



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE November 18, 2004

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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 \$1,351,711 for the year ended June 30, 2004, a 13 percent increase from 2003. The receipts included \$929,870 in charges for service, miscellaneous operating receipts of \$283,256 and \$4,737 in interest on investments.

Disbursements for the year totaled \$1,368,920, a 15 percent increase from the prior year, and included operating disbursements of \$1,193,104, debt service of \$41,968 and \$133,848 for sewer and garbage fees remitted to the City of Perry.

The significant increase in receipts and disbursements is due primarily to the North 2nd Street Project which involved installing a new water main at the local foundry.

A copy of the audit report is available for review in the Office of Auditor of State and the Waterworks' office.

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PERRY MUNICIPAL WATERWORKS
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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Perry Municipal Waterworks

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merle Buchan	Chairperson/Trustee	Apr 2005
Lori Lott	Trustee	Apr 2007
Patrick Sullivan	Trustee	Apr 2007
Delbert Niebuhr	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, 2004. This financial statement is the responsibility of Waterworks' officials. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 attributable to the transactions of the Waterworks.

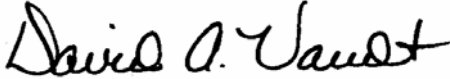
In our opinion, the aforementioned financial statement presents fairly, in all material respects, the results of the cash transactions of the Perry Municipal Waterworks as of and for the year ended June 30, 2004, and its indebtedness at June 30, 2004, on the basis of accounting described in note 1.

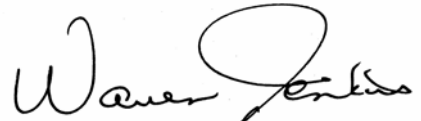
As discussed in note 7, during the year ended June 30, 2004, Perry Municipal Waterworks adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2004 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 grants. 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 18 through 20 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 supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed 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

August 12, 2004

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, 2004. We encourage readers to consider this information in conjunction with the Waterworks' financial statement, which follows.

2004 FINANCIAL HIGHLIGHTS

- The Waterworks' total receipts increased 13%, or approximately \$152,000, from fiscal 2003 to fiscal 2004.
- The Waterworks' total disbursements increased approximately \$177,000, or 15%, from fiscal 2003 to fiscal 2004.
- The Waterworks' total cash basis net assets decreased 5%, or approximately \$17,000, from June 30, 2003 to June 30, 2004.

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, the reader 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 a 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 Funds. In addition, the Schedule of Indebtedness provides details of the Waterworks' debt at June 30, 2004.

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 and 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 rates, 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, 2004 and June 30, 2003 are presented below:

	Changes in Cash Basis Net Assets	
	Year ended June 30	
	2004	2003
Receipts:		
Use of money and property	\$ 4,737	6,418
Charges for service	929,870	934,320
Sewer and garbage fees collected for City	133,848	126,677
Miscellaneous	283,256	132,017
Total receipts	<u>1,351,711</u>	<u>1,199,432</u>
Disbursements:		
Plant operation and maintenance	570,184	526,299
Distribution operation and maintenance	185,718	177,576
Administration	437,202	319,112
Sewer and garbage fees remitted to City	133,848	127,519
Debt service:		
Principal redeemed	24,000	23,000
Interest paid	17,968	18,780
Total disbursements	<u>1,368,920</u>	<u>1,192,286</u>
Net change in cash basis net assets	(17,209)	7,146
Cash basis net assets beginning of year	344,629	337,483
Cash basis net assets end of year	<u>\$ 327,420</u>	<u>344,629</u>

The larger portion of the Waterworks' net assets (65%) are unrestricted assets available for use in the routine operations for 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. The remaining net assets (35%) are restricted funds for the repayment of the revenue bonds issued in 1999 and customer water deposits.

DEBT ADMINISTRATION

At June 30, 2004, the Perry Municipal Waterworks had \$485,000 of revenue bond debt outstanding. The revenue bonds were issued June 1, 1999.

ECONOMIC FACTORS

The Perry Municipal Waterworks has raised the water rate charges as of July 2004 to improve its financial position for the next fiscal year. Current economic conditions beyond the Perry Municipal Waterworks Trustees control play a significant roll 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.

Financial Statement

Perry Municipal Waterworks

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

Year ended June 30, 2004

Operating receipts:	
Charges for service	\$ 929,870
Miscellaneous	283,256
Total operating receipts	<u>1,213,126</u>
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	570,184
Distribution operation and maintenance	185,718
Administration	437,202
Total operating disbursements	<u>1,193,104</u>
Excess of operating receipts over operating disbursements	<u>20,022</u>
Non-operating receipts (disbursements):	
Interest on investments	4,737
Sewer and garbage fees collected for City	133,848
Sewer and garbage fees remitted to City	(133,848)
Debt service	(41,968)
Total non-operating receipts (disbursements)	<u>(37,231)</u>
Change in cash basis net assets	(17,209)
Cash basis net assets beginning of year	<u>344,629</u>
Cash basis net assets end of year	<u><u>\$ 327,420</u></u>
Cash Basis Net Assets	
Restricted for:	
Bond principal and interest payments	\$ 76,339
Customer water deposits	38,752
Total restricted net assets	<u>115,091</u>
Unrestricted	<u>212,329</u>
Total cash basis net assets	<u><u>\$ 327,420</u></u>

See notes to financial statement.

Perry Municipal Waterworks

Notes to Financial Statement

June 30, 2004

(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 on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its receipts, disbursements and balances. The various funds are classified as Enterprise Funds in the financial statement. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

C. Basis of Accounting

The Perry Municipal 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. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Cash Equivalents – The Waterworks considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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, 2004 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 insure 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.

(3) Revenue Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	3.53%	\$ 25,000	17,120	42,120
2006	3.53	26,000	16,238	42,238
2007	3.53	27,000	15,320	42,320
2008	3.53	28,000	14,367	42,367
2009	3.53	29,000	13,379	42,379
2010	3.53	30,000	12,355	42,355
2011	3.53	31,000	11,296	42,296
2012	3.53	32,000	10,202	42,202
2013	3.53	33,000	9,072	42,072
2014	3.53	34,000	7,908	41,908
2015	3.53	35,000	6,707	41,707
2016	3.53	37,000	5,472	42,472
2017	3.53	38,000	4,166	42,166
2018	3.53	39,000	2,824	41,824
2019	3.53	41,000	1,448	42,448
Total		\$ 485,000	147,874	632,874

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue sinking account for the purpose of making the bond principal and interest payments when due.

- (c) 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.

(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, which are 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 3.70% of their annual covered salary and the Waterworks is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Waterworks' contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$20,148, \$18,795 and \$19,093, 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, 2004 is \$27,350. This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Risk Management

The Waterworks is included under the insurance for the City of Perry. The City of Perry is a member in 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 with over 490 members from 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 300 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' annual contributions to the Pool for the year ended June 30, 2004 were \$11,935.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also 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, 2004, 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.

(7) Accounting Change

For the year ended June 30, 2004, the Waterworks implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Waterworks.

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, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Use of money and property	\$ 4,737	-
Charges for service	1,063,718	133,848
Miscellaneous	283,256	-
Total receipts	<u>1,351,711</u>	<u>133,848</u>
Disbursements:		
Business type activities	<u>1,368,920</u>	<u>133,848</u>
Change in cash basis net assets	(17,209)	-
Cash basis net assets beginning of year	<u>344,629</u>	-
Cash basis net assets end of year	<u><u>\$ 327,420</u></u>	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,737	10,600	10,600	(5,863)
929,870	1,059,480	1,059,480	(129,610)
283,256	120,500	296,384	(13,128)
1,217,863	1,190,580	1,366,464	(148,601)
1,235,072	1,168,314	1,344,198	109,126
(17,209)	22,266	22,266	(39,475)
344,629	-	-	344,629
327,420	22,266	22,266	305,154

Perry Municipal Waterworks

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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.

During the year ended June 30, 2004, 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, 2004

	Waterworks	Waterworks Improvement	Consumer Deposit	State Revolving	Total
Operating receipts:					
Charges for service:					
Sale of water	\$ 903,990	-	-	-	903,990
Billing fees from City	19,200	-	-	-	19,200
Installations and connections	200	-	-	-	200
Rental	6,480	-	-	-	6,480
	<u>929,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>929,870</u>
Miscellaneous:					
Sales tax collected	59,317	-	-	-	59,317
Refunds and reimbursements	46,583	-	-	-	46,583
Customer deposits	-	-	14,600	-	14,600
North 2nd Street project reimbursement	156,684	-	-	-	156,684
Miscellaneous	6,072	-	-	-	6,072
	<u>268,656</u>	<u>-</u>	<u>14,600</u>	<u>-</u>	<u>283,256</u>
Total operating receipts	<u>1,198,526</u>	<u>-</u>	<u>14,600</u>	<u>-</u>	<u>1,213,126</u>
Operating disbursements:					
Business type activities:					
Plant operation and maintenance:					
Salaries	220,826	-	-	-	220,826
Employee benefits	73,501	-	-	-	73,501
Contractual services	92,301	-	-	-	92,301
Commodities	89,579	-	-	-	89,579
Capital outlay	93,977	-	-	-	93,977
	<u>570,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,184</u>
Distribution operation and maintenance:					
Salaries	77,291	-	-	-	77,291
Employee benefits	30,268	-	-	-	30,268
Contractual services	31,027	-	-	-	31,027
Commodities	10,978	-	-	-	10,978
Capital outlay	36,154	-	-	-	36,154
	<u>185,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,718</u>
Administration:					
Salaries	56,003	-	-	-	56,003
Employee benefits	25,228	-	-	-	25,228
Contractual services	16,266	-	11,929	254	28,449
Sales tax remitted	61,235	-	-	-	61,235
Commodities	23,633	-	-	-	23,633
Capital outlay	242,654	-	-	-	242,654
	<u>425,019</u>	<u>-</u>	<u>11,929</u>	<u>254</u>	<u>437,202</u>
Total operating disbursements	<u>1,180,921</u>	<u>-</u>	<u>11,929</u>	<u>254</u>	<u>1,193,104</u>

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

Year ended June 30, 2004

	Waterworks	Waterworks Improvement	Consumer Deposit	State Revolving	Total
Excess (deficiency) of operating receipts over (under) operating disbursements	17,605	-	2,671	(254)	20,022
Non-operating receipts (disbursements):					
Interest on investments	4,198	-	-	539	4,737
Sewer and garbage fees collected for City	133,848	-	-	-	133,848
Sewer and garbage fees remitted to City	(133,848)	-	-	-	(133,848)
Debt service:					
Principal redeemed	-	-	-	(24,000)	(24,000)
Interest paid	-	-	-	(17,968)	(17,968)
Total non-operating receipts (disbursements)	4,198	-	-	(41,429)	(37,231)
Excess (deficiency) of receipts over (under) disbursements	21,803	-	2,671	(41,683)	(17,209)
Operating transfers in (out):					
Enterprise:					
Waterworks	-	-	-	44,400	44,400
State Revolving	(44,400)	-	-	-	(44,400)
Total transfers in (out)	(44,400)	-	-	44,400	-
Net change in cash basis net assets	(22,597)	-	2,671	2,717	(17,209)
Cash basis net assets beginning of year	70,217	164,709	36,081	73,622	344,629
Cash basis net assets end of year	\$ 47,620	164,709	38,752	76,339	327,420

See accompanying independent auditor's report.

Perry Municipal Waterworks
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Jun 1, 1999	3.53%	\$ 600,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
509,000	-	24,000	485,000	17,968

Perry Municipal Waterworks



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

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, 2004, and have issued our report thereon dated August 12, 2004. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Waterworks' operations for the year ended June 30, 2004 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.

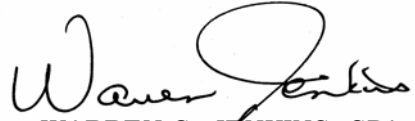
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Perry Municipal Waterworks' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

August 12, 2004

Perry Municipal Waterworks

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Other Findings Related to Required Statutory Reporting:

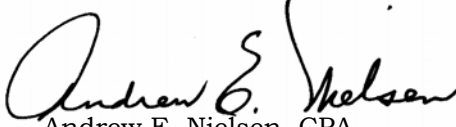
- (1) Official Depositories – A resolution naming official depositories has been approved by the Waterworks. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – The budget certified by the City of Perry includes amounts budgeted for the Perry Municipal Waterworks. Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted.
- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of Waterworks' money for travel expenses of spouses of Waterworks' officials or employees were noted.
- (5) Business Transactions – No business transactions between the Waterworks and Waterworks' officials or employees were noted.
- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Waterworks' investment policy were noted.
- (9) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2004 were noted.

Perry Municipal Waterworks

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Steven O. Fuqua, CPA, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State