

DRAFT

PERRY CITY



Financial Statements

**Year Ended
June 30, 2009**

DRAFT

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2009

DRAFT

**PERRY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2009**

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Steven F. Crane, CPA
Kent R. Christensen, CPA
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, 2009 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, 2009, 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 3, 2009 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 is not a required part of the basic financial statements, but is 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.

Crane, Christensen & Ambrose

December 3, 2009

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

The following is a discussion and analysis of Perry City's financial performance and activities for the year ended June 30, 2009. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-wide

- The City's combined net assets increased \$604,539 or 5.2 percent from the prior year. Business-type activities increased \$111,642 and governmental activities increased \$492,897.

Governmental Fund Level

- Fund balances in the City's governmental funds increased \$407,950 over the prior year due to an increase in property tax revenues, decreased expenditures in most departments, and the sale of property easements during 2009.

Proprietary Fund

- Though the increase in the Utilities Fund balance was a modest 1.9 percent over last year, all segments in the Utilities fund provided program revenues which exceeded their program expenses, for a total increase in program revenues of \$156,886, or 17.3 percent over last year.
- The City began construction on the new wastewater treatment plant in 2008 with a projected cost of \$12,356,000, spending \$4,493,777 during fiscal year 2009. The total spent to date is \$5,686,479.

Long-term Debt

- The City's long-term debt increased from \$2,951,233 to \$6,781,283, or 129.8 percent due primarily to the receipt of \$4,677,000 in loan funds from the Utah Department of Water Quality for the new wastewater treatment plant. Principal reductions of bonds and notes payable totaled \$854,091 during 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements - Reporting the City as a Whole

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

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

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

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

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

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

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

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

Reconciliation Between Government-wide and Fund Statements

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

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

The City's net assets increased \$604,539 or 5.2 percent as a whole. Net assets of governmental activities increased \$492,897 over last year. Net assets of business-type activities increased in the amount of \$111,642 or 1.9 percent.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

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

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

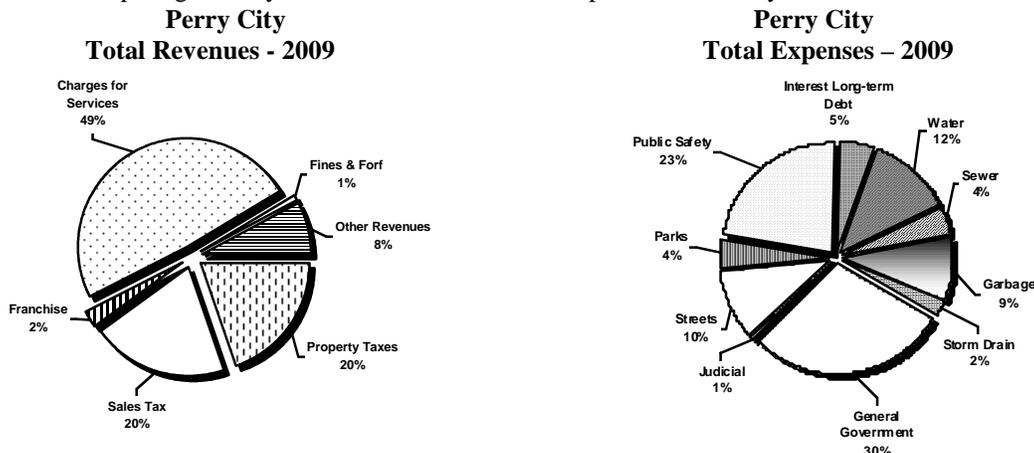
	Net Assets					
	June 30, 2009					
	Governmental		Business-type		Total*	
	Activities		Activities		Total*	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 2,935,881	2,380,550	\$ 2,197,389	2,214,925	\$ 4,722,447	4,595,475
Capital Assets	7,533,498	7,507,414	10,012,595	5,195,519	17,546,093	12,702,933
Total Assets	10,469,379	9,887,964	12,209,984	7,410,444	22,268,540	17,298,408
Current and Other Liabilities	2,891,147	2,597,668	1,024,633	222,385	3,504,957	2,820,053
Long-term Liabilities	1,607,771	1,812,733	5,024,149	1,138,500	6,631,920	2,951,233
Total Liabilities	4,498,918	4,410,401	6,048,782	1,360,885	10,136,877	5,771,286
Net Assets:						
Invested in Capital Assets, Net of Rel Debt	5,762,749	5,721,949	4,954,375	5,149,968	10,717,124	10,871,917
Restricted	241,821	202,510	314,887	852,560	556,708	1,055,070
Unrestricted	(34,109)	(446,896)	891,940	47,031	857,831	(399,865)
Total Net Assets	\$ 5,970,461	5,477,563	\$ 6,161,202	6,049,559	\$ 12,131,663	11,527,122
Percentage change from prior year:	9.00%	-4.72%	1.85%	1.58%	5.24%	-1.52%

* Internal balances eliminated in total

Change in Net Assets

Total Revenues for 2009 increased 14.5 percent from last year, due in large part to a 12.5 percent increase in tax revenues in the General Fund and a 15 percent increase in charges for services, mostly seen in the Utilities Fund. Program expenses decreased \$394,926, or 13.9 percent overall due for the most part to a decrease of \$132,301 or 30.0 percent in Highway and Street expenditures, as well as a \$105,471, or 16.1 percent decrease in Public Safety costs in the General Fund, and a decrease of expenses in all segments of the Utilities Fund totaling \$173,593, a decrease of 20.2 percent in Utilities program expenses.

Below is a table comparing the City's sources of revenues and expenses for fiscal year 2009:



PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

Perry City, Utah
Changes in Net Assets
For the Year Ended June 30, 2009

	Governmental		Business-type		TOTAL		Total Percent
	Activities		Activities				Change 2008- 2009
	2009	2008	2009	2008	2009	2008	
Revenues							
General Revenues							
Taxes	\$ 1,239,725	\$ 1,102,303	\$ -	\$ -	\$ 1,239,725	\$ 1,102,303	12.5%
Other Revenues/(Expenses)	184,261	66,576	10,935	44,998	195,196	111,574	74.9%
Program Revenues							
Charges for Services	389,944	357,302	1,065,600	908,714	1,455,544	1,266,016	15.0%
Operating Grants	158,509	177,739	-	-	158,509	177,739	-10.8%
Capital Grants	-	4,200	-	-	-	4,200	-100.0%
Total Revenues	1,972,439	1,708,120	1,076,535	953,712	3,048,974	2,661,832	14.5%
Expenses							
Judicial	13,222	19,953	-	-	13,222	19,953	-33.7%
Administration	515,940	471,497	-	-	515,940	471,497	9.4%
Public Safety	548,696	654,167	-	-	548,696	654,167	-16.1%
Highways and Streets	307,985	440,286	-	-	307,985	440,286	-30.0%
Parks	120,741	143,449	-	-	120,741	143,449	-15.8%
Community Development	200,936	136,368	-	-	200,936	136,368	47.3%
Interest on Long-Term Debt	50,635	113,768	-	-	50,635	113,768	-55.5%
Water	-	-	686,280	859,873	686,280	859,873	-20.2%
Total Expenses	1,758,155	1,979,488	686,280	859,873	2,444,435	2,839,361	-13.9%
Transfers In (Out)	278,613	-	(278,613)	-	-	-	0.0%
Change in Net Assets	492,897	(271,368)	111,642	93,839	604,539	(177,529)	440.5%
Net Assets - Beginning	5,477,564	5,748,931	6,049,560	5,955,720	11,527,124	11,704,651	-1.5%
Net Assets - Ending	\$ 5,970,461	\$ 5,477,564	\$ 6,161,202	\$ 6,049,560	\$ 12,131,663	\$ 11,527,122	5.2%

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 2009, these programs generated \$548,453, or 31.2 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,209,702 for program expenses, which was \$230,545 less than was required last year.

General fund tax collections increased from \$1,102,303 to \$1,239,725, or 12.5 percent, and other revenues increased 74.9 percent from \$66,576 to \$184,261 in 2009. This was entirely due to the sale of easement areas to Rocky Mountain Power in the amount of \$159,693, and covers actual decreases in revenue areas such as Inspections (down 28.6% or \$7,547), Building Permit and Licenses (down 8.3% or 4,495), Fines and Forfeitures (down 32.6% or \$11,604) and a decrease in investment interest (down 45.3% or \$19,894) from the prior year. Charges for services increased \$32,642 primarily due to a \$10,381, or 159.2 percent increase in Corporate Business Licenses and the \$15,010 transfer of a building improvement to the Utilities Fund. Operating grants decreased \$19,230, or 10.8 percent, in 2009.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

Due to tighter budgets and careful management during 2009, governmental expenditures decreased \$221,333 or 11.2 percent overall from last year. \$105,471 of that amount was a 16.1 percent decrease in Public Safety department expenditures, and a \$132,301, or 30.0 percent decrease in Highways and Streets expenditures. The Administration department showed a \$44,443 or 9.4 percent increase in expenditures for employee wages and benefits, along with a \$64,568 or 47.4 percent increase in Community Development expenditures also due to increased employee benefits and professional and technical support. Interest on Long-term debt also decreased \$63,122 or 55.5 percent from last year.

Perry City, Utah								
Net Cost of Governmental Activities								
For Year Ended June 30, 2009								
	Total	Less	Net		Program Revenues			
	Program	Program	Program		as a Percentage			
	Expenses	Revenues	Costs		of Total Expense			
	2009	2009	2009	2008	2009	2008		
Governmental Activities								
Judicial	\$ 13,222	\$ 24,034	\$ (10,812)	\$ (15,685)	181.8%	178.6%		
Administration	515,940	238,927	277,013	229,087	46.3%	51.4%		
Public Safety	548,696	9,385	539,311	637,330	1.7%	2.6%		
Streets	307,985	151,071	156,914	273,453	49.1%	37.9%		
Parks	120,741	2,228	118,513	92,333	1.8%	35.6%		
Community Development	200,936	122,808	78,128	109,961	61.1%	19.4%		
Interest on Long-term Debt	50,635	-	50,635	113,768	0.0%	0.0%		
Total Governmental Activities	\$ 1,758,155	\$ 548,453	\$ 1,209,702	\$ 1,440,247	31.2%	27.2%		

Business-type Activities

Total Utilities Fund revenues for 2009 were \$1,076,535, an increase of \$122,823 or 12.9 percent over last year. 87.7 percent of total revenues were charges for services. Impact and connection fees accounted for 11.2 percent and investment earnings the other 1.1 percent. Total expenditures decreased by \$173,590 or 20.2, and the Utilities fund showed income before operating transfers of \$390,255, an increase of \$296,416 over last year. Although the water department had \$44,296, or 11.4 percent less revenue during 2009, the Sewer department revenue increased by \$116,987 or 47.2, with the Garbage and Storm Drain departments also operating with increased revenues of \$60,825 and \$23,370 or 31.3 and 30.4 percent respectively. All departments were able to cover its share of program expenses with its own charges for services, without relying on other sources of revenue. Impact Fees in all departments slowed again this year from \$188,376 in 2008 to \$121,314 in 2009, a decrease of 35.6 percent.

It was noted last year that the garbage department ran at a loss of \$45,103. During 2009, however, that same department showed operating income of \$29,533, a 34.5 percent improvement, indicating the City's timely recognition and action to implement and manage new protocols to maintain efficiency in managing city funds.

Perry City, Utah								
Net Cost of Business-type Activities								
For Year Ended June 30, 2009								
	Total	Less	Net		Program Revenues			
	Program	Program	Program		as a Percentage			
	Expenses	Revenues	Costs		of Total Expense			
	2009	2009	2009	2008	2009	2008		
Business-type activities								
Utility	\$ 686,280	\$ 1,065,600	\$ (379,320)	\$ 43,940	155.3%	89.9%		
Total Business-type activities	\$ 686,280	\$ 1,065,600	\$ (379,320)	\$ 43,940	155.3%	89.9%		

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Perry City added \$730,968 in new capital assets during 2009 and spent \$4,493,777 on construction for ongoing projects citywide. General government purchased two vehicles for the Police and Fire Departments at a cost of \$3,500 and \$36,718 respectively, as well as received donations of three vehicles for the Police and Streets departments. Two small vehicles and a chipper were purchased for \$8,100 and \$7,000 for Police and Streets and Parks maintenance. \$200,820 was the total cost capitalized in 2009 for the completion of construction of 1200 West. A 1990 Dump Truck with an original cost of \$25,000 was disposed of during the year.

Additions to Business-type capital assets included \$15,010 for a maintenance building for the Water department, \$394,590 for the replacement of the water main on Highway 89, \$65,230 for storm drain improvements on the 2000 South access, and construction in progress in the amount of \$4,493,777 for work on the new wastewater treatment plant. It is anticipated that the wastewater treatment plant will be completed at a total cost of \$12,356,000, 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 \$17,456,344 in Net Capital Assets. Of those, \$7,443,749 or 42.6 percent is held in Governmental Activity net capital assets. Business-type activities hold \$10,012,595 or 57.4 percent of total net Capital Assets. More information about capital assets is included in Note 4.

Long-term Debt

The repayment of bonds issued for water continues with current principal balances of \$381,220, as well as the reduction of the special assessment bond to finance improvements at Pointe Perry with a principal balance of \$1,681,000. Principal obligations totaling \$143,091 on Water Bonds Payable were made during 2009, reducing the principal balance owing by 6.5 percent. The City also repaid a loan advance from the Utah Department of Water Quality in the amount of \$711,000 for the commencement of construction of a wastewater treatment plant, with total sewer bond proceeds scheduled to be \$12,061,000 in future years, of which \$4,677,000 have been received to date. Compensated absences has a balance of \$42,063. As a whole, long-term liabilities increased by \$4,684,141 or 158.8 percent during 2009.

Long-term debt consisted of the following at June 30, 2009:

Perry City, Utah								
Long-term Liabilities								
June 30, 2009								
	Governmental		Business-type		TOTAL		Total	Change 2008- 2009
	Activities		Activities				Percent	
	2009	2008	2009	2008	2009	2008		
Bonds Payable	\$ 1,681,000	1,784,000	\$ 381,220	421,311	\$ 2,062,220	2,205,311		-6.5%
Advance/Bonds Payable	-	-	4,677,000	711,000	4,677,000	711,000		557.8%
Compensated Absences	34,771	28,733	7,292	6,189	42,063	34,922		20.4%
Total	\$ 1,715,771	1,812,733	5,065,512	1,138,500	\$ 6,781,283	2,951,233		129.8%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2009 Perry City's governmental funds reported combined fund balances of \$236,665. \$83,814 was reserved for park impact fees, \$2,265 for Police impact fees, \$8,048 for Fire impact fees, and \$147,694 is reserved for Debt Service. These amounts are unavailable for future spending. The fund balance of the Internal Service Fund (Fleet) is \$95,374 but is made up entirely of capital assets held in that fund. There was no reservation made for Class C Road projects since all Class C Road revenues received were expended during the year. The General Fund's unreserved fund balance closed with a negative balance of \$5,156, up \$332,762 over last year.

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2009

The following chart presents the City's 2009 ending fund balances.

Perry City, Utah
Fund Balances/Net Assets
June 30, 2009

	General Fund	Debt Service	Utilities Fund	Internal Service Fund	Total
Invested in Capital Assets	\$ -		4,954,375	95,374	\$ 5,049,749
Reserved/Restricted	94,127	147,694	314,887		556,708
Unreserved/Undesignated	(5,156)		891,940	-	886,784
Total	\$ 88,971	147,694	6,161,202	95,374	\$ 6,493,241
Percent Change from Prior Year:	131.93%	37.61%	1.85%	0.00%	8.70%

General Fund

During 2009, the General Fund balance increased \$367,584 due primarily to an increase in tax revenues of \$137,422, a \$221,333 decrease in expenditures over last year, and a transfer from the Utilities Fund in the amount of \$278,613. During 2009, total revenues increased by \$264,319 or 15.5 percent, due in large part to the property tax increase, and the sale of easements in the amount of \$156,493. The decrease in total General Fund expenditures is due in major part to decreases in public safety and street expenditures of \$160,311 or 36.4 percent and \$105,472 or 16.1 percent respectively.

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 mostly included decreasing revenue projections for Intergovernmental revenue, charges for services, and investment earnings. The only material adjustments to budgeted General Fund expenditures were decreases to anticipated expenditure amounts in the Streets and Parks departments.

Actual General Fund revenues were \$194,621, or 10.2 percent below the original budget and \$29,717, or 1.7 percent above the final budget. Actual expenditures were \$283,592 or 14.8 percent below the original budget and \$118,688 or 6.8 percent below the final budget. The City increased existing fund balance in the General Fund this year to cover expenditures in the amount of \$367,584.

Utilities Fund

The Utilities Fund has total net assets of \$6,161,202 which showed an increase of \$111,642 or 1.9 percent during 2009. Total revenues of \$1,076,538 were higher than last year by \$122,826 or 12.9 percent, and were more than sufficient to cover total expenses of \$686,283, which decreased by \$173,590 or 20.2 percent relative to the prior year. The Utilities Fund also made a transfer of \$278,613 to the General Fund, forgiving a portion of the balance owing the Utilities Fund from the General Fund.

Internal Service Fund

The Internal Service Fund maintains and allocates expenses for city vehicles to other funds. During 2009 its fund balance maintained a balance of \$95,374 showing no increase or decrease over 2008.

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, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 17,193	\$ 1,289,978	\$ 1,307,171
Accounts receivable (net of allowance)	1,923,556	121,806	2,045,362
Taxes receivable	523,765	--	523,765
Deposits	32,716	--	32,716
Due from other governments	241,202	--	241,202
Restricted cash and cash equivalents	197,449	374,782	572,231
<i>Internal Balances*</i>	--	410,823	--
Total Current Asset	2,935,881	2,197,389	4,722,447
<i>Noncurrent Assets</i>			
Construction in progress	--	5,686,479	5,686,479
Land	363,847	173,579	537,426
Buildings	71,436	112,002	183,438
Improvements	555,062	6,228,335	6,783,397
Infrastructure	8,176,448	--	8,176,448
Machinery and equipment	133,384	170,203	303,587
Vehicles	503,318	3,800	507,118
Accumulated depreciation	(2,359,746)	(2,361,803)	(4,721,549)
Deferred charges	89,749	--	89,749
Total Assets	10,469,379	12,209,984	22,268,540
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	46,373	891,970	938,343
Accrued liabilities	36,170	3,988	40,158
Deferred revenue	2,204,765	--	2,204,765
Customer deposits	26,139	59,000	85,139
Accrued interest payable	58,877	28,312	87,189
<i>Internal Balances*</i>	410,823	--	--
Total Current Liabilities	2,783,147	983,270	3,355,594
<i>Noncurrent Liabilities</i>			
Noncurrent liabilities-Due in less than one year	108,000	41,363	149,363
Noncurrent liabilities-Due in more than one year	1,607,771	5,024,149	6,631,920
Total Liabilities	4,498,918	6,048,782	10,136,877
Net Assets			
Investment in general capital assets (net of related debt)	5,762,749	4,954,375	10,717,124
<i>Restricted for:</i>			
Police impact fees	2,265	--	2,265
Fire impact fees	8,048	--	8,048
Park impact fees	83,814	--	83,814
Debt service	147,694	--	147,694
Utility Fund-Impact fees	--	314,887	314,887
<i>Unrestricted</i>	(34,109)	891,940	857,831
Total Net Assets	\$ 5,970,461	\$ 6,161,202	\$ 12,131,663

* Amounts have been eliminated in total column

The notes are an integral part of this statement.

Perry City
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
Administration	\$ 515,940	\$ 238,927	--	--	\$(277,013)	\$ --	\$(277,013)
Judicial	13,222	24,034	--	--	10,812	--	10,812
Public safety	548,696	1,302	8,083	--	(539,311)	--	(539,311)
Streets	307,985	645	150,426	--	(156,914)	--	(156,914)
Parks	120,741	2,228	--	--	(118,513)	--	(118,513)
Community development	200,936	122,808	--	--	(78,128)	--	(78,128)
Interest on long-term debt	50,635	--	--	--	(50,635)	--	(50,635)
Total Governmental Activities	1,758,155	389,944	158,509	--	(1,209,702)	--	(1,209,702)
Business-type Activities:							
Utility	686,280	1,065,600	--	--	--	379,320	379,320
Total Business-type Activities	686,280	1,065,600	--	--	--	379,320	379,320
Total Primary Government	\$ 2,444,435	\$ 1,455,544	\$ 158,509	\$ --	\$(1,209,702)	\$ 379,320	\$(830,382)
General Purpose Revenues and Transfers:							
Revenues							
Property taxes					574,921	--	574,921
Sales taxes					597,203	--	597,203
Franchise and energy taxes					67,601	--	67,601
Sale of property					159,493	--	159,493
Investment earnings					24,768	10,935	35,703
Transfers					278,613	(278,613)	--
Total General Revenues and Transfers					1,702,599	(267,678)	1,434,921
Change in Net Assets					492,897	111,642	604,539
<i>Net Assets at Beginning of Period</i>					5,477,564	6,049,560	11,527,124
Net Assets at End of Period					\$ 5,970,461	\$ 6,161,202	\$ 12,131,663

The notes are an integral part of this statement.

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**Perry City
Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 17,193	\$ --	\$ 17,193
Accounts receivable (net of allowance)	56,718	1,866,838	1,923,556
Taxes receivable	523,765	--	523,765
Deposits	32,716	--	32,716
Due from other governments	241,202	--	241,202
Restricted cash and cash equivalents	--	197,449	197,449
Total Assets	\$ 871,594	\$ 2,064,287	\$ 2,935,881
Liabilities			
Accounts payable	\$ 46,373	\$ --	\$ 46,373
Accrued liabilities	36,170	--	36,170
Deferred revenue	523,765	1,681,000	2,204,765
Customer deposits	26,139	--	26,139
Accrued interest payable	--	58,877	58,877
Due to other funds	150,176	176,716	326,892
Total Liabilities	782,623	1,916,593	2,699,216
Fund Balance			
<i>Reserved for:</i>			
Police impact fees	2,265	--	2,265
Fire impact fees	8,048	--	8,048
Park impact fees	83,814	--	83,814
Debt service	--	147,694	147,694
<i>Unreserved reported in:</i>			
General Fund	(5,156)	--	(5,156)
Total Fund Balance	88,971	147,694	236,665
Total Liabilities and Fund Balance	\$ 871,594	\$ 2,064,287	\$ 2,935,881

The notes are an integral part of this statement.

Perry City
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009

Total Fund Balance - Governmental Funds	\$	236,665
Net Assets of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		95,374
Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds. These assets consist of land, buildings, infrastructure, improvements, construction in progress net of related accumulated depreciation.		7,264,444
Deferred charges such as unamortized bond issue costs are not financial resources and are, therefore, not reported in governmental funds.		89,749
Some liabilities are not due and payable in the current year and therefore are not reported in the governmental funds. These liabilities and related costs consist of accrued interest payable, compensated absences, and notes payable.		(1,715,771)
Total Net Assets-Governmental Funds	\$	<u>5,970,461</u>

The notes are an integral part of this statement.

Perry City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 527,517	\$ 47,404	\$ 574,921
Sales taxes	597,203	--	597,203
Franchise and energy taxes	69,897	--	69,897
Licenses and permits	89,551	--	89,551
Intergovernmental	152,333	--	152,333
Charges for services	7,642	208,372	216,014
Fines and forfeitures	24,034	--	24,034
Impact fees	33,257	--	33,257
Sale of property	208	--	208
Investment earnings	24,053	715	24,768
Miscellaneous	30,968	--	30,968
Total Revenues	1,556,663	256,491	1,813,154
Expenditures			
Administration	504,412	--	504,412
Judicial	13,222	--	13,222
Public safety	549,378	--	549,378
Streets	253,908	--	253,908
Parks	105,121	--	105,121
Community development	200,936	--	200,936
Debt service: principal	--	103,000	103,000
Debt service: Interest and fiscal charges	--	113,125	113,125
Total Expenditures	1,626,977	216,125	1,843,102
Excess of Revenues Over			
(Under) Expenditures	(70,314)	40,366	(29,948)
Other Financing Sources (Uses)			
Transfers in (out)	278,613	--	278,613
Net Other Financing Sources (Uses)	278,613	--	278,613
Special Item			
Proceeds from the sale of land	159,285	--	159,285
Net Change in Fund Balance	367,584	40,366	407,950
<i>Fund Balance at Beginning of Period</i>	(278,613)	107,328	(171,285)
Fund Balance at End of Period	\$ 88,971	\$ 147,694	\$ 236,665

The notes are an integral part of this statement.

Perry City
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	407,950
---	----	---------

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

		(71,182)
--	--	----------

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:

		103,000
--	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of accrued bond interest, amortization of deferred amounts, and increase in compensated absences.

		53,129
--	--	--------

Changes in Net Assets-Governmental Funds	\$	<u>492,897</u>
---	----	-----------------------

The notes are an integral part of this statement.

Proprietary Fund Financial Statements

Utility Fund

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

Internal Service Fund

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

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**Perry City
Statement of Net Assets
Proprietary Funds
June 30, 2009**

	<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities Internal Service Funds</u>
	<u>Utility</u>	<u>Total Enterprise Funds</u>	
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,289,978	\$ 1,289,978	\$ --
Accounts receivable (net of allowance)	121,806	121,806	--
Restricted cash and cash equivalents	374,782	374,782	--
Due from other funds	410,823	410,823	--
Total Current Assets	<u>2,197,389</u>	<u>2,197,389</u>	<u>--</u>
<i>Noncurrent Assets</i>			
Construction in progress	5,686,479	5,686,479	--
Land	173,579	173,579	--
Buildings	112,002	112,002	--
Improvements	6,228,335	6,228,335	--
Machinery and equipment	170,203	170,203	9,430
Vehicles	3,800	3,800	473,406
Accumulated depreciation	<u>(2,361,803)</u>	<u>(2,361,803)</u>	<u>(303,531)</u>
Total Assets	<u>12,209,984</u>	<u>12,209,984</u>	<u>179,305</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	891,970	891,970	--
Accrued liabilities	3,988	3,988	--
Customer deposits	59,000	59,000	--
Accrued interest payable	28,312	28,312	--
Due to other funds	--	--	83,931
Total Current Liabilities	<u>983,270</u>	<u>983,270</u>	<u>83,931</u>
<i>Noncurrent Liabilities</i>			
Noncurrent liabilities-Due in less than one year	41,363	41,363	--
Noncurrent liabilities-Due in more than one year	5,024,149	5,024,149	--
Total Liabilities	<u>6,048,782</u>	<u>6,048,782</u>	<u>83,931</u>
Net Assets			
Investment in general capital assets (net of related debt)	4,954,375	4,954,375	95,374
<i>Restricted for:</i>			
Utility Fund-Impact fees	314,887	314,887	--
<i>Unrestricted</i>	891,940	891,940	--
Total Net Assets	<u>\$ 6,161,202</u>	<u>\$ 6,161,202</u>	<u>\$ 95,374</u>

The notes are an integral part of this statement.

Perry City
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental</u>
	<u>Utility</u>	<u>Total Enterprise Funds</u>	<u>Activities Internal</u> <u>Service Funds</u>
Operating Revenues			
Water	\$ 290,172	\$ 290,172	\$ --
Sewer	331,772	331,772	--
Garbage	254,968	254,968	--
Storm drain	67,374	67,374	--
Interfund services	--	--	26,011
Total Operating Revenues	<u>944,286</u>	<u>944,286</u>	<u>26,011</u>
Operating Expenses			
Administration	--	--	26,011
Water	239,669	239,669	--
Sewer	69,397	69,397	--
Garbage	225,435	225,435	--
Storm drain	19,190	19,190	--
Depreciation	122,206	122,206	--
Total Operating Expenses	<u>675,897</u>	<u>675,897</u>	<u>26,011</u>
Operating Income	<u>268,389</u>	<u>268,389</u>	<u>--</u>
Non-Operating Revenues (Expenses)			
Impact, connection and other-water	55,676	55,676	--
Impact, connection and other-sewer	32,860	32,860	--
Impact, connection and other-storm drain	32,778	32,778	--
Investment earnings	10,938	10,938	--
Interest and fiscal charges	(10,386)	(10,386)	--
Net Non-Operating Revenues (Expenses)	<u>121,866</u>	<u>121,866</u>	<u>--</u>
Income Before Contributions and Transfers	<u>390,255</u>	<u>390,255</u>	<u>--</u>
Transfers	(278,613)	(278,613)	--
Change In Net Assets	<u>111,642</u>	<u>111,642</u>	<u>--</u>
<i>Net Assets at Beginning of Period</i>	<u>6,049,560</u>	<u>6,049,560</u>	<u>95,374</u>
Net Assets at End of Period	<u>\$ 6,161,202</u>	<u>\$ 6,161,202</u>	<u>\$ 95,374</u>

The notes are an integral part of this statement.

Perry City
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year End June 30, 2009

	Business Activities		Governmental
	Enterprise		Activities -
	Fund-Utilities		Internal Service
	<u> </u>		<u> </u>
Cash flows from operating activities:			
Cash received from customers	\$ 899,141	\$	26,011
Cash payments to employees for services	(176,728)		-
Cash payments for goods and services	(304,957)		-
Net cash from operating activities	<u>417,456</u>		<u>26,011</u>
Cash flows from noncapital financing activities:			
Loans from other funds	136,063		7,515
Transfer Out	(278,613)		-
Net cash from noncapital financing activities	<u>(142,550)</u>		<u>7,515</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(4,249,298)		(33,526)
Other revenues	121,314		-
Proceeds from notes payable	4,677,000		-
Payment on revenue bonds	(40,091)		-
Payment on notes payable	(711,000)		-
Interest paid on revenue bonds	(10,386)		-
Net cash from capital and related financing activities	<u>(212,461)</u>		<u>(33,526)</u>
Cash flows from investing activities:			
Interest on investments	10,936		-
Net cash from investing activities	<u>10,936</u>		<u>-</u>
Net increase (decrease) in cash equivalents	73,381		-
Cash/equivalents at beginning of year	<u>1,591,379</u>		<u>-</u>
Cash/equivalents at end of year	<u>1,664,760</u>		<u>-</u>
Cash/equivalents, end of year (unrestricted)	1,289,978		-
Cash/equivalents, end of year (restricted)	<u>374,782</u>		<u>-</u>
Total cash/equivalents, end of year	<u>\$ 1,664,760</u>	<u>\$</u>	<u>-</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 268,389	\$	<u>-</u>
Reconciliation adjustments:			
Depreciation	122,205		26,011
Changes in assets and liabilities:			
Change in accounts receivable	(45,145)		-
Change in accrued interest payable	22,852		-
Change in deposits payable	(8,600)		-
Change in accounts payable	77,494		-
Change in wages payable and compensated absences	(19,739)		-
	<u>-</u>		<u>-</u>
Total adjustments	<u>149,067</u>		<u>26,011</u>
Net cash provided by operating activities	<u>\$ 417,456</u>	<u>\$</u>	<u>26,011</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, 2009

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, 2009

NOTE 1. (Continued)

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The City reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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, 2009

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, 2009

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, 2009

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, 2009, Perry City has deferred revenues of \$523,765 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 2009.

H. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2009 was \$42,063.

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, 2009

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, 2009 was \$881,360. 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, 2009.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
US Treasury obligations held by trustee	\$ 197,449	N/A	N/A
Utah Public Treasurer's Investment Fund	<u>1,580,121</u>	50 days*	not rated
Total	<u>\$ 1,777,570</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, 2009

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 @ 6/30/09	\$ 101,790
Investments	1,777,570
Cash on hand	<u>40</u>
	<u>\$ 1,879,400</u>

As reported in the financial statements:	
Cash and cash equivalents	\$ 1,307,169
Restricted cash and cash equivalents	<u>572,231</u>
	<u>\$ 1,879,400</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, 2009 consist of the following:

	<u>Taxes</u>	<u>Due From Other Governments</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 523,765	\$ 241,202	\$ 56,718	\$ 821,685
Debt Service Fund	<u>-</u>	<u>-</u>	<u>1,866,838</u>	<u>1,866,838</u>
Total receivables	<u>\$ 523,765</u>	<u>\$ 241,202</u>	<u>\$ 1,923,556</u>	<u>\$ 2,688,523</u>
Business-type activities:				
Utilities fund, net of allowance \$6,508	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,805</u>	<u>\$ 121,805</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

In governmental activities during fiscal year 2009, the City expended \$256,138 for new capital assets, including \$200,820 for new roadwork on 1200 West; \$7,000 for new equipment, and \$48,318 for new vehicles.

In the Utility Fund, a total of \$4,493,777 was spent on construction in progress for the new wastewater treatment plant. Construction on the wastewater treatment plant was started in fiscal year 2009. As of June 30, 2009, \$5,686,479 of an estimated \$12,356,000 cost has been spent. The City completed its work on the Highway 89 water main during 2009, at a total cost of \$394,590. Improvements to the storm drain system were also completed during the year at a cost of \$65,230, along with a building for use in the utility fund at a cost of \$15,010.

Perry City Corporation
Capital Assets

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 363,847	\$ -	\$ -	\$ 363,847
Construction in progress	79,778	-	(79,778)	-
Total capital assets, not being depreciated	443,625	-	(79,778)	363,847
Capital assets, being depreciated:				
Buildings	71,436	-	-	71,436
Improvements	555,062	-	-	555,062
Infrastructure	7,975,628	200,820	-	8,176,448
Furniture, machinery and equipment	126,384	7,000	-	133,384
Vehicles	480,000	48,318	(25,000)	503,318
Capital assets being depreciated	9,208,510	256,138	(25,000)	9,439,648
Less accumulated depreciation for:				
Buildings	(20,865)	(1,864)	-	(22,729)
Improvements	(348,113)	(26,021)	-	(374,134)
Infrastructure	(1,393,103)	(161,521)	-	(1,554,624)
Furniture, machinery and equipment	(80,525)	(9,158)	-	(89,683)
Vehicles	(302,114)	(26,670)	10,208	(318,576)
Total accumulated depreciation	(2,144,720)	(225,234)	10,208	(2,359,746)
Total capital assets being depreciated, net	7,063,790	30,904	(14,792)	7,079,902
Governmental activities capital assets, net	\$ 7,507,415	\$ 30,904	\$ (94,570)	\$ 7,443,749

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 4. (Continued)

Business-type Activities:

Capital assets, not being depreciated:

Land	\$ 173,579	\$ -	\$ -	\$ 173,579
Construction in progress	<u>1,222,028</u>	<u>4,493,777</u>	<u>(29,326)</u>	<u>5,686,479</u>
Total capital assets, not being depreciated	<u>1,395,607</u>	<u>4,493,777</u>	<u>(29,326)</u>	<u>5,860,058</u>

Capital assets, being depreciated:

Buildings	96,992	15,010	-	112,002
Infrastructure	5,768,515	459,820	-	6,228,335
Furniture, machinery and equipment	170,203	-	-	170,203
Vehicles	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>3,800</u>
Capital assets being depreciated	<u>6,039,510</u>	<u>474,830</u>	<u>-</u>	<u>6,514,340</u>

Less accumulated depreciation for:

Buildings	(10,912)	(2,549)	-	(13,461)
Infrastructure	(2,159,687)	(108,546)	-	(2,268,233)
Furniture, machinery and equipment	(65,199)	(11,110)	-	(76,309)
Vehicles	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>(3,800)</u>

Total accumulated depreciation	<u>(2,239,598)</u>	<u>(122,205)</u>	<u>-</u>	<u>(2,361,803)</u>
Total capital assets being depreciated, net	<u>3,799,912</u>	<u>352,625</u>	<u>-</u>	<u>4,152,537</u>
Business-type activities capital assets, net	<u>\$ 5,195,519</u>	<u>\$ 4,846,402</u>	<u>\$ (29,326)</u>	<u>\$ 10,012,595</u>

Depreciation expense for 2009 was charged to functions as follows:

	Governmental Activities	Business Types	TOTAL
Administration	\$ 8,695	-	\$ 8,695
Parks	15,620	-	15,620
Public Safety	20,311	-	20,311
Streets	180,608	-	180,608
Sewer		40,725	40,725
Water		74,757	74,757
Storm Drain		<u>6,723</u>	<u>6,723</u>
Total depreciation expense	<u>\$ 225,234</u>	<u>122,205</u>	<u>\$ 347,439</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 5. LONG-TERM DEBT

The changes in long-term debt for Governmental and Business-type activities during 2009 are as follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due within One Year
Bonds Payable	1,784,000	-	(103,000)	1,681,000	108,000
Compensated Absences	28,733	6,038	-	34,771	-
Total	\$ 1,812,733	\$ 6,038	\$ (103,000)	\$ 1,715,771	\$ 108,000
Business-type activities					
Bonds Payable	421,311	-	(40,091)	381,220	41,363
Advance/Bonds Payable	711,000	4,677,000	(711,000)	4,677,000	-
Compensated Absences	6,189	1,103	-	7,292	-
Total	\$ 1,138,500	\$ 4,678,103	\$ (751,091)	\$ 5,065,512	\$ 41,363

Annual requirements to amortize the long-term debt as of June 30, 2009 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
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%
	\$ 360,000	\$ 52,609	\$ 412,609	

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
2010	9,363	637	10,000	3.00%
2011	11,857	356	12,213	3.00%
	\$ 21,220	\$ 993	\$ 22,213	

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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, 2009 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
2010	\$ 108,000	\$ 78,503	\$ 186,503	4.74%
2011	113,000	73,459	186,459	4.74%
2012	118,000	68,182	186,182	4.74%
2013	123,000	62,671	185,671	4.74%
2014	129,000	56,927	185,927	4.74%
2015-2019	742,000	188,341	930,341	4.74%
2020-2021	348,000	24,564	372,564	4.74%
	<u>\$ 1,681,000</u>	<u>\$ 552,647</u>	<u>\$ 2,233,647</u>	

In December, 2008, the Division of Water Quality advanced Perry City \$4,677,000 of an anticipated \$11,350,000 to begin construction of the City's wastewater treatment plant. A design advance loan in the amount of \$711,000 was repaid at that time from those proceeds. Perry City issued Bonds in \$1,000 increments in the amount of \$4,677,000. The repayment schedule for the anticipated loan of \$11,350,000 begins with interest only payments due on the amount drawn, for fiscal years 2009 and 2010, with the first principal payment of \$240,000 due on May 1st, 2011.

The remaining long-term debt consists of compensated absences in the amount of \$42,063.

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

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

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

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

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

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

NOTE 7. RISK MANAGEMENT

Perry City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2009, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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 percent of employees' annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage, contributory division members are required to contribute 12.29 percent of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 11.22 percent of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than an "Agency Fund" as previously reported. Per GASB No. 32, all of the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The Retirement Systems no longer provides a Statement of Changes in Assets and Liabilities for the 457 Plan because the assets are no longer assets of the employer and are not to be included in the employer financial statements. City employees contributed \$3,465.51 to a 457 Plan during the year ended June 30, 2009.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2009, 2008, and 2007 were \$45,287, \$46,274, and \$43,025 respectively, and for the Public Safety Retirement System the contributions for June 30, 2009, 2008, and 2007 were \$56,067, \$55,658, and \$38,379 respectively.

The City sponsors a 401k deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$13,090 to this plan during the year ended June 30, 2009, and the employees contributed \$13,866. City employees made no contributions to a Roth IRA Plan during the year ended June 30, 2009.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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 2009. There were no departments with expenditures in excess of budget at the end of fiscal year 2009.

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, 2009 was as follows:

	Water	Sewer	Garbage	Storm Drain	Total
Operating revenues:					
Charges for service	\$ 290,172	\$ 331,772	\$ 254,968	\$ 67,374	\$ 944,286
Operating expenses, excl depreciation	(239,669)	(69,397)	(225,435)	(19,190)	(553,691)
Depreciation	(74,758)	(40,725)	-	(6,723)	(122,206)
Operating income	(24,255)	221,650	29,533	41,461	268,389
Non-operating revenues:					
Interest expense	(10,385)	-	-	-	(10,385)
Impact fees	55,676	32,860	-	32,778	121,314
Interest income	7,493	1,641	-	1,802	10,936
Transfers in(out)	(278,613)				(278,613)
Change in net assets	(250,084)	256,151	29,533	76,041	111,641
Beginning net assets	1,826,950	3,416,275	214,269	592,066	6,049,560
Ending net assets	\$ 1,576,866	\$ 3,672,426	\$ 243,802	\$ 668,107	\$ 6,161,201

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 12. RECONCILIATION DUE TO/DUE FROM BALANCES

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

	General Fund	Utility Fund	Debt Service Fund	Internal Service Fund	TOTAL DUE TO	TOTAL DUE FROM
Due from General Fund	-	150,176	-	-	-	150,176
Due from Debt Service Fund	-	176,716	-	-	-	176,716
Due from Internal Service Fund	-	83,931	-	-	-	83,931
Due to Utility Fund	150,176	-	176,716	83,931	410,824	-
	<u>\$150,176</u>	<u>\$410,823</u>	<u>\$176,716</u>	<u>\$83,931</u>	<u>\$410,823</u>	<u>\$410,823</u>

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

NOTE 13. INTERLOCAL AGREEMENT

The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate, and maintain an open, wholesale, public and Telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City since, as of June 30, 2007, UTOPIA had a net assets deficit of approximately \$59,413,033. 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 14. SPECIAL ITEM

During fiscal year 2009, Perry City sold property easements to utility companies. These are considered special items due to their infrequent and unusual occurrence. The City received a total of \$159,285 in consideration for these property easements.

DRAFT

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Perry City
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Property taxes	\$ 602,469	\$ 559,908	\$ 527,517	\$ (32,391)
Sales taxes	593,000	598,329	597,203	(1,126)
Franchise and energy taxes	60,000	72,743	69,897	(2,846)
Licenses and permits	100,100	92,353	89,551	(2,802)
Intergovernmental	196,700	148,194	152,333	4,139
Charges for services	46,500	6,950	7,642	692
Fines and forfeitures	35,000	32,450	24,034	(8,416)
Impact fees	45,700	42,584	33,257	(9,327)
Sale of property	--	208	208	--
Investment earnings	110,000	33,877	24,053	(9,824)
Miscellaneous	21,100	8,303	30,968	22,665
Total Revenues	<u>1,810,569</u>	<u>1,595,899</u>	<u>1,556,663</u>	<u>(39,236)</u>
Other Financing Sources				
Transfers in (out)	--	278,613	278,613	--
Gain on sale of assets	100,000	149,766	159,285	9,519
Total Revenues and Other Financing Sources	<u>1,910,569</u>	<u>2,024,278</u>	<u>1,994,561</u>	<u>(29,717)</u>
Expenditures				
Administration	535,200	509,454	504,412	5,042
Judicial	22,000	13,233	13,222	11
Public safety	608,864	619,460	549,378	70,082
Streets	394,361	277,561	253,908	23,653
Parks	130,250	115,634	105,121	10,513
Community development	219,894	210,323	200,936	9,387
Total Expenditures	<u>1,910,569</u>	<u>1,745,665</u>	<u>1,626,977</u>	<u>118,688</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>1,910,569</u>	<u>1,745,665</u>	<u>1,626,977</u>	<u>118,688</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	278,613	367,584	88,971
Fund Balance at Beginning of Period	(278,613)	(278,613)	(278,613)	--
Fund Balance at End of Period	<u>\$ (278,613)</u>	<u>\$ --</u>	<u>\$ 88,971</u>	<u>\$ 88,971</u>

The notes are an integral part of this statement.



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, 2009, and have issued our report thereon dated December 3, 2009. 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 3, 2009.

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 3, 2009



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

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
Perry City

We have audited the general purpose financial statements of Perry City for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009.

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

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

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 two instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, Perry City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2009.

Crane, Christensen + Ambrose

December 3, 2009

PERRY CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

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.

PROGRAM: OTHER GENERAL COMPLIANCE ISSUES

FINDING: The general fund balance is below the 5% minimum level.

QUESTIONED COSTS: None

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

CITY'S REPLY: The City has adjusted the budgets to spend less and retain more in the fund balance.