignated	(24,895)		2,143,692	-	2,118,797
<b>Total</b>	<b>\$ 49,879</b>	<b>28,317</b>	<b>6,788,506</b>	<b>95,374</b>	<b>\$ 6,962,076</b>
Percent Change from Prior Year:	-43.94%	-80.83%	10.18%	0.00%	7.22%

**General Fund**

During 2010, the General Fund balance decreased \$39,092, which was made up of a \$285,329 decrease in total revenues, combined with total increase in expenditures of \$27,292 or 1.6% compared to last year. During 2010, total revenues decreased by \$285,329 or 14.5 percent, which actually translates to a much smaller decrease when considering that there was an extraordinary item last fiscal year (2009) in the amount of \$156,493 for the sale of easements that were not present in the current fiscal year. For 2010, the decrease in revenues was, in large part, made up of \$67,870, or 12.8% increase in property taxes, offset by a \$64,103, or 10.8% decrease in sales taxes, with a decreases in charges for services such as building permits, inspections, zoning fees, and 4<sup>th</sup> of July Revenues amounting to approximately \$51,136, when combined with increases in cable franchise fees and fines and forfeitures. Expenditures in the Highways and Streets department increased \$55,755, or 18.1% compared with fiscal year 2009, and interest on long-term debt increased \$41,855, or 82.7 percent, while expenditures in Community Development decreased \$82,623 or 41.1% and expenditures in parks decreased 18.5 percent, or \$22,311.

**PERRY CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2010**

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***General Fund Budgetary Highlights***

Perry City prepares its budget according to state statutes. The most significant budgeted fund is the General Fund. The City amended the General Fund budget during the year to meet the needs of the programs as issues arose. The significant changes to the original adopted budget for revenues mostly included increasing property tax revenues, decreasing sales tax revenues, and allowing for lower investment earnings revenues. The only material adjustments to budgeted General Fund expenditures included an increase in the administrative department budget and a decrease to anticipated expenditure amounts in the Public Safety Department.

Actual General Fund revenues were \$107,321, or 6.7 percent below the original budget and \$85,149, or 5.4 percent above the final budget. Actual expenditures were \$68,230, or 4.3 percent below the original budget and \$46,058, or 2.9 percent below the final budget. The City appropriated existing fund balance in the General Fund this year to cover expenditures in the amount of \$39,092, a 43.9 percent decrease over fiscal year 2009.

**Debt Service Fund**

Fund balance in the Debt Service Fund decreased \$119,377, or 80.8 percent, during fiscal year 2010 due to appropriations of fund balance to make payments for default payments made in behalf of investors for the Pointe Perry development.

**Utilities Fund**

The Utilities Fund has total net assets of \$6,788,506 which showed an increase of \$627,304 or 10.2 percent during 2010. Total revenues of \$1,252,029 were higher than last year by \$283,090 or 26.3 percent, and were more than sufficient to cover total expenses of \$732,318, which increased by \$46,038 or 6.7 percent relative to the prior year.

**Internal Service Fund**

The Internal Service Fund maintains and allocates expenses for city vehicles to other funds. During 2010 its fund balance maintained a balance of \$95,374 showing no increase or decrease over 2009.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Perry City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to the Perry City Treasurer, 3005 South 1200 West, Perry, Utah, 84302-4229.

**BASIC  
FINANCIAL  
STATEMENTS**

**Perry City**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 32,264	\$ 1,571,576	\$ 1,603,840
Accounts receivable (net of allowance)	2,068,996	119,785	2,188,781
Taxes receivable	525,670	-	525,670
Deposits	32,716	-	32,716
Due from other governments	182,416	782,092	964,508
Restricted cash and cash equivalents	105,576	1,002,008	1,107,584
<b>Total Current Assets</b>	<u>2,947,638</u>	<u>3,475,461</u>	<u>6,423,099</u>
<i>Noncurrent Assets</i>			
Construction in progress	224,920	11,774,725	11,999,645
Land	363,847	173,579	537,426
Buildings	71,436	112,002	183,438
Improvements	555,062	6,275,882	6,830,944
Infrastructure	8,176,448	-	8,176,448
Machinery and equipment	133,384	170,203	303,587
Vehicles	544,587	3,800	548,387
Accumulated depreciation	(2,575,580)	(2,489,110)	(5,064,690)
Deferred charges	86,425	-	86,425
<i>Internal Balances*</i>	-	387,071	-
<b>Total Assets</b>	<u>10,528,167</u>	<u>19,883,613</u>	<u>30,024,709</u>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts payable	106,406	1,288,447	1,394,853
Accrued liabilities	19,911	6,423	26,334
Deferred revenue	2,374,367	-	2,374,367
Customer deposits	38,124	41,400	79,524
Accrued interest payable	55,095	59,495	114,590
<i>Internal Balances*</i>	387,071	-	-
<b>Total Current Liabilities</b>	<u>2,980,974</u>	<u>1,395,765</u>	<u>3,989,668</u>
<i>Noncurrent Liabilities</i>			
Noncurrent liabilities-Due in less than one year	113,000	284,856	397,856
Noncurrent liabilities-Due in more than one year:	1,507,486	11,414,486	12,921,972
<b>Total Liabilities</b>	<u>4,601,460</u>	<u>13,095,107</u>	<u>17,309,496</u>
<b>Net Assets</b>			
Investment in general capital assets (net of related	5,801,287	4,331,224	10,132,511
<i>Restricted for:</i>		-	-
Police impact fees	2,690	-	2,690
Fire impact fees	9,879	-	9,879
Park impact fees	62,205	-	62,205
Utility Fund-Impact fees	-	313,590	313,590
<i>Unrestricted</i>	50,646	2,143,692	2,194,338
<b>Total Net Assets</b>	<u>\$ 5,926,707</u>	<u>\$ 6,788,506</u>	<u>\$ 12,715,213</u>

\* Amounts have been eliminated in total column

The notes are an integral part of this statement.

**Perry City**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Administration	\$ 508,272	\$ 25,100	\$ -	\$ (483,172)	\$ -	\$ (483,172)
Judicial	16,367	28,025	-	11,658	-	11,658
Public safety	533,251	2,994	5,006	(525,251)	-	(525,251)
Streets	363,740	-	154,057	(209,683)	-	(209,683)
Parks	98,430	4,258	-	(94,172)	-	(94,172)
Community development	118,313	76,170	-	(42,143)	-	(42,143)
Interest on long-term debt	92,490	-	-	(92,490)	-	(92,490)
<b>Total Governmental Activities</b>	<b>1,730,863</b>	<b>136,547</b>	<b>159,063</b>	<b>(1,435,253)</b>	<b>-</b>	<b>(1,435,253)</b>
<b>Business-type Activities:</b>						
Utility	732,318	1,350,443	-	-	618,125	618,125
<b>Total Business-type Activities</b>	<b>732,318</b>	<b>1,350,443</b>	<b>-</b>	<b>-</b>	<b>618,125</b>	<b>618,125</b>
<b>Total Primary Government</b>	<b>\$ 2,463,181</b>	<b>\$ 1,486,990</b>	<b>\$ 159,063</b>	<b>\$ (1,435,253)</b>	<b>\$ 618,125</b>	<b>\$ (817,128)</b>

**General Purpose Revenues and Transfers:**

<b>Revenues</b>	
Property taxes	653,628
Sales taxes	530,706
Franchise, lodging, and energy taxes	77,288
Sale of property	(3,765)
Miscellaneous	2,524
Investment earnings	11,301
Donation of Capital Assets	119,818
<b>Total General Revenues and Transfers</b>	<b>1,391,500</b>
<b>Change in Net Assets</b>	<b>(43,753)</b>
<i>Net Assets at Beginning of Period</i>	<i>6,161,199</i>
<b>Net Assets at End of Period</b>	<b>\$ 5,926,707</b>

The notes are an integral part of this statement.

**Perry City  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 32,264	\$ -	\$ 32,264
Accounts receivable (net of allowance)	34,461	2,034,535	2,068,996
Taxes receivable	525,670	-	525,670
Deposits	32,716	-	32,716
Due from other governments	182,416	-	182,416
Restricted cash and cash equivalents	74,774	30,802	105,576
<b>Total Assets</b>	<b>\$ 882,301</b>	<b>\$ 2,065,337</b>	<b>\$ 2,947,638</b>
<b>Liabilities</b>			
Accounts payable	\$ 98,541	\$ 7,865	\$ 106,406
Accrued liabilities	19,911	-	19,911
Deferred revenue	525,670	1,848,697	2,374,367
Customer deposits	38,124	-	38,124
Accrued interest payable	-	55,095	55,095
Due to other funds	150,176	125,363	275,539
<b>Total Liabilities</b>	<b>832,422</b>	<b>2,037,020</b>	<b>2,869,442</b>
<b>Fund Balance</b>			
<i>Reserved for:</i>			
Police impact fees	2,690	-	2,690
Fire impact fees	9,879	-	9,879
Park impact fees	62,205	-	62,205
<i>Unreserved reported in:</i>			
General Fund	(24,895)	-	(24,895)
Debt Service	-	28,317	28,317
<b>Total Fund Balance</b>	<b>49,879</b>	<b>28,317</b>	<b>78,196</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 882,301</b>	<b>\$ 2,065,337</b>	<b>\$ 2,947,638</b>

The notes are an integral part of this statement.

**Perry City**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2010**

Total Fund Balance - Governmental Funds	\$	78,196
Net Assets of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		95,374
Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. These assets consist of land, buildings, infrastructure, improvements, construction in progress net of related accumulated depreciation.		7,287,198
Deferred charges such as unamortized bond issue costs are not financial resources and are, therefore, not reported in governmental funds.		86,425
Some liabilities are not due and payable in the current year and therefore are not reported in the governmental funds. These liabilities and related costs consist of accrued interest payable, compensated absences, and notes payable.		(1,620,486)
<b>Total Net Assets-Governmental Funds</b>	<b>\$</b>	<b><u>5,926,707</u></b>

The notes are an integral part of this statement.

**Perry City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 595,387	\$ 58,241	\$ 653,628
Sales taxes	530,706	-	530,706
Franchise, lodging, and energy taxes	77,288	-	77,288
Licenses and permits	57,989	-	57,989
Intergovernmental	156,700	-	156,700
Charges for services	5,342	22,873	28,215
Fines and forfeitures	28,025	-	28,025
Impact fees	18,181	-	18,181
Miscellaneous	6,802	-	6,802
Investment earnings	11,301	-	11,301
<b>Total Revenues</b>	<u>1,487,721</u>	<u>81,114</u>	<u>1,568,835</u>
<b>Expenditures</b>			
Administration	489,968	-	489,968
Judicial	16,367	-	16,367
Public safety	534,903	-	534,903
Streets	247,199	-	247,199
Parks	120,062	-	120,062
Community development	118,313	-	118,313
Debt service: principal	-	108,000	108,000
Debt service: Interest and fiscal charges	-	92,490	92,490
<b>Total Expenditures</b>	<u>1,526,812</u>	<u>200,490</u>	<u>1,727,302</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(39,091)</u>	<u>(119,376)</u>	<u>(158,467)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	-	-	-
<b>Net Other Financing Sources (Uses)</b>	-	-	-
<b>Net Change in Fund Balance</b>	<b>(39,091)</b>	<b>(119,376)</b>	<b>(158,467)</b>
<i>Fund Balance at Beginning of Period</i>	88,970	147,693	236,663
<b>Fund Balance at End of Period</b>	<u><b>\$ 49,879</b></u>	<u><b>\$ 28,317</b></u>	<u><b>\$ 78,196</b></u>

The notes are an integral part of this statement

**Perry City**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

Total Net Change in Fund Balances - Governmental Funds	\$	(158,467)
Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. These assets consist of land, buildings, infrastructure, improvements, construction in progress net of related accumulated depreciation.		22,753
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, this amount was:		108,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of accrued bond interest, amortization of deferred amounts, and increase in compensated absences.		(16,039)
<b>Changes in Net Assets-Governmental Funds</b>	<b>\$</b>	<b><u>(43,753)</u></b>

The notes are an integral part of this statement.

## **Proprietary Fund Financial Statements**

### **Utility Fund**

This enterprise fund accounts for the provision of sewer, water, garbage, and storm drain services to City residents. All activities necessary to provide such services are accounted for in this fund including, but not limited to: administration, operation, maintenance, billing, and collecting.

### **Internal Service Fund**

This internal service fund accounts for the purchase and maintenance of the City's fleet of vehicles, and tracks the usage of those vehicles for the City's various departments and funds.

**Perry City**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Utility</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,571,576	\$ 1,571,576	\$ -
Accounts receivable (net of allowance)	119,785	119,785	--
Due from other governments	782,092	782,092	--
Restricted cash and cash equivalents	1,002,008	1,002,008	--
Due from other funds	387,071	387,071	--
<b>Total Current Assets</b>	<b>3,862,532</b>	<b>3,862,532</b>	<b>-</b>
<i>Noncurrent Assets</i>			
Construction in progress	11,774,725	11,774,725	--
Land	173,579	173,579	--
Buildings	112,002	112,002	--
Improvements	6,275,882	6,275,882	--
Machinery and equipment	170,203	170,203	7,144
Vehicles	3,800	3,800	520,522
Accumulated depreciation	(2,489,110)	(2,489,110)	(320,760)
<b>Total Assets</b>	<b>19,883,613</b>	<b>19,883,613</b>	<b>206,906</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	1,288,447	1,288,447	-
Accrued liabilities	6,423	6,423	-
Customer deposits	41,400	41,400	-
Accrued interest payable	59,495	59,495	-
Due to other funds	-	-	111,532
<b>Total Current Liabilities</b>	<b>1,395,765</b>	<b>1,395,765</b>	<b>111,532</b>
<i>Noncurrent Liabilities</i>			
Noncurrent liabilities-Due in less than one year	284,856	284,856	-
Noncurrent liabilities-Due in more than one year	11,414,486	11,414,486	-
<b>Total Liabilities</b>	<b>13,095,107</b>	<b>13,095,107</b>	<b>111,532</b>
<b>NET ASSETS</b>			
<i>Restricted for:</i>			
Utility Fund-Impact fees	313,590	313,590	-
<i>Unrestricted</i>	6,474,916	6,474,916	95,374
<b>Total Net Assets</b>	<b>\$ 6,788,506</b>	<b>\$ 6,788,506</b>	<b>\$ 95,374</b>

The notes are an integral part of this statement.

**Perry City**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities Internal Service Funds</u>
	<u>Utility</u>	<u>Total Enterprise Funds</u>	
<b>Operating Revenues</b>			
Water	\$ 304,534	\$ 304,534	\$ -
Sewer	627,776	627,776	-
Garbage	252,584	252,584	-
Storm drain	67,135	67,135	-
Interfund services	-	-	29,905
<b>Total Operating Revenues</b>	<u>1,252,029</u>	<u>1,252,029</u>	<u>29,905</u>
<b>Operating Expenses</b>			
Administration	-	-	-
Public safety	-	-	-
Streets	-	-	-
Parks	-	-	-
Water	234,442	234,442	-
Sewer	76,468	76,468	-
Garbage	244,043	244,043	-
Storm drain	24,909	24,909	-
Depreciation	127,306	127,306	29,905
WWTP	15,672	15,672	-
<b>Total Operating Expenses</b>	<u>722,840</u>	<u>722,840</u>	<u>29,905</u>
<b>Operating Income</b>	<u>529,189</u>	<u>529,189</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses)</b>			
Impact, connection and other-water	38,440	38,440	-
Impact, connection and other-sewer	40,089	40,089	-
Impact, connection and other-storm	19,885	19,885	-
Investment earnings	9,182	9,182	-
Interest and fiscal charges	(9,478)	(9,478)	-
<b>Net Non-Operating Revenues (Expenses)</b>	<u>98,118</u>	<u>98,118</u>	<u>-</u>
<b>Income Before Contributions and Transfers</b>	<u>627,307</u>	<u>627,307</u>	<u>-</u>
Transfers	-	-	-
<b>Change In Net Assets</b>	<u>627,307</u>	<u>627,307</u>	<u>-</u>
<i>Net Assets at Beginning of Period</i>	<u>6,161,199</u>	<u>6,161,199</u>	<u>95,374</u>
<b>Net Assets at End of Period</b>	<u>\$ 6,788,506</u>	<u>\$ 6,788,506</u>	<u>\$ 95,374</u>

The notes are an integral part of this statement.

**Perry City**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year End June 30, 2010**

	<b>Business Activities</b>	<b>Governmental</b>
	<b>Enterprise</b>	<b>Activities -</b>
	<b>Fund-Utilities</b>	<b>Internal Service</b>
	<u>                    </u>	<u>                    </u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,254,050	\$ 29,905
Cash payments to employees for services	(182,756)	-
Cash payments for goods and services	(419,586)	-
Net cash from operating activities	<u>651,708</u>	<u>29,905</u>
<b>Cash flows from noncapital financing activities:</b>		
Loans from other funds	<u>23,752</u>	<u>27,601</u>
Net cash from noncapital financing activities	<u>23,752</u>	<u>27,601</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(6,496,386)	(57,506)
Other revenues	98,414	-
Proceeds from notes payable	6,673,000	-
Payment on revenue bonds	(41,364)	-
Interest paid on revenue bonds	(9,481)	-
Net cash from capital and related financing activities	<u>224,183</u>	<u>(57,506)</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>9,180</u>	-
Net cash from investing activities	<u>9,180</u>	-
Net increase (decrease) in cash equivalents	908,823	-
Cash/equivalents at beginning of year	<u>1,664,761</u>	-
Cash/equivalents at end of year	<u>2,573,584</u>	-
Cash/equivalents, end of year (unrestricted)	1,571,576	-
Cash/equivalents, end of year (restricted)	<u>1,002,008</u>	-
Total cash/equivalents, end of year	\$ <u>2,573,584</u>	\$ <u>-</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ <u>529,189</u>	\$ <u>-</u>
Reconciliation adjustments:		
Depreciation	127,306	29,905
Changes in assets and liabilities:		
Change in accounts receivable	2,021	-
Change in accrued interest payable	31,183	-
Change in deposits payable	(17,600)	-
Change in accounts payable	(25,020)	-
Change in wages payable and compensated absences	4,629	-
	<u>-</u>	<u>-</u>
Total adjustments	<u>122,519</u>	<u>29,905</u>
Net cash provided by operating activities	\$ <u>651,708</u>	\$ <u>29,905</u>

The notes to the financial statements are an integral part of this statement.

NOTES  
TO  
FINANCIAL  
STATEMENTS

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Perry conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

Perry City operates under a traditional form of government and provides the following services: public safety (police and emergency medical), highways and streets, water, sewer, storm sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) were used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

- A. The primary government.
- B. Organizations for which the primary government is financially accountable.
- C. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units, although legally separate entities are, in substance, part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has no blended component units.

**B. Government-wide And Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

***Government-wide Financial Statements***

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 1. (Continued)**

goods, services, or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

***Fund Financial Statements***

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for *governmental* and *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column. Internal Service Funds, even though primarily benefiting governmental activities, are reported on the propriety fund financial statements.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.
- **Debt Service Fund** – The Debt Service Fund is used to account for the receipt and payment of the Special Improvement bonds that were used for the Pointe Perry Project.

The City reports the following proprietary funds:

- **Utilities Fund** – The Utilities Fund is used to account for revenue and expenses for the City’s Water, Sanitary Sewer System, Garbage, and Storm Sewer.
- **Internal Service Fund** – The Internal Service Fund is used to account for charges to the other funds for the use of the City fleet. In the government-wide financial statements, the Internal Service Fund is included with the governmental activities.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The proprietary fund statements are also prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

For business-type activities and enterprise funds, the City follows all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those standards conflict with a GASB pronouncement.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 1. (Continued)**

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the “available” criterion, are not reported until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes, and franchise taxes, are considered “measurable” and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

**D. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for capital projects funds. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for the General, Debt Service, Proprietary, and Capital Improvements Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City’s budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
  - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
  - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 1. (Continued)**

12. Budgets for the General, Debt Service, Capital Improvements and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Summary of Action Required for Budget Changes:**

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

**E. Assets, Liabilities, and Fund Balances/Net Assets**

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and fund balances/net assets..

***Pooled Cash and Temporary Investments***

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

***Inventories***

No significant inventories are maintained by the City. Therefore, none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

During the current year, The City was required to draw on reserve funds to meet bond payments due October 1, 2009, because of to the delinquency of a significant property owner on his current and previous assessments. At June 30, 2010, the reserve was not restored.

***Capital Assets***

Capital assets which include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles, infrastructure (roads, bridges, lighting and flood control and similar items) and construction on progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Individual assets with a cost greater than \$5,000 with a useful life of at least one year are capitalized.

Infrastructure capital assets which are newly constructed are capitalized. When the City has sewer system, parks, and public works construction costs, they are recorded as Construction in Progress. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred and included for the construction of capital assets in connection with the construction

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 1. (Continued)**

of the wastewater treatment plant by the City during the current fiscal year was \$236,018. Improvements to streets, storm drainage, land drain, and sanitary sewer that have been received from developers are depreciated over their expected useful lives.

Capital assets are depreciated. Depreciation of buildings, improvements, infrastructure, and equipment is computed using the straight-line method. Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation has been provided over the estimated useful lives. The estimated useful lives are as follows:

Buildings.....	10-40 years
Improvements.....	5-40 years
Equipment.....	5-20 years
Vehicles.....	5-10 years
Infrastructure.....	20-80 years

***Long-term Obligations***

In the government-wide statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Assets/Fund Balances***

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund statements, fund balances are classified as reserved, unreserved, designated, or unreserved undesignated. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be “designated” to represent management’s tentative plans for specific future uses.

**F. Revenues and Expenditures**

The following are the City’s significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

***Revenue Availability***

Under the modified accrual basis of accounting, revenues are considered to be “available” when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Perry City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 1. (Continued)**

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which “a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.”

***Deferred Revenue***

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement #33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue. As of June 30, 2010, Perry City has deferred revenues of \$525,670 in the General Fund.

***Expenditure Recognition***

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

**G. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB NO. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue. Perry City received no contributions during 2010.

**H. Compensated Absences**

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2010 was \$47,486 in the governmental funds and \$9,486 in the proprietary fund.

**I. Subsequent Events**

Management has evaluated subsequent events through November 15, 2010, the date the financials statements were available to be issued.

**NOTE 2. DEPOSITS AND INVESTMENTS**

Deposits and investments for Perry City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the City’s exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 2. (Continued)**

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's bank balance at June 30, 2010 was \$24,368. These deposits are insured up to \$250,000.

*Investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2010.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
US Treasury obligations held by trustee	\$ 30,802	N/A	N/A
Utah Public Treasurer's Investment Fund	<u>2,679,664</u>	72.6 days	not rated
Total	<u>\$ 2,710,466</u>		

\* Weighted-average maturity

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the City's investments are noted in the previous table.

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**NOTE 2. (Continued)**

**D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

Perry City  
Cash Investments

Total Cash and investments:	
Deposits @ 6/30/10	\$ 918
Investments	2,710,466
Cash on hand	<u>40</u>
	<u>\$ 2,711,424</u>
As reported in the financial statements:	
Cash and cash equivalents	\$ 1,603,840
Restricted cash and cash equivalents	<u>1,107,584</u>
	<u>\$ 2,711,424</u>

The Utah Public Treasurer's Investment Fund (PTIF) is an external deposit and investment pool that governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of the fund shares.

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2010 consist of the following:

	Taxes	Governments	Accounts	Total
Governmental activities:				
General Fund	\$ 525,670	\$ 182,416	\$ 34,461	\$ 742,547
Special Improvement District			2,034,535	2,034,535
Total receivables	<u>\$ 525,670</u>	<u>\$ 182,416</u>	<u>\$ 2,068,996</u>	<u>\$ 2,777,082</u>
Business-type activities:				
Utility fund, net of allowance \$16,457	<u>\$ 0</u>	<u>\$ 782,092</u>	<u>\$ 119,785</u>	<u>\$ 901,877</u>

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

**NOTE 4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010 was as follows:

In governmental activities during fiscal year 2010, the City expended \$67,014 for continuing Construction in Progress on 2000 South Street Improvements, \$38,088 soccer park construction and an additional \$119,818 that was donated for soccer park construction, as well as \$66,178 for two new trucks for the Police and Street Departments. The City also disposed of three old vehicles from the Police Department with an original cost of \$24,910.

In the Utility Fund, \$47,548 was spent to upgrade the fire lines in the Highway 89 Water Main System, \$6,867 was spent on storm drains for the soccer field, and \$6,081,379 was spent on construction in progress for the new wastewater treatment plant. Construction on the wastewater treatment plant was started in fiscal year 2009. As of June 30, 2010, \$11,767,858 of an estimated \$12,356,000 cost has been spent.

**Perry City Corporation**  
**Capital Assets**

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 363,847	\$ -	\$ -	\$ 363,847
Construction in progress	-	224,920	-	224,920
Total capital assets, not being depreciated	363,847	224,920	-	588,767
Capital assets, being depreciated:				
Buildings	71,436	-	-	71,436
Improvements	555,062	-	-	555,062
Infrastructure	8,176,448	-	-	8,176,448
Furniture, machinery and equipment	133,384	-	-	133,384
Vehicles	503,318	66,178	(24,909)	544,587
Capital assets being depreciated	9,439,648	66,178	(24,909)	9,480,917
Less accumulated depreciation for:				
Buildings	(22,728)	(1,864)	-	(24,592)
Improvements	(374,134)	(25,926)	-	(400,060)
Infrastructure	(1,554,624)	(163,529)	-	(1,718,153)
Furniture, machinery and equipment	(89,683)	(8,645)	-	(98,328)
Vehicles	(318,576)	(30,564)	14,693	(334,447)
Total accumulated depreciation	(2,359,745)	(230,528)	14,693	(2,575,580)
Total capital assets being depreciated, net	7,079,903	(164,350)	(10,215)	6,905,337
Governmental activities capital assets, net	\$ 7,443,750	\$ 60,570	\$ (10,215)	\$ 7,494,104

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

**NOTE 4. (Continued)**

**Business-type Activities:**

Capital assets, not being depreciated:

Land	\$ 173,579	\$ -	\$ -	\$ 173,579
Construction in progress	<u>5,686,479</u>	<u>6,088,246</u>	<u>-</u>	<u>11,774,725</u>
Total capital assets, not being depreciated	<u>5,860,058</u>	<u>6,088,246</u>	<u>-</u>	<u>11,948,304</u>

Capital assets, being depreciated:

Buildings	112,002	-	-	112,002
Infrastructure	6,228,334	47,548	-	6,275,882
Furniture, machinery and equipment	170,203	-	-	170,203
Vehicles	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>3,800</u>
Capital assets being depreciated	<u>6,514,339</u>	<u>47,548</u>	<u>-</u>	<u>6,561,887</u>

Less accumulated depreciation for:

Buildings	(13,461)	(2,925)	-	(16,386)
Infrastructure	(2,268,236)	(113,271)	-	(2,381,507)
Furniture, machinery and equipment	(76,307)	(11,110)	-	(87,417)
Vehicles	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>(3,800)</u>
Total accumulated depreciation	<u>(2,361,804)</u>	<u>(127,306)</u>	<u>-</u>	<u>(2,489,110)</u>
Total capital assets being depreciated, net	<u>4,152,535</u>	<u>(79,759)</u>	<u>-</u>	<u>4,072,777</u>
Business-type activities capital assets, net	<u>\$ 10,012,593</u>	<u>\$ 6,008,487</u>	<u>\$ -</u>	<u>\$ 16,021,081</u>

Depreciation expense for 2010 was charged to functions as follows:

	<u>Governmental Activities</u>	<u>Business Types</u>	<u>TOTAL</u>
Administration	\$ 11,688	-	\$ 11,688
Parks	15,759	-	15,759
Police	17,413	-	17,413
Fire	3,152	-	3,152
Streets	182,516	-	182,516
Sewer	-	40,725	40,725
Water	-	79,206	79,206
Storm Drain	<u>-</u>	<u>7,375</u>	<u>7,375</u>
Total depreciation expense	<u>\$ 230,528</u>	<u>127,306</u>	<u>\$ 357,834</u>

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

**NOTE 5. LONG-TERM DEBT**

The changes in long-term debt for Governmental and Business-type activities during 2010 are as follows:

Governmental Activities

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due within One Year
Bonds Payable	1,681,000	-	(108,000)	1,573,000	113,000
Compensated Absences	34,771	12,715	-	47,486	-
<b>Total</b>	<b>\$ 1,715,771</b>	<b>\$ 12,715</b>	<b>\$ (108,000)</b>	<b>\$ 1,620,486</b>	<b>\$ 113,000</b>

Business-type activities

Water Bonds Payable	381,220	-	(41,363)	339,857	44,856
Sewer Bond Payable	4,677,000	6,673,000	-	11,350,000	240,000
Compensated Absences	7,292	2,193	-	9,485	-
<b>Total</b>	<b>\$ 5,065,512</b>	<b>\$ 6,675,193</b>	<b>\$ (41,363)</b>	<b>\$ 11,699,342</b>	<b>\$ 284,856</b>

Annual requirements to amortize the long-term debt as of June 30, 2010 are as follows:

In 1998, the City issued \$640,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the Utilities fund. The bonds were dated January 1, 2000 and mature on January 1, 2019 and bear interest at a rate of 2.56%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2011	33,000	8,397	41,397	2.56%
2012	34,000	7,552	41,552	2.56%
2013	35,000	6,682	41,682	2.56%
2014	35,000	5,786	40,786	2.56%
2015	36,000	4,890	40,890	2.56%
2016	37,000	3,968	40,968	2.56%
2017	38,000	3,020	41,020	2.56%
2018	39,000	2,048	41,048	2.56%
2019	41,000	1,050	42,050	2.56%
	<b>\$ 328,000</b>	<b>\$ 43,393</b>	<b>\$ 371,393</b>	

In 1992, the City issued \$150,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the Utilities fund. The bonds were dated June 5, 1992 and mature on January 1, 2011, and bear interest at a rate of 3.00%. The following is a debt schedule over the remaining period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2011	11,857	356	12,213	3.00%
	<b>\$ 11,857</b>	<b>\$ 356</b>	<b>\$ 12,213</b>	

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**Note 5. (Continued)**

In December, 2008, the Division of Water Quality advanced Perry City \$4,677,000 of an anticipated \$11,350,000 to begin construction of the City’s wastewater treatment plant. A design advance loan in the amount of \$711,000 was repaid at that time from those proceeds. Perry City issued Bonds in \$1,000 increments in the amount of \$4,677,000. As of June 30, 2010, the entire loan amount of \$11,350,000 has been drawn from the Department of Water Quality. During Fiscal Years 2009 and 2010, the city made interest only payments on that loan of \$52,616 and \$236,018 respectively. The repayment schedule for this loan begins with the first principal payment of \$240,000 due on May 1<sup>st</sup>, 2011.

On August 11, 2005, the City issued special assessment bonds in the amount of \$1,965,000 at a variable rate of interest based on 70% of the one month LIBOR as computed each year on the anniversary date. These bonds were issued to retire the interim warrants used to finance improvements at Pointe Perry and will be repaid by the developer through refunds of assessed property taxes and sales taxes. The interest rate is 4.74% over the life of the bonds. The final payment is due October 1, 2020. The following is a debt schedule over the period of the bonds:

**2005 Special Assessment Bonds**  
**Governmental**

Year	Principal	Interest	Total	Interest Rate
2011	113,000	73,459	186,459	4.74%
2012	118,000	68,182	186,182	4.74%
2013	123,000	62,671	185,671	4.74%
2014	129,000	56,927	185,927	4.74%
2015	135,000	50,903	185,903	4.74%
2016-2020	777,000	153,690	930,690	4.74%
2021	178,000	8,312	186,312	4.74%
	<u>\$ 1,573,000</u>	<u>\$ 474,144</u>	<u>\$ 2,047,144</u>	

The remaining long-term debt consists of compensated absences in the amount of \$56,971.

**NOTE 6. RESERVATIONS OF FUND BALANCE AND RESTRICTIONS OF NET ASSETS**

Reserved for Park Impact Fees – This represents the excess of Park Impact Fee funds received over the amount spent.

Reserved for Police Impact Fees – This represents the excess of Police Impact Fee funds received over the amount spent.

Reserved for Fire Impact Fees – This represents the excess of Fire Impact Fee funds received over the amount spent.

Reserved for Debt Service – This represents funds set aside for the repayment of debt.

Restricted net assets-proprietary funds – This represents the excess of Water, Sewer, and Storm Drain Impact Fees over the amount spent.

**NOTE 7. RISK MANAGEMENT**

Perry City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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**Note 7. (Continued)**

automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2010, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

**NOTE 8. RETIREMENT PLANS**

**A. Pension Plans**

Plan Description: Perry City Corporation contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy: In the Local Governmental Noncontributory Retirement System, Perry City Corporation is required to contribute 11.66 percent of employees' annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage, contributory division members are required to contribute 12.29 percent of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 12.47 percent of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than an "Agency Fund" as previously reported. Per GASB No. 32, all of the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The Retirement Systems no longer provides a Statement of Changes in Assets and Liabilities for the 457 Plan because the assets are no longer assets of the employer and are not to be included in the employer financial statements. City employees contributed \$3,950.52 to a 457 Plan during the year ended June 30, 2010.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2010, 2009, and 2008 were \$43,196, \$45,287, and \$46,274 respectively, and for the Public Safety Retirement System the contributions for June 30, 2010, 2009, and 2008 were \$43,542, \$56,067, and \$55,658 respectively.

The City sponsors a 401k deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$17,977 to this plan during the year ended June 30, 2010, and the employees contributed \$11,214. City employees made no contributions to a Roth IRA Plan during the year ended June 30, 2010.

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

**NOTE 9. PROPERTY TAX CALENDAR**

Lien date.....	January 1st
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year.....	1st scheduled Council Meeting in May
County Auditor sends valuation certified tax rate and levy worksheets to each taxing entity.....	June 8th
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor.....	Before June 22nd
Taxing entity adopts a final tax rate if there is no increase in certified tax rate.....	June 22nd
Taxing entity adopts final budget if there is no increase in certified tax rate.....	June 22nd
Copy of the budget is submitted to State Auditor within 30 days of adoption payment and delinquency date.....	July 22 <sup>nd</sup>

**NOTE 10. BUDGET COMPLIANCE AND ACCOUNTABILITY**

There General Fund ended Fiscal Year 2010 with a deficit unreserved fund balance of \$24,895. The Parks department in the General Fund had expenditures in excess of budget at the end of fiscal year 2010 in the amount of \$40,566, due mostly to the costs incurred in constructing the new soccer park.

**NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUND**

The City maintains one Public Utilities Fund which provides water, sewer, garbage and storm drain. Segment information for the year ended June 30, 2010 was as follows:

	Water	Sewer	Garbage	Storm Drain	WWTP	Total
Operating revenues:						
Charges for service	\$ 304,534	\$ 627,776	\$ 252,584	\$ 67,135	\$ -	\$ 1,252,029
Operating expenses, excl depreciation	(234,442)	(76,468)	(244,043)	(24,909)	(15,672)	(595,534)
Depreciation	(79,206)	(40,725)	-	(7,375)	-	(127,306)
Operating income	(9,114)	510,583	8,541	34,851	(15,672)	529,189
Non-operating revenues:						
Interest expense	(9,478)	-	-	-	-	(9,478)
Impact fees	38,440	40,089	-	19,885	-	98,414
Interest income	1,324	7,122	-	736	-	9,182
Change in net assets	21,172	557,794	8,541	55,472	(15,672)	627,307
Beginning net assets	1,576,866	3,672,426	243,802	668,105	-	6,161,199
Ending net assets	\$ 1,598,038	\$ 4,230,220	\$ 252,343	\$ 723,577	\$ (15,672)	\$ 6,788,506

**PERRY CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

**NOTE 12. RECONCILIATION DUE TO/DUE FROM BALANCES**

The following tables provides a reconciliation of all due to/due from accounts between the City’s funds:

	General Fund	Utility Fund	Debt Service Fund	Internal Service Fund	TOTAL DUE TO	TOTAL DUE FROM
Due from General Fund	-	150,176				150,176
Due to Utility Fund	150,176	-	125,363	111,532	387,071	
Due from Debt Service Fund		125,363				125,363
Due from Internal Service Fund		111,532				111,532
	<u>\$150,176</u>	<u>\$387,071</u>	<u>\$ 125,363</u>	<u>\$ 111,532</u>	<u>\$ 387,072</u>	<u>\$ 387,071</u>

These balances represent funds loaned from the Utilities Fund to the General, Debt Service, and Internal Service Funds to make up for shortfalls of allocated cash in these funds. These balances are expected to be repaid within the next year.

**NOTE 13. INTERLOCAL AGREEMENT**

The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate, and maintain an open, wholesale, public and Telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City since, as of June 30, 2007, UTOPIA had a net assets deficit of approximately \$38,000,000. UTOPIA began providing limited services during 2006, but it is still in a start-up phase.

The City is a pledging member who has pledged sales and use tax revenues to partially guarantee payment of UTOPIA’s bonds. In return for the pledge, the City will be among the first cities to receive UTOPIA’s services. In July 2004 UTOPIA issued an \$85,000,000 revenue bond. The first four years of bond payments will be made from a debt reserve fund. From that point on, until the bonds are due in July 2026, net revenues from UTOPIA will reimburse the debt service for payments on the bond debt. In 2006 UTOPIA issued another bond for \$30,000,000. To the extent that there are insufficient net revenues to pay the debt service, the 11 pledged members are required to reimburse the UTOPIA debt service fund of any shortfall by their respective percentages up to a specific dollar amount. Perry City’s percentage is .817% with a maximum liability of \$95,549. Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

On July 1, 2007, the City deposited \$32,716 into the UTOPIA Series 2004 Bond Debt Service Reserve Fund as required by its agreement with UTOPIA. These funds will remain on deposit until the sooner of the bonds being retired, or 20 years from July 1, 2007. To the extent that the initial projects operate profitably, UTOPIA has plans to issue a total of \$340,000,000 in bonds.

During Fiscal Year 2010, The City was notified that there was a Debt Service Reserve Fund Shortfall due to “factors including, but not limited to, (i) market conditions that have caused greater basis risk on swap contracts than originally projected, (ii) continued negative impact of RUS damages, and (iii) insufficient operating revenues.” The total amount of the shortfall was \$3,233,741.16 of which Perry City’s portion is \$26,525.36. Perry City will remit payments totaling this amount over the course of six months beginning with a \$7,581.99 payment on January 6, 2011.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Perry City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Property taxes	\$ 522,470	\$ 565,166	\$ 595,387	\$ 30,221
Sales taxes	604,340	575,989	530,706	(45,283)
Franchise and energy taxes	72,750	70,886	77,288	6,402
Licenses and permits	130,265	112,636	57,989	(54,647)
Intergovernmental	148,207	148,943	156,700	7,757
Charges for services	3,560	6,020	5,342	(678)
Fines and forfeitures	35,000	30,640	28,025	(2,615)
Impact fees	36,050	33,255	18,181	(15,074)
Investment earnings	38,000	14,300	11,301	(2,999)
Miscellaneous	4,400	15,035	6,802	(8,233)
<b>Total Revenues</b>	<u>1,595,042</u>	<u>1,572,870</u>	<u>1,487,721</u>	<u>(85,149)</u>
<b>Other Financing Sources</b>	-	-	-	-
<b>Total Revenues and Other Financing Sources</b>	<u>1,595,042</u>	<u>1,572,870</u>	<u>1,487,721</u>	<u>(85,149)</u>
<b>Expenditures</b>				
Administration	453,551	522,542	489,968	32,574
Judicial	16,000	16,387	16,367	20
Public safety	613,327	582,086	534,903	47,183
Streets	260,011	247,575	247,199	376
Parks	113,376	79,496	120,062	(40,566)
Community development	138,777	124,784	118,313	6,471
<b>Total Expenditures</b>	<u>1,595,042</u>	<u>1,572,870</u>	<u>1,526,812</u>	<u>46,058</u>
<b>Other Financing Uses</b>	-	-	-	-
<b>Total Expenditures and Other Financing Uses</b>	<u>1,595,042</u>	<u>1,572,870</u>	<u>1,526,812</u>	<u>46,058</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	-	(39,091)	(39,091)
<b>Fund Balance at Beginning of Period</b>	88,970	88,970	88,970	-
<b>Fund Balance at End of Period</b>	<u>\$ 88,970</u>	<u>\$ 88,970</u>	<u>\$ 49,879</u>	<u>\$ (39,091)</u>

The notes are an integral part of this statement.

# AUDITORS' REPORTS

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

Honorable Mayor and City Council  
Perry City

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Perry City as of and for the year ended June 30, 2010, which collectively comprise Perry City's basic financial statements and have issued our report thereon dated November 15, 2010. We conducted our audit 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Perry City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perry City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Perry City's internal control over financial reporting.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Perry City's financial statements are free of 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management and with those charged with governance on November 15, 2010.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, and federal and state funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Crane, Christensen + Ambrose*

November 15, 2010



Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council  
Perry City

We have audited the general purpose financial statements of Perry City for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010.

Our audit included test work on Perry City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt	Liquor Law Enforcement
Cash Management	B & C Road Funds
Purchasing Requirements	Other General Issues
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation and Property	Impact Fees
Tax Limitations	Utah Retirement System Compliance
	Fund Balance Limitation

The management of Perry City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the City's compliance with these requirements.

The results of our audit procedures disclosed two instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, Perry City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2010.

*Crane, Christensen + Ambrose*

November 15, 2010

PERRY CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

**PROGRAM: BUDGETARY COMPLIANCE**

**FINDING:** The Parks Department was over budget.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** The City should take steps to insure expenditures are within budget limits.

**CITY'S REPLY:** This was a training issue having to do with impact fee expenditures. Impact fee expenditures will be properly budgeted in the future.

**PROGRAM: FUND BALANCE LIMITATIONS**

**FINDING:** The general fund balance is in a deficit position.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** The City should take steps to increase the general fund balance within the upcoming year.

**CITY'S REPLY:** In the budget year ending June 30, 2010 we took steps to decrease our budget by reducing operational spending and reducing staff through attrition and a reduction in force. Our goal was to achieve a positive fund balance at the end of fiscal year 2010 and to have a 5% positive fund balance by the end of fiscal year 2011. We feel confident that we will achieve this. In preparing our budgets for the budget year ending June 30, 2011, we reviewed our budget challenges and came up with the following solutions to address these challenges:

- Reducing staff - A reduction in force took place in January 2010. We also have not filled key positions that have been vacated due to attrition.
- Reduced operation costs - We reviewed each budget and cut expenses where possible.
- Reduced training dollars.
- Reduced benefit costs - We selected a different medical benefit provider and a higher deductible. We are using a GAP plan to offset the deductible cost. This reduced benefit costs by 10%.
- RFPs for professional services - We completed an RFP for our audit service saving the city \$700.00 a year and will be looking at other services to RFP in hopes of reducing costs.

We will continue to look for saving money and will continue to monitor our budget and make necessary adjustments to ensure that our compliance goal is met.