



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2011

**PERRY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2011**

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Independent Auditors' Report

Honorable Mayor and City Council
Perry City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City (the City), as of and for the year ended June 30, 2011, which collectively comprises the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, 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 2, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 10 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crane, Christensen + Ambrose

December 2, 2011

MANAGEMENT

DISCUSSION

&

ANALYSIS

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

The following is a discussion and analysis of Perry City's (City) financial performance and activities for the year ended June 30, 2011. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-Wide

- The City's combined net assets increased \$715,452 or 5.6 percent from the prior year. Business-type activities increased \$487,107 and governmental activities increased \$228,345.

Governmental Fund Level

- Fund balances in the City's governmental funds decreased \$19,932 or -21.7 percent over the prior year due to debt service expenditures.

Proprietary Fund Level

- Fund balances in the City's utility fund decreased \$3,133,468 over the prior year. The primary reason for the decrease was the creation of a new sewer fund with some of the assets that had been in the utility fund. Sewer fund assets increased \$3,620,575 due mainly to the transfer of assets from the utility fund. All segments of proprietary funds provided program revenues which exceeded their program expenses, for a net increase in net assets of \$487,107 over last year.
- The City completed construction on the new wastewater treatment plant in the year ended June 30, 2011, with a final capitalized cost of \$12,158,075, representing Perry City's 61 percent ownership of the plant.

Long-Term Debt

- The City's long-term debt decreased from \$13,307,972 to \$12,914,066, or -3.0 percent due primarily to principal payments on the debt. Principal reductions of bonds and notes payable totaled \$386,000 during 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 nonfinancial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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*). The City's governmental activities include general administration, judicial, public safety, streets, parks, community development, and interest on long-term debt. The City has two business-type activities, utility and sewer.

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 *enterprise funds* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has two enterprise funds, the utilities fund and the sewer 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

The 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.

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

A large component of the City's net assets, 80.1 percent, reflects investments in capital assets (land, buildings, improvements, infrastructure, 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 \$715,452 or 5.6 percent as a whole. Net assets of governmental activities increased \$228,345 over last year, or 3.9 percent. Net assets of business-type activities increased in the amount of \$487,107 or 7.2 percent.

Restricted net assets comprised 3.7 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 16.2 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:

Perry City Corporation
Net Assets
June 30, 2011

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$ 3,023,315 | \$ 3,034,063 | \$ 2,862,714 | \$ 3,862,532 | \$ 5,490,108 | \$ 6,509,524 |
| Capital assets | <u>7,640,186</u> | <u>7,494,104</u> | <u>16,133,773</u> | <u>16,021,081</u> | <u>23,773,959</u> | <u>23,515,185</u> |
| Total assets | <u>10,663,501</u> | <u>10,528,167</u> | <u>18,996,487</u> | <u>19,883,613</u> | <u>29,264,067</u> | <u>30,024,709</u> |
| Current and other liabilities | 3,131,715 | 3,093,974 | 595,542 | 1,680,622 | 3,331,336 | 4,387,525 |
| Long-term liabilities | <u>1,376,734</u> | <u>1,507,486</u> | <u>11,125,332</u> | <u>11,414,485</u> | <u>12,502,066</u> | <u>12,921,971</u> |
| Total liabilities | <u>4,508,449</u> | <u>4,601,460</u> | <u>11,720,874</u> | <u>13,095,107</u> | <u>15,833,402</u> | <u>17,309,496</u> |
| Net assets | | | | | | |
| Investment in capital assets, net of related debt | 6,034,572 | 5,801,287 | 4,728,773 | 4,331,224 | 10,763,345 | 10,132,511 |
| Restricted | 130,427 | 74,774 | 364,502 | 313,590 | 494,929 | 388,364 |
| Unrestricted | <u>(9,947)</u> | <u>50,646</u> | <u>2,182,338</u> | <u>2,143,692</u> | <u>2,172,391</u> | <u>2,194,338</u> |
| Total net assets | <u>\$ 6,155,052</u> | <u>\$ 5,926,707</u> | <u>\$ 7,275,613</u> | <u>\$ 6,788,506</u> | <u>\$ 13,430,665</u> | <u>\$ 12,715,213</u> |
| Percentage change from prior year: | 3.9% | -0.7% | 7.2% | 10.2% | 5.6% | 4.8% |

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

Change in Net Assets

Total revenues for 2011 increased 13.6 percent from last year, due in large part to income relating to the wastewater treatment plan. Program expenses increased \$281,476, or 11.4 percent overall due for the most part to expenses related to the sewer plant.

Below is a table comparing the City's sources of revenues and expenses for fiscal year 2011:

Perry City Corporation
Change in Net Assets
For the Year Ended June 30, 2011

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percent Change |
|------------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|----------------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-2011 |
| Revenues: | | | | | | | |
| General revenues: | | | | | | | |
| Taxes | \$ 1,235,540 | \$ 1,261,622 | \$ - | \$ - | \$ 1,235,540 | \$ 1,261,622 | -2.1% |
| Other Revenues | 12,919 | 10,060 | 14,501 | 9,182 | 27,420 | 19,242 | 42.5% |
| Program revenues: | | | | | | | |
| Charges for services | 236,904 | 136,547 | 1,322,483 | 1,350,443 | 1,559,387 | 1,486,990 | 4.9% |
| Operating grants and contributions | 179,679 | 159,063 | 268,081 | - | 447,760 | 159,063 | 181.5% |
| Capital grants and contributions | 190,002 | 119,818 | - | - | 190,002 | 119,818 | 58.6% |
| Total revenues | <u>1,855,044</u> | <u>1,687,110</u> | <u>1,605,065</u> | <u>1,359,625</u> | <u>3,460,109</u> | <u>3,046,735</u> | 13.6% |
| Expenses: | | | | | | | |
| Judicial | 19,331 | 16,367 | - | - | 19,331 | 16,367 | 18.1% |
| Administration | 573,880 | 508,272 | - | - | 573,880 | 508,272 | 12.9% |
| Public safety | 481,336 | 533,251 | - | - | 481,336 | 533,251 | -9.7% |
| Highways and streets | 269,169 | 363,740 | - | - | 269,169 | 363,740 | -26.0% |
| Parks | 93,525 | 98,430 | - | - | 93,525 | 98,430 | -5.0% |
| Community development | 67,682 | 118,313 | - | - | 67,682 | 118,313 | -42.8% |
| Interest on long-term debt | 121,776 | 92,490 | - | - | 121,776 | 92,490 | 31.7% |
| Water utility | - | - | 544,787 | 732,318 | 544,787 | 732,318 | -25.6% |
| Sewer utility | - | - | 573,171 | - | 573,171 | - | 0.0% |
| Total expenses | <u>1,626,699</u> | <u>1,730,863</u> | <u>1,117,958</u> | <u>732,318</u> | <u>2,744,657</u> | <u>2,463,181</u> | 11.4% |
| Increase (decrease) in net assets | 228,345 | (43,753) | 487,107 | 627,307 | 715,452 | 583,554 | 22.6% |
| Net assets beginning | <u>5,926,707</u> | <u>5,970,460</u> | <u>6,788,506</u> | <u>6,161,199</u> | <u>12,715,213</u> | <u>12,131,659</u> | 4.8% |
| Net assets ending | <u>\$ 6,155,052</u> | <u>\$ 5,926,707</u> | <u>\$ 7,275,613</u> | <u>\$ 6,788,506</u> | <u>\$ 13,430,665</u> | <u>\$ 12,715,213</u> | 5.6% |

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities

The table below shows the extent to which the City's governmental activities relied on taxes and other general revenue to cover all of their costs. For 2011, these programs generated \$606,585, or 37.3 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,020,114 for program expenses, which was \$415,139 less than was required last year.

General fund tax collections decreased from \$1,261,622 to \$1,235,540, or -2.1 percent, and other revenues increased 28.4 percent from \$10,060 to \$12,919 in 2011. This overall increase was caused by lower sales taxes received. Charges for services increased \$100,357 primarily due to reimbursements received from work on the soccer park. Operating grants increased \$20,616 in 2011.

General governmental expenditures decreased \$104,164 or -6.0 percent during fiscal year 2011 over 2010. There was fluctuation in many of the departments during the year. The Administration Department increased by \$65,608 or 12.9 percent over the prior year. The Public Safety Department decreased by \$51,915 or 11.4 percent, the Highways and Streets Department decreased by \$94,571 or -26.0 percent and Community Development decreased by \$50,631 or -42.8 percent.

Perry City Corporation
Net Cost of Governmental Activities
For the Year Ended June 30, 2011

| | Total Program Expenses | Less Program Revenues | Net Program Costs | | Program Revenues as a Percentage of Total Expenses | |
|--------------------------------------|------------------------------|-----------------------------|-------------------------|-------------------------|--|-------------|
| | <u>2011</u> | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Governmental activities | | | | | | |
| Judicial | \$ 19,331 | \$ 26,361 | \$ (7,030) | \$ (11,658) | 136.4% | 171.2% |
| Administration | 573,880 | 15,040 | 558,840 | 483,172 | 2.6% | 4.9% |
| Public safety | 481,336 | 20,495 | 460,841 | 525,251 | 4.3% | 1.5% |
| Streets | 269,169 | 160,428 | 108,741 | 209,683 | 59.6% | 42.4% |
| Parks | 93,525 | 194,401 | (100,876) | 94,172 | 207.9% | 4.3% |
| Community development | 67,682 | 189,860 | (122,178) | 42,143 | 280.5% | 64.4% |
| Interest on long-term debt | <u>121,776</u> | <u>-</u> | <u>121,776</u> | <u>92,490</u> | 0.0% | 0.0% |
| Total governmental activities | <u>\$ 1,626,699</u> | <u>\$ 606,585</u> | <u>\$ 1,020,114</u> | <u>\$ 1,435,253</u> | 37.3% | 17.1% |

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

Business-Type Activities

Total business-type activity revenues for 2011 were \$1,605,065, an increase of \$245,440 or 18.1 percent over last year; 82.4 percent of total revenues were charges for services. Impact and connection fees accounted for 7.3 percent and investment earnings and other income the other 10.3 percent. Total expenditures increased by \$385,640 or 52.7 percent, and business type activities showed income of \$487,107, a decrease of \$140,200 over last year. Most of this negative change was due to increased sewer expenses during the year. Charges for services decreased slightly during the year, but operating grants and contributions were received for \$268,081. Expenses, especially those in the sewer fund, increased as the wastewater treatment plan was placed into service during the year. Utility fund expenses were \$544,787 and sewer fund expenses were \$573,171. All departments were able to cover their share of program expenses with charges for services, without relying on other sources of revenue. Impact fees in all departments increased this year from \$98,414 in 2010 to \$116,871 in 2011, an increase of 18.8 percent.

Perry City Corporation
Net Cost of Business-Type Activities
For the Year Ended June 30, 2010

| | Total Program Expenses | Less Program Revenues | Net Program Costs | | Program Revenues as a Percentage of Total Expenses | |
|-----------------------------------|------------------------------|-----------------------------|--------------------|--------------------|--|-------------|
| | <u>2011</u> | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Business-type activities | | | | | | |
| Utility | \$ 544,787 | \$ 661,547 | \$(116,760) | \$(618,125) | 121.4% | 184.4% |
| Sewer | <u>573,171</u> | <u>929,017</u> | <u>(355,846)</u> | <u>-</u> | 162.1% | 0.0% |
| Total business-type activities | <u>\$ 1,117,958</u> | <u>\$ 1,590,564</u> | <u>\$(472,606)</u> | <u>\$(618,125)</u> | 142.3% | 184.4% |

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Perry City added \$782,754 in new capital assets during 2011, of which \$163,865 was on construction for ongoing City-wide projects.

In governmental activities during fiscal year 2011, the City expended \$135,658 for continuing construction in progress on the new soccer park, and received an additional \$81,337 that was donated. The total amount in construction in progress for the soccer park is \$374,901. The 2000 South Street improvement was completed and placed in service at a value of \$161,759. Some of this amount was spent in the current year and the rest was transferred from construction in progress. Other capital assets purchased during the year include a new police cruiser and a truck to be split between the parks and streets, as well as computers and a copier.

In business-type activities, the wastewater treatment plant was placed into service during the year. Construction in progress that was recorded as of June 30, 2010, of \$11,774,724, as well as an additional \$383,351 expenses during 2011, have been recorded as assets of the wastewater treatment plant. The total amount of the project was \$12,158,075.

Other capital assets purchased during the year include a forklift for \$4,819, a Polaris ATV for \$5,490, storm drain additions of \$7,068, and \$13,884 of construction in progress for the Allum building the state is requiring for phosphorus testing.

The City holds \$23,773,959 in net capital assets. Of those, \$7,640,186 or 32.1 percent is held in governmental activity net capital assets. Business-type activities hold \$16,133,773 or 67.9 percent of total net capital assets. More information about capital assets is included in Note 4.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Construction in progress | \$ 374,901 | \$ 224,920 | \$ 13,884 | \$ 11,774,724 | \$ 388,785 | \$ 11,999,644 |
| Land | 363,847 | 363,847 | 394,738 | 173,579 | 758,585 | 537,426 |
| Buildings | 71,436 | 71,436 | 7,988,233 | 112,002 | 8,059,669 | 183,438 |
| Improvements | 555,062 | 555,062 | 26,754 | - | 581,816 | 555,062 |
| Infrastructure | 8,338,207 | 8,176,448 | 8,736,030 | 6,275,882 | 17,074,237 | 14,452,330 |
| Machinery and equipment | 170,558 | 133,384 | 1,558,471 | 170,203 | 1,729,029 | 303,587 |
| Vehicles | 550,883 | 544,587 | 219,624 | 3,800 | 770,507 | 548,387 |
| Accumulated depreciation | <u>(2,784,708)</u> | <u>(2,575,580)</u> | <u>(2,803,961)</u> | <u>(2,497,110)</u> | <u>(5,588,669)</u> | <u>(5,072,690)</u> |
| Net capital assets | <u>\$ 7,640,186</u> | <u>\$ 7,494,104</u> | <u>\$ 16,133,773</u> | <u>\$ 16,013,080</u> | <u>\$ 23,773,959</u> | <u>\$ 23,507,184</u> |

Long-Term Debt

The repayment of bonds issued for water continues with current principal balances of \$295,000, as well as the reduction of \$113,000 on the special assessment bond to finance improvements at Pointe Perry with a remaining principal balance of \$1,460,000. Principal obligations totaling \$33,000 on water bonds payable were made during 2011, reducing the principal balance owing by 10.1 percent. The City made its first principal payment on the Department of Water Quality (DWQ) loan for the waste water treatment plant in the amount of \$240,000. The remaining balance on the loan on June 30, 2011, was \$11,110,000.

See Independent Auditors' Report

**PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011**

Compensated absences had a balance of \$49,066. As a whole, long-term liabilities decreased from \$13,307,972 in 2010 to \$12,914,066 in 2011, down by \$393,906 or 3.0 percent

Long-term liabilities consisted of the following at June 30:

**Perry City Corporation
Long-Term Liabilities**

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|----------------------|----------------------------|--------------------|-----------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2010 - 2011</u> |
| Bonds payable | \$1,460,000 | \$1,573,000 | \$11,405,000 | \$11,678,000 | \$12,865,000 | \$13,251,000 | -2.9% |
| Compensated absences | <u>34,734</u> | <u>47,486</u> | <u>14,332</u> | <u>9,486</u> | <u>49,066</u> | <u>56,972</u> | -13.9% |
| Total | <u>\$1,494,734</u> | <u>\$1,620,486</u> | <u>\$11,419,332</u> | <u>\$11,687,486</u> | <u>\$12,914,066</u> | <u>\$13,307,972</u> | -3.0% |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2011, the City's governmental funds reported combined fund balances of \$153,637. Of that amount, \$57,528 was reserved for park impact fees, \$3,286 for police impact fees, \$12,537 for fire impact fees, \$57,076 for Class C roads and -\$81,906 is unassigned debt service. The fund balance of the internal service fund (fleet) is \$81,524 but is made up entirely of capital assets held in that fund. The general fund's unassigned fund balance closed with a balance of \$23,592, up \$48,487 from last year.

The following chart presents the City's 2011 ending fund balances:

**Perry City Corporation
Fund Balances/Net Assets
June 30, 2011**

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Utility Fund</u> | <u>Sewer Fund</u> | <u>Internal Service Fund</u> | <u>Total</u> |
|--------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|--------------------------------------|--------------------|
| Invested in capital assets | \$ - | \$ - | \$2,537,000 | \$2,191,772 | \$81,524 | \$4,810,296 |
| Reserved/restricted | 130,427 | - | 327,661 | 36,841 | - | 494,929 |
| Unreserved/unassigned | <u>23,592</u> | <u>(81,906)</u> | <u>790,377</u> | <u>1,391,962</u> | <u>-</u> | <u>2,124,025</u> |
| Total | <u>\$154,019</u> | <u>\$(81,906)</u> | <u>\$3,655,038</u> | <u>\$3,620,575</u> | <u>\$81,524</u> | <u>\$7,429,250</u> |
| Percent change from prior year | 208.8% | -389.2% | -46.2% | 0.0% | -14.5% | 6.7% |

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

General Fund Budgetary Highlights

The 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 originally adopted budget for revenues mostly included decreasing sales tax, licenses and permits, and impact fees. Miscellaneous income was increased due to some expense reimbursements, while property taxes increased slightly. The only material adjustments to budgeted general fund expenditures included decreases in Administration and Public Safety, and an increase to Parks.

Actual general fund revenues were \$1,649,153, or 3.3 percent above the original budget, and \$39,430, or 2.4 percent above the final budget. Actual expenditures were \$1,558,862, or 2.4 percent below the original budget, and \$17,430, or 1.1 percent below the final budget.

Debt Service Fund

The fund balance in the debt service fund decreased \$110,223, or -389.2 percent during fiscal year 2011 due to bond payments for the Pointe Perry project increasing, and the developer not being able to contribute its portion of the payment.

Utilities Fund

The utilities fund has total net assets of \$3,655,038, which showed a decrease of \$3,133,468 or -46.2 percent during 2011. Total operating revenues of \$607,676 were lower than last year by \$644,353 or -51.5 percent, and were more than sufficient to cover operating expenses of \$536,823, which decreased by \$989,989 or -64.8 percent relative to the prior year. The reason for the decrease is assets were transferred from the utilities fund to the sewer fund during the year as the wastewater treatment plant was placed into service.

Sewer Fund

The sewer fund has total net assets of \$3,620,575. Total operating revenues of \$866,017 were more than sufficient to cover operating expenses of \$493,586. The sewer fund was created this year by transferring all sewer related assets from the utilities fund to the sewer fund.

Internal Service Fund

The internal service fund maintains and allocates expenses for City vehicles to other funds. During 2011, its fund balance was \$81,524, which decreased by \$13,850 or -14.5 percent. The reason for the decrease was disposal of some vehicles.

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 CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 323,382 | \$ 2,077,131 | \$ 2,400,513 |
| Accounts receivable (net of allowance) | 1,832,199 | 114,239 | 1,946,438 |
| Intergovernmental receivables | | | |
| Taxes receivable | 581,944 | - | 581,944 |
| Deposits | 32,716 | - | 32,716 |
| Due from other governmental agencies | 169,973 | 173,055 | 343,028 |
| Restricted cash | - | 102,368 | 102,368 |
| <i>Total current assets</i> | <u>2,940,214</u> | <u>2,466,793</u> | <u>5,407,007</u> |
| Noncurrent assets | | | |
| Construction in progress | 374,901 | 13,884 | 388,785 |
| Land | 363,847 | 394,738 | 758,585 |
| Buildings | 71,436 | 7,988,233 | 8,059,669 |
| Improvements | 555,062 | 26,754 | 581,816 |
| Infrastructure | 8,338,207 | 8,736,030 | 17,074,237 |
| Machinery and equipment | 170,558 | 1,558,471 | 1,729,029 |
| Vehicles | 550,883 | 219,624 | 770,507 |
| Accumulated depreciation | (2,784,708) | (2,803,961) | (5,588,669) |
| Deferred charges | 83,101 | - | 83,101 |
| Internal balances* | - | 395,921 | - |
| <i>Total assets</i> | <u>10,663,501</u> | <u>18,996,487</u> | <u>29,264,067</u> |

*Amounts have been eliminated in total column

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2011

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 171,405 | \$ 201,093 | \$ 372,498 |
| Accrued liabilities | 24,915 | 9,893 | 34,808 |
| Deferred revenues | 2,349,351 | - | 2,349,351 |
| Customer deposits | 20,986 | 31,230 | 52,216 |
| Internal balances* | 395,921 | - | - |
| Current portion of long-term debt | 118,000 | 294,000 | 412,000 |
| Accrued interest | <u>51,137</u> | <u>59,326</u> | <u>110,463</u> |
| <i>Total current liabilities</i> | 3,131,715 | 595,542 | 3,331,336 |
| Long-term liabilities: | | | |
| Revenue bond payable | 1,342,000 | 11,111,000 | 12,453,000 |
| Compensated absences | <u>34,734</u> | <u>14,332</u> | <u>49,066</u> |
| <i>Total liabilities</i> | <u>4,508,449</u> | <u>11,720,874</u> | <u>15,833,402</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 6,034,572 | 4,728,773 | 10,763,345 |
| Restricted for: | | | |
| Police impact fees | 3,286 | - | 3,286 |
| Fire impact fees | 12,537 | - | 12,537 |
| Park impact fees | 57,528 | - | 57,528 |
| Utility fund impact fees | - | 364,502 | 364,502 |
| Class "C" road funds | 57,076 | - | 57,076 |
| Unrestricted | <u>(9,947)</u> | <u>2,182,338</u> | <u>2,172,391</u> |
| <i>Total net assets</i> | <u>\$ 6,155,052</u> | <u>\$ 7,275,613</u> | <u>\$ 13,430,665</u> |

*Amounts have been eliminated in total columns

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

| | Expenses | Program Revenue | | | Changes in Net Assets Primary Government | | |
|--|---------------------|-------------------------|--|--|---|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| Administration | \$ 573,880 | \$ 15,040 | \$ - | \$ - | \$ (558,840) | \$ - | \$ (558,840) |
| Judicial | 19,331 | 26,361 | - | - | 7,030 | - | 7,030 |
| Public safety | 481,336 | 3,899 | 16,596 | - | (460,841) | - | (460,841) |
| Streets | 269,169 | 105 | 160,323 | - | (108,741) | - | (108,741) |
| Parks | 93,525 | 1,639 | 2,760 | 190,002 | 100,876 | - | 100,876 |
| Community development | 67,682 | 189,860 | - | - | 122,178 | - | 122,178 |
| Interest on long-term debt | 121,776 | - | - | - | (121,776) | - | (121,776) |
| <i>Total governmental activities</i> | <u>1,626,699</u> | <u>236,904</u> | <u>179,679</u> | <u>190,002</u> | <u>(1,020,114)</u> | <u>-</u> | <u>(1,020,114)</u> |
| Business-type activities: | | | | | | | |
| Utility | 544,787 | 607,676 | 53,871 | - | - | 116,760 | 116,760 |
| Sewer | 573,171 | 714,807 | 214,210 | - | - | 355,846 | 355,846 |
| <i>Total business-type activities</i> | <u>1,117,958</u> | <u>1,322,483</u> | <u>268,081</u> | <u>-</u> | <u>-</u> | <u>472,606</u> | <u>472,606</u> |
| <i>Total primary government activities</i> | <u>\$ 2,744,657</u> | <u>\$ 1,559,387</u> | <u>\$ 447,760</u> | <u>\$ 190,002</u> | <u>(1,020,114)</u> | <u>472,606</u> | <u>(547,508)</u> |
| Revenues | | | | | | | |
| Property taxes | | | | | 669,624 | - | 669,624 |
| Sales taxes | | | | | 481,567 | - | 481,567 |
| Franchise, lodging and energy taxes | | | | | 84,349 | - | 84,349 |
| Sale of property | | | | | 5,052 | - | 5,052 |
| Miscellaneous | | | | | 53 | 607 | 660 |
| Investment earnings | | | | | 7,814 | 13,894 | 21,708 |
| Total general revenues and transfers | | | | | <u>1,248,459</u> | <u>14,501</u> | <u>1,262,960</u> |
| Change in net assets | | | | | 228,345 | 487,107 | 715,452 |
| Net assets - beginning | | | | | <u>5,926,707</u> | <u>6,788,506</u> | <u>12,715,213</u> |
| <i>Net assets - ending</i> | | | | | <u>\$ 6,155,052</u> | <u>\$ 7,275,613</u> | <u>\$ 13,430,665</u> |

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General Fund | Debt Service | Total Governmental Funds |
|--|---------------------|-------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 241,246 | \$ - | \$ 241,246 |
| Accounts receivable (net of allowance) | 28,237 | 1,803,962 | 1,832,199 |
| Taxes receivable | 581,944 | - | 581,944 |
| Deposits | 32,716 | - | 32,716 |
| Due from other governments | 169,973 | - | 169,973 |
| Restricted cash and cash equivalents | - | 82,136 | 82,136 |
| <i>Total assets</i> | <u>\$1,054,116</u> | <u>\$1,886,098</u> | <u>\$2,940,214</u> |
| Liabilities | | | |
| Accounts payable | \$ 134,923 | \$ 12,775 | \$ 147,698 |
| Accrued liabilities | 24,917 | - | 24,917 |
| Deferred revenue | 545,389 | 1,803,962 | 2,349,351 |
| Customer deposits | 44,692 | - | 44,692 |
| Accrued interest payable | - | 51,137 | 51,137 |
| Due to other funds | 150,176 | 100,130 | 250,306 |
| <i>Total liabilities</i> | <u>900,097</u> | <u>1,968,004</u> | <u>2,868,101</u> |
| Fund balances | | | |
| Nonspendable | | | |
| Restricted for: | | | |
| Police impact fees | 3,286 | - | 3,286 |
| Fire impact fees | 12,537 | - | 12,537 |
| Park impact fees | 57,528 | - | 57,528 |
| Class "C" roads | 57,076 | - | 57,076 |
| Unassigned fund balance | 23,592 | (81,906) | (58,314) |
| <i>Total fund balances</i> | <u>154,019</u> | <u>(81,906)</u> | <u>72,113</u> |
| <i>Total liabilities and fund balances</i> | <u>\$1,054,116</u> | <u>\$1,886,098</u> | <u>\$2,940,214</u> |

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

| | |
|---|---------------------|
| Total fund balance - governmental fund types | \$ 72,113 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 7,640,186 |
| 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. | (145,614) |
| Deferred charges such as unamortized bond issue costs are not financial resources and are, therefore, not reported in governmental funds. | 83,101 |
| Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences and bonds payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net assets. | <u>(1,494,734)</u> |
| <i>Net assets of governmental activities in the statement of net assets</i> | <u>\$ 6,155,052</u> |

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General Fund | Debt Service | Total Governmental Funds |
|---|-----------------|-----------------|--------------------------------|
| Revenues: | | | |
| Taxes | | | |
| Property taxes | \$ 613,511 | \$ 56,113 | \$ 669,624 |
| Sales and use | 481,568 | - | 481,568 |
| Other | 84,349 | - | 84,349 |
| Licenses and permits | 93,827 | - | 93,827 |
| Intergovernmental | 163,377 | - | 163,377 |
| Charges for services | 6,590 | 68,439 | 75,029 |
| Impact fees | 25,169 | - | 25,169 |
| Earnings on investments | 7,812 | 2 | 7,814 |
| Fines and forfeitures | 26,361 | - | 26,361 |
| Miscellaneous | 146,589 | - | 146,589 |
| <i>Total revenues</i> | 1,649,153 | 124,554 | 1,773,707 |
| Expenditures: | | | |
| Current | | | |
| Administration | 566,983 | - | 566,983 |
| Judicial | 19,331 | - | 19,331 |
| Public safety | 500,573 | - | 500,573 |
| Streets | 189,053 | - | 189,053 |
| Parks | 215,240 | - | 215,240 |
| Community development | 67,682 | - | 67,682 |
| Debt service | | | |
| Principal | - | 113,000 | 113,000 |
| Interest and other charges | - | 121,777 | 121,777 |
| <i>Total expenditures</i> | 1,558,862 | 234,777 | 1,793,639 |
| Excess (deficiency) of revenues over expenditures | 90,291 | (110,223) | (19,932) |
| <i>Net change in fund balances</i> | 90,291 | (110,223) | (19,932) |
| Fund balances - beginning | 63,728 | 28,317 | 92,045 |
| <i>Fund balances - ending</i> | \$ 154,019 | \$ (81,906) | \$ 72,113 |

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

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

| | |
|--|------------------|
| Net change in fund balances - total governmental funds: | \$ (19,932) |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | |
| This is the amount by which capital outlays of \$243,513 exceeded depreciation by \$199,000 in the current period. | 44,513 |
| Amount of capital contributions from developers | 81,338 |
| <p>Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure; the Statement of Activities treats such repayment as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.</p> | |
| 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. | <u>9,426</u> |
| <i>Change in net assets of governmental activities</i> | <u>\$228,345</u> |

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
PROPRIETY FUND FINANCIAL STATEMENTS
JUNE 30, 2011

Utility Fund

This enterprise fund accounts for the provision of water, garbage and storm drain services to City residents. All activities necessary to provide such service are accounted for in this fund, including: administration, operation, maintenance, billing and collecting.

Sewer Fund

This enterprise fund accounts for the provision of sewer services to City residents. All activities necessary to provide such service are accounted for in this fund, including: 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 of the City's various departments and funds.

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

Business-Type Activities – Enterprise Funds

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|--|---|--------------------|--------------------|----------------------------------|
| | <u>Utility</u> | <u>Sewer</u> | <u>Total</u> | <u>Internal Service Fund</u> |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 719,235 | \$ 1,460,264 | \$ 2,179,499 | \$ - |
| Accounts receivable (net of allowance) | 53,937 | 60,302 | 114,239 | - |
| Due from other governments | - | 173,055 | 173,055 | - |
| Due from other funds | <u>395,921</u> | <u>-</u> | <u>395,921</u> | <u>-</u> |
| <i>Total current assets</i> | <u>1,169,093</u> | <u>1,693,621</u> | <u>2,862,714</u> | <u>-</u> |
| Noncurrent assets: | | | | |
| Construction in progress | - | 13,884 | 13,884 | - |
| Land | 159,579 | 235,159 | 394,738 | - |
| Buildings | 15,010 | 7,973,223 | 7,988,233 | - |
| Land improvements | - | 26,754 | 26,754 | - |
| Infrastructure | 3,886,581 | 4,849,448 | 8,736,029 | - |
| Machinery and equipment | 163,897 | 1,614,198 | 1,778,095 | 7,144 |
| Vehicles | - | - | - | 550,883 |
| Accumulated depreciation | <u>(1,393,067)</u> | <u>(1,410,894)</u> | <u>(2,803,961)</u> | <u>(330,889)</u> |
| <i>Total noncurrent assets</i> | <u>2,832,000</u> | <u>13,301,772</u> | <u>16,133,772</u> | <u>227,138</u> |
| <i>Total assets</i> | <u>4,001,093</u> | <u>14,995,393</u> | <u>18,996,486</u> | <u>227,138</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 17,589 | 183,504 | 201,093 | - |
| Accrued liabilities | 5,119 | 4,773 | 9,892 | - |
| Customer deposits | 15,615 | 20,991 | 36,606 | - |
| Accrued interest payable | 3,776 | 55,550 | 59,326 | - |
| Due to other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>145,614</u> |
| <i>Total current liabilities</i> | 42,099 | 264,818 | 306,917 | 145,614 |
| Noncurrent liabilities: | | | | |
| Compensated absences | 8,956 | - | 8,956 | - |
| Noncurrent liabilities - due in less than one year | 34,000 | 260,000 | 294,000 | - |
| Noncurrent liabilities - due in more than one year | <u>261,000</u> | <u>10,850,000</u> | <u>11,111,000</u> | <u>-</u> |
| <i>Total noncurrent liabilities</i> | <u>303,956</u> | <u>11,110,000</u> | <u>11,413,956</u> | <u>-</u> |
| <i>Total liabilities</i> | <u>346,055</u> | <u>11,374,818</u> | <u>11,720,873</u> | <u>145,614</u> |

The accompanying notes are an integral part of these statements

PERRY CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011
(Continued)

Business-Type Activities – Enterprise Funds (Continued)

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---------------------|---------------------|----------------------------------|
| | <u>Utility</u> | <u>Sewer</u> | <u>Total</u> | <u>Internal Service Fund</u> |
| Net Assets | | | | |
| Investment in capital assets, net of related debt | \$ 2,537,000 | \$ 2,191,772 | \$ 4,728,772 | \$ 81,524 |
| Restricted for other purposes | 327,661 | 36,841 | 364,502 | - |
| Unrestricted | <u>790,377</u> | <u>1,391,962</u> | <u>2,182,339</u> | <u>-</u> |
| <i>Total net assets</i> | <u>\$ 3,655,038</u> | <u>\$ 3,620,575</u> | <u>\$ 7,275,613</u> | <u>\$ 81,524</u> |

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Business-Type Activities – Enterprise Funds

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental</u> |
|---|--|--------------------|---------------------|--|
| | <u>Utility</u> | <u>Sewer</u> | <u>Total</u> | <u>Internal</u> <u>Service Fund</u> |
| Operating revenues | | | | |
| Charges for services | \$ 606,983 | \$ 865,717 | \$ 1,472,700 | \$ - |
| Miscellaneous operating revenues | <u>693</u> | <u>300</u> | <u>993</u> | <u>33,180</u> |
| <i>Total operating revenues</i> | <u>607,676</u> | <u>866,017</u> | <u>1,473,693</u> | <u>33,180</u> |
| Operating expenses | | | | |
| Wages and benefits | 138,073 | 128,892 | 266,965 | - |
| Fees and services | 198,616 | 14,061 | 212,677 | - |
| Materials and supplies | 14,182 | 10,936 | 25,118 | - |
| Utilities | 64,626 | 71,074 | 135,700 | - |
| Repairs and maintenance | 33,547 | 34,913 | 68,460 | - |
| Insurance claims and expenses | - | 14,638 | 14,638 | - |
| Depreciation | <u>87,779</u> | <u>219,072</u> | <u>306,851</u> | <u>33,180</u> |
| <i>Total operating expenses</i> | <u>536,823</u> | <u>493,586</u> | <u>1,030,409</u> | <u>33,180</u> |
| <i>Operating income (loss)</i> | <u>70,853</u> | <u>372,431</u> | <u>443,284</u> | <u>-</u> |
| Nonoperating revenues (expenses) | | | | |
| Impact fees | 53,871 | 63,000 | 116,871 | - |
| Investment earnings | 1,695 | 12,199 | 13,894 | - |
| Interest expense | (7,965) | (76,358) | (84,323) | - |
| Miscellaneous revenues (expenses) | <u>608</u> | <u>(3,227)</u> | <u>(2,619)</u> | <u>-</u> |
| <i>Total nonoperating revenue</i> <i>(expenses)</i> | <u>48,209</u> | <u>(4,386)</u> | <u>43,823</u> | <u>-</u> |
| <i>Income (loss) before</i> <i>contributions and transfers</i> | <u>119,062</u> | <u>368,045</u> | <u>487,107</u> | <u>-</u> |
| Transfers in (out) | <u>(3,252,530)</u> | <u>3,252,530</u> | <u>-</u> | <u>-</u> |
| <i>Change in net assets</i> | <u>(3,133,468)</u> | <u>3,620,575</u> | <u>487,107</u> | <u>-</u> |
| Total net assets beginning | <u>6,788,506</u> | <u>-</u> | <u>6,788,506</u> | <u>81,524</u> |
| <i>Total net assets ending</i> | <u>\$ 3,655,038</u> | <u>\$3,620,575</u> | <u>\$ 7,275,613</u> | <u>\$ 81,524</u> |

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | Enterprise Fund <u>Utility</u> | Enterprise Fund <u>Sewer</u> | Governmental Activities - ISF |
|--|-----------------------------------|---------------------------------|----------------------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 664,674 | \$ 632,660 | \$ 33,180 |
| Payments to suppliers | (1,607,614) | (115,328) | - |
| Payments to employees | <u>(139,377)</u> | <u>(124,121)</u> | <u>-</u> |
| <i>Net cash provided by (used in) operating activities</i> | <u>(1,082,317)</u> | <u>393,211</u> | <u>33,180</u> |
| Cash flows from noncapital financing activities: | | | |
| Loans from other funds | - | - | 34,082 |
| Operating transfers (to)/from other funds | <u>(1,561,833)</u> | <u>1,561,833</u> | <u>-</u> |
| <i>Net cash provided by (used in) noncapital financing activities</i> | <u>(1,561,833)</u> | <u>1,561,833</u> | <u>34,082</u> |
| Cash flows from capital and related financing activities: | | | |
| Payment on revenue bonds | (33,000) | (240,000) | - |
| Due from other governments | 782,092 | - | - |
| Acquisition of capital assets | (7,068) | (222,710) | (67,262) |
| Other revenues / (expenses) | 608 | (3,227) | - |
| Interest paid on revenue bonds | (8,397) | (104,042) | - |
| Proceeds from impact fees | <u>53,871</u> | <u>63,000</u> | <u>-</u> |
| <i>Net cash provided by (used in) capital and related financing activities</i> | <u>788,106</u> | <u>(506,979)</u> | <u>(67,262)</u> |
| Cash flows from investing activities: | | | |
| Interest and dividends received | <u>1,695</u> | <u>12,199</u> | <u>-</u> |
| <i>Net cash provided by (used in) investing activities</i> | <u>1,695</u> | <u>12,199</u> | <u>-</u> |
| <i>Net increase (decrease) in cash and cash equivalents</i> | (1,854,349) | 1,460,264 | - |
| Cash and cash equivalents - beginning | <u>2,573,584</u> | <u>-</u> | <u>-</u> |
| <i>Cash and cash equivalents - ending</i> | <u>\$ 719,235</u> | <u>\$1,460,264</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

| | Enterprise Fund <u>Utility</u> | Enterprise Fund <u>Sewer</u> | Governmental <u>Activities - ISF</u> |
|--|-----------------------------------|---------------------------------|---|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ 70,853 | \$ 372,431 | \$ - |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 87,779 | 219,072 | 33,180 |
| Change in assets and liabilities: | | | |
| Change in accounts receivable | 65,848 | (234,504) | - |
| Change in due from other funds | (8,850) | - | - |
| Change in due from other governments (operating) | - | (173,056) | - |
| Change in deposits payable | (25,785) | 20,991 | - |
| Change in accounts payable | (1,270,858) | 183,504 | - |
| Change in wages payable and compensated absences | <u>(1,304)</u> | <u>4,773</u> | <u>-</u> |
| <i>Net cash provided by (used in) operating activities</i> | <u><u>\$ (1,082,317)</u></u> | <u><u>\$ 393,211</u></u> | <u><u>\$ 33,180</u></u> |

The accompanying notes are an integral part of these statements.

NOTES

TO THE

FINANCIAL

STATEMENTS

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Perry City Corporation (City) 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

The 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:

1. The primary government.
2. Organizations for which the primary government is financially accountable.
3. 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 nonfiduciary 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 nonexchange 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 nonfiduciary 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 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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, garbage and storm sewer.
- **Sewer Fund** – The sewer fund is used to account for revenue and expenses for the City’s sanitary sewer system.
- **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 *non-operating* items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

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

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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Sales and excise taxes, restaurant taxes and franchise taxes, are considered “available” 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
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 GAAP.

Summary of Action Required for Budget Changes

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

E. Assets, Liabilities and Fund Balances/Net Assets

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

Pooled Cash and Temporary Investments

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

Inventories

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

Restricted Assets

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

During the June 30, 2009, year, the City was required to draw on reserve funds to meet bond payments due October 1, 2009, because of the delinquency of a significant property owner on his current and previous assessments. At June 30, 2011, the reserve was not restored.

Capital Assets

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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred and included for the construction of capital assets in connection with the construction of the wastewater treatment plant by the City during the current fiscal year was \$83,234. 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 February 2009, GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-side statements. The fund balances may be classified as follows:

1. Nonspendable – Fund balances that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors or contributors.
3. Committed fund balance – Fund balances are reported as committed when the council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City council likewise formally changes the use.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned fund balance – Fund balances are reported as assigned when the City council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
5. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City council has provided otherwise in its commitment or assignment actions.

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. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a nonexchange 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 No. 33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue. As of June 30, 2011, the City had deferred revenues of \$545,389 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 nonoperating revenue. The City received no contributions during 2011.

H. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2011, was \$34,734 in the governmental funds and \$14,332 in the proprietary fund.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Subsequent Events

Management has evaluated subsequent events through December 8, 2011, the date the financial statements were available to be issued.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and investments for the 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 (“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 Council.

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, 2011, was \$180,845. These deposits are insured up to \$250,000.

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

B. Credit Risk

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

The City is also authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF) 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, 2011:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity</u> | <u>Quality Rating</u> |
|---|--------------------|-----------------|-----------------------|
| U.S. Treasury obligations held by trustee | \$ 82,136 | N/A | N/A |
| Utah Public Treasurer's Investment Fund | <u>2,401,288</u> | < 1 Year | Not rated |
| | <u>\$2,483,424</u> | | |

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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.

D. Concentration of Credit Risk

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

Perry City Corporation
Cash Investments

| | |
|--|--------------------|
| Total cash and investments | |
| Deposits at 06/30/11 | \$ 114,599 |
| Investments | 2,388,242 |
| Cash on hand | <u>40</u> |
| | <u>\$2,502,881</u> |
| | |
| As reported in the financial statements: | |
| Cash and cash equivalents | \$2,400,513 |
| Restricted cash and cash equivalents | <u>102,368</u> |
| | <u>\$2,502,881</u> |

The 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, 2011, consist of the following:

| | <u>Taxes</u> | <u>Governments</u> | <u>Accounts</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|---------------------|
| Governmental activities: | | | | |
| General fund | \$581,944 | \$169,973 | \$ 28,237 | \$ 780,154 |
| Special Improvement District | <u>-</u> | <u>-</u> | <u>1,803,962</u> | <u>1,803,962</u> |
| <i>Total governmental receivables</i> | <u>\$581,944</u> | <u>\$169,973</u> | <u>\$1,832,199</u> | <u>\$ 2,584,116</u> |
| | | | | |
| Business-type activities: | | | | |
| Utility fund, net of allowance \$5,944 | \$ - | \$ - | \$ 53,937 | \$ 53,937 |
| Sewer fund, net of allowance \$6,647 | <u>-</u> | <u>173,055</u> | <u>60,302</u> | <u>233,357</u> |
| <i>Total business-type receivables</i> | <u>\$ -</u> | <u>\$173,055</u> | <u>\$ 114,239</u> | <u>\$ 287,294</u> |

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

In governmental activities during fiscal year 2011, the City expended \$135,658 for continuing construction in progress on the new soccer park, and received an additional \$81,337 that was donated. The total amount in construction in progress for the soccer park is \$374,901. The 2000 South Street improvement was completed and placed in service at a value of \$161,759. Some of this amount was spent in the current year, and the rest was transferred from construction in progress. Other capital assets purchased during the year include a new police cruiser and a truck to be split between the parks and streets, as well as computers and a copier.

In the utility fund, the wastewater treatment plant (WWTP) was placed into service during the year. Construction in progress that was recorded as of June 30, 2010, of \$11,774,724, as well as additional expenses during 2011 have been recorded as follows:

| | |
|--------------------------|-------------------------|
| Buildings | \$ 7,876,230 |
| Equipment | 1,354,579 |
| Furniture | 3,381 |
| Infrastructure | 2,460,148 |
| Land/easements | 221,159 |
| Land improvements | 26,754 |
| Specialty vehicles | 185,998 |
| Vehicles | <u>29,826</u> |
| Total | <u>\$12,158,075</u> |

Other capital assets purchased during the year include a forklift for \$4,819, a Polaris ATV for \$5,490, storm drain additions of \$7,068 and \$13,884 of construction in progress for the Allum building the state is requiring for phosphorus testing.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4. CAPITAL ASSETS (Continued)

Perry City Corporation
Capital Assets

| | <u>Balance</u> <u>June 30, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|---|--|-------------------|------------------|--|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 363,847 | \$ - | \$ - | \$ 363,847 |
| Construction in progress | <u>224,920</u> | <u>149,981</u> | <u>-</u> | <u>374,901</u> |
| <i>Total capital assets not being depreciated</i> | <u>588,767</u> | <u>149,981</u> | <u>-</u> | <u>738,748</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 71,436 | - | - | 71,436 |
| Improvements | 555,062 | - | - | 555,062 |
| Infrastructure | 8,176,448 | 161,759 | - | 8,338,207 |
| Furniture, machinery and equipment | 133,384 | 37,174 | - | 170,558 |
| Vehicles | <u>544,587</u> | <u>65,412</u> | <u>59,116</u> | <u>550,883</u> |
| <i>Capital assets being depreciated</i> | <u>9,480,917</u> | <u>264,345</u> | <u>59,116</u> | <u>9,686,146</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 24,592 | 1,864 | - | 26,456 |
| Improvements | 400,060 | 23,678 | - | 423,738 |
| Infrastructure | 1,718,153 | 165,145 | - | 1,883,298 |
| Furniture, machinery and equipment | 98,328 | 8,008 | - | 106,336 |
| Vehicles | <u>334,447</u> | <u>33,483</u> | <u>23,050</u> | <u>344,880</u> |
| <i>Total accumulated depreciation</i> | <u>2,575,580</u> | <u>232,178</u> | <u>23,050</u> | <u>2,784,708</u> |
| <i>Total capital assets being depreciated, net</i> | <u>6,905,337</u> | <u>32,167</u> | <u>36,066</u> | <u>6,901,438</u> |
| <i>Governmental activities capital assets - net</i> | <u>\$ 7,494,104</u> | <u>\$ 182,148</u> | <u>\$ 36,066</u> | <u>\$ 7,640,186</u> |

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4. CAPITAL ASSETS (Continued)

Perry City Corporation
Capital Assets

| | Balance <u>June 30, 2010</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2011</u> |
|--|---------------------------------|---------------------|---------------------|---------------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 173,579 | \$ 221,159 | \$ - | \$ 394,738 |
| Construction in progress | <u>11,774,724</u> | <u>13,884</u> | <u>11,774,724</u> | <u>13,884</u> |
| <i>Total capital assets not being depreciated</i> | <u>11,948,303</u> | <u>235,043</u> | <u>11,774,724</u> | <u>408,622</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 112,002 | 7,876,231 | - | 7,988,233 |
| Improvements | - | 26,754 | - | 26,754 |
| Infrastructure | 6,275,882 | 2,460,148 | - | 8,736,030 |
| Furniture, machinery and equipment | 170,203 | 1,388,268 | - | 1,558,471 |
| Vehicles | <u>3,800</u> | <u>215,824</u> | <u>-</u> | <u>219,624</u> |
| <i>Capital assets being depreciated</i> | <u>6,561,887</u> | <u>11,967,225</u> | <u>-</u> | <u>18,529,112</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 16,386 | 101,379 | - | 117,765 |
| Improvements | - | 892 | - | 892 |
| Infrastructure | 2,381,507 | 137,999 | - | 2,519,506 |
| Furniture, machinery and equipment | 95,417 | 58,890 | - | 154,307 |
| Vehicles | <u>3,800</u> | <u>7,691</u> | <u>-</u> | <u>11,491</u> |
| <i>Total accumulated depreciation</i> | <u>2,497,110</u> | <u>306,851</u> | <u>-</u> | <u>2,803,961</u> |
| <i>Total capital assets being depreciated, net</i> | <u>4,064,777</u> | <u>11,660,374</u> | <u>-</u> | <u>15,725,151</u> |
| <i>Business-type activities capital assets - net</i> | <u>\$ 16,013,080</u> | <u>\$11,895,417</u> | <u>\$11,774,724</u> | <u>\$ 16,133,773</u> |

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense for 2010 was charged to functions as follows:

| Perry City Corporation Capital Assets | | | |
|--|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Administration | \$ 12,061 | \$ - | \$ 12,061 |
| Parks | 14,920 | - | 14,920 |
| Police | 17,271 | - | 17,271 |
| Fire | 4,631 | - | 4,631 |
| Streets | 183,295 | - | 183,295 |
| Sewer | - | 219,072 | 219,072 |
| Water | - | 80,333 | 80,333 |
| Storm drain | - | 7,446 | 7,446 |
| | <u>\$ 232,178</u> | <u>\$ 306,851</u> | <u>\$539,029</u> |
| <i>Total depreciation expense</i> | <u>\$ 232,178</u> | <u>\$ 306,851</u> | <u>\$539,029</u> |

NOTE 5. LONG-TERM DEBT

The changes in long-term debt for governmental and business-type activities during 2011 were as follows:

| | Balance June 30, <u>2010</u> | <u>Additions</u> | <u>Retirements</u> | Balance June 30, <u>2011</u> | Due Within <u>One Year</u> |
|---------------------------------------|------------------------------------|------------------|--------------------|------------------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 1,573,000 | \$ - | \$(113,000) | \$ 1,460,000 | 118,000 |
| Compensated absences | <u>47,486</u> | <u>2,504</u> | <u>(15,256)</u> | <u>34,734</u> | <u>-</u> |
| <i>Total governmental activities</i> | <u>\$ 1,620,486</u> | <u>\$ 2,504</u> | <u>\$(128,256)</u> | <u>\$ 1,494,734</u> | <u>\$ 118,000</u> |
| Business-type activities | | | | | |
| Water bonds payable | \$ 328,000 | \$ - | \$ (33,000) | \$ 295,000 | 34,000 |
| Sewer bond payable | 11,350,000 | - | (240,000) | 11,110,000 | 260,000 |
| Compensated absences | <u>9,486</u> | <u>4,846</u> | <u>-</u> | <u>14,332</u> | <u>-</u> |
| <i>Total business-type activities</i> | <u>\$11,687,486</u> | <u>\$ 4,846</u> | <u>\$(273,000)</u> | <u>\$ 11,419,332</u> | <u>\$ 294,000</u> |

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5. LONG-TERM DEBT (Continued)

Annual requirements to amortize the long-term debt as of June 30, 2011, were as follows:

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 percent of the one month LIBOR as computed each year on the anniversary date. These bonds were issued to retire the interim warrants used to finance improvements at Pointe Perry and will be repaid by the developer through refunds of assessed property taxes and sales taxes. The interest rate is 4.67 percent over the life of the bonds. The final payment is due on October 1, 2020. The following is a debt schedule over the period of the bonds:

2005 Special Assessment Bonds
Governmental

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Rate</u> |
|-------------------------------------|---------------------|-------------------|---------------------|-------------|
| 2012 | \$ 118,000 | \$ 68,182 | \$ 186,182 | 4.7% |
| 2013 | 123,000 | 62,671 | 185,671 | 4.7% |
| 2014 | 129,000 | 56,927 | 185,927 | 4.7% |
| 2015 | 135,000 | 50,903 | 185,903 | 4.7% |
| 2016 | 142,000 | 44,599 | 186,599 | 4.7% |
| 2017-2021 | <u>813,000</u> | <u>117,405</u> | <u>930,405</u> | 4.7% |
| <i>Total principal and interest</i> | <u>\$ 1,460,000</u> | <u>\$ 400,687</u> | <u>\$ 1,860,687</u> | |

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; the bonds bear interest at a rate of 2.56 percent. The following is a debt schedule over the period of the bonds.

1998 Water Revenue Bonds
Proprietary

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Rate</u> |
|-------------------------------------|-------------------|------------------|-------------------|-------------|
| 2012 | \$ 34,000 | \$ 7,552 | \$ 41,552 | 2.6% |
| 2013 | 35,000 | 6,682 | 41,682 | 2.6% |
| 2014 | 35,000 | 5,786 | 40,786 | 2.6% |
| 2015 | 36,000 | 4,890 | 40,890 | 2.6% |
| 2016 | 37,000 | 3,968 | 40,968 | 2.6% |
| 2017-2019 | <u>118,000</u> | <u>6,118</u> | <u>124,118</u> | 2.6% |
| <i>Total principal and interest</i> | <u>\$ 295,000</u> | <u>\$ 34,996</u> | <u>\$ 329,996</u> | |

In December, 2008, the Division of Water Quality advanced the City the amount of \$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. The City issued bonds in \$1,000 increments in the amount of \$4,677,000. As of June 30, 2010, the entire loan amount of \$11,350,000 had been drawn from the Department of Water Quality. During fiscal years 2009 and 2010, the City made interest-only payments on that loan of \$52,616 and \$236,018 respectively. The activation of the plant was delayed

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5. LONG-TERM DEBT (Continued)

due to permit delays, so the Division of Water Quality reduced the interest on the loan payment due May 1, 2011. Interest paid as of June 30, 2011 was \$104,042. The repayment schedule for this loan began with the first principal payment of \$240,000 on May 1, 2011.

**1998 Water Revenue Bonds
Proprietary**

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Interest Rate</u> |
|-------------------------------------|----------------------|--------------------|---------------------|--------------------------|
| 2012 | \$ 260,000 | \$ 333,300 | \$ 593,300 | 3.0% |
| 2013 | 280,000 | 325,500 | 605,500 | 3.0% |
| 2014 | 300,000 | 317,100 | 617,100 | 3.0% |
| 2015 | 320,000 | 308,100 | 628,100 | 3.0% |
| 2016 | 340,000 | 298,500 | 638,500 | 3.0% |
| 2017-2021 | 2,912,000 | 1,277,340 | 4,189,340 | 3.0% |
| 2022-2026 | 3,501,000 | 800,880 | 4,301,880 | 3.0% |
| 2027-2030 | <u>3,197,000</u> | <u>243,330</u> | <u>3,440,330</u> | 3.0% |
| <i>Total principal and interest</i> | <u>\$ 11,110,000</u> | <u>\$3,904,050</u> | <u>\$15,014,050</u> | |

In 1992, the City issued \$150,000 in revenue water bonds to finance additional water construction. The bonds were to be repaid from water sales from the utilities fund. The bonds were dated June 5, 1992, and matured on January 1, 2011, and bore interest at a rate of 3.0 percent. As of June 30, 2011, the water bonds have been paid off.

The remaining long-term debt consists of compensated absences in the amount of \$49,066.

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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7. RISK MANAGEMENT

The 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, 2011, there was no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 8. RETIREMENT PLANS

A. Pension Plans

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

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

Funding Policy: In the Local Governmental Noncontributory Retirement System, Perry City Corporation is required to contribute 13.37 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 14.86 percent of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 12.29 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 \$2,292.37 to a 457 Plan during the year ended June 30, 2011.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2011, 2010, and 2009 were \$57,209, \$43,196 and \$45,287, respectively, and for the Public Safety Retirement System the contributions for June 30, 2011, 2010 and 2009 were \$40,697, \$43,542 and \$56,067, respectively.

The City sponsors a 401(k) deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$13,712.83 to this plan during the year ended June 30, 2011, and the employees contributed \$14,838.84. City employees made no contributions to a Roth IRA plan during the year ended June 30, 2011.

**PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9. PROPERTY TAX CALENDAR

| | |
|---|--|
| Lien date | January 1 |
| Budget officer of the entity prepares and files with the City council a tentative budget for the next fiscal year | 1 st scheduled Council meeting in May |
| County auditor sends valuation certified tax rate and levy worksheets to each taxing entity | June 8 |
| Taxing entity must adopt a proposed tax rate, certified the rate and levy, and submit it to the county auditor | Before June 22 |
| Taxing entity adopts a final tax rate if there is no increase in the certified tax rate | June 22 |
| Taxing entity adopts final budget if there is no increase in the certified tax rate | June 22 |
| Copy of the budget is submitted to the state auditor within 30 days of adoption, payment and delinquency date..... | July 22 |

NOTE 10. BUDGET COMPLIANCE AND ACCOUNTABILITY

The general fund ended fiscal year 2011 with a positive unassigned fund balance of 23,592. The Administration Department and the Community Development Department had expenditures in the general fund in excess of budget in the amounts of \$29,377 and \$13,379 respectively, at June 30, 2011. The Administration Department was over due to accrual of Utopia pledges due, as well as a property tax reclassification. Community development was over due to prior misclassification of benefits, fleet vehicle depreciation, and higher than anticipated professional and tech charges.

NOTE 11. SEGMENT INFORMATION FOR THE UTILITY ENTERPRISE FUND

The City maintains two utility funds. The Sewer Fund provides sewer services and is the only segment in that fund. The Utility Fund provides water, garbage and storm drain. Segment information for the Utility Fund for the year ended June 30, 2011, was as follows:

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Water</u> | <u>Sewer</u> | <u>Garbage</u> | <u>Storm Drain</u> | <u>WWTP</u> | <u>Total</u> |
|--|---------------------|--------------------|-------------------|------------------------|-------------------|---------------------|
| Operating revenues (expenses): | | | | | | |
| Charges for services | \$ 324,630 | \$ - | \$ 214,628 | \$ 68,418 | \$ - | \$ 607,676 |
| Operating expenses, excluding depreciation | (231,953) | - | (189,197) | (27,894) | - | (449,044) |
| Depreciation | <u>(80,333)</u> | <u>-</u> | <u>-</u> | <u>(7,446)</u> | <u>-</u> | <u>(87,779)</u> |
| <i>Operating income (expenses)</i> | 12,344 | - | 25,431 | 33,078 | - | 70,853 |
| Nonoperating revenues (expenses): | | | | | | |
| Interest expense | (7,965) | - | - | - | - | (7,965) |
| Impact fees | 27,504 | - | - | 26,367 | - | 53,871 |
| Misc nonoperating revenue | 608 | - | - | - | - | 608 |
| Interest income | <u>1,014</u> | <u>-</u> | <u>-</u> | <u>681</u> | <u>-</u> | <u>1,695</u> |
| <i>Nonoperating revenues (expenses)</i> | <u>21,161</u> | <u>-</u> | <u>-</u> | <u>27,048</u> | <u>-</u> | <u>48,209</u> |
| Transfer in/out | <u>-</u> | <u>(3,252,530)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,252,530)</u> |
| <i>Change in net assets</i> | 33,505 | (3,252,530) | 25,431 | 60,126 | - | (3,133,468) |
| Beginning net assets | <u>1,598,038</u> | <u>4,230,220</u> | <u>252,343</u> | <u>723,577</u> | <u>(15,672)</u> | <u>6,788,506</u> |
| <i>Ending net assets</i> | <u>\$ 1,631,543</u> | <u>\$ 977,690</u> | <u>\$ 277,774</u> | <u>\$783,703</u> | <u>\$(15,672)</u> | <u>\$ 3,655,038</u> |

NOTE 12. RECONCILIATION OF DUE TO/DUE FROM BALANCES

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

| | <u>General Fund</u> | <u>Utility Fund</u> | <u>Sewer Fund</u> | <u>Debt Service Fund</u> | <u>Internal Service Fund</u> | <u>Total Due To</u> | <u>Total Due From</u> |
|--------------------------------|-------------------------|-------------------------|-----------------------|----------------------------------|--------------------------------------|-------------------------|---------------------------|
| Due from general fund | \$ - | \$150,176 | \$ - | \$ - | \$ - | \$ - | \$ 150,176 |
| Due from debt service fund | - | 100,130 | - | - | - | - | 100,130 |
| Due from internal service fund | - | 145,614 | - | - | - | - | 145,614 |
| Due to utility fund | <u>150,176</u> | <u>-</u> | <u>-</u> | <u>100,130</u> | <u>145,614</u> | <u>395,920</u> | <u>-</u> |
| | <u>\$150,176</u> | <u>\$395,920</u> | <u>\$ -</u> | <u>\$100,130</u> | <u>\$145,614</u> | <u>\$395,920</u> | <u>\$ 395,920</u> |

These balances represent funds loaned from the utilities fund to the general, debt service and internal service funds to make up for shortfalls of allocated cash in these funds. These balances are expected to be repaid within the next year.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13. INTERLOCAL AGREEMENT

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

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

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

During the fiscal year 2010, the City was notified there was a debt service reserve fund shortfall due to "factors including, but not limited to, (i) market conditions that have caused greater basis risk on swap contracts than originally projected, (ii) continued negative impact of RUS damages, and (iii) insufficient operating revenues." The City's portion of the shortfall for the year ending June 30, 2012, will be \$74,872. The City will make monthly payments totaling this amount over the course of the year.

On December 1, 2011, UTOPIA refinanced their bonds and issued new pledge agreements. The City's maximum pledge under the amended agreement, beginning with the June 30, 2013 year end, is \$105,494, with a 2 percent annual increase through June 30, 2040.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance With Final Budget - Positive (Negative) |
|--|------------------|------------------|--|--|
| | Original | Final | | |
| | Revenues | | | |
| Property taxes | \$ 565,166 | \$ 583,210 | \$ 613,511 | \$ 30,301 |
| Sales taxes | 589,500 | 496,296 | 481,568 | (14,728) |
| Franchise and energy taxes | 98,779 | 94,562 | 84,349 | (10,213) |
| Licenses and permits | 87,427 | 65,393 | 93,827 | 28,434 |
| Intergovernmental | 148,944 | 156,860 | 163,377 | 6,517 |
| Charges for services | 8,966 | 11,851 | 6,590 | (5,261) |
| Fines and forfeitures | 30,639 | 25,200 | 26,361 | 1,161 |
| Impact fees | 33,255 | 20,671 | 25,169 | 4,498 |
| Investment earnings | 14,300 | 9,924 | 7,812 | (2,112) |
| Miscellaneous | 19,751 | 145,756 | 146,589 | 833 |
| <i>Total revenues</i> | <u>1,596,727</u> | <u>1,609,723</u> | <u>1,649,153</u> | <u>39,430</u> |
| Expenditures | | | | |
| Current: | | | | |
| Administration | 627,228 | 537,605 | 566,983 | (29,378) |
| Judicial | 16,000 | 22,000 | 19,331 | 2,669 |
| Public safety | 539,246 | 504,144 | 500,573 | 3,571 |
| Streets | 237,730 | 236,036 | 189,053 | 46,983 |
| Parks | 108,260 | 222,205 | 215,240 | 6,965 |
| Community development | 68,263 | 54,302 | 67,682 | (13,380) |
| <i>Total expenditures</i> | <u>1,596,727</u> | <u>1,576,292</u> | <u>1,558,862</u> | <u>17,430</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>33,431</u> | <u>90,291</u> | <u>56,860</u> |
| <i>Net change in fund balances</i> | - | 33,431 | 90,291 | 90,291 |
| Fund balances beginning | <u>63,728</u> | <u>63,728</u> | <u>63,728</u> | <u>-</u> |
| <i>Fund balances ending</i> | <u>\$ 63,728</u> | <u>\$ 97,159</u> | <u>\$ 154,019</u> | <u>\$154,019</u> |

The accompanying notes are an integral part of these statements

AUDITORS'
REPORTS



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

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
Perry City

We have audited the financial statements of 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, 2011, which collectively comprise Perry City's basic financial statements and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management and with those charged with governance on December 2, 2011.

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

Crane, Christensen + Ambrose

December 2, 2011



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, 2011, and have issued our report thereon dated December 2, 2011.

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

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

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

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

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

The results of our audit procedures disclosed four 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, 2011.

Crane, Christensen + Ambrose

December 2, 2011

PERRY CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The Administration and Community Development departments were over budget.

QUESTIONED COSTS: None

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

CITY'S REPLY: These were issues having to do with year end audit adjustments. These adjustments will be properly budgeted in the future.

PROGRAM: FUND BALANCE LIMITATIONS

FINDING: The general fund balance is below the legal limit.

QUESTIONED COSTS: None

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

CITY'S REPLY: In the budget year ending June 30, 2011 we took steps to decrease our budget by reducing operational spending. Our goal was to achieve a positive fund balance at the end of fiscal year 2011 and to have a 5% positive fund balance by the end of fiscal year 2012. We feel confident that we will achieve this. In preparing our budgets for the budget year ending June 30, 2011, we reviewed our budget challenges and came up with the following solutions to address these challenges:

- Reduced operation costs - We reviewed each budget and cut expenses where possible.
- RFPs for professional services - We completed an RFP for our accounting service saving the city \$15,000.00 a year and will be looking at other services to RFP in hopes of reducing costs.

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

FINDING: The debt service fund is in a deficit position.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to increase the debt service fund balance.

CITY'S REPLY: One of the property owners is delinquent on assessment payments. Foreclosure proceedings against the property owner were initiated in 2010. The City expects the situation will be resolved this year and the fund balance will be restored to a positive balance.

PROGRAM: GENERAL COMPLIANCE UNIFORM BUILDING CODE STANDARDS

FINDING: Quarterly report submitted late.

QUESTIONED COSTS: None

RECOMMENDATION: The City should file the reports timely.

CITY'S REPLY: The City will work to insure they are filed timely.