

PERRY CITY



Financial Statements

**Year Ended
June 30, 2008**

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2008

**PERRY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2008**

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Steven F. Crane, CPA
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Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

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, as of and for the year ended June 30, 2008 which collectively comprise 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 opinions 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, 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 Perry City as of June 30, 2008, 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 December 29, 2008 on our consideration of Perry 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.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The impact fee analysis on Page 38 is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crane, Christensen + Ambrose

December 29, 2008

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

The following is a discussion and analysis of Perry City's financial performance and activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-wide

- The City's combined net assets decreased \$177,529 or 1.5 percent from the prior year. Business-type activities increased \$93,839 while governmental activities decreased \$271,368.

Governmental Fund Level

- Fund balances in the City's governmental funds decreased \$300,839 or 1353.5% percent from the prior year due primarily to the purchase of land and increased expenditures.

Proprietary Fund

- Operating revenues increased \$146,707, or 25.6 percent over last year. Non-operating revenues decreased by \$387,949 or 65.3 percent in the collection of impact and connection fees for water and sewer.
- The City began construction on a new wastewater treatment plant with a projected cost of \$12,806,000, spending \$1,192,701 during fiscal year 2008.

Long-term Debt

- The City's long-term debt increased from \$2,382,124 to \$2,951,233, or 23.9 percent due to the addition of a loan advance for construction of the new wastewater treatment plant. Principal reductions of bonds and notes payable totaled \$145,326 during 2008.

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.

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

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

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, 94.3 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 decreased \$177,529 or 1.5 percent as a whole. Net assets of governmental activities decreased \$271,368 or 4.7 percent from last year. Net assets of business-type activities increased in the amount of \$93,839 or 1.6 percent.

Restricted net assets comprise 8.8 percent of total net assets and are subject to external restrictions on how they may be used. 3.2 percent of net assets is negative equity, representing funds that have been used by the City to meet ongoing obligations to citizens and creditors, but have been allocated as reserved.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

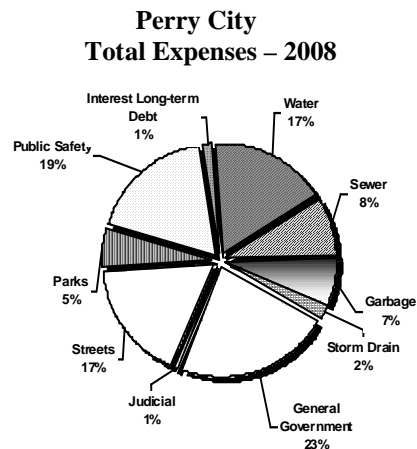
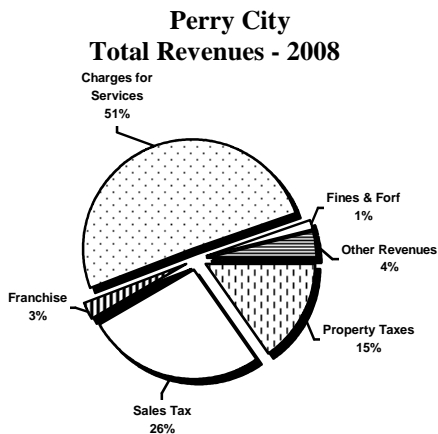
A summary of the net assets of the City is as follows:

Perry City Corporation							
Net Assets							
June 30, 2008 (restated for 2007)							
		Governmental		Business-type		Total	
		Activities		Activities			
		2008	2007	2008	2007	2008	2007
Current and Other Assets	\$	2,380,550	2,551,236	2,214,925	2,453,670	4,595,475	5,004,906
Capital Assets		7,507,414	7,612,689	5,195,519	4,090,973	12,702,933	11,703,662
Total Assets		9,887,964	10,163,925	7,410,444	6,544,643	17,298,408	16,708,568
Current and Other Liabilities		2,597,668	2,505,726	222,385	116,068	2,820,053	2,621,794
Long-term Liabilities		1,812,733	1,909,268	1,138,500	472,856	2,951,233	2,382,124
Total Liabilities		4,410,401	4,414,994	1,360,885	588,923	5,771,286	5,003,918
Net Assets:							
Invested in Capital Assets, Net of Rel Debt		5,721,949	5,730,689	5,149,968	4,037,458	10,871,917	9,768,147
Restricted		202,510	203,760	852,560	1,134,954	1,055,070	1,338,714
Unrestricted		(446,896)	(185,518)	47,031	783,308	(399,865)	597,790
Total Net Assets	\$	5,477,563	5,748,931	6,049,559	5,955,720	11,527,122	11,704,651
Percentage change from prior year:		-4.72%	-0.71%	1.58%	5.25%	-1.52%	2.24%

Change in Net Assets

Total Revenues for 2008 decreased 6.0 percent from last year, due in large part to a 21.0 percent overall reduction in charges for services in the Utilities Fund. Program expenses increased \$225,258, or 8.6 percent overall due for the most part to increased costs for public safety in the amount of \$169,786 or 35.1 percent higher than last year and increased interest on long-term debt in the amount of \$86,719 or 320.1 percent over last year.

Overall, the City's total net assets decreased this year by \$177,529, or 1.5 percent as shown in the table comparing the City's revenues and expenses for fiscal year 2008:



PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

Perry City, Utah
Changes in Net Assets
For the Year Ended June 30, 2008

	Governmental		Business-type		TOTAL		Total
	Activities		Activities				Percent
	2008	2007	2008	2007	2008	2007	Change 2007- 2008
Revenues							
General Revenues							
Taxes	\$ 1,102,303	\$ 1,035,884	\$ -	\$ -	\$ 1,102,303	\$ 1,035,884	6.4%
Other Revenues/(Expenses)	66,576	68,875	44,998	46,624	111,574	115,499	-3.4%
Program Revenues							
Charges for Services	357,302	371,389	908,714	1,150,003	1,266,016	1,521,392	-16.8%
Operating Grants	177,739	157,937	-	-	177,739	157,937	12.5%
Capital Grants	4,200	1,116	-	-	4,200	1,116	276.3%
Total Revenues	1,708,120	1,635,201	953,712	1,196,626	2,661,832	2,831,828	-6.0%
Expenses							
Judicial	19,953	16,831	-	-	19,953	16,831	18.5%
Administration	607,865	587,077	-	-	607,865	587,077	3.5%
Public Safety	654,167	484,381	-	-	654,167	484,381	35.1%
Highways and Streets	440,286	455,343	-	-	440,286	455,343	-3.3%
Parks	143,449	143,805	-	-	143,449	143,805	-0.2%
Interest on Long-Term Debt	113,768	27,049	-	-	113,768	27,049	320.6%
Water	-	-	434,084	449,055	434,084	449,055	-3.3%
Sewer	-	-	160,927	220,777	160,927	220,777	-27.1%
Garbage	-	-	239,246	179,054	239,246	179,054	33.6%
Storm Drain	-	-	25,616	50,730	25,616	50,730	-49.5%
Total Expenses	1,979,488	1,714,486	859,873	899,615	2,839,361	2,614,101	8.6%
Transfers In (Out)	-	-	-	-	-	-	0.0%
Change in Net Assets	(271,368)	(41,055)	93,839	297,011	(177,529)	255,956	169.4%
Net Assets - Beginning (restated)	5,748,931	5,789,986	5,955,720	5,658,709	11,704,651	11,448,695	2.2%
Net Assets - Ending (2007 restated)	\$ 5,477,563	\$ 5,748,931	\$ 6,049,559	\$ 5,955,720	\$ 11,527,122	\$ 11,704,651	-1.5%

Governmental Activities

The table on the next page shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. For 2008, these programs generated \$539,241 or 27.2 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,597,668 for program expenses.

General fund tax collections increased from \$1,035,886 to \$1,102,303, or 6.4 percent, while other revenues, including investment interest, decreased 3.3 percent from \$68,875 in 2007 to \$66,576 in 2008. Charges for services decreased \$14,087 primarily due to a 7.8 percent reduction in administrative service revenues. Operating grants increased 12.5 percent in 2008 over 2007.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

During 2008, governmental expenditures increased \$265,002 or 15.5 percent overall from last year. \$169,786 of that amount was a 35.1 percent increase in Public Safety department expenditures. The Administration department also showed a 3.5 percent increase in expenditures, while the Streets department decreased expenditures by 3.3 over last year. Judicial expenditures also increased \$3,122, or 18.5 percent.

Perry City, Utah
Net Cost of Governmental Activities
For Year Ended June 30, 2008

	Total		Less		Net		Program Revenues	
	Program		Program		Program		as a Percentage	
	Expenses	Revenues	Costs	Costs	Costs	of Total Expense	of Total Expense	
	2008	2008	2008	2007	2008	2007	2008	2007
Governmental Activities								
Judicial	\$ 19,953	\$ 35,638	\$ (15,685)	\$ (25,184)	178.6%	249.6%		
Administration	607,865	268,817	339,048	304,413	44.2%	48.1%		
Public Safety	654,167	16,837	637,330	471,245	2.6%	2.7%		
Streets	440,286	166,833	273,453	300,662	37.9%	34.0%		
Parks	143,449	51,116	92,333	105,860	35.6%	26.4%		
Interest on Long-term Debt	113,768	-	113,768	27,050	0.0%	0.0%		
Total Governmental Activities	\$ 1,979,488	\$ 539,241	\$ 1,440,247	\$ 1,184,046	27.2%	29.5%		

Business-type Activities

Total Utilities Fund revenues for 2008 were \$953,712, a decrease of \$242,914 or 20.3 percent over last year. 75.5 percent of total revenues were charges for sales and services. Impact and connection fees accounted for 19.8 percent, and investment earnings the other 4.7 percent. Total Expenditures decreased by 4.4 percent or \$39,742, and the Utilities fund showed income before operating transfers of \$93,839, down 68.4 percent from last year. All departments performed at lower levels of operating revenues, but the most significant effect was felt with the decrease in impact and connection fees overall, from \$576,372 to \$188,376, a 67.3 percent drop in the current year. Of note is a segment loss in the Garbage department of \$45,103, with less being charged for garbage services than is collected annually. Recognizing this deficit and the role timing differences play in the collection of garbage fees, the City acted and has implemented a new monthly verification system to reduce billing errors and to ensure proper and timely collection of refuse fees. Current year expenses include employee benefits, administration costs, repairs & maintenance, utilities, payments and depreciation expense.

Perry City Corporation
Net Costs of Business-type Activities
June 30, 2008

	Total		Less		Net		Program Revenues	
	Program		Program		Program		as a Percentage	
	Expenses	Revenues	Costs	Costs	Costs	Of Total Expense	Of Total Expense	
	2008	2008	2008	2007	2008	2007	2008	2007
Business-type activities								
Water	\$ 434,084	\$ 390,144	\$ 43,940	\$ (105,458)	89.9%	123.5%		
Sewer	160,927	247,645	(86,718)	(156,152)	153.9%	170.4%		
Garbage	239,246	194,143	45,103	9,475	81.1%	94.5%		
Storm Drain	25,616	76,782	(51,166)	(44,875)	299.7%	179.0%		
Total Business-type activities	\$ 859,873	\$ 908,714	\$ (48,841)	\$ (297,010)	105.7%	133.0%		

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Perry City added \$45,897 in new capital assets during 2008 and spent \$1,301,806 on construction for ongoing projects citywide. General government purchased a new police cruiser for \$25,052, two 1983 fire trucks for \$7,000, a flat bed trailer for \$2,245 and \$11,600 for computer upgrades. Construction in progress in general government involved the construction of 1200 West near Walmart for \$64,800, and \$14,978 for a building addition.

Additions to Business-type capital assets included construction in progress in the amount of \$29,327 for work on the water main on Highway 89 and \$1,192,701 for the new wastewater treatment plant. It is anticipated that the wastewater treatment plant will be completed at a total cost of \$12,806,000, of which \$745,000 will be paid with impact fees, and \$12,061,000 with a loan from the Department of Water Quality.

The City holds \$12,702,933 in Net Capital Assets. Of those, \$7,507,414 or 59.1 percent is held in Governmental Activity net capital assets. Business-type activities hold \$5,195,519 or 40.9 percent of total net Capital Assets. More information about capital assets is included in Note 4.

Long-term Debt

In 2008, Perry City made the final payment on the Revenue Sewer Bonds issued in 1984. The repayment of bonds issued for water continues, as well as the reduction of the special assessment bond to finance improvements at Pointe Perry. Principal obligations totaling \$145,326 were made during 2008, reducing Bonds Payable by 6.2 percent. The City received a loan advance in the amount of \$711,000 for the commencement of construction of a wastewater treatment plant, with total loan proceeds scheduled to be \$12,061,000 in future years. Compensated absences had a balance of \$34,922. As a whole, long-term liabilities increased by \$569,109 or 23.9 percent during 2008. Long-term debt consisted of the following at June 30, 2008:

Perry City, Utah							
Long-term Liabilities							
June 30, 2008							
	Governmental		Business-type		TOTAL		Total
	Activities		Activities		TOTAL		Percent
	2008	2007	2008	2007	2008	2007	Change 2007- 2008
Bonds Payable	\$ 1,784,000	1,882,000	\$ 421,311	468,637	\$ 2,205,311	2,350,637	-6.2 %
DWQ Loan Advance	-	-	711,000	-	711,000	-	100.0 %
Compensated Absences	28,733	27,268	6,189	4,219	34,922	31,487	10.9 %
Total	\$ 1,812,733	1,909,268	1,138,500	472,856	\$ 2,951,233	2,382,124	23.9 %

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2008 Perry City's governmental funds reported combined fund balances of -\$171,285. \$52,424 was reserved for park impact fees, \$1,549 for Police impact fees, \$5,332 for Fire impact fees, and \$107,328 is reserved for Debt Service. These amounts are unavailable for future spending. 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 transferred \$51,031 to close the Capital Improvements fund, and after purchasing land that will be resold in the coming fiscal year after improvements are made, has an Unreserved balance of -\$337,918.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2008

The following chart presents the City's 2008 ending fund balances.

Perry City, Utah
Fund Balances/Net Assets
June 30, 2008

	General Fund	Capital Projects	Debt Service	Utility Fund	Internal Serv Fund	Total
Invested in Capital Assets	\$ -	-		5,149,968	171,790	\$ 5,321,758
Reserved/Restricted	59,305	-	107,328	816,864		983,497
Unreserved/Undesignated	(337,918)	-		82,727	(76,416)	(331,607)
Total	\$ (278,613)	-	107,328	6,049,559	95,374	\$ 5,973,648
Percent Change from Prior Year:	-1353.54%	100.00%	-10.01%	1.58%	0.34%	-2.73%

General Fund

The 2007 General Fund Balance was restated due to a reduction in accounts payable of \$38,230 caused by timing differences at year end. All comparisons are made using the restated 2007 fund balance. During 2008, the General Fund balance decreased \$278,613 or 1353.5 percent due primarily to a land purchase as described on the prior page, as well as increased expenditures. To balance the budget and cover expenditures, in August, 2008, the City passed an increase in its property tax rate in order to increase revenues. During 2008, total revenues went down \$120,223 or 7.4 percent, mostly from a decrease in miscellaneous revenues. Total General Fund expenditures decreased \$76,138 or 4.2 percent due for the most part to decreases in street expenditures.

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 included additional funds budgeted for the Streets and Parks departments.

Actual General Fund revenues were \$368,744 or 19.7 percent below the original budget and \$167,126, or 10.0 percent below the final budget. Actual expenditures were \$344,656 or 16.4 percent below the original budget and \$260,105 or 12.9 percent below the final budget. The City decreased existing fund balance in the General Fund this year to cover expenditures in the amount of \$300,839.

Capital Improvements Fund

The Capital Improvements Fund balance was cleared with a transfer of \$51,031 from the general fund until such time as additional capital improvements are required.

Utilities Fund

The Utilities Fund has a total fund balance of \$6,049,559 which showed an increase of \$93,839 or 1.6 percent during 2008. While revenues of \$953,712 were lower than last year by \$242,914 or 20.3 percent, they were sufficient to cover total expenses of \$859,873, which decreased by \$39,742 or 4.4 percent relative to the prior year.

Internal Service Fund

The Internal Service Fund maintains and allocates expenses for city vehicles to other funds. During 2008 its fund balance increased by \$320, a slight .3 percent over 2007.

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, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 774,514	\$ 774,514
Receivables (net of allowance for uncollectibles):			
Accounts	1,864,598	76,661	1,941,259
Taxes	516,470	-	516,470
Due from other government units	218,069	-	218,069
Deposits	32,716	-	32,716
Internal balances	(546,886)	546,886	0
Restricted cash	202,510	816,864	1,019,374
Total current assets	<u>2,287,477</u>	<u>2,214,925</u>	<u>4,502,403</u>
Noncurrent assets			
Capital assets:			
Land	363,847	173,579	537,426
Buildings	71,436	96,992	168,428
Infrastructure	7,975,627	-	7,975,627
Improvements	555,062	5,768,515	6,323,577
Machinery and equipment	126,384	170,203	296,587
Vehicles	480,000	3,800	483,800
Construction in Progress	79,778	1,222,028	1,301,806
Less: accumulated depreciation	<u>(2,144,720)</u>	<u>(2,239,598)</u>	<u>(4,384,318)</u>
Net capital assets	7,507,414	5,195,519	12,702,933
Deferred charge	93,073	-	93,073
Total noncurrent assets	<u>7,600,487</u>	<u>5,195,519</u>	<u>12,796,006</u>
Total assets	<u>9,887,964</u>	<u>7,410,444</u>	<u>17,298,408</u>
LIABILITIES			
Current liabilities			
Accounts payable	90,791	124,495	215,286
Accrued liabilities	115,278	24,830	140,108
Accrued interest payable	62,490	5,460	67,950
Deferred revenue	2,300,470	-	2,300,470
Customer deposits	28,639	67,600	96,239
Total current liabilities	<u>2,597,668</u>	<u>222,385</u>	<u>2,820,053</u>
Noncurrent liabilities			
Due within one year	103,000	40,091	143,091
Due in more than one year	1,709,733	1,098,409	2,808,142
Total noncurrent liabilities	<u>1,812,733</u>	<u>1,138,500</u>	<u>2,951,233</u>
Total liabilities	<u>4,410,401</u>	<u>1,360,885</u>	<u>5,771,286</u>
NET ASSETS			
Investment in general capital assets			
net of related debt	5,721,949	5,149,968	10,871,917
Restricted net assets	202,510	816,864	1,019,374
Unrestricted net assets	(446,896)	82,727	(364,169)
Total net assets	<u>\$ 5,477,563</u>	<u>\$ 6,049,559</u>	<u>\$ 11,527,122</u>

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

PERRY CITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Administration	\$ 607,865	\$ 259,567	\$ 9,250	\$ -	\$ (339,048)	\$ -	\$ (339,048)
Public safety	654,167	10,981	1,656	4,200	(637,330)	-	(637,330)
Streets	440,286	-	166,833	-	(273,453)	-	(273,453)
Parks	143,449	51,116	-	-	(92,333)	-	(92,333)
Judicial	19,953	35,638	-	-	15,685	-	15,685
Interest on long-term debt	113,768	-	-	-	(113,768)	-	(113,768)
Total governmental activities	1,979,488	357,302	177,739	4,200	(1,440,247)	-	(1,440,247)
Business-type activities:							
Water	434,084	390,144	-	-	-	(43,940)	(43,940)
Sewer	160,927	247,645	-	-	-	86,718	86,718
Garbage	239,246	194,143	-	-	-	(45,103)	(45,103)
Storm drain	25,616	76,782	-	-	-	51,166	51,166
Total business-type activities	859,873	908,714	-	-	-	48,841	48,841
Total primary government	\$ 2,839,361	\$ 1,266,016	\$ 177,739	\$ 4,200	(1,440,247)	48,841	(1,391,406)
General revenues:							
Taxes:							
Property					373,509	-	373,509
Sales					637,977	-	637,977
Franchise and energy					65,820	-	65,820
Payments in lieu of taxes					24,997	-	24,997
Unrestricted investment earnings					59,857	44,998	104,855
Gain on sale of assets					6,719	-	6,719
Total general revenues					1,168,879	44,998	1,213,877
Change in net assets					(271,368)	93,839	(177,529)
Net assets - beginning (restated)					5,748,931	5,955,720	11,704,651
Net assets - ending					\$ 5,477,563	\$ 6,049,559	\$ 11,527,122

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

**PERRY CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Capital Improvements	Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowances				
Accounts	80,344	-	1,784,254	1,864,598
Taxes	516,470	-	-	516,470
Due from other governments	218,069	-	-	218,069
Deposits	32,716	-	-	32,716
Restricted cash and cash equiv.	-	-	202,510	202,510
Total assets	\$ 847,599	\$ -	\$ 1,986,764	\$ 2,834,363
LIABILITIES				
Accounts payable	\$ 90,791	\$ -	\$ -	\$ 90,791
Accrued liabilities	52,793	-	62,485	115,278
Due to other funds	437,519	-	32,951	470,470
Deferred revenue	516,470	-	1,784,000	2,300,470
Customer deposits	28,639	-	-	28,639
Total liabilities	1,126,212	-	1,879,436	3,005,648
FUND BALANCE				
Reserved for:				
Class C road	-	-	-	-
Police impact Fees	1,549	-	-	1,549
Fire impact Fees	5,332	-	-	5,332
Park impact fees	52,424	-	-	52,424
Debt service	-	-	107,328	107,328
Unreserved, undesignated reported in:				
General fund	(337,918)	-	-	(337,918)
Capital projects	-	-	-	-
Debt service	-	-	-	-
Total fund balances	(278,613)	-	107,328	(171,285)
Total liabilities and fund balances	\$ 847,599	\$ -	\$ 1,986,764	\$ 2,834,363

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

**PERRY CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds \$ (171,285)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. These assets consist of the following:

Land	363,847	
Buildings	71,436	
Infrastructure and improvements	8,530,689	
Other capital assets	606,384	
Construction in Progress	79,778	
Accumulated depreciation	<u>(2,144,720)</u>	
		7,507,414

Deferred charges such as unamortized bond issue costs are not financial resources and are, therefore, not reported in governmental funds. 93,073

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets. The capital assets are included in above. The following is the amount due to other funds: (76,416)

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 the following:

Accrued interest payable	(62,490)	
Compensated absences	(28,733)	
Notes payable	<u>(1,784,000)</u>	
		<u>(1,875,223)</u>

Net Assets of Governmental Activities \$ 5,477,563

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

PERRY CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Capital Improvements	Debt Service	Total Governmental Funds
REVENUES:				
Taxes				
Property	\$ 373,509	\$ -	\$ -	373,509
Sales	637,977	-	-	637,977
Energy, Franchise	65,820	-	-	65,820
Licenses and permits	61,565	-	-	61,565
Intergovernmental	176,489	-	-	176,489
Charges for services	39,875	-	187,351	227,226
Fines and forfeitures	35,638	-	-	35,638
Impact fees	44,405	-	-	44,405
Sale of property	6,719	-	-	6,719
Investment earnings	43,946	-	15,910	59,856
Miscellaneous	18,913	-	-	18,913
Total revenues	1,504,856	-	203,261	1,708,117
EXPENDITURES:				
General government:				
Administration	621,230	-	-	621,230
Judicial	19,953	-	-	19,953
Public Safety	652,208	-	-	652,208
Streets	332,907	-	-	332,907
Parks	128,366	-	-	128,366
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	98,000	98,000
Interest and fiscal charges	-	-	117,195	117,195
Total expenditures	1,754,664	-	215,195	1,969,859
Excess (deficiency) of revenues over expenditures	(249,808)	-	(11,934)	(261,742)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	51,031	-	51,031
Transfers (out)	(51,031)	-	-	(51,031)
Total other financing sources (uses)	(51,031)	51,031	-	(0)
Net change in fund balance	(300,839)	51,031	(11,934)	(261,742)
Fund balance at beginning of year (restated)	22,226	(51,031)	119,262	90,457
Fund balance at end of year	\$ (278,613)	\$ -	\$ 107,328	\$ (171,285)

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

PERRY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances-Total Governmental Funds \$ (261,742)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:

Capital outlay	91,375	
Depreciation expense	<u>(197,958)</u>	(106,583)

Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue (expense) of the the internal service fund is reported with governmental activities. 320

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: 98,000

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 the following:

Accrued bond interest	3,427	
Amortization of deferred amounts	(3,325)	
Increase in compensated absences	<u>(1,465)</u>	<u>(1,363)</u>

Change in Net Assets of Governmental Activities \$ (271,368)

The notes to the financial statements 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, 2008**

	Business-type Enterprise Fund-Utilities	Governmental Activities- Internal Service Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 774,514	\$ -
Accounts receivable (net of allowance)	76,661	-
Due from other funds	546,886	-
Total current assets	1,398,061	-
Noncurrent assets		
Restricted cash for impact fees	816,864	-
Total restricted assets	816,864	-
Capital assets:		
Land	173,579	-
Buildings	96,992	-
Improvements	5,768,515	-
Machinery and equipment	170,203	9,430
Vehicles	3,800	450,089
Construction in Progress	1,222,028	-
Total capital assets	7,435,117	459,519
Less accumulated depreciation	(2,239,598)	(287,729)
Net capital assets	5,195,519	171,790
Total noncurrent assets	6,012,383	171,790
Total assets	7,410,444	171,790
LIABILITIES		
Current liabilities:		
Accounts payable	124,495	-
Accrued Liabilities	24,830	-
Due to other funds	-	76,416
Total current liabilities	149,325	76,416
Current liabilities payable from restricted assets:		
Revenue bonds payable	40,091	-
Accrued interest payable	5,460	-
Total current liabilities payable from restricted assets	45,551	-
Noncurrent liabilities		
Revenue bonds payable	381,220	-
Compensated absences	6,189	-
Deposits payable	67,600	-
Notes Payable	711,000	-
Total noncurrent liabilities	1,166,009	-
Total liabilities	1,360,885	76,416
NET ASSETS		
Investment in general capital assets (net of related debt)	5,149,968	171,790
Restricted net assets	816,864	-
Unrestricted net assets	82,727	(76,416)
Total net assets	\$ 6,049,559	\$ 95,374

The notes to the financial statements 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, 2008

	Business-type Enterprise Fund-Utilities	Governmental Activities-Internal Service Fund
OPERATING REVENUES:		
Charges for sales and services		
Water	\$ 299,523	\$ -
Sewer	194,815	-
Garbage	194,143	-
Storm drain	31,857	-
Interfund services	-	100,000
Total operating revenue	720,338	100,000
OPERATING EXPENSES:		
Water	352,174	-
Sewer	119,777	-
Garbage	239,246	-
Storm Drain	19,545	-
Depreciation	117,483	32,991
Fleet Lease	-	66,689
Total operating expenses	848,225	99,680
Operating income (loss)	(127,887)	320
NON-OPERATING REVENUES (EXPENSES):		
Impact, connection and other-water	90,621	-
Impact, connection and other-sewer	52,830	-
Impact, connection and other-storm drain	44,925	-
Investment Earnings	44,998	-
Interest and fiscal charges	(11,648)	-
Total nonoperating revenue (expenses)	221,726	-
Income before operating transfers	93,839	320
Transfers in	-	
Transfers (out)	-	-
Change in net assets	93,839	320
Net assets, July 1	5,955,720	95,054
Net assets, June 30	\$ 6,049,559	\$ 95,374

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

**PERRY CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business Activities Enterprise Fund-Utilities	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 734,614	\$ 100,000
Cash received from other activities	-	-
Cash payments to employees for services	(214,551)	-
Cash payments for goods and services	<u>(424,975)</u>	<u>(66,689)</u>
Net cash from operating activities	<u>95,088</u>	<u>33,311</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Loans to other funds	<u>(428,789)</u>	-
Net cash from noncapital financing activities	<u>(428,789)</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,222,029)	(34,298)
Other revenues	188,377	-
Proceeds from notes payable	711,000	-
Due to other funds	15,557	987
Payment on revenue bonds	(47,326)	-
Interest paid on notes and leases payable	-	-
Interest paid on revenue bonds	<u>(12,377)</u>	<u>-</u>
Net cash from capital and related financing activities	<u>(366,798)</u>	<u>(33,311)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>44,998</u>	-
Net cash from investing activities	<u>44,998</u>	-
Net increase (decrease) in cash equivalents	(655,501)	-
Cash/equivalents at beginning of year	<u>2,246,879</u>	<u>-</u>
Cash/equivalents at end of year	<u>1,591,378</u>	<u>-</u>
Cash/equivalents, end of year (unrestricted)	774,514	-
Cash/equivalents, end of year (restricted)	<u>816,864</u>	<u>-</u>
Total cash/equivalents, end of year	<u>\$ 1,591,378</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ <u>(127,887)</u>	\$ <u>320</u>
Reconciliation adjustments:		
Depreciation	117,483	32,991
Changes in assets and liabilities:		
Change in accounts receivable	(3,524)	-
Change in deferred revenue	-	-
Change in deposits payable	17,800	-
Change in accounts payable	64,416	-
Change in wages payable and compensated absences	26,800	-
	<u>-</u>	<u>-</u>
Total adjustments	<u>222,975</u>	<u>32,991</u>
Net cash provided by operating activities	<u>\$ 95,088</u>	<u>\$ 33,311</u>

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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

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, 2008

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 below with the governmental activities.

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.
- **Capital Improvements Fund** – This fund accounts for financial resources to be used for the construction of major capital projects.
- **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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 1. (Continued)

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.

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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 1. (Continued)

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.

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.

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 \$2,500 with a useful life of at least one year are capitalized.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 1. (Continued)

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. 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,

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 1. (Continued)

including sales taxes, are considered to be available if they are collected within 60 days after year-end.

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, 2008, Perry City has deferred revenues of \$253,770 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 2008.

H. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2008 was \$34,922.

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, 2008

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, 2008 was \$463,329. These deposits are insured up to \$100,000.

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, 2008.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
US Treasury obligations held by trustee	\$ 202,510	N/A	N/A
Utah Public Treasurer's Investment Fund	<u>1,431,624</u>	62 days*	not rated
Total	<u>\$ 1,634,134</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, 2008

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.

Total Cash and investments:	
Deposits @ 6/30/08	\$ 159,714
Investments	1,634,134
Cash on hand	<u>40</u>
	<u>\$ 1,793,888</u>

As reported in the financial statements:	
Cash and cash equivalents	\$ 738,818
Restricted cash and cash equivalents	<u>1,055,070</u>
	<u>\$ 1,793,888</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, 2008 consist of the following:

	Taxes	Due From Other Governments	Accounts	Total
Governmental activities:				
General Fund	\$ 516,470	\$ 218,069	\$ 80,344	\$ 814,883
Debt Service Fund	-	-	1,784,254	1,784,254
Total receivables	<u>\$ 516,470</u>	<u>\$ 218,069</u>	<u>\$ 1,864,598</u>	<u>\$ 2,599,137</u>
Business-type activities:				
Utilities fund, net of allowance \$6,287	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,661</u>	<u>\$ 76,661</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

In governmental activities during fiscal year 2008, the City expended \$125,675 for new capital assets, including \$11,600 for computer upgrades; \$25,052 for a new police cruiser and \$7,000 for two 1983 fire trucks; \$79,778 construction in progress on Walmart Road and a building addition, and \$2,245 for a new flatbed trailer.

In the Utility Fund, a total of \$1,222,028 was spent on construction currently in progress. Construction on a new wastewater treatment plant was started in fiscal year 2008. As of June 30, 2008, \$1,192,701 of an estimated \$12,356,000 cost has been spent. The City continues construction on the Highway 89 water main, spending \$29,327 during 2008.

Perry City Corporation
Capital Assets

	Balance		Additions		Deletions		Balance
	June 30, 2007						June 30, 2008
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 363,846	\$	-	\$	-	\$	363,846
Construction in progress	-		79,778		-		79,778
Total capital assets, not being depreciated	363,846		79,778		-		443,624
Capital assets, being depreciated:							
Buildings	71,436		-		-		71,436
Improvements	555,062		-		-		555,062
Infrastructure	7,975,628		-		-		7,975,628
Furniture, machinery and equipment	114,784		11,600		-		126,384
Vehicles	445,703		34,297		-		480,000
Capital assets being depreciated	9,162,613		45,897		-		9,208,510
Less accumulated depreciation for:							
Buildings	(19,000)		(1,865)		-		(20,865)
Improvements	(322,092)		(26,021)		-		(348,113)
Infrastructure	(1,233,590)		(159,513)		-		(1,393,103)
Furniture, machinery and equipment	(71,601)		(8,924)		-		(80,525)
Vehicles	(267,487)		(34,627)		-		(302,114)
Total accumulated depreciation	(1,913,770)		(230,950)		-		(2,144,720)
Total capital assets being depreciated, net	7,248,843		(185,053)		-		7,063,790
Governmental activities capital assets, net	\$ 7,612,689	\$	(105,275)	\$	-	\$	7,507,414

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 4. (Continued)

Business-type Activities:

Capital assets, not being depreciated:

Land	\$ 173,579	\$ -	\$ -	\$ 173,579
Construction in progress	-	1,222,028	-	1,222,028
Total capital assets, not being depreciated	<u>173,579</u>	<u>1,222,028</u>	<u>-</u>	<u>1,395,607</u>

Capital assets, being depreciated:

Buildings	96,992	x -	-	96,992
Infrastructure	5,768,515		-	5,768,515
Furniture, machinery and equipment	170,203		-	170,203
Vehicles	<u>3,800</u>		<u>-</u>	<u>3,800</u>
Capital assets being depreciated	<u>6,039,510</u>		<u>-</u>	<u>6,039,510</u>

Less accumulated depreciation for:

Buildings	(8,487)	(2,425)	-	(10,912)
Infrastructure	(2,055,740)	(103,947)	-	(2,159,687)
Furniture, machinery and equipment	(54,089)	(11,110)	-	(65,199)
Vehicles	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>(3,800)</u>
Total accumulated depreciation	<u>(2,122,116)</u>	<u>(117,482)</u>	<u>-</u>	<u>(2,239,598)</u>
Total capital assets being depreciated, net	<u>3,917,394</u>	<u>(117,482)</u>	<u>-</u>	<u>3,799,912</u>
Business-type activities capital assets, net	<u>\$ 4,090,973</u>	<u>\$ 1,104,546</u>	<u>\$ -</u>	<u>\$ 5,195,519</u>

Depreciation expense for 2008 was charged to functions as follows:

	Governmental Activities	Business Types	TOTAL
Administration	\$ 16,019	-	\$ 16,019
Parks	15,387	-	15,387
Police	16,755	-	16,755
Fire	1,066	-	1,066
Streets	181,723	-	181,723
Sewer	-	70,687	70,687
Water	-	40,724	40,724
Storm Drain	<u>-</u>	<u>6,071</u>	<u>6,071</u>
Total depreciation expense	<u>\$ 230,950</u>	<u>117,482</u>	<u>\$ 348,432</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 5. LONG-TERM DEBT

The changes in long-term debt for Governmental and Business-type activities during 2008 are as follows:

	Balance		Balance		Due
	June 30, 2007	Additions	Retirements	June 30, 2008	within
					One Year
Bonds Payable	1,882,000	-	(98,000)	1,784,000	103,000
Compensated Absences	27,268	1,465	-	28,733	-
Total	\$ 1,909,268	\$ 1,465	\$ (98,000)	\$ 1,812,733	\$ 103,000
Business-type activities					
Bonds Payable	468,637	-	(47,326)	421,311	40,091
Grant Payable	-	711,000	-	711,000	-
Compensated Absences	4,219	1,970	-	6,189	-
Total	\$ 472,856	\$ 712,970	\$ (47,326)	\$ 1,138,500	\$ 40,091

Annual requirements to amortize the long-term debt as of June 30, 2008 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
2009	\$ 31,000	\$ 10,010	\$ 41,010	2.56%
2010	32,000	9,216	41,216	2.56%
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%
	\$ 391,000	\$ 62,619	\$ 453,619	

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
2009	\$ 9,091	\$ 909	\$ 10,000	3.00%
2010	9,363	637	10,000	3.00%
2011	11,857	356	12,213	3.00%
	\$ 30,311	\$ 1,902	\$ 32,213	

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 5. (Continued)

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 for the fiscal year ended June 30, 2008 was 4.74%. The final payment is due October 1, 2020. The following is a debt schedule over the period of the bonds:

Year	Principal	Interest	Total	Interest Rate
2009	\$ 103,000	\$ 83,313	\$ 186,313	4.74%
2010	108,000	78,503	186,503	4.74%
2011	113,000	73,459	186,459	4.74%
2012-2016	647,000	283,282	930,282	4.74%
2017-2021	813,000	117,405	930,405	4.74%
	\$ 1,784,000	\$ 635,962	\$ 2,419,962	

In December, 2007, the Division of Water Quality advanced \$711,000 of an anticipated \$12,061,000 loan to begin construction of the City’s wastewater treatment plant. It is required that the \$711,000 design advance be repaid when the loan closes.

The remaining long-term debt consists of compensated absences in the amount of \$34,922.

On January 1, 2008, the City retired the final payment of \$8,925 from the Utilities fund for the Revenue Sewer Bonds dated January 1, 1984 with a face amount of \$210,000.

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

Reserved for Class “C” Road – This represents the excess of Class “C” Road funds received over the amount spent.

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 for Water Impact Fees – This represent the excess of Water Impact Fee funds received over the amount spent.

Restricted for Sewer Impact Fees – This represent the excess of Sewer Impact Fee funds received over the amount spent.

Restricted for Storm Drain Impact Fees – This represent the excess of Storm Drain Impact Fee funds received 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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 7. (Continued)

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 automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman’s compensation. As of June 30, 2008, 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 11.62% 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% of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 7.7% 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 \$3,475 to a 457 Plan during the year ended June 30, 2008.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2008, 2007, and 2006 were \$46,274, \$43,025, and \$33,056 respectively, and for the Public Safety Retirement System the contributions for June 30, 2008, 2007, and 2006 were \$55,658, \$38,379, and \$25,823 respectively.

The City sponsors a 401k deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$15,894 to this plan during the year ended June 30, 2008, and the employees contributed \$18,208. City employees also contributed \$100 to a Roth IRA Plan during the year ended June 30, 2008.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

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 nd

NOTE 10. BUDGET COMPLIANCE AND ACCOUNTABILITY

There were no funds with deficit fund balance in fiscal year 2008. There were no departments with expenditures in excess of budget at the end of fiscal year 2008.

NOTE 11. SEGMENT INFORMATION FOR ENTERPRISE FUND

The City maintains one Public Utilities Fund which provides water, sewer, and garbage. Segment information for the year ended June 30, 2008 was as follows:

	Water	Sewer	Garbage	Storm Drain	Total
Operating revenues:					
Charges for service	\$ 299,523	\$ 194,815	\$ 194,143	\$ 31,857	\$ 720,338
Operating expenses, excl depreciation	(352,174)	(119,777)	(239,246)	(19,545)	(730,742)
Depreciation	(70,688)	(40,725)	-	(6,071)	(117,483)
Operating income	(123,339)	34,314	(45,103)	6,241	(127,887)
Non-operating revenues:					
Interest expense	(11,223)	(425)	-	-	(11,648)
Impact fees	90,622	52,830	-	44,925	188,377
Interest income	23,217	19,701	-	2,080	44,998
Change in net assets	(20,722)	106,419	(45,103)	53,246	93,839
Beginning net assets	1,847,673	3,309,856	259,372	538,819	5,955,720
Ending net assets	\$ 1,826,951	\$ 3,416,275	\$ 214,269	\$ 592,065	\$ 6,049,559

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 13. 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	-	437,519	-	-	-	437,519
Due from Debt Service Fund	-	32,951	-	-	-	32,951
Due from Internal Service Fund	-	76,416	-	-	-	76,416
Due to Utility Fund	437,519	-	32,951	76,416	546,886	-
	<u>\$ 437,519</u>	<u>\$ 546,886</u>	<u>\$ 32,951</u>	<u>\$ 76,416</u>	<u>\$ 546,886</u>	<u>\$ 546,886</u>

These balances represent funds loaned from the Utilities Fund to the General, Debt Service and Internal Service Funds. The Utilities fund made a loan to the General Fund for the purchase of land that will be repaid with the profits made from the sale of the land after improvements are completed. The other due to amounts were entered to make up for shortfalls of allocated cash in the General (\$8,730), Internal Service, and Debt Service Funds. These balances are expected to be repaid within the next year.

NOTE 14. 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.

NOTE 15. RESTATEMENT

Beginning fund balance in the General Fund and beginning net assets in the entity-wide Statement of Net Assets were restated to include prior year accounts payable amounts that were overstated. Fund balance was increased by \$38,230.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**PERRY CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$	\$	\$	\$
Property	458,000	458,000	373,509	(84,491)
Sales	775,000	569,203	637,977	68,774
Energy, Franchise	54,500	48,394	65,820	17,426
Licenses and permits	174,000	83,887	61,565	(22,322)
Intergovernmental	182,000	182,010	176,489	(5,521)
Charges for services	46,500	85,514	39,875	(45,639)
Fines and forfeitures	30,000	25,200	35,638	10,438
Impact fees	25,000	51,471	44,405	(7,066)
Sale of property	-	47,000	6,719	(40,281)
Investment earnings	120,000	111,763	43,946	(67,817)
Miscellaneous	8,600	9,540	18,913	9,373
Total revenues	<u>1,873,600</u>	<u>1,671,982</u>	<u>1,504,856</u>	<u>(167,126)</u>
EXPENDITURES:				
Administration				
Council	1,000	5,000	4,182	818
Inspection	179,240	151,053	137,143	13,910
Other	556,400	629,336	479,905	149,431
Total administration	<u>736,640</u>	<u>785,389</u>	<u>621,230</u>	<u>164,159</u>
Judicial				
Judicial	15,500	22,000	19,953	2,047
Total Judicial	<u>15,500</u>	<u>22,000</u>	<u>19,953</u>	<u>2,047</u>
Public safety				
Police	608,947	642,835	608,125	34,710
Fire	34,303	41,269	40,856	413
Animal Control	3,200	3,500	3,227	273
Total public safety	<u>646,450</u>	<u>687,604</u>	<u>652,208</u>	<u>35,396</u>
Streets				
Streets	482,859	377,666	332,907	44,759
Total streets	<u>482,859</u>	<u>377,666</u>	<u>332,907</u>	<u>44,759</u>
Parks				
Parks	217,871	142,110	128,366	13,744
Total parks and recreation	<u>217,871</u>	<u>142,110</u>	<u>128,366</u>	<u>13,744</u>
Total expenditures	<u>2,099,320</u>	<u>2,014,769</u>	<u>1,754,664</u>	<u>260,105</u>
Excess (deficiency) of revenues over expenditures	<u>(225,720)</u>	<u>(342,787)</u>	<u>(249,808)</u>	<u>92,979</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	358,789	-	(358,789)
Transfers (out)	(65,000)	-	(51,031)	(51,031)
Total other financing sources (uses)	<u>(65,000)</u>	<u>358,789</u>	<u>(51,031)</u>	<u>(409,820)</u>
Excess (deficiency) of revenues/sources over (under) expenditures/uses	(290,720)	16,002	(300,839)	(316,842)
Fund balance at beginning of year (restated)	22,226	22,226	22,226	-
Fund balance at end of year	<u>\$ (268,494)</u>	<u>\$ 38,228</u>	<u>\$ (278,613)</u>	<u>\$ (316,842)</u>

**OTHER SUPPLEMENTARY
INFORMATION**

PERRY CITY CORPORATION
SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2008

The state of Utah requires the following information on impact fees to be reported in the supplemental data section of the financial statements.

The City has implemented the collection of impact fees on new development for parks, police and fire projects, water distribution, sewer collection, and storm drain distribution. The fees are collected to expand the respective infrastructure as outlined in a properly approved capital facilities plan to handle new growth. If the City does not expend the impact fees within five years of collection, the fees must be rebated back to the property owners or the fees must be designated for a project by the City Council and spent within the designated time frame.

As of June 30, 2008, the impact fees outstanding were as follows:

Year Collected	Parks	Police	Fire	Water	Sewer	Storm Drain	Total
2006	\$ -	-	-	183,873	-	-	\$ 183,873
2007	11,537	347	1,195	250,396	149,208	23,996	472,375
2008	40,887	1,202	4,137	90,631	71,755	47,005	255,617
Total	\$ <u>52,424</u>	<u>1,549</u>	<u>5,332</u>	<u>524,900</u>	<u>220,963</u>	<u>71,001</u>	\$ <u>911,865</u>

PARKS: The City collected impact fees for new park development. During 2008, \$10,800 was spent for impact fee studies to analyze and facilitate the use of park impact fees. All impact fees are designated for expenditure in fiscal year 2009 for new park development.

POLICE & FIRE: The City collected impact fees for the public safety programs (police and emergency services). No funds were spent in fiscal year 2008.

WATER: The City collects water impact fees for development and improvements on the existing system. \$8,380 was spent in 2008 for an impact fee study to analyze and facilitate the use of water impact fees. \$25,250 was spent on construction of a new water main on Highway 89. This project continue into fiscal year 2009. All impact fees are designated for expenditure in fiscal year 2009 for water system development and improvements.

SEWER: The City collects sewer impact fees for development and improvements on new and existing sewer system. \$12,150 was spent in 2008 for an impact fee study to analyze and facilitate the use of sewer impact fees. With the help of a Utah Division of Water Quality grant, the City began construction on a new wastewater treatment system, with an estimated completion cost of \$12,356,000. \$1,192,701 was spent on the facility during fiscal year 2008, of which \$481,701 was sewer impact fees. All impact fees are designated for expenditure in fiscal year 2009 for the completion of this system, along with improvements to existing sewer infrastructure.

STORM DRAIN: The City collects storm drain impact fees for development and improvement on the existing system. None of these funds were spent during fiscal year 2008. All impact fees are designated for expenditure in fiscal year 2009 for storm drain development and improvements.

AUDITORS' REPORTS



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

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 Perry City as of and for the year ended June 30, 2008, and have issued our report thereon dated December 29, 2008. 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 audit procedures for the purpose of expressing our opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Perry City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Perry City's financial statements that is more than inconsequential will not be prevented or detected by Perry City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Perry City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies 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 grants, 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 those charged with governance on December 29, 2008.

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

Crane, Christensen + Ambrose

December 29, 2008

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Member Division of CPA Firms, American Institute of Certified Public Accountants



Steven F. Crane, CPA
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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, 2008, and have issued our report thereon dated December 29, 2008.

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	

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.

The results of our audit procedures disclosed one instance of noncompliance with the requirements referred to above, which is 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, 2008.

Crane, Christensen + Ambrose

December 29, 2008

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PERRY CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

PROGRAM: UNIFORM BUILDING CODE STANDARDS

FINDING: The quarterly reports were not filed timely.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to insure the reports are filed timely.

CITY'S REPLY: The City will develop a schedule to make sure the reports are completed timely.