



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

January 19, 2012

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Auditor of State David A. Vaudt today released an audit report on the Perry Municipal Waterworks, Perry, Iowa.

The Waterworks' receipts totaled \$1,710,003 for the year ended June 30, 2011, an 8% increase over the prior year. The receipts included \$1,276,509 in charges for service, miscellaneous operating receipts of \$184,711, interest on investments of \$6,062 and sewer and garbage fees of \$242,721 collected for the City of Perry.

Disbursements for the year totaled \$1,573,949, a less than 1% decrease from the prior year, and included operating disbursements of \$1,105,861, debt service of \$106,450, capital outlay of \$118,917 and sewer and garbage fees of \$242,721 remitted to the City of Perry.

A copy of the audit report is available for review in the office of the Perry Municipal Waterworks, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1123-0237-B00F.pdf>.

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PERRY MUNICIPAL WATERWORKS
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-9
Financial Statement:	<u>Exhibit</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A	12
Notes to Financial Statement		13-17
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis)		20-21
Notes to Required Supplementary Information – Budgetary Reporting		22
Other Supplementary Information:	<u>Schedule</u>	
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets – Enterprise Fund Accounts	1	24-25
Schedule of Indebtedness	2	26-27
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u>		29-30
Schedule of Findings		31-33
Staff		34

Perry Municipal Waterworks

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marcus Carris	Chairperson/Trustee	April 2013
Lori Lott	Trustee	April 2015
Lonnie Ostransky	Trustee	April 2017
Dave Modlin	Superintendent	Indefinite
Pamela Ballard	Secretary	Indefinite

Perry Municipal Waterworks



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Independent Auditor's Report

To the Board of Trustees of the
Perry Municipal Waterworks:

We have audited the accompanying financial statement of the Perry Municipal Waterworks, Perry, Iowa, as of and for the year ended June 30, 2011. This financial statement is the responsibility of Waterworks' officials. Our responsibility is to express an opinion on the financial statement based on our audit.

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

As described in note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in note 1, the financial statement of the Perry Municipal Waterworks is intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Perry that is attributable to the transactions of the Waterworks.

In our opinion, the aforementioned financial statement presents fairly, in all material respects, the cash basis financial position of the Perry Municipal Waterworks as of June 30, 2011, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

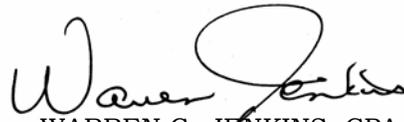
In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2011 on our consideration of the Perry Municipal Waterworks' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 9 and pages 20 through 22 are not required parts of the financial statement, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statement taken as a whole. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statement and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statement taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Perry Municipal Waterworks provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Waterworks' financial statement, which follows.

2011 FINANCIAL HIGHLIGHTS

- The Waterworks' total receipts increased 8%, or approximately \$133,000, from fiscal year 2010 to fiscal year 2011.
- The Waterworks' total disbursements decreased less than 1%, or approximately \$8,000, from fiscal year 2010 to fiscal year 2011.
- The Waterworks' total cash basis net assets increased 30%, or approximately \$136,000, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The Perry Municipal Waterworks has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Perry Municipal Waterworks' cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Perry Municipal Waterworks' cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Perry Municipal Waterworks' financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Waterworks' financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Perry Municipal Waterworks' receipts and disbursements and whether the Waterworks' cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Required Supplementary Information further explains and supports the financial statement with a comparison of the Waterworks' budget for the year.

Other Supplementary Information provides detailed information about the individual Enterprise Fund accounts. In addition, the Schedule of Indebtedness provides details of the Waterworks' debt at June 30, 2011.

FINANCIAL ANALYSIS OF THE PERRY MUNICIPAL WATERWORKS

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Perry Municipal Waterworks and the disbursements paid by the Waterworks, both operating and non-operating. The statement also presents a fiscal snapshot of the Waterworks' cash balances at year end. Over time, readers of the financial statement are able to determine the Perry Municipal Waterworks' financial position by analyzing the increase or decrease in cash basis net assets.

Receipts include metered and bulk water sales, fees for upkeep and/or upgrade of individual service lines, water turn on/off fees, rent for space on the water tower, taps and miscellaneous fees. The City of Perry pays the Perry Municipal Waterworks contract fees to include sewer and garbage charges on the water bill and costs involved in preparing the billing, i.e. meter reading for sewer, data entry of meter reads, sales tax return preparation and payment. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2011 and June 30, 2010 is presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30	
	2011	2010
Receipts:		
Use of money and property	\$ 6,062	8,788
Charges for service	1,276,509	1,152,273
Sewer and garbage fees collected for City	242,721	228,631
Miscellaneous	184,711	187,506
Total receipts	<u>1,710,003</u>	<u>1,577,198</u>
Disbursements:		
Plant operation and maintenance	558,883	580,729
Distribution operation and maintenance	191,582	183,167
Administration	355,396	356,250
Sewer and garbage fees remitted to City	242,721	228,631
Debt service:		
Principal redeemed	76,000	70,000
Interest paid	29,840	33,955
Service fees	610	575
Capital outlay	118,917	128,192
Total disbursements	<u>1,573,949</u>	<u>1,581,499</u>
Net change in cash basis net assets	136,054	(4,301)
Cash basis net assets beginning of year	453,096	457,397
Cash basis net assets end of year	<u>\$ 589,150</u>	<u>453,096</u>

The largest portion of the Waterworks' net assets (62%) are restricted funds for the repayment of the revenue bonds issued in 1999, the revenue notes issued in 2004 and customer water deposits. The remaining net assets (38%) are unrestricted assets available for use in the routine operations of the plant, distribution and administrative areas of the Waterworks and for capital improvements to the plant and distribution areas. State and federal laws and regulations require the Perry Municipal Waterworks to perform specific maintenance and monitoring functions in the collection and treatment of water sources before final distribution.

DEBT ADMINISTRATION

At June 30, 2011, the Perry Municipal Waterworks had a total of \$719,000 of revenue bond/note debt outstanding. The revenue bonds were issued June 1, 1999 and the revenue notes were issued September 1, 2004.

ECONOMIC FACTORS

The Perry Municipal Waterworks raised water rates in April 2011 to improve its financial position. Current economic conditions beyond the Perry Municipal Waterworks' Trustees control play a significant role in the daily operations of the water plant and distribution services. These conditions include, but are not limited to:

- The need to constantly maintain facilities, wells, vehicles and machinery.
- The need to comply with federal and state regulations for the production of water and well-head protection.
- The need to maintain up-to-date technology at a reasonable cost.
- The fluctuation of the cost of the chemicals and energy used to produce quality water.

CONTACTING THE WATERWORKS' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Perry Municipal Waterworks' finances and to show the Waterworks' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Perry Municipal Waterworks, 1101 W 3rd Street, PO Box 604, Perry, Iowa 50220.

Perry Municipal Waterworks

Financial Statement

Exhibit A

Perry Municipal Waterworks

Statement of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets

Year ended June 30, 2011

Operating receipts:	
Charges for service	\$ 1,276,509
Miscellaneous	184,711
Total operating receipts	<u>1,461,220</u>
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	558,883
Distribution operation and maintenance	191,582
Administration	355,396
Total operating disbursements	<u>1,105,861</u>
Excess of operating receipts over operating disbursements	<u>355,359</u>
Non-operating receipts (disbursements):	
Interest on investments	6,062
Sewer and garbage fees collected for City	242,721
Sewer and garbage fees remitted to City	(242,721)
Debt service	(106,450)
Capital outlay	(118,917)
Net non-operating receipts (disbursements)	<u>(219,305)</u>
Change in cash basis net assets	136,054
Cash basis net assets beginning of year	<u>453,096</u>
Cash basis net assets end of year	<u>\$ 589,150</u>
Cash Basis Net Assets	
Restricted for:	
Bond principal and interest payments	\$ 288,308
Customer water deposits	74,450
Total restricted net assets	<u>362,758</u>
Unrestricted	<u>226,392</u>
Total cash basis net assets	<u>\$ 589,150</u>

See notes to financial statement.

Perry Municipal Waterworks

Notes to Financial Statement

June 30, 2011

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Perry Municipal Waterworks is a component unit of the City of Perry, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Waterworks is governed by a three-member Board of Trustees appointed by the City Council, which exercises oversight responsibility under this criteria.

B. Basis of Presentation

The accounts of the Waterworks are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Waterworks maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Waterworks is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Restricted Assets and Net Assets

Funds set aside for bond principal and interest payments and customer water deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The Waterworks' deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The Waterworks had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Water Revenue Bonds and Notes Payable

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

Year Ending June 30,	Water Revenue Bonds			Water Revenue Notes			Total	
	Issued Jun 1, 1999			Issued Sep 1, 2004				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2012	3.00%	\$ 32,000	8,670	3.80%	\$ 45,000	18,620	77,000	27,290
2013	3.00	33,000	7,710	4.00	45,000	16,910	78,000	24,620
2014	3.00	34,000	6,720	4.10	50,000	15,110	84,000	21,830
2015	3.00	35,000	5,700	4.25	50,000	13,060	85,000	18,760
2016	3.00	37,000	4,650	4.40	55,000	10,935	92,000	15,585
2017-2019	3.00	118,000	7,170	4.50-4.70	185,000	17,385	303,000	24,555
Total		<u>\$289,000</u>	<u>40,620</u>		<u>\$ 430,000</u>	<u>92,020</u>	<u>719,000</u>	<u>132,640</u>

The Waterworks has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 of water revenue bonds issued in June 1999 and \$700,000 of water revenue notes issued in September 2004. Proceeds from the bonds and notes provided financing for constructing improvements and extensions to the water utility. The bonds and notes are payable solely from water customer net receipts and are payable through 2019. Annual principal and interest on the bonds and notes are expected to require less than 30% of net receipts. The total principal and interest remaining to be paid on the bonds and notes is \$851,640. For the current year, principal and interest paid and total customer net receipts were \$105,840 and \$355,359, respectively.

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

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

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the Waterworks is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The Waterworks' contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$32,992, \$31,958 and \$31,985, respectively, equal to the required contributions for each year.

(5) Compensated Absences

Waterworks' employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Waterworks until used or paid. The Waterworks' approximate liability for earned compensated absences payable to employees at June 30, 2011 is \$24,000. This liability has been computed based on rates of pay in effect at June 30, 2011.

(6) Risk Management

The Waterworks is included under the insurance for the City of Perry. The City of Perry is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Waterworks' property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Waterworks' contributions to the Pool for the year ended June 30, 2011 were \$16,383.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Waterworks is also included under the City of Perry's commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Water Tank Maintenance Contract

In December 2008, the Waterworks entered into an agreement with Utility Service Co. for maintenance of the water tower, including annual inspections of the tank, repairs and the cleaning and repainting of the interior and exterior of the tank. The Waterworks was to make annual payments of \$35,134 for the first six contract years and \$19,098 per year thereafter. The contract is for an indefinite period of time. Beginning in contract year ten and each third anniversary thereafter, the annual fee can be adjusted to reflect the current cost of service with a maximum change of 5% per annum. The agreement was amended in May 2010 to include maintenance for the mixing system and the Waterworks started making quarterly installments of \$11,401 on the contract. During the year ended June 30, 2011, the Waterworks paid \$53,458 on the contract.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The Waterworks operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Waterworks. The Waterworks currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Waterworks and plan members are \$446 for single coverage and \$1,368 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the Waterworks contributed \$115,669 and plan members eligible for benefits contributed \$6,070 to the plan.

(9) Subsequent Event

In July 2011, the Waterworks issued \$640,000 of water revenue refunding bonds and committed an additional \$100,000 to refund \$289,000 of the Waterworks' outstanding water revenue bonds originally issued June 1, 1999 and to refund \$430,000 of water revenue notes originally issued September 1, 2004.

Perry Municipal Waterworks

Required Supplementary Information

Perry Municipal Waterworks

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis)

Required Supplementary Information

Year ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Use of money and property	\$ 6,062	-	6,062
Charges for service	1,519,230	242,721	1,276,509
Miscellaneous	184,711	-	184,711
Total receipts	1,710,003	242,721	1,467,282
Disbursements:			
Business type activities	1,573,949	242,721	1,331,228
Change in cash basis net assets	136,054	-	136,054
Cash basis net assets beginning of year	453,096	-	453,096
Cash basis net assets end of year	\$ 589,150	-	589,150

See accompanying independent auditor's report.

<u>Budgeted Amounts</u> Original and Final	<u>Final to Net Variance</u>
-	6,062
1,393,753	(117,244)
<u>183,000</u>	<u>1,711</u>
1,576,753	(109,471)
<u>1,468,606</u>	<u>137,378</u>
108,147	27,907
<u>704,078</u>	<u>159,112</u>
<u><u>812,225</u></u>	<u><u>(223,075)</u></u>

Perry Municipal Waterworks

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The Perry Municipal Waterworks prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The Waterworks' disbursements are budgeted in the business type activities function. There were no budget amendments for the Waterworks during the year ended June 30, 2011.

During the year ended June 30, 2011, disbursements did not exceed the amount budgeted.

Other Supplementary Information

Schedule 1

Perry Municipal Waterworks

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets
Enterprise Funds

Year ended June 30, 2011

	Waterworks	Consumer Deposit	State Revolving	2004 Revenue Note	Total
Operating receipts:					
Charges for service:					
Sale of water	\$ 1,258,649	-	-	-	1,258,649
Installations and connections	100	-	-	-	100
Rental	17,760	-	-	-	17,760
	<u>1,276,509</u>	-	-	-	<u>1,276,509</u>
Miscellaneous:					
Sales tax collected	88,063	-	-	-	88,063
Refunds and reimbursements	54,838	-	-	-	54,838
Customer deposits	-	35,021	-	-	35,021
Miscellaneous	6,789	-	-	-	6,789
	<u>149,690</u>	<u>35,021</u>	-	-	<u>184,711</u>
Total operating receipts	<u>1,426,199</u>	<u>35,021</u>	-	-	<u>1,461,220</u>
Operating disbursements:					
Business type activities:					
Plant operation and maintenance:					
Salaries	242,409	-	-	-	242,409
Employee benefits	108,715	-	-	-	108,715
Contractual services	102,148	-	-	-	102,148
Commodities	105,611	-	-	-	105,611
	<u>558,883</u>	-	-	-	<u>558,883</u>
Distribution operation and maintenance:					
Salaries	97,888	-	-	-	97,888
Employee benefits	40,974	-	-	-	40,974
Contractual services	45,812	-	-	-	45,812
Commodities	6,908	-	-	-	6,908
	<u>191,582</u>	-	-	-	<u>191,582</u>
Administration:					
Salaries	143,888	-	-	-	143,888
Employee benefits	57,729	-	-	-	57,729
Contractual services	24,706	26,086	-	-	50,792
Sales tax remitted	80,967	-	-	-	80,967
Commodities	22,020	-	-	-	22,020
	<u>329,310</u>	<u>26,086</u>	-	-	<u>355,396</u>
Total operating disbursements	<u>1,079,775</u>	<u>26,086</u>	-	-	<u>1,105,861</u>

Perry Municipal Waterworks

Combining Schedule of Cash Receipts, Disbursements
and Changes in Cash Basis Net Assets
Enterprise Fund Accounts

Year ended June 30, 2011

	Waterworks	Consumer Deposit	State Revolving	2004 Revenue Note	Total
Excess of operating receipts over operating disbursements	346,424	8,935	-	-	355,359
Non-operating receipts (disbursements):					
Interest on investments	5,538	-	168	356	6,062
Sewer and garbage fees collected for City	242,721	-	-	-	242,721
Sewer and garbage fees remitted to City	(242,721)	-	-	-	(242,721)
Debt service:					
Principal redeemed	-	-	(31,000)	(45,000)	(76,000)
Interest paid	-	-	(9,600)	(20,240)	(29,840)
Service fees	-	-	(160)	(450)	(610)
Capital outlay	(118,917)	-	-	-	(118,917)
Total non-operating receipts (disbursements)	(113,379)	-	(40,592)	(65,334)	(219,305)
Excess (deficiency) of receipts over (under) disbursements	233,045	8,935	(40,592)	(65,334)	136,054
Operating transfers in (out):					
Enterprise:					
Waterworks	-	-	36,450	57,000	93,450
State Revolving	(36,450)	-	-	-	(36,450)
2004 Revenue Note	(57,000)	-	-	-	(57,000)
Total operating transfers in (out)	(93,450)	-	36,450	57,000	-
Change in cash basis net assets	139,595	8,935	(4,142)	(8,334)	136,054
Cash basis net assets beginning of year	86,797	65,515	56,955	243,829	453,096
Cash basis net assets end of year	\$ 226,392	74,450	52,813	235,495	589,150

See accompanying independent auditor's report.

Perry Municipal Waterworks
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Jun 1, 1999	3.00%	\$ 600,000
Revenue notes: Water	Sep 1, 2004	3.80-4.70%	\$ 700,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
320,000	-	31,000	289,000	9,600
475,000	-	45,000	430,000	20,240

Perry Municipal Waterworks



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Board of Trustees of the
Perry Municipal Waterworks:

We have audited the financial statement of the Perry Municipal Waterworks, Perry, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Perry Municipal Waterworks is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Perry Municipal Waterworks' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Perry Municipal Waterworks' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Perry Municipal Waterworks' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the Perry Municipal Waterworks' financial statement will not be prevented or detected and correct on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Perry Municipal Waterworks' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Waterworks' operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Waterworks. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Perry Municipal Waterworks' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Waterworks' responses, we did not audit the Perry Municipal Waterworks' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Perry Municipal Waterworks and other parties to whom the Perry Municipal Waterworks may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Perry Municipal Waterworks during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 19, 2011

Perry Municipal Waterworks

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Water utility billings, collections, deposits, posting to customer accounts and the cash receipts journal, recording of journal entries and reconciliation of billings to collections and delinquent accounts are all done by the same person. Also, bank accounts are not reconciled by an individual who does not sign checks, handle or record cash and disbursements are prepared by the same individual who records the disbursements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Waterworks should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members.

Response – The office staff will continue to rotate daily and monthly duties, both with the billing, collections, deposits and posting to customer accounts and financial entries.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Perry Municipal Waterworks

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – The budget certified by the City of Perry includes an amount budgeted for the Perry Municipal Waterworks. Disbursements during the year ended June 30, 2011 did not exceed the amount budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Waterworks' money for travel expenses of spouses of Waterworks' officials or employees were noted.
- (4) Business Transactions – No business transactions between the Waterworks and Waterworks officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of Waterworks' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of Board proceedings were published, the Waterworks did not publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978.

Recommendation - The Waterworks should publish annual individual salaries as required.

Response – The water clerk emailed and faxed the January 10th minutes, claims, public notice and 2010 employee salaries on October 3, 2011. They were published in the October 7, 2011 issue of the Perry Chief.

Conclusion – Response accepted.

- (7) Deposits and Investments - The Waterworks has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. The interest rate on a time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee. Public fund time certificates of deposit, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on date of renewal.

Recommendation - The Waterworks should seek reimbursement of the additional interest due on this certificate of deposit. In addition, the Waterworks should be aware of the current allowable rates to ensure at least the minimum allowable rate is received for all investments.

Perry Municipal Waterworks

Schedule of Findings

Year ended June 30, 2011

Response – The water clerk has contacted the financial institution in question.

Conclusion – Response accepted.

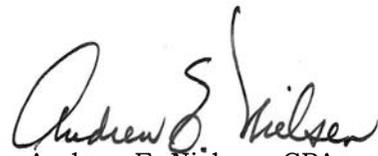
- (8) Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note requirements for the year ended June 30, 2011 were noted.

Perry Municipal Waterworks

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Jessica N. Meierotto, Staff Auditor
Victor L. Kennedy, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State