

2010

ROY CITY CORPORATION



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2010

ROY CITY CORPORATION

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

Prepared by:

*Cathy A. Spencer
Management Services Director*

ROY CITY CORPORATION
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION



October 15, 2010

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Roy:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of Roy City Corporation for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of Roy City Corporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of Roy City Corporation has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Roy City Corporation's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Roy City Corporation's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Wiggins & Co., P. C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Roy City Corporation for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Roy City Corporation's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Roy City Corporation's MD&A can be found immediately following the report of the independent auditors.

Entities receiving funding from the federal government are federally mandated to undergo a "Single Audit" designed to meet the special needs of federal grantor agencies. The Single Audit Act of 1996 and the U. S. Office of Management and Budget's Circular A-133 governing single audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to the single audit,

including auditors' reports on the internal control structure and compliance with applicable laws and regulations, schedule of federal awards, and findings and recommendations are included in the Single Audit Section of this report.

The State of Utah requires the City to be audited in accordance with Government Auditing Standards (GAO Yellow Book 2003 Revision) and sets forth general requirements for auditors to follow in its Compliance Manual for Audits of Local Governments. The City is responsible for compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; and other special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide.

Profile of the Government

The City of Roy was incorporated on March 10, 1937 as Roy City Corporation. It is located in the northern part of the state along the Wasatch Front. Hill Air Force Base borders the City on the east and provides employment to many of the City's residents. Roy City Corporation currently occupies a land area of 7.8 square miles and serves a population of approximately 36,000. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

Roy City Corporation operates under the council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of a mayor and five other members, known as the City Council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the directors of the various departments. The Mayor and City Council are elected on a non-partisan, at-large basis and serve four-year staggered terms.

Roy City Corporation provides a full range of services, including police and fire protection; water, sewer and sanitation; construction and maintenance of highways, streets, and other infrastructure; and recreational activities. The governing council of the City also serves as the Board of Directors for the Redevelopment Agency of Roy, Utah (RDA). The RDA is a separate legal entity, but due to the oversight responsibilities of the City's governing council in the decision making process, is reported within the financial statements of Roy City Corporation. Additional information on the RDA can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for Roy City Corporation's financial planning and control. All departments of the City are required to submit requests for appropriations to the Budget Officer in March of each year. The Budget Officer and City Manager use these requests as the starting point for developing a tentative budget. The Budget Officer then presents the tentative budget to the governing council at their first meeting in May. The council is required to hold public hearings on the tentative budget and to adopt a final budget no later than June 22nd. The appropriated budget is prepared by fund, and department (e.g., police). Department Directors may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the major governmental funds, this comparison is presented on pages 43-45 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than the major

governmental funds, this comparison is presented in the governmental fund subsection of this report, which starts on page 82.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Roy City Corporation operates. The State of Utah continued to be in a recession in FY 2010. One of the major recessionary indicators is sales tax. Sales tax throughout Utah and the City of Roy is down again this year. Roy City experienced continued growth in sales tax revenue through FY 2008 with total revenue that year of \$4,377,000. In FY 2009 that amount declined to \$4,034,000 and in FY 2010 down to \$3,672,000. For FY 2010, this represents a 16.11% decrease from the high in FY 2008. The administration anticipates that the economy will start to improve in FY 2011 and has budgeted a 7% increase in sales tax revenue.

While Roy City and the State of Utah have not experienced as strong of a recession as some other parts of the country, consumer spending and low construction starts continue to impact the local economy. In FY 2010, Roy City benefited from small increases in commercial and residential construction. Regional grocer, WinCo Foods, opened a 100,000 square foot facility in Roy City in April 2010. WinCo chose Roy City as one of its first sites to enter the Utah market and becomes the largest of four grocery stores in the City. WinCo's business model has been to compete with Wal-Mart in the grocery market. While Roy City anticipates growth in overall sales from WinCo's presence, uncertainty exists on how much impact WinCo will have on the other grocery retailers. The construction of the store added to the revenue stream for the current fiscal year and will continue to add property tax and sales tax revenues for years to come.

New, as well as established, businesses are expanding in Roy City. Bank of Utah completed the purchase of the vacated Sonic Burger property adjacent to its Roy branch office. The Bank has demolished the building and plans to expand the presence of their location in the future. Commercial growth at 4000 South and Midland Drive is continuing. New dental offices and a Maverick Convenience Store have opened. Additional businesses in the planning and construction phase for the area include McDonald's, Checker O'Reilly Auto Parts, Jiffy Lube, and a medical/dental building. A large remaining pad is still available and has drawn interest. New tenants continue to fill the Golden Spike Technology Park located at 1900 West and 4000 South.

The City has located within its boundaries or within close proximity major industries that provide employment to local residents. This includes an air force base, school district, and manufacturing facilities. Because of the nature of these employers and the diversity of industries throughout the State of Utah, unemployment in the area has not been as significant as other states. In June 2010, the local unemployment rate was 7.2%. This is an increase of 1.2% from the same time in 2009. The local unemployment rate is well below the national rate of 9.2%. Locally, jobs were lost in the areas of construction/mining, manufacturing, and business services at rates of (10.7%), (1.5%), and (1.0%) respectively. The losses are significantly less than the losses noted in FY 2009 which ranged from (18.3%) to (9.1%) in the same categories. Gains, although small, were noted in health services, 3.6%, and government, 2.4%. Employment is expected to grow gradually over the next twelve months.

Long-term Financial Planning

It is the policy of the Roy City Council to maintain a fund balance that ensures adequate reserves that will provide financial stability in the event of an unanticipated economic downturn. The State of Utah limits the amount of unreserved undesignated fund balance the City can have to 18% of budgeted general fund revenues. Normally,

these amounts will not be programmed for expenditure and are only available for use within the confines of expenditure limitation imposed by the State of Utah. During FY 2010 and the recession, Roy City accessed fund balance reserves for certain operating costs. It was the administration's intent to try and make it through the recession with a tightening of the belt and without reducing full-time staffing. This was achieved by using approximately \$300,000 in reserves. Unreserved, undesignated fund balance was \$2,008,431 at June 30, 2010, and \$2,316,654 at June 30, 2009. The unreserved undesignated fund balance is currently 12.75% of budgeted revenue.

The City Council and administration have long strived to finance City operations on a pay as you go basis. The City has been successful at this and has very low debt compared to other cities of similar size. With the recent completion of a long-term capital improvement plan, the City has seen the need for financing alternatives in order to complete necessary projects. Since the completions of the study, the City has secured long-term financing for fire trucks, remodeling of the Municipal Building, and improvements to the water and sewer infrastructure system. For more information on the City's long-term debt, see the Detailed Notes to the Financial Statements pages 71-74.

Major Initiatives

Roy City will continue with a three year capital facility plan to improve and expand its water and sewer system. The final year of the plan will include construction of a three million gallon reservoir located at Hill Air Force Base, and a reservoir at 4000 South. As a result of the \$7.5 million capital facility plan, corroded pipelines have been replaced; pumping facilities have been built or upgraded; and storage capabilities have been expanded.

The City is set to begin to update its General Plan during the coming fiscal year. Many of the goals detailed in the current plan have been accomplished. The City Council and Planning Commission will jointly meet to discuss possible changes.

During FY 2010, Roy City contracted for a study to be done on disproportionate business license fees. Over the next year, the results of the study will be used by the administration to create a new business license fee system. In conjunction with the reworking the business license fees, a "Good Landlord Program" ordinance is under review which would allow for reductions in fees for landlords who meet requirements related to selecting tenants to occupy their properties.

Roy City participates in the Utah State Retirement System (the System). The System is a multiple employer, cost sharing defined benefit system which relies heavily on investment returns to fund future benefits. Over the past two years, the recession and the drop in investment rates have been significantly reduced the Utah State Retirement plan assets. During the 2010 Utah legislative session, significant changes were made to the plan. Most of the changes enacted relate to employees who enter the System after July 1, 2010. Employees currently enrolled will not see any significant changes to benefits. Contribution rates paid by employers within the System will be increased to fund future benefits. As investment rates increase, contribution rates could be decreased.

Cash Management

Roy City Corporation follows the requirements of the Utah Money Management Act (Act) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as

meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The Act also defines the types of securities allowed as appropriate for temporary investments of the City and the conditions for making investment transactions. The provisions of this act substantially protect the City from loss of investment principal; therefore the City's investments are not collateralized as allowed by State law. The City has never lost any invested funds.

Cash temporarily idle during the year was invested with the Utah State Treasurer's Investment Pool (the Pool), which is approved by the Utah Money Management Council. Total funds in custody of the City Treasurer as of June 30, 2010 was \$11,079,414, of which \$10,436,658 were deposited with the State Treasurer's Investment Pool. Statutes allow cities to invest in the Pool, even though deposits are uninsured. The average yield on cash invested in the Pool was .6141%. At June 30, 2010, the portfolio yield on an actual 365 day year was .5965%.

Risk Management

As a provider of a wide variety of governmental services, the City continues to emphasize risk management. The proliferation of legal actions, ever increasing claims consciousness of the public, and constantly increasing costs of accidents continue to be major concerns. The risk management objectives of Roy City Corporation are (1) the continuity of essential City services, (2) the safety of employees and the public, and (3) the avoidance of unnecessary and unreasonable liability exposure.

The City provides for its general liability risks through a joint protection agreement with the Utah Risk Management Mutual Association (URMMA). URMMA was formed in 1985 by cities throughout Utah to meet the risk management and insurance needs of its members. URMMA provides for the City's lawful liabilities resulting from bodily injury, property damage, and personal injury. Additional coverage for facilities, assets, errors and omissions, and worker's compensation are provided by commercial policies that are renewed annually.

As part of the City's comprehensive plan, resources are being accumulated in the Risk Management Fund to provide for losses not covered by insurance. Additionally, various risk control techniques, including employee accident prevention training, responsible insurance coverage, and a safety committee are maintained to minimize accident-related losses.

Independent Audit

The State Uniform Fiscal Procedures Act (10-6-151) requires an annual audit of the City's accounts by an independent auditor. The City has complied with this requirement and the auditors' opinion has been included in this report.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roy City Corporation for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

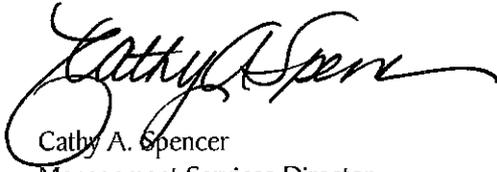
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Management Services Department. We would like to express our appreciation to all members of the City who assisted and contributed to the preparation of this report, and to our auditors, Wiggins & Co., P. C., for their cooperation. Credit must also be given to the Mayor, and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of Roy City Corporation's finances.

Respectfully submitted,



Christopher G. Davis
City Manager



Cathy A. Spencer
Management Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Roy City Corporation
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



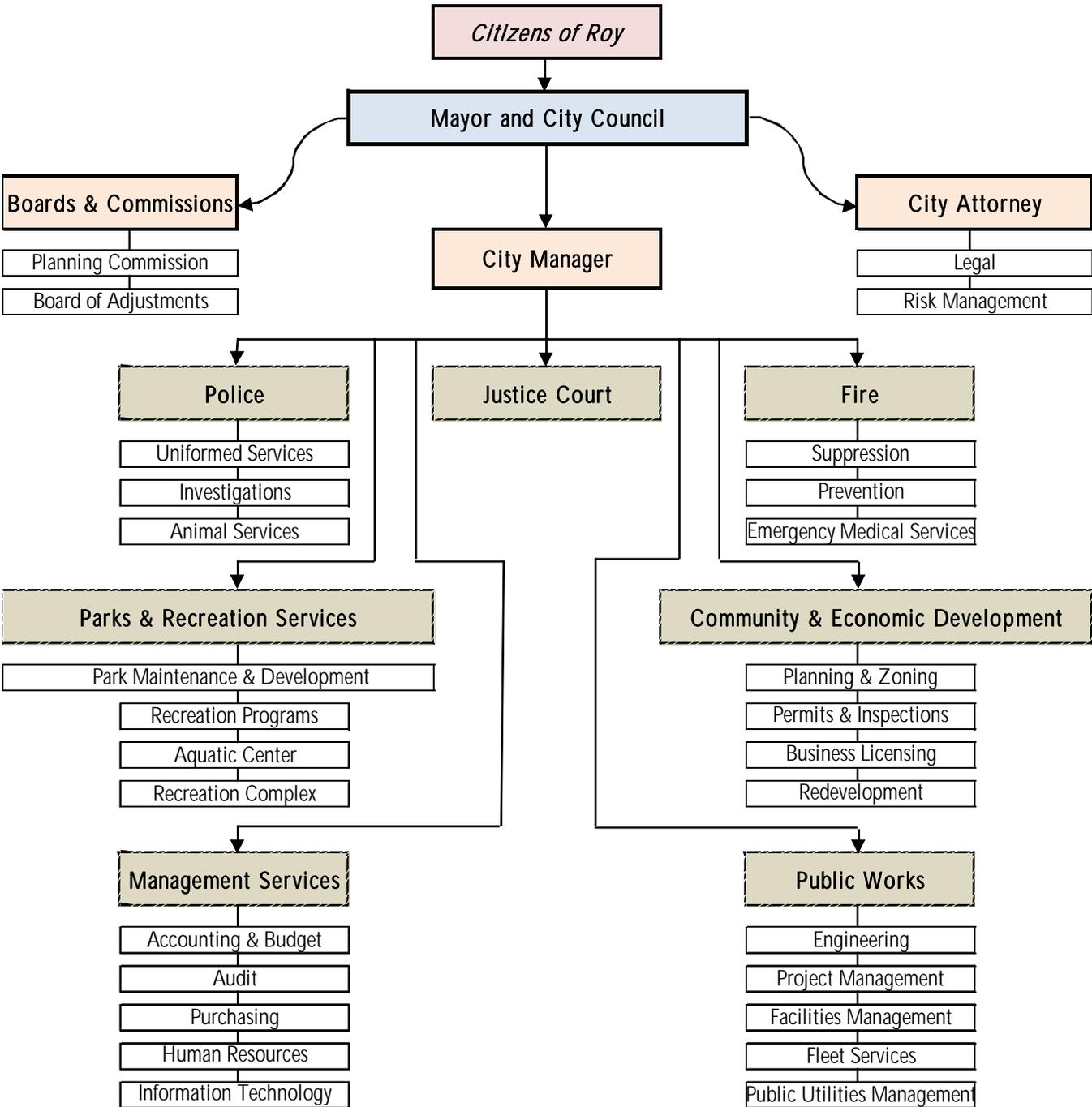
A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**ROY CITY CORPORATION
Organizational Chart**



ROY CITY CORPORATION
List of Elected and Appointed Officials
June 30, 2010

Elected Officials

Joe H. Ritchie ----- Mayor
Willard S. Cragun ----- City Councilperson
Bradley R. Hilton ----- City Councilperson
Larry J. Peterson ----- City Councilperson
Michael L. Stokes ----- City Councilperson
David E. Tafoya ----- City Councilperson

Executive, Legal and Budgetary Officials

Christopher G. Davis ----- City Manager
Andrew H. Blackburn ----- City Attorney
Cathy A. Spencer ----- Budget Officer

Statutory Appointed Officials

Gregory G. Whinham ----- Chief of Police
Christopher G. Davis ----- City Recorder
Nicole L. Higgs ----- City Treasurer
Mark T. Miller ----- City Engineer

Department Directors

Anthony D. Reynolds ----- Community and Economic Development Director
Jon S. Ritchie ----- Fire Chief
Cathy A. Spencer ----- Management Services Director
S. Ross Oliver ----- Public Works Director
Travis J. Flint ----- Parks & Recreation and Recreational Facilities Director

FINANCIAL SECTION

Honorable Mayor and Members of the City Council
City of Roy, Utah

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roy, Utah as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roy, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinions.

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 of Roy, Utah, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the major governmental funds 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 October 15, 2010 on our consideration of the City of Roy, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and non-major fund budgetary comparison information on pages 18 through 31 and 82 through 85 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roy City, Utah's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and it is also not a required part of the financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wiggins & Co., PC

October 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Roy City Corporation's discussion and analysis is designed to assist the reader in focusing on significant financial issues; provide an overview of the City's financial activity; identify changes in the City's financial position; and identify any material deviations from the budget.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to consider the information presented in conjunction with the letter of transmittal and the City's financial statements.

Financial Highlights

- ❖ The City's net assets increased by \$2,044,731. Approximately \$674,000 of the increase is attributable to operations of the utility funds, while \$1,370,000 is a result of governmental activities.
- ❖ The net assets of Roy City Corporation exceeded its liabilities at the close of the most recent fiscal year by \$64,243,544 (net assets). Of this amount, \$7,386,858 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,946,670, a decrease of \$984,469 in comparison with the prior year. Approximately \$3.15 million of the total amount is available for spending at the City's discretion (unreserved fund balance).
- ❖ At the close of the fiscal year, unreserved fund balance for the general fund was \$2,049,625 or 14.62% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances in a manner similar to a private-sector business. The governmental and business-type activities are consolidated into columns which add to a total for the primary government.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, the reader will need to consider other non-financial factors. This statement combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Roy City Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Roy City Corporation include general government, public safety, highways and streets, community and economic development, redevelopment, culture and recreation, storm sewer development, and park development. The business-type activities of Roy City Corporation include the Water and Sewer Utility Fund, Storm Sewer Utility Fund, and Solid Waste Utility Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate entity, the Redevelopment Agency of Roy Utah (RDA) for which Roy City Corporation is financially accountable. Although a legally separate entity, this *blended component unit* is, in substance, part of the City's governmental operations and is included as part of the primary government for financial reporting purposes.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Roy City Corporation maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital improvement plan fund and the redevelopment fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. Roy City Corporation maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Utility, its Storm Sewer Utility, and for its Solid Waste Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. Roy City Corporation uses internal service funds to account for its

management information systems and risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility and Solid Waste Utility, which are considered to be major funds of Roy City Corporation and the Storm Sewer Utility, which is considered to be a non-major fund. Conversely, the two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* within this report. Some of the City's administrative personnel provide services to both general municipal and utility operations. These individuals are paid through the general fund. Resources are transferred from the various enterprise funds to the general fund to cover a portion of the salaries attributed to utility operations.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Roy City Corporation, assets exceeded liabilities by \$64,243,544 at the close of the most recent year, June 30, 2010.

By far, the largest portion of the City's net assets, 83.08%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (5.42%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$7,386,858, may be used to meet the City's ongoing obligations to citizens and creditors.

The following table reflects the condensed statement of net assets:

Roy City Corporation's Net Assets
(Stated in Thousands of Dollars)
As of June 30

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and other assets | \$12,023 | \$13,095 | \$7,741 | \$9,013 | \$19,764 | \$22,108 |
| Capital assets | 36,477 | 34,541 | 22,505 | 21,343 | 58,982 | 55,884 |
| Total assets | <u>48,500</u> | <u>47,636</u> | <u>30,246</u> | <u>30,356</u> | <u>78,746</u> | <u>77,992</u> |
| Long-term debt outstanding | 3,015 | 3,445 | 7,200 | 7,397 | 10,215 | 10,842 |
| Other liabilities | 3,677 | 3,753 | 611 | 1,198 | 4,288 | 4,951 |
| Total liabilities | <u>6,692</u> | <u>7,198</u> | <u>7,811</u> | <u>8,595</u> | <u>14,503</u> | <u>15,793</u> |
| Net assets: | | | | | | |
| Invested in capital assets net of related debt | 35,212 | 33,055 | 16,961 | 18,165 | 52,173 | 51,220 |
| Restricted | 2,994 | 2,638 | 485 | 902 | 3,479 | 3,540 |
| Unrestricted | 3,602 | 4,745 | 4,989 | 2,694 | 8,591 | 7,439 |
| Total net assets | <u>\$41,808</u> | <u>\$40,438</u> | <u>\$22,435</u> | <u>\$21,761</u> | <u>\$64,243</u> | <u>\$62,199</u> |

At the end of the current fiscal year, Roy City Corporation is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Risk Management Fund was the only fund reporting a deficit in unrestricted net assets, \$36,463. The deficit was created with individual claim settlements paid on behalf of the City under a joint protection agreement. The deficit will eventually be eliminated when the settlements are repaid.

Governmental activities increased Roy City's net assets by \$1,370,361, while business-type activities increased net assets by \$674,370. Key elements of the City's increase in net assets can be found in the table below:

Roy City Corporation's Changes in Net Assets
(Stated in Thousands of Dollars)
As of June 30

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 3,107 | \$2,970 | \$ 7,133 | \$6,683 | \$10,240 | \$ 9,653 |
| Grants and contributions: | | | | | | |
| Operating | 1,148 | 2,170 | - | - | 1,148 | 2,170 |
| Capital | 1,946 | 408 | 152 | 759 | 2,098 | 1,167 |
| General revenues: | | | | | | |
| Property taxes | 2,871 | 2,814 | - | - | 2,871 | 2,814 |
| Other taxes | 6,810 | 7,195 | - | - | 6,810 | 7,195 |
| Investment earnings | 68 | 214 | 24 | 144 | 92 | 358 |
| Other | 66 | 47 | - | (131) | 66 | (84) |
| Total revenues | <u>16,016</u> | <u>15,818</u> | <u>7,309</u> | <u>7,455</u> | <u>23,325</u> | <u>23,273</u> |

| | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenses: | | | | | | |
| General government | 3,202 | 3,244 | - | - | 3,202 | 3,244 |
| Public safety | 7,130 | 7,364 | - | - | 7,130 | 7,364 |
| Public works | 2,513 | 2,896 | - | - | 2,513 | 2,896 |
| Parks and recreation | 2,465 | 2,593 | - | - | 2,465 | 2,593 |
| Interest and fiscal charges | 62 | 93 | - | - | 62 | 93 |
| Water and sewer utility | - | - | 4,093 | 4,108 | 4,093 | 4,108 |
| Storm sewer utility | - | - | 347 | 348 | 347 | 348 |
| Solid waste utility | - | - | 1,469 | 1,457 | 1,469 | 1,457 |
| Total expenses | <u>15,372</u> | <u>16,190</u> | <u>5,909</u> | <u>5,913</u> | <u>21,281</u> | <u>22,103</u> |
| Increase (decrease) in net assets before transfers | 644 | (372) | 1,400 | 1,542 | 2,044 | 1,170 |
| Transfers | <u>726</u> | <u>680</u> | <u>(726)</u> | <u>(680)</u> | <u>-</u> | <u>-</u> |
| Increase in net assets | 1,370 | 308 | 674 | 862 | 2,044 | 1,170 |
| Net assets - beginning | <u>40,438</u> | <u>40,130</u> | <u>21,761</u> | <u>20,899</u> | <u>62,199</u> | <u>61,029</u> |
| Net assets – ending | <u>\$41,808</u> | <u>\$40,438</u> | <u>\$22,435</u> | <u>\$21,761</u> | <u>\$64,243</u> | <u>\$62,199</u> |

Governmental activities. The governmental activities portion of the increase in net assets accounted for 67% of the total growth for the City as a whole.

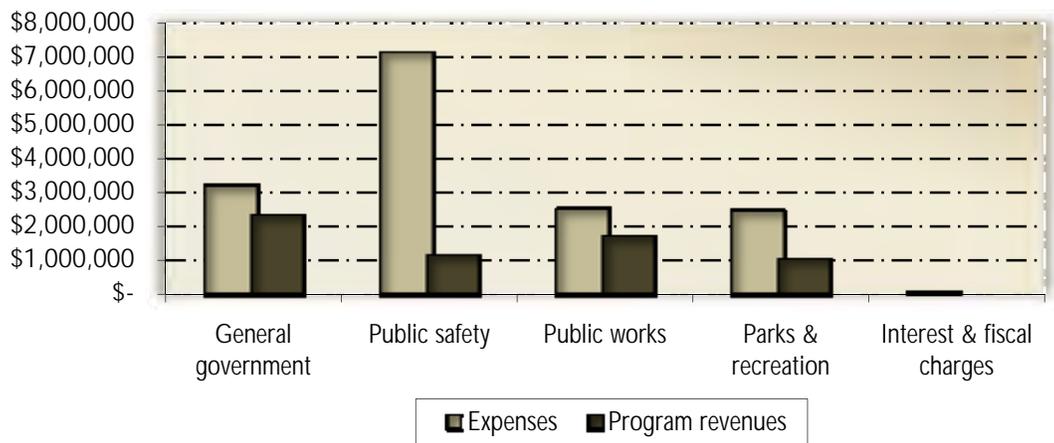
- ❖ Overall, property taxes increased by \$56,664 in the governmental funds from FY 2009. Property taxes in the general fund increased by \$34,293, while the increment received by the RDA increased \$22,371. The increases can be attributed to new growth.
- ❖ Other taxes were down \$384,696 over the previous fiscal year. Of that \$361,978 was a result of a 8.97% reduction in sales tax revenue, while franchise tax revenue increased by .98% or \$23,916. The remaining portion of the change, a decrease of \$46,634, came from motor vehicle fees.
- ❖ Revenue from charges for services increased 4.61% from FY 2009. Some of the larger increases came from the aquatic center, \$46,917; building permits, \$40,230; and the recreation complex, \$22,352. Revenue from the public safety sector declined by \$101,779. Impact fee revenue was up \$133,417. This was due to the larger commercial construction projects. Ambulance revenue decreased by \$88,824, while traffic school revenue was down \$12,651. Recreational programs saw a decrease in participation and a reduction in revenue of \$28,001 from FY 2009. Other areas of revenue increases include plan check fees, cemetery lots, and grave openings. Animal license and boarding revenue was down \$7,888.
- ❖ In FY 2010, the City received the final installment of a \$1,000,000 grant from Weber County to assist in the construction of a senior citizens center and boys and girls club. The payment totaled \$334,000. The City also received a \$1,000,000 Community Development Block Grant and \$283,872 in private donations for the same project.
- ❖ Class C Road funds received was up 1.43%, \$14,228, from 2009.
- ❖ The City made final acceptance of several subdivisions during FY 2010. Infrastructure received from the developers, including streets, sidewalks, and curb and gutter totaled \$271,913.
- ❖ Roy City's average yield on investments decreased 1.4481% from fiscal year 2009, and investment balances were down at the end of the year. As a result, income from interest shrank by \$146,000.
- ❖ Total expenses for wages and benefits were down \$214,736 from FY 2009. Several retirements occurred in FY 2009, which included payouts of accrued leave. There were no wage or benefit increases in FY 2010. The Increase in health insurance costs was covered by the employees and some positions

which were open due to retirement were left unfilled to help offset reduced revenue. FTE's were added to the Justice Court in April when the City took over operation of the Weber County Justice Court.

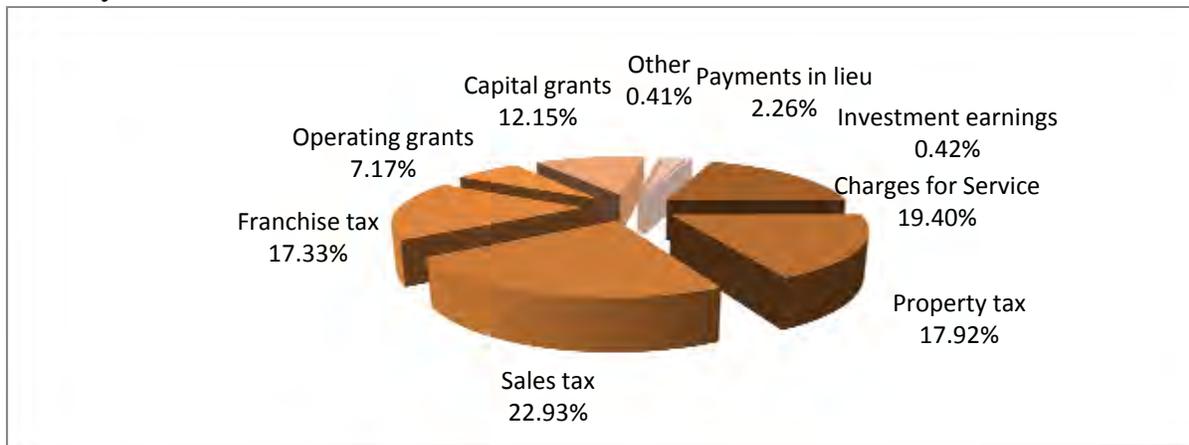
- ❖ Operating expenses were reduced by \$573,732. When developing the budget, lower revenues were anticipated and offset with less funding for operations. Reductions were made to travel and training, employee programs, fuel, professional fees and maintenance supplies. Because grant revenue was down, expenditures under grants were down \$31,868. Liability insurance and payments for claims were down by \$126,008.
- ❖ Interest and fiscal charges are down approximately \$31,000. Interest expense is going down as the debt is repaid.

The following graphs display a different perspective on governmental activities reflected in the City's statement of activities:

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



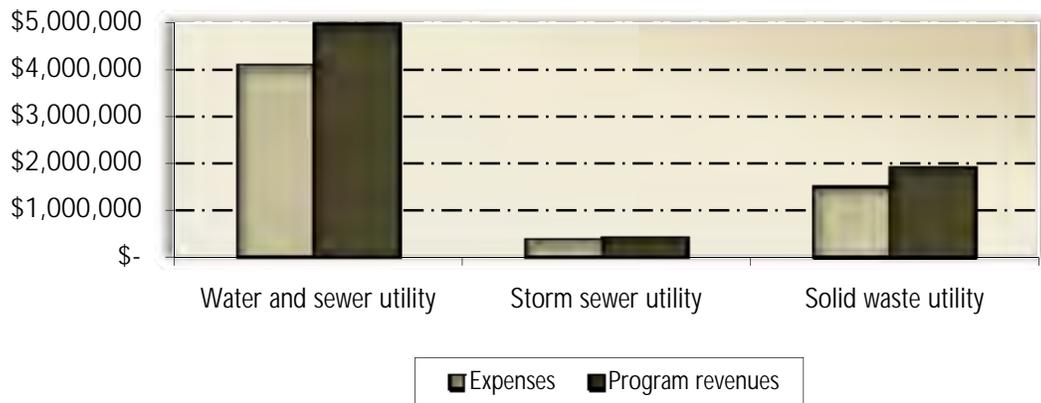
Business-type activities. The business-type activities portion of the increase in net assets was 33% of the total growth for the City. At the end of the current fiscal year, all of the City's business-type funds reported positive net assets.

Key elements of the increase to net assets of business-type activities include:

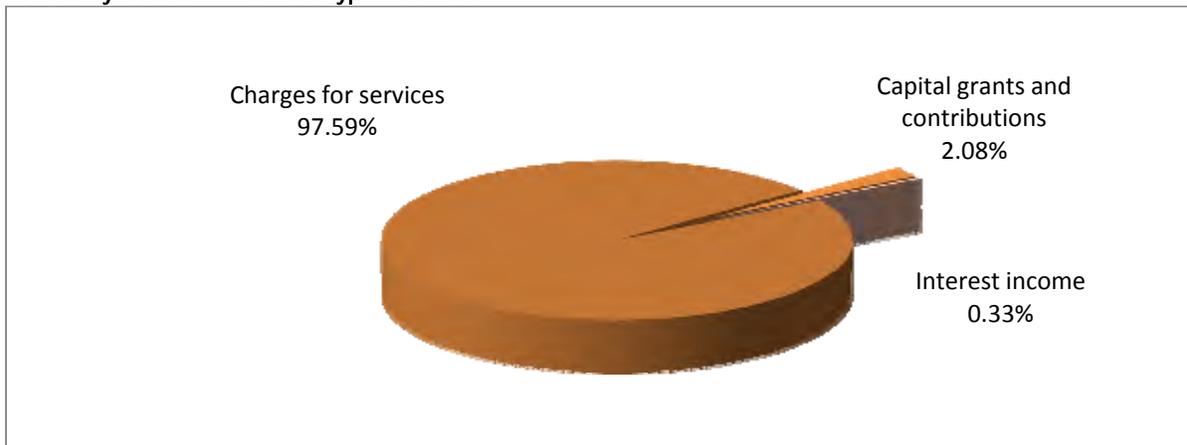
- ❖ Revenue from water, sewer, storm sewer and garbage services had an increase of \$437,559. Sewer fees and garbage fees were increased to cover rate increases from contractors.
- ❖ Impact and connection fees related to new construction increased by \$31,675.
- ❖ Revenue from late fees, shut off fees, and ownership transfers decreased by \$14,208.
- ❖ Proceeds from the 2008 Water and Sewer Revenue Bonds are invested in the Utah State Treasurer's Pool until drawn. Interest income decreased \$120,447 from the prior year. This is a result of lower interest rates and fewer funds on deposit.
- ❖ The City made final acceptance of several subdivisions during FY 2010. Infrastructure received from the developers, including water, sewer and storm sewer lines totaled \$152,328.
- ❖ Total expenses for wages and benefits were down \$142,213 from FY 2009. A retirement occurred in FY 2009, which included payment for accrued leave. There were no wage or benefit increases in FY 2010. The Increase in health insurance costs was covered by the employees and some open positions were left unfilled.
- ❖ Operating costs increased \$139,515. Areas of operations that had increases were equipment maintenance, sewer district contract, franchise fees, bad debt, residential garbage pick-up, and recycling pick-up. Decreased costs were found in system operations, insurance, landfill, and fuel.
- ❖ Debt service decreased by \$3,251. Interest expense is reduced as the debt is repaid.

The following graphs display a different perspective on business-type activities reflected in the City's statement of activities:

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, Roy City Corporation uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,946,670, a decrease of \$984,469 from the prior year. Approximately 39.65%, or \$3,150,952, of this amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, or 3) for a variety of restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,049,625, while the total fund balance was \$4,903,344. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 14.62% of total general fund expenditures, while total fund balance represents 34.98% of that same amount.

During the fiscal year, the fund balance of Roy City Corporation's general fund (GAAP basis) decreased by \$235,321. Key factors in the change are as follows:

- ❖ The economic downturn continues to have a financial impact on the City. With the exception of developer contributions, the revenue analysis for the governmental funds is the same as that for the government-wide financial statements discussed above. If one-time financing sources from grants is excluded, the general fund revenue was down \$462,385 from FY 2009. The City felt the effects of lower consumer spending and lower interest rates. In sales tax and interest alone, the City experienced a \$493,036 drop in revenue. Fortunately those were partially offset by higher participation in recreational

activities, \$41,268; property taxes, \$34,293; franchise taxes, \$13,915; building permits, \$40,467; and B & C Road funds, \$14,288.

- ❖ Motor vehicle fees were down 11.39%, or \$46,634. Motor vehicle fees are allocated to the taxing entities in the County based on allocation of property tax revenue. If one entity increases its property tax rate, it then gets a larger portion of the motor vehicle fees. Roy City has not increased its tax rate since 2005, while other jurisdictions have.
- ❖ Public safety revenue, including ambulance fees, was down \$99,729. Uncollectible accounts have increased over the same period. With the recession, people are unable to pay bills including those for ambulance service, and traffic tickets.
- ❖ Revenue from justice court fines was up only .13%. This is after the merger of the Roy City Justice Court with the Weber County Justice Court. The loss of \$53,615 in revenue from Roy City was offset by an increase of \$55,125 from the Weber County entities. With the recession, people are unable to pay for fines.
- ❖ Management fee revenue was down \$86,287. The Redevelopment Agency management fee was decreased because the term of one project area ended.
- ❖ Contributions and donations were up \$270,372. Private contributions for construction of the Hope Community Center totaled \$283,872.
- ❖ The City projected revenues to be flat, or even lower in FY 2010 than in FY 2009. Because there were no new revenues available, operating and capital expenditures had to be reduced.
- ❖ Transfers to the internal service funds were reduced to balance the budget. The Risk Management fund received \$126,008 less, while Information Technology Funds received \$31,228 more in funding for FY 2010 and relied on fund balance reserves for the difference. Expenditures in these funds were reduced due to the lost revenue.
- ❖ Capital expenditures in the general fund, including Class C Roads, were up \$121,215 from FY 2009. In FY 2010 approximately \$375,900 was spent on capital compared to \$254,700 in FY 2009. Of the \$375,900 spent in FY 2010, \$317,000 or 84% was funded by grants or state road funds. No large projects were scheduled and the replacement of equipment was moved to a future time.
- ❖ For FY 2010, the City continued to set funds aside for capital facility improvements. In addition, grant proceeds were transferred to the capital projects fund for the construction of the boys and girls club and senior citizen center. Total set aside for the projects was \$2,162,693.
- ❖ City-wide departments worked to keep expenditures down. The majority of departments did not expend all of their budgeted funds. General government was under budget by \$38,403; public safety under budget by \$121,993; public works under by \$302,467; and parks and recreation under budget by \$79,820. Where ever possible, non-essential expenditures were cut. This included the areas of memberships, travel and training, office supplies, and capital. Seasonal staffing was also reduced.

Included in the *governmental funds* is \$194,841 which is designated for specific capital projects. The net decrease in the capital projects fund balances during the current year of \$1,091,774 was the result of capital expenditures for upgrades to the Recreation Complex, an ambulance, and construction of the Hope Community Center. At June 30, 2010, fund balances available for specific capital projects include Capital Improvements Plan of \$18,534, Recreational Facilities Improvements of \$132,640, and Fire & Rescue Facilities and Equipment of \$43,667.

Also included within the *governmental funds* is \$906,486 which was raised for specific purposes. For these special revenue funds, unreserved fund balance increased by \$372,626 as a result of operations. At June 30, 2010, available fund balances in these special funds included Redevelopment Agency \$535,373; Storm Sewer

Development \$192,114; Park Development \$36,625; and Cemetery \$142,374. These funds are mainly used for capital project. The beginning fund balances and budgeted revenue were not sufficient to schedule larger projects.

Proprietary funds. Roy City Corporation's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer utility fund at the end of the fiscal year were \$3,039,086, for the storm sewer utility fund unrestricted net assets were \$677,405, and for the solid waste utility fund unrestricted net assets were \$1,221,777. Net assets for the three utilities grew or did not materially change in FY 2010. Change for the water and sewer utility fund totaled \$320,780, storm sewer utility fund (\$759), and solid waste utility fund \$328,603.

Operating revenues for the water and sewer utility fund increased 7.72% from the prior year, while expenditures increased .69%. The increase in revenue resulted from sewer rate increases. Sewer rates were raised due to rate increases from the contractors. Personnel costs were down \$128,373 as positions opened from retirement remained unfilled. Contractual fees and franchise fees for sewer contractors increased \$225,730 due to rate hikes. Most operating expenses did not significantly vary from the prior year. Costs to maintain the systems declined \$74,485 as a result of new lines being installed through bond proceeds. Bad debt expense was up \$15,068. Infrastructure contributions of \$112,280 were down \$311,214 from FY 2009.

For the storm sewer utility fund, service revenues were up slightly to \$360,294, a .38% increase. Personnel services were up 27.43% and materials and supplies were up 14.21%. Both increases came as a result of regulations related to storm water. Employees and supplies are needed to monitor and maintain the system, as well as adhere to reporting requirements. With decreased development fees and an increase in infrastructure from developments, this fund's maintenance costs will continue to increase. Infrastructure contributions from developers totaled \$40,048.

Revenue from operations for the solid waste utility fund was up 5.46%, \$98,416, for FY 2010. The increase in revenue was the result of an increase in the collection rate. Total operating expenses were up \$32,616, or 2.12%. There were no significant changes in employee costs during the year. Although individual line items fluctuated, the overall reasons for the increase were a decrease in landfill costs because of recycling, an increase in the residential garbage collection contract, an increase in franchise fees on the collections, and an increase in bad debt expense.

General Fund Budgetary Highlights

During the fiscal year, the general fund's original budget for expenditures and other financing uses was amended from an original total of \$17,258,465 to a final budget of \$16,926,223, a decrease of \$332,242. Some of the more significant changes to individual revenue and expenditure items are as follows:

- ❖ \$550,000 decrease in sales tax revenue. The original budget was prepared with the idea that the recession may have been ending. As the year progressed it was evident that consumer spending was lower than originally projected and needed to be adjusted.
- ❖ \$40,000 decrease in each of franchise fees and fees in lieu. Franchise fees associated with utilities are susceptible to weather conditions and fluctuate year to year. Fees in lieu are linked to property tax rates and as rates fluctuate throughout jurisdictions, so does the allocation proportions of fees in lieu. Roy City's property tax rates have not increased in several years.

- ❖ \$38,000 increase in building permits. A few commercial projects occurred during the fiscal year.
- ❖ \$16,004 increase in revenue from grants.
- ❖ \$35,000 increase in revenue from the Recreation Complex. Participation was higher than anticipated.
- ❖ \$35,000 decrease in justice court fines. The recession may have affected defendants' ability to pay.
- ❖ \$66,000 decrease in interest income. Saving rates dropped as the economy declined. Also, fewer funds were on deposit.
- ❖ \$788,500 decrease in private donations. Contributions for the construction of the Hope Community Center will be received in annual increments rather than one payment.
- ❖ \$1,033,280 increase in use of fund balance. Reductions in other revenue items required accessing fund balance reserves for operations.
- ❖ \$304,463 reduction overall in departmental expenditures because of reduced revenues.
- ❖ \$90,000 reduction in transfer to the capital projects fund because of reduction in estimate for construction cost.
- ❖ \$31,357 increase in justice court expenditures. The Weber County Justice Court was merged with the Roy City Justice Court.
- ❖ \$15,000 increase in information technology to purchase MDT's for the fire trucks.
- ❖ \$12,864 increase in police equipment funded by a JAG grant.

Declines in consumer spending and reduced investment rates caused a significant decrease in revenue for the City. Where possible, expenditures reductions were made to offset the lower revenues. Because income levels dropped throughout the fiscal year, sufficient cuts could not be made to cover all the revenue lost. For budget purposes the City drew from fund balance reserves to cover the revenue shortfall. During the year, expenditures were less than budgetary estimates, thus allowing the actual amount drawn from fund balance to be less than expected.

Budget to actual. At the conclusion of the fiscal year, there were some differences between final budgeted revenues and expenditures and actual results. Most revenue classifications exceeded budget. The most noteworthy franchise tax, intergovernmental, and charges for services exceeded expectations by \$25,081, \$70,156, and \$70,383, respectively. Revenues related to licenses and permits and fines also slightly higher. Sales tax revenue and telecom receipts were lower than budgeted by \$27,461 and \$4,802, respectively. In total, general fund revenue exceeded budget by \$178,509 or 1.13%.

Overall expenditures were \$542,934 under budget. Because of the significant amount that revenue estimates had to be adjusted, departments were required to cut costs in any areas possible. There was no reduction in employees except in the area of seasonal help. Where possible, fewer seasonal employees were hired. A savings of \$172,527 was seen in wages and benefits. Operating expenditures were under budget by \$113,201. Capital expenditures and debt service were not materially different from budgeted amounts. Total expenditures in the Class C Road Fund were \$257,147 under budget.

Capital Assets and Debt Administration

Capital assets. Roy City Corporation's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$52,172,614 (net of related debt). The investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 1.86% (a 6.52% increase in governmental activities and a 6.63% decrease in business-type activities).

Major capital asset events during the current fiscal year include the following:

- ❖ Construction of the Hope Community Center, \$2,915,405.
- ❖ Remodel and expansion of the Municipal Building and parking lot, \$191,003.
- ❖ Ambulance, \$118,500.
- ❖ Police laptops, \$13,601.
- ❖ Brush truck, \$36,986.
- ❖ First In Alarming Equipment for Station #32, \$29,920.
- ❖ Exercise equipment for gym, \$45,602.
- ❖ Resurface pool deck at recreation complex, \$11,798.
- ❖ Replace frames and grates in swimming pools, \$29,559.
- ❖ Remodel recreation room, \$13,973.
- ❖ Copier, \$4,195.
- ❖ Walking track at Emma Russell Park, \$18,622.
- ❖ Parking lot lights at Emma Russell Park, \$10,513.
- ❖ Cisco switches, \$17,335.
- ❖ Laptops and mounting brackets for fire trucks, \$20,070.
- ❖ Desktop computer rotation, \$11,329.
- ❖ Roll-off container, \$5,300.
- ❖ Municipal parking lot storm drain, \$18,664.
- ❖ 4300 West storm drain, \$35,633.
- ❖ Sewer pump, \$11,711.
- ❖ 4800 South generator/well head building, \$14,673.
- ❖ 5175 South well house building and control system, \$180,023.
- ❖ HAFB well, reservoir, and controls, \$189,566.
- ❖ PRV at 3500 West and 5200 South, \$6,201.
- ❖ Front end loader, \$55,051.
- ❖ Mini excavator trailer, \$5,800.
- ❖ Compactor, \$4,895.
- ❖ Construct improvements to water and sewer infrastructure, \$1,315,001.
- ❖ Infrastructure from developers through acceptance of new subdivision, \$424,241. Includes curb, gutter, sidewalks, streets, water lines, sewer lines, storm drains, and land drains.

| Roy City Corporation's Capital Assets (Stated in Thousands of Dollars and Net of Depreciation) | | | | | | |
|--|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 3,172 | \$ 3,172 | \$ 17 | \$ 17 | \$ 3,189 | \$ 3,189 |
| Buildings | 8,119 | 7,858 | 9 | 9 | 8,128 | 7,867 |
| Improvements other than bldgs | 30,553 | 30,017 | 28,115 | 25,277 | 58,668 | 55,294 |
| Machinery and equipment | 4,039 | 3,927 | 839 | 1,045 | 4,878 | 4,972 |
| Automobiles and trucks | 5,669 | 5,499 | 957 | 701 | 6,626 | 6,200 |
| Construction in progress | 3,460 | 821 | 2,138 | 3,158 | 5,598 | 3,979 |
| Accumulated depreciation | (18,535) | (16,753) | (9,569) | (8,864) | (28,104) | (25,617) |
| Total capital assets | <u>\$36,477</u> | <u>\$34,541</u> | <u>\$22,506</u> | <u>\$21,343</u> | <u>\$58,983</u> | <u>\$55,884</u> |

Additional information on Roy City Corporation's capital assets can be found in note 4 on pages 67-69 of this report.

Long-term debt. In 2006, the City financed the purchase of two new fire trucks through a capital lease. The lease obligates the City for seven years and requires an annual appropriation or renewal by the City Council of an amount equal to the annual lease payment. At year end, the balance due on the lease totaled \$435,357. Lease payments are due semi-annually in August and February.

At the end of the current fiscal year, the City's blended component unit, the Redevelopment Agency of Roy Utah (RDA), had total bonded debt outstanding of \$237,000. The entire amount of the debt is backed by the full faith and credit of the RDA. The RDA has pledged future tax increment to repay the debt. The City has entered into an annual contribution agreement whereby it agrees to budget an amount equal to the amount by which the payments due on the bonds for any fiscal year exceeds the amount of tax increment available to the RDA for payment.

In October 2007, the City issued \$1,000,000 in sales tax revenue bonds to fund remodeling costs of the Municipal Building. The bonds mature in October 2017, with principal payments due annually. Interest is due semi-annually in April and October. The balance due on the bonds at June 30, 2010 is \$830,000.

Roy City issued \$7,500,000 in water and sewer revenue bonds in March 2008 to finance the acquisition and construction of replacements, improvements and additions to the City's water and sewer system. Principal payments are due annually in March through 2028. Interest is due semi-annually in September and March. At June 30, 2010, the balance due on the bonds is \$7,140,000. The City originally received an "Aaa" rating from Moody's Investors Service on the Series 2008 bonds. In May 2010, the rating was revised to "A1".

| Roy City Corporation's Outstanding Debt (Stated in Thousands of Dollars) | | | | | | |
|--|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Capital lease | \$ 435 | \$ 570 | \$ - | \$ - | \$ 435 | \$ 570 |
| Revenue bonds | 1,067 | 1,183 | 7,140 | 7,325 | 8,207 | 8,508 |
| Total | <u>\$1,502</u> | <u>\$1,753</u> | <u>\$7,140</u> | <u>\$7,325</u> | <u>\$8,642</u> | <u>\$9,078</u> |

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$47,250,000, which significantly exceeds Roy City Corporation's outstanding general obligation debt. In addition, state statutes allow for an additional 4% to be used for water, sewer and electrical projects thus resulting in a debt limit of 8% of total taxable value. The City's water and sewer utility is allowed an additional \$47,250,000 in debt obligation.

Additional information on Roy City Corporation's long-term debt activity can be found in note 4 on pages 70-73 of this report.

Economic Factors and Next Year's Budget and Rates

- ❖ The unemployment rate for the Ogden/Clearfield metropolitan area within which Roy City is located, is currently 7.2%. This compares to the state's average unemployment rate of 7.2% and the Mountain West's average of 9.1%.
- ❖ New businesses continue to expand outside of the central business district.

- ❖ Revitalization is taking place in the central business district with the removal or remodel of older structures, making way for new businesses.
- ❖ Economic trends in the region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2011 fiscal year. During the current fiscal year, the fund balance in the general fund decreased by \$205,443 to \$4,650,228. Roy City has not appropriated any of the fund balance for spending in the 2010 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Roy City Corporation's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Management Services Director, 5051 South 1900 West, Roy, Utah 84067.

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BASIC FINANCIAL STATEMENTS

ROY CITY CORPORATION
Statement of Net Assets
June 30, 2010

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 6,542,185 | \$ 3,313,729 | \$ 9,855,914 |
| Restricted cash: Class "C" roads | 1,223,500 | - | 1,223,500 |
| Cash with fiscal agent | - | 2,084,637 | 2,084,637 |
| Investment in water stock | - | 16,100 | 16,100 |
| Interactivity receivable | (50,771) | 50,771 | - |
| Accounts receivable - net of allowance for doubtful accounts | 3,016,461 | 1,077,298 | 4,093,759 |
| Inventory | 1,793,568 | 275,554 | 2,069,122 |
| Prepaid items | 47,740 | 227,517 | 275,257 |
| Total current assets | <u>12,572,683</u> | <u>7,045,606</u> | <u>19,618,289</u> |
| Noncurrent assets: | | | |
| Deferred charges | - | 145,683 | 145,683 |
| Internal balances | (550,000) | 550,000 | - |
| Capital assets: | | | |
| Land | 3,171,733 | 17,365 | 3,189,098 |
| Buildings | 8,118,658 | 9,339 | 8,127,997 |
| Improvements other than buildings | 30,553,183 | 28,115,248 | 58,668,431 |
| Machinery and equipment | 4,039,378 | 839,100 | 4,878,478 |
| Automobiles and trucks | 5,669,374 | 956,799 | 6,626,173 |
| Construction in progress | 3,459,962 | 2,137,379 | 5,597,341 |
| Less accumulated depreciation | (18,535,100) | (9,569,516) | (28,104,616) |
| Total capital assets net of accumulated depreciation | <u>36,477,188</u> | <u>22,505,714</u> | <u>58,982,902</u> |
| Total noncurrent assets | <u>35,927,188</u> | <u>23,201,397</u> | <u>59,128,585</u> |
| Total assets | <u>\$ 48,499,871</u> | <u>\$ 30,247,003</u> | <u>\$ 78,746,874</u> |

ROY CITY CORPORATION
Statement of Net Assets, continued
June 30, 2010

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 573,490 | \$ 505,244 | \$ 1,078,734 |
| Accrued wages | 354,873 | 21,265 | 376,138 |
| Unearned revenue | 2,524,292 | - | 2,524,292 |
| Interest payable | 16,044 | 84,891 | 100,935 |
| Current portion of long-term debt | 425,207 | 294,666 | 719,873 |
| Total current liabilities | 3,893,906 | 906,066 | 4,799,972 |
| Long-term liabilities: | | | |
| Long-term debt due in more than one year | 2,589,217 | 6,905,628 | 9,494,845 |
| Guarantee deposits | 208,513 | - | 208,513 |
| Total liabilities | 6,691,636 | 7,811,694 | 14,503,330 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 35,211,831 | 16,960,783 | 52,172,614 |
| Restricted for: | | | |
| Debt service | 1,793,568 | 485,487 | 2,279,055 |
| Class "C" roads | 1,200,704 | - | 1,200,704 |
| Unrestricted | 3,602,132 | 4,989,039 | 8,591,171 |
| Total net assets | \$ 41,808,235 | \$ 22,435,309 | \$ 64,243,544 |

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

ROY CITY CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2010

| | Program Revenues | | |
|--|----------------------|-------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| FUNCTIONS/PROGRAMS | | | |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 3,201,528 | \$ 993,411 | \$ - |
| Public safety | 7,130,287 | 956,344 | 141,495 |
| Public works | 2,512,928 | 129,312 | 1,006,663 |
| Parks and recreation | 2,465,297 | 1,028,021 | - |
| Interest and fiscal charges | 61,736 | - | - |
| Total governmental activities | <u>15,371,776</u> | <u>3,107,088</u> | <u>1,148,158</u> |
| Business-type activities: | | | |
| Water and sewer utility | 4,092,647 | 4,870,807 | - |
| Storm sewer utility | 346,546 | 360,294 | - |
| Solid waste utility | 1,468,750 | 1,901,440 | - |
| Total business-type activities | <u>5,907,943</u> | <u>7,132,541</u> | <u>-</u> |
| Total primary government | <u>\$ 21,279,719</u> | <u>\$ 10,239,629</u> | <u>\$ 1,148,158</u> |
| General revenues: | | | |
| Property taxes | | | |
| Sales tax | | | |
| Franchise taxes | | | |
| Payments in lieu of taxes | | | |
| Unrestricted investment earnings | | | |
| Other revenues not restricted to specific programs | | | |
| Transfers | | | |
| Total general revenues and transfers | | | |
| Changes in net assets | | | |
| Net assets - beginning | | | |
| Net assets - ending | | | |

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

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| \$ 1,334,000 | \$ (874,117) | \$ - | \$ (874,117) |
| 54,642 | (5,977,806) | - | (5,977,806) |
| 557,285 | (819,668) | - | (819,668) |
| - | (1,437,276) | - | (1,437,276) |
| - | (61,736) | - | (61,736) |
| <u>1,945,927</u> | <u>(9,170,603)</u> | <u>-</u> | <u>(9,170,603)</u> |
| 112,280 | - | 890,440 | 890,440 |
| 40,048 | - | 53,796 | 53,796 |
| - | - | 432,690 | 432,690 |
| <u>152,328</u> | <u>-</u> | <u>1,376,926</u> | <u>1,376,926</u> |
| <u>\$ 2,098,255</u> | <u>(9,170,603)</u> | <u>1,376,926</u> | <u>(7,793,677)</u> |
| | 2,870,642 | - | 2,870,642 |
| | 3,672,539 | - | 3,672,539 |
| | 2,775,135 | - | 2,775,135 |
| | 362,620 | - | 362,620 |
| | 67,950 | 23,986 | 91,936 |
| | 65,536 | - | 65,536 |
| | 726,542 | (726,542) | - |
| | <u>10,540,964</u> | <u>(702,556)</u> | <u>9,838,408</u> |
| | 1,370,361 | 674,370 | 2,044,731 |
| | <u>40,437,874</u> | <u>21,760,939</u> | <u>62,198,813</u> |
| | <u>\$ 41,808,235</u> | <u>\$ 22,435,309</u> | <u>\$ 64,243,544</u> |

ROY CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2010

| | <u>General</u> | <u>Capital Projects Fund Capital Improvements</u> | <u>Special Revenue Fund Redevelopment Agency</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------|---------------------|---|--|---|---|
| ASSETS | | | | | |
| Cash | \$ 4,538,366 | \$ 19,661 | \$ 847,251 | \$ 629,303 | \$ 6,034,581 |
| Restricted cash: | | | | | |
| Class "C" roads | 1,223,500 | - | - | - | 1,223,500 |
| Accounts receivable, net | 2,942,468 | - | - | - | 2,942,468 |
| Inventory | 88,569 | - | 1,704,999 | - | 1,793,568 |
| Prepaid items | 45,973 | - | - | - | 45,973 |
| Total assets | <u>\$ 8,838,876</u> | <u>\$ 19,661</u> | <u>\$ 2,552,250</u> | <u>\$ 629,303</u> | <u>\$ 12,040,090</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 495,462 | \$ 1,127 | \$ 32,202 | \$ 4,883 | \$ 533,674 |
| Accrued wages payable | 350,934 | - | - | - | 350,934 |
| Deferred revenue | 2,330,623 | - | 42,676 | 77,000 | 2,450,299 |
| Guarantee deposits | 208,513 | - | - | - | 208,513 |
| Advance from other funds | 550,000 | - | - | - | 550,000 |
| Total liabilities | <u>\$ 3,935,532</u> | <u>\$ 1,127</u> | <u>\$ 74,878</u> | <u>\$ 81,883</u> | <u>\$ 4,093,420</u> |

ROY CITY CORPORATION
Balance Sheet, continued
Governmental Funds
June 30, 2010

| | <u>General</u> | <u>Capital Projects Fund Capital Improvements</u> | <u>Special Revenue Fund Redevelopment Agency</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|---------------------|---|--|---|---|
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Encumbrances | \$ 253,116 | \$ - | \$ - | \$ - | \$ 253,116 |
| Inventory & prepaid items | 134,542 | - | 1,704,999 | - | 1,839,541 |
| Class "C" roads | 1,200,704 | - | - | - | 1,200,704 |
| Debt service | 1,265,357 | - | 237,000 | - | 1,502,357 |
| Unreserved, reported in: | | | | | |
| General fund | 2,008,431 | - | - | - | 2,008,431 |
| Capital projects funds | - | - | - | 176,307 | 176,307 |
| Special revenue funds | - | 18,534 | 333,202 | 371,113 | 722,849 |
| Designated, unreserved | 41,194 | - | 202,171 | - | 243,365 |
| Total fund balances | <u>4,903,344</u> | <u>18,534</u> | <u>2,477,372</u> | <u>547,420</u> | <u>7,946,670</u> |
| Total liabilities and fund balances | <u>\$ 8,838,876</u> | <u>\$ 19,661</u> | <u>\$ 2,552,250</u> | <u>\$ 629,303</u> | |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 36,477,188 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (3,030,468) |
| Internal service funds are used by management to charge the costs of information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | <u>414,845</u> |
| Net assets of governmental activities | <u>\$ 41,808,235</u> |

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

ROY CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

| | General | Capital Projects Fund Capital Improvements | Special Revenue Fund Redevelopment Agency | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---|--|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 8,844,999 | \$ - | \$ 473,317 | \$ - | \$ 9,318,316 |
| Payments in lieu of taxes | 362,620 | - | - | - | 362,620 |
| Licenses and permits | 315,060 | - | - | - | 315,060 |
| Intergovernmental | 2,536,801 | - | - | - | 2,536,801 |
| Charges for services | 2,688,425 | - | - | - | 2,688,425 |
| Impact fees | - | - | - | 189,324 | 189,324 |
| Fines and forfeitures | 632,539 | - | - | - | 632,539 |
| Investment earnings | 61,789 | - | 4,910 | 1,251 | 67,950 |
| Property rental | 43,275 | - | - | - | 43,275 |
| Management fee | 136,275 | - | - | - | 136,275 |
| Contributions and donations | 285,372 | - | - | - | 285,372 |
| Miscellaneous | 22,263 | - | - | 8,281 | 30,544 |
| Total revenues | <u>15,929,418</u> | <u>-</u> | <u>478,227</u> | <u>198,856</u> | <u>16,606,501</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 2,994,623 | - | 223,098 | - | 3,217,721 |
| Public safety | 6,885,397 | - | - | - | 6,885,397 |
| Public works | 1,892,822 | - | - | - | 1,892,822 |
| Parks and recreation | 1,968,899 | - | - | - | 1,968,899 |
| Debt service: | | | | | |
| Principal retirement | 220,558 | - | 30,000 | - | 250,558 |
| Interest and fiscal charges | 56,943 | - | 7,738 | - | 64,681 |
| Capital outlay | - | 3,106,408 | 11,200 | 210,480 | 3,328,088 |
| Total expenditures | <u>14,019,242</u> | <u>3,106,408</u> | <u>272,036</u> | <u>210,480</u> | <u>17,608,166</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,910,176</u> | <u>\$ (3,106,408)</u> | <u>\$ 206,191</u> | <u>\$ (11,624)</u> | <u>\$ (1,001,665)</u> |

ROY CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Governmental Funds
For the Fiscal Year Ended June 30, 2010

| | <u>General</u> | <u>Capital Projects Fund Capital Improvements</u> | <u>Special Revenue Funds Redevelopment Agency</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|---|---|
| Excess (deficiency) of revenues over (under) expenditures | \$ 1,910,176 | \$ (3,106,408) | \$ 206,191 | \$ (11,624) | \$ (1,001,665) |
| Other financing sources (uses): | | | | | |
| Sale of capital assets | 17,196 | - | - | - | 17,196 |
| Transfers in | - | 2,086,168 | - | 76,525 | 2,162,693 |
| Transfers out | (2,162,693) | - | - | - | (2,162,693) |
| Total other financing sources (uses) | (2,145,497) | 2,086,168 | - | 76,525 | 17,196 |
| Net change in fund balances | (235,321) | (1,020,240) | 206,191 | 64,901 | (984,469) |
| Fund balances - beginning of year | 5,138,665 | 1,038,774 | 2,271,181 | 482,519 | 8,931,139 |
| Fund balances - end of year | <u>\$ 4,903,344</u> | <u>\$ 18,534</u> | <u>\$ 2,477,372</u> | <u>\$ 547,420</u> | <u>\$ 7,946,670</u> |

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

ROY CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (page 37) are different because:

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds (page 41) | \$ (984,469) |
| 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. This is the amount by which capital outlay exceeded depreciation in the current period. | 1,686,081 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | 270,886 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 253,503 |
| 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. | 87,944 |
| Internal service funds are used by management to charge the cost of information technology and risk management to individual funds. The net revenue or loss of certain activities of internal service funds is reported with governmental activities. | <u>56,416</u> |
| Change in net assets of governmental activities | <u><u>\$ 1,370,361</u></u> |

ROY CITY CORPORATION
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/(Negative) |
|----------------------------------|------------------|--------------|-------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 2,365,000 | \$ 2,390,000 | \$ 2,397,325 | \$ 7,325 |
| Sales | 4,250,000 | 3,700,000 | 3,672,539 | (27,461) |
| Telecom gross receipts | 580,000 | 580,000 | 575,198 | (4,802) |
| Franchise | 1,894,860 | 1,854,860 | 1,879,941 | 25,081 |
| Paramedic | 320,000 | 320,000 | 319,996 | (4) |
| Payments in lieu of taxes | 410,000 | 370,000 | 362,620 | (7,380) |
| Licenses and permits | 268,800 | 297,800 | 315,060 | 17,260 |
| Intergovernmental | 2,450,641 | 2,466,645 | 2,536,801 | 70,156 |
| Charges for services | 2,578,542 | 2,618,042 | 2,688,425 | 70,383 |
| Fines and forfeitures | 650,000 | 615,000 | 632,539 | 17,539 |
| Investment earnings | 130,000 | 64,000 | 61,789 | (2,211) |
| Property rental | 9,000 | 42,475 | 43,275 | 800 |
| Management fee | 136,275 | 136,275 | 136,275 | - |
| Contributions and donations | 1,073,400 | 284,900 | 285,372 | 472 |
| Miscellaneous | 10,912 | 10,912 | 22,263 | 11,351 |
| Total revenues | 17,127,430 | 15,750,909 | 15,929,418 | 178,509 |
| Expenditures: | | | | |
| General government: | | | | |
| Legislative | 541,671 | 513,987 | 508,791 | 5,196 |
| Legal | 217,768 | 218,752 | 215,124 | 3,628 |
| Community & economic development | 492,311 | 474,354 | 475,305 | (951) |
| Information technology | 228,700 | 236,593 | 236,593 | - |
| Justice court | 185,157 | 208,094 | 193,213 | 14,881 |
| Management services | 550,398 | 534,655 | 531,679 | 2,976 |
| Public buildings | 600,314 | 578,211 | 565,538 | 12,673 |
| Risk management | 268,380 | 268,380 | 268,380 | - |
| | 3,084,699 | 3,033,026 | 2,994,623 | 38,403 |
| Public safety: | | | | |
| Animal control | 166,122 | 164,908 | 158,272 | 6,636 |
| Fire | 3,128,302 | 3,081,376 | 3,050,768 | 30,608 |
| Police | 3,820,629 | 3,789,661 | 3,704,912 | 84,749 |
| | 7,115,053 | 7,035,945 | 6,913,952 | 121,993 |

ROY CITY CORPORATION
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, continued
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/(Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Public works: | | | | |
| Administration | 433,272 | 417,376 | 417,286 | 90 |
| Class "C" roads | 965,500 | 965,500 | 708,353 | 257,147 |
| Fleet services | 202,020 | 194,682 | 191,865 | 2,817 |
| Streets | 580,716 | 559,298 | 516,885 | 42,413 |
| | <u>2,181,508</u> | <u>2,136,856</u> | <u>1,834,389</u> | <u>302,467</u> |
| Parks and recreation: | | | | |
| Aquatic center | 436,701 | 422,616 | 413,207 | 9,409 |
| Parks and recreation | 974,552 | 938,266 | 897,924 | 40,342 |
| Recreation complex | 705,275 | 687,837 | 657,768 | 30,069 |
| | <u>2,116,528</u> | <u>2,048,719</u> | <u>1,968,899</u> | <u>79,820</u> |
| Debt service: | | | | |
| Principal | 220,558 | 220,558 | 220,558 | - |
| Interest and fiscal charges | 57,194 | 57,194 | 56,943 | 251 |
| | <u>277,752</u> | <u>277,752</u> | <u>277,501</u> | <u>251</u> |
| Total expenditures | <u>14,775,540</u> | <u>14,532,298</u> | <u>13,989,364</u> | <u>542,934</u> |
| Excess of revenues over expenditures | <u>2,351,890</u> | <u>1,218,611</u> | <u>1,940,054</u> | <u>721,443</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 10,000 | 21,000 | 17,196 | (3,804) |
| Transfers out | (2,482,925) | (2,393,925) | (2,162,693) | 231,232 |
| Total other financing sources (uses) | <u>(2,472,925)</u> | <u>(2,372,925)</u> | <u>(2,145,497)</u> | <u>227,428</u> |
| Net change in fund balance | (121,035) | (1,154,314) | (205,443) | 948,871 |
| Fund balance - beginning of year | <u>4,855,671</u> | <u>4,855,671</u> | <u>4,855,671</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 4,734,636</u> | <u>\$ 3,701,357</u> | <u>\$ 4,650,228</u> | <u>\$ 948,871</u> |

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

ROY CITY CORPORATION
Redevelopment Agency - Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property tax | \$ 450,000 | \$ 450,000 | \$ 473,317 | \$ 23,317 |
| Investment earnings | 9,000 | 9,000 | 4,910 | (4,090) |
| Total revenues | <u>459,000</u> | <u>459,000</u> | <u>478,227</u> | <u>19,227</u> |
| Expenditures: | | | | |
| General government | 788,924 | 777,724 | 223,098 | 554,626 |
| Debt service: | | | | |
| Principal retirement | 30,000 | 30,000 | 30,000 | - |
| Interest and fiscal charges | 7,738 | 7,738 | 7,738 | - |
| Capital outlay | - | 11,200 | 11,200 | - |
| Total expenditures | <u>826,662</u> | <u>826,662</u> | <u>272,036</u> | <u>554,626</u> |
| Net change in fund balance | (367,662) | (367,662) | 206,191 | 573,853 |
| Fund balance - beginning of year | <u>2,271,181</u> | <u>2,271,181</u> | <u>2,271,181</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 1,903,519</u> | <u>\$ 1,903,519</u> | <u>\$ 2,477,372</u> | <u>\$ 573,853</u> |

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

ROY CITY CORPORATION
Statement of Net Assets
Proprietary Funds
June 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|---|-----------------------------|-----------------------------|--------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash | \$ 1,662,138 | \$ 616,865 | \$ 1,034,726 | \$ 3,313,729 | \$ 507,604 |
| Cash with fiscal agent | 2,084,637 | - | - | 2,084,637 | - |
| Investment in water stock | 16,100 | - | - | 16,100 | - |
| Accounts receivable - net of allowance for doubtful accounts | 700,816 | 51,842 | 324,640 | 1,077,298 | - |
| Inventory | 240,328 | 34,434 | 792 | 275,554 | - |
| Prepaid items | 226,004 | 285 | 1,228 | 227,517 | 1,767 |
| Total current assets | <u>4,930,023</u> | <u>703,426</u> | <u>1,361,386</u> | <u>6,994,835</u> | <u>509,371</u> |
| Noncurrent assets: | | | | | |
| Deferred charges | 145,683 | - | - | 145,683 | - |
| Advance to other fund | 550,000 | - | - | 550,000 | - |
| Capital assets: | | | | | |
| Land | 17,365 | - | - | 17,365 | - |
| Buildings | 9,339 | - | - | 9,339 | - |
| Improvements other than buildings | 26,132,636 | 1,994,507 | - | 28,127,143 | - |
| Machinery and equipment | 691,734 | 90,135 | 301,385 | 1,083,254 | 646,844 |
| Automobiles and trucks | 700,750 | - | - | 700,750 | - |
| Construction in progress | 2,093,100 | 44,279 | - | 2,137,379 | - |
| Less accumulated depreciation | <u>(9,081,790)</u> | <u>(265,652)</u> | <u>(222,074)</u> | <u>(9,569,516)</u> | <u>(458,979)</u> |
| Total capital assets net of accumulated depreciation | <u>20,563,134</u> | <u>1,863,269</u> | <u>79,311</u> | <u>22,505,714</u> | <u>187,865</u> |
| Total noncurrent assets | <u>21,258,817</u> | <u>1,863,269</u> | <u>79,311</u> | <u>23,201,397</u> | <u>187,865</u> |
| Total assets | <u>26,188,840</u> | <u>2,566,695</u> | <u>1,440,697</u> | <u>30,196,232</u> | <u>697,236</u> |

ROY CITY CORPORATION
Statement of Net Assets, continued
Proprietary Funds
June 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|---|-----------------------------|-----------------------------|----------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 362,508 | 3,725 | 139,011 | 505,244 | 39,816 |
| Accrued wages | 16,859 | 3,808 | 598 | 21,265 | 3,939 |
| Compensated absences | 5,841 | 3,437 | - | 9,278 | 2,864 |
| Recaptured losses | - | - | - | - | 58,126 |
| Interest payable | 84,891 | - | - | 84,891 | - |
| Revenue bonds payable | 285,388 | - | - | 285,388 | - |
| Total current liabilities | <u>755,487</u> | <u>10,970</u> | <u>139,609</u> | <u>906,066</u> | <u>104,745</u> |
| Long-term liabilities, less current portion: | | | | | |
| Compensated absences | 31,883 | 15,051 | - | 46,934 | - |
| Recaptured losses | - | - | - | - | 201,446 |
| Revenue bonds payable | 6,858,694 | - | - | 6,858,694 | - |
| Total liabilities | <u>7,646,064</u> | <u>26,021</u> | <u>139,609</u> | <u>7,811,694</u> | <u>306,191</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 15,018,203 | 1,863,269 | 79,311 | 16,960,783 | 187,865 |
| Restricted for debt service | 485,487 | - | - | 485,487 | - |
| Unrestricted | 3,039,086 | 677,405 | 1,221,777 | 4,938,268 | 203,180 |
| Total net assets | <u>\$ 18,542,776</u> | <u>\$ 2,540,674</u> | <u>\$ 1,301,088</u> | <u>22,384,538</u> | <u>\$ 391,045</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>50,771</u> | |
| Net assets of business-type activities | | | | <u>\$ 22,435,309</u> | |

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

ROY CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

| | <u>Business-type Activities - Enterprise Funds</u> | | | | <u>Governmental</u> |
|---|--|---------------------|---------------------|------------------|----------------------|
| | <u>Water & Sewer</u> | <u>Storm Sewer</u> | <u>Solid Waste</u> | <u>Total</u> | <u>Activities -</u> |
| | <u>Utility Fund</u> | <u>Utility Fund</u> | <u>Utility Fund</u> | | <u>Internal</u> |
| | | | | | <u>Service Funds</u> |
| Operating revenues: | | | | | |
| Charges for services | \$ 3,814,959 | \$ 360,149 | \$ 1,901,440 | \$ 6,076,548 | \$ 674,167 |
| Other fees | 902,869 | - | - | 902,869 | - |
| Other income | 152,979 | 145 | - | 153,124 | - |
| Total operating revenue | <u>4,870,807</u> | <u>360,294</u> | <u>1,901,440</u> | <u>7,132,541</u> | <u>674,167</u> |
| Operating expenses: | | | | | |
| Personnel services | 1,117,109 | 187,257 | 121,363 | 1,425,729 | 151,392 |
| Contractual services | 2,091,922 | 52,213 | 1,370,424 | 3,514,559 | 63,408 |
| Materials and supplies | 310,525 | 107,212 | 23,872 | 441,609 | 227,530 |
| Other general costs of services | 215,096 | 3,704 | 25,398 | 244,198 | 70,003 |
| Depreciation | 639,329 | 50,715 | 31,780 | 721,824 | 79,649 |
| Total operating expenses | <u>4,373,981</u> | <u>401,101</u> | <u>1,572,837</u> | <u>6,347,919</u> | <u>591,982</u> |
| Operating income | <u>496,826</u> | <u>(40,807)</u> | <u>328,603</u> | <u>784,622</u> | <u>82,185</u> |
| Non-operating revenues/(expenses): | | | | | |
| Interest income | 23,986 | - | - | 23,986 | - |
| Interest expense | (297,692) | - | - | (297,692) | - |
| Gain/(loss) on sale of capital assets | - | - | - | - | (23) |
| Bond issuance costs | (14,620) | - | - | (14,620) | - |
| Total non-operating revenues/(expenses) | <u>(288,326)</u> | <u>-</u> | <u>-</u> | <u>(288,326)</u> | <u>(23)</u> |
| Income (loss) before contributions | 208,500 | (40,807) | 328,603 | 496,296 | 82,162 |
| Contribution from developers | 112,280 | 40,048 | - | 152,328 | - |
| Changes in net assets | 320,780 | (759) | 328,603 | 648,624 | 82,162 |

ROY CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

| | Business-type Activities - Enterprise Funds | | | Total | Governmental |
|---|---|-----------------------------|-----------------------------|--------------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | | Activities - Internal Service Funds |
| Changes in net assets | 320,780 | (759) | 328,603 | 648,624 | 82,162 |
| Total net assets - beginning | <u>18,221,996</u> | <u>2,541,433</u> | <u>972,485</u> | | <u>308,883</u> |
| Total net assets - ending | <u><u>\$ 18,542,776</u></u> | <u><u>\$ 2,540,674</u></u> | <u><u>\$ 1,301,088</u></u> | | <u><u>\$ 391,045</u></u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>25,746</u> | |
| Change in net assets of business-type activities | | | | <u><u>\$ 674,370</u></u> | |

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

ROY CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|---|-----------------------------|-----------------------------|---------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| Cash flows from operating activities: | | | | | |
| Cash received from customers and users | \$ 4,687,011 | \$ 365,032 | \$ 1,876,373 | \$ 6,928,416 | \$ - |
| Cash received from interfund activities | 7,425 | - | - | 7,425 | 674,167 |
| Other income | 122,259 | 145 | - | 122,404 | - |
| Payments to suppliers | (2,354,193) | (161,860) | (1,322,556) | (3,838,609) | (469,304) |
| Payments to employees | (1,123,655) | (187,875) | (121,255) | (1,432,785) | (149,929) |
| Payments for interfund services | (155,809) | - | (13,386) | (169,195) | - |
| Net cash provided by operating activities | <u>1,183,038</u> | <u>15,442</u> | <u>419,176</u> | <u>1,617,656</u> | <u>54,934</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (2,386,507) | (71,063) | - | (2,457,570) | (27,420) |
| Principal paid on bond | (185,000) | - | - | (185,000) | - |
| Interest paid on bond | (298,384) | - | - | (298,384) | - |
| Fiscal agent fees paid | (1,500) | - | - | (1,500) | - |
| Net cash used in capital and related financing activities | <u>(2,871,391)</u> | <u>(71,063)</u> | <u>-</u> | <u>(2,942,454)</u> | <u>(27,420)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | 23,986 | - | - | 23,986 | - |
| Net cash provided by investing activities | <u>23,986</u> | <u>-</u> | <u>-</u> | <u>23,986</u> | <u>-</u> |
| Net increase (decrease) in cash | (1,664,367) | (55,621) | 419,176 | (1,300,812) | 27,514 |
| Cash - beginning of year, as restated | 5,411,142 | 672,486 | 615,550 | 6,699,178 | 480,090 |
| Cash - end of year | <u>\$ 3,746,775</u> | <u>\$ 616,865</u> | <u>\$ 1,034,726</u> | <u>\$ 5,398,366</u> | <u>\$ 507,604</u> |

ROY CITY CORPORATION
Statement of Cash Flows, continued
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|---|-----------------------------|-----------------------------|---------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income (loss) | \$ 496,826 | \$ (40,807) | \$ 328,603 | \$ 784,622 | \$ 82,185 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation | 639,329 | 50,715 | 31,780 | 721,824 | 79,649 |
| (Increase) decrease in accounts receivable | (46,935) | 5,398 | (22,462) | (63,999) | - |
| Increase (decrease) in allowance for uncollectible accounts | 19,874 | 1,364 | 9,134 | 30,372 | - |
| (Increase) decrease in inventory | 5,467 | 13,188 | 421 | 19,076 | - |
| (Increase) decrease in prepaid items | (2,351) | (285) | (845) | (3,481) | (1,048) |
| Increase (decrease) in accounts payable | 77,374 | (13,513) | 72,437 | 136,298 | (14,679) |
| Increase (decrease) in accrued wages | 3,982 | 571 | 108 | 4,661 | 426 |
| Increase (decrease) in compensated absences | (10,528) | (1,189) | - | (11,717) | 1,037 |
| Increase (decrease) in recaptured losses | - | - | - | - | (92,636) |
| Total adjustments | 686,212 | 56,249 | 90,573 | 833,034 | (27,251) |
| Net cash provided by operating activities | <u>\$ 1,183,038</u> | <u>\$ 15,442</u> | <u>\$ 419,176</u> | <u>\$ 1,617,656</u> | <u>\$ 54,934</u> |
| Non-cash capital and related financing activities: | | | | | |
| Contribution of capital assets by developers | \$ 112,280 | \$ 40,048 | \$ - | | \$ - |
| Purchase of equipment on account | 95,839 | - | 5,300 | | 33,527 |
| Capital asset trade-ins | 19,237 | - | - | | - |
| Total non-cash capital and related financing activities | <u>\$ 227,356</u> | <u>\$ 40,048</u> | <u>\$ 5,300</u> | | <u>\$ 33,527</u> |

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

ROY CITY CORPORATION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

| | <u>Roy Association of Senior Adults</u> |
|------------------------------|---|
| Additions: | |
| Investment earnings | \$ 450 |
| Total additions | 450 |
| Deductions: | |
| Disburse trust funds to RASA | 73,872 |
| Total deductions | 73,872 |
| Changes in net assets | (73,422) |
| Total net assets - beginning | 73,422 |
| Total net assets - ending | \$ - |

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

NOTES TO THE FINANCIAL STATEMENTS

ROY CITY CORPORATION
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Roy City Corporation (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are the representation of the City's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, as applicable to governmental organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Organization

The City of Roy was incorporated March 10, 1937 as Roy City Corporation. The City is a municipal corporation governed by an elected mayor and five-member council and provides the following services as authorized by its charter; public safety, public utilities, highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the GASB Statement #14. Component units are legally separate entities that meet any one of the following three tests. The first test for including a potential component unit within the reporting entity is whether the primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit. A second criterion is whether the potential component unit is fiscally dependent upon the primary government. A third criterion is whether the financial statements would be misleading if data from the potential component unit were not included. A primary government is said to be financially accountable for a component unit if it meets either of the first two criteria. Based upon the application of these criteria, the City has one component unit.

Blended Component Unit. The Redevelopment Agency of Roy Utah (RDA) was established to prepare and carry out plans to improve, rehabilitate, and redevelop blighted areas within the City. The RDA is governed by a board of directors composed of the City's mayor and members of the city council. Although it is a legally separate entity from the City, the RDA is reported as if it were a part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund.

The RDA does not prepare separately issued financial statements. Financial information for the RDA may be obtained at the City administrative offices.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than expenditures in the government-wide financial statements.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Sales and use taxes, franchise taxes, and earned but un-reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. All other revenues are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City not accounted for by a separate, specialized fund.

The *capital improvements – capital projects fund* is used to account for construction of and major improvements to city owned buildings.

The *redevelopment agency special revenue fund* is used to account for specific revenue sources that are legally restricted for the improvement, rehabilitation, and redevelopment of blighted areas within the City.

The City reports the following major proprietary funds:

The *water and sewer utility enterprise fund* is used to account for the activities of the City's water and sewer distribution operations.

The *solid waste utility enterprise fund* is used to account for the activities of the City's solid waste collection and disposal, as well as the recycling program.

Additionally, the City reports the following fund types:

Internal service funds are used to account for information technology and risk management services provided to various departments on a cost reimbursement basis.

A *fiduciary fund* is maintained for the activities of the Roy Association of Senior Adults, a private-purpose trust fund, which accounts for the resources of a group of senior citizens in the City.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative services for such funds. Elimination of these charges would distort the total costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and fees in lieu.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash, Deposits, and Investments

Cash includes cash on hand, demand deposits with banks, and deposits in cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (the Fund) and other investments allowed by the State of Utah's Money Management Act.

The Utah Public Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund does not materially differ from the fair value of the Fund shares.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "inter-activity receivable or inter-activity payable". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "interactivity balances".

Advances between funds, as reported in fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Accounts receivable for services related to governmental activities and trade accounts receivable for business-type activities are shown net of allowance for doubtful accounts. The allowance is calculated using a percentage of total accounts receivable in conjunction with an evaluation of items over 180 days.

Inventories and Prepaid Items

All inventories are valued at cost and accounted for on the first-in, first-out method (FIFO). Inventories of governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased. Land acquired by the Redevelopment Agency and held for resale is classified as inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the City's Water and Sewer Utility Enterprise Fund revenue bonds as well as Class C Road funds are classified as restricted assets on the balance sheet because their use is restricted by bond covenants, laws and regulations. The "revenue bond construction" account is used to report those proceeds that are restricted for use in construction. The road funds are restricted for use in maintaining roads and streets throughout the City.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities in the government-wide financial statements. Capital assets are defined by the City as assets with an initial and individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are recorded at estimated fair market value at the date of donation. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend an asset's useful life are not capitalized. Outlays for major improvements are capitalized as the projects are completed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

| Asset Type | Years |
|---|--------------|
| Wells | 25 |
| Reservoirs | 40 – 50 |
| Water distribution and sewer collection systems | 50 |
| Infrastructure | 15 – 30 |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

| | |
|-------------------------|--------|
| Vehicles | 5 – 8 |
| Equipment and machinery | 5 – 30 |
| Furniture and fixtures | 5 – 10 |
| Software | 3 – 5 |

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Compensated absences are reported in governmental funds only if an employee has resigned or retired and the accrued leave has not been paid out. The accumulated vacation and compensatory time that is not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. Accumulated vacation and compensatory time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Year-end liabilities for compensated absences are accrued at the employee's current hourly rate for the maximum possible separation benefit.

Sick leave amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Regular employees accumulate sick leave benefits at the rate of twelve days per year, while firefighters accumulate 6.25 days (24 hour shift) per year. The City has implemented an unused sick leave incentive to increase productivity and encourage longevity within the City. The incentive allows for converting a portion of unused sick leave to either annual leave or a contribution to a City sponsored retirement plan. The incentive is paid annually in December and requires employees to meet strict criteria to be eligible. Employees who retire or separate under favorable conditions are paid a portion of unused sick leave based on years of service and accumulated sick leave hours.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond discounts and premiums, as well as issuance costs, are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types 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. 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.

Recaptured losses result from an inter-local cooperative agreement with Utah Risk Management Mutual Association. The City reimburses URMMA over five years for claims and legal fees paid on its behalf.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *total governmental fund balances* and *net assets of governmental activities* as reported in the government-wide statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

| | |
|--------------------------|---------------------|
| Cost of capital assets | \$55,012,288 |
| Accumulated depreciation | (18,535,100) |
| Total difference | <u>\$36,477,188</u> |

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets.

Balances at June 30, 2010 were:

| | |
|-------------------------|--------------------|
| Bonds payable | \$1,067,000 |
| Capital lease financing | 435,357 |
| URMMA recaptured losses | 259,573 |
| Compensated absences | 1,252,495 |
| Total difference | <u>\$3,014,425</u> |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Internal service funds:

Internal service funds are properly classified as proprietary funds. Nonetheless, the assets and liabilities of internal service funds must be included as part of governmental activities for purposes of government-wide financial reporting whenever they primarily serve governmental funds. Assets and liabilities of the information technology and risk management internal service funds included in the government-wide statement of net assets at June 30, 2010 include:

| | |
|-----------------------|-----------|
| Cash | \$507,604 |
| Prepaid items | 1,767 |
| Accounts payable | (39,816) |
| Accrued wages payable | (3,939) |
| Interactivity payable | (50,771) |
| Total difference | \$414,845 |

Explanation of Differences between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the amount capital assets exceeded depreciation, the elements of this difference are as follows:

| | |
|----------------------|-------------|
| Capital outlay | \$3,674,128 |
| Depreciation expense | (1,988,047) |
| Total difference | \$1,686,081 |

Another element of the reconciliation is the net effect of various miscellaneous transactions involving capital assets. The detail of the \$270,886 increase to net assets is as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

(\$ 20,264)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, Governmental funds do not report any gain or loss on a trade-in of capital assets.

19,237

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

| | |
|---|-------------------------|
| Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. | 271,913 |
| Total difference | <u><u>\$270,886</u></u> |

Another element of the reconciliation is the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of the \$253,503 difference is as follows:

| | |
|--------------------------|---------------------------|
| Principal repayments: | |
| General obligation debt | (\$116,000) |
| Accrued interest payable | (2,945) |
| Capital lease | (134,558) |
| Total difference | <u><u>(\$253,503)</u></u> |

Another element of the reconciliation is 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. At year end, the change in compensated absences of the general fund was a decrease of \$87,946.

Another element of the reconciliation is the use of internal service funds inherently create redundancy, because their expenses are reported a second time as expenditures/expenses in the funds that are billed for the services they provide. The net revenue of the activities of internal service funds should be reported with governmental activities. The detail of the \$56,416 difference is as follows:

| | |
|--|-------------------------|
| Change in net assets of the internal service funds | \$ 82,162 |
| Less: | |
| Profit from charges to business-type activities | (25,746) |
| Total difference | <u><u>\$ 56,416</u></u> |

A final element of the reconciliation is during the consolidation of internal service funds with governmental activities, all inter-fund transfers between such funds should be eliminated. During the fiscal year ending June 30, 2010, there was \$504,973 in transfers requiring elimination.

Explanation of Differences between Proprietary Fund Statement of Net Assets and the Government-wide Statement of Net Assets

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

The proprietary fund statement of net assets includes reconciliation between *net assets – total proprietary funds* and *net assets of business type activities* as reported in the government-wide statements of net assets. The description of the difference is as follows:

| | |
|--|-----------------|
| Interactivity receivable representing charges in excess of cost to business-type activities – prior years | \$25,025 |
| Interactivity receivable representing charges in excess of cost to business-type activities – current year | <u>25,746</u> |
| Total difference | <u>\$50,771</u> |

3. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted in accordance with the “Uniform Fiscal Procedures Act of Utah Cities”. Budgets are prepared for all funds excluding fiduciary funds. On or before the first day of April, all agencies of the City submit requests for appropriation to the City Manager and Budget Officer so that a budget can be prepared. On the first Tuesday in May, the proposed budget is presented to the City Council for tentative acceptance. The City Council then reviews, adjusts, and holds a public hearing on the budget. On or before June 22nd, the budget is legally adopted by resolution for the following fiscal year which begins on July 1st. If a property tax increase is proposed, the City shall not adopt its final budget until a public hearing has been held. The latest possible date for adoption of a budget with a property tax increase is August 17th. All annual appropriations lapse at fiscal year end.

Budgets are prepared by fund, function, and department. The fund budgets may be increased any time during the fiscal year by resolution of the City Council and following a public hearing. The City Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. Transfers of unexpended appropriations from one expenditure account to another within the same department can be made by the department director with the consent of the City Manager and Budget Officer.

During the fiscal year, the City Council approved several supplemental budgetary appropriations and transfers of appropriations between departments. Included in the appropriations were a decrease in the general fund of \$332,242; decrease in the capital projects fund of \$132,984; increase in the water and sewer utility of \$13,144; increase in the solid waste utility of \$26; increase in park development of \$18,000; increase in risk management of \$25,000; and increase in the information technology fund of \$2,508.

The decrease in the general fund was attributed to a reduction in revenue. In order to maintain a balanced budget, changes were made in personnel, operations and maintenance of (\$280,906), purchase and construction of capital assets of \$37,664, and transfers to other funds of (\$89,000). The decrease in the transfers was a result of a reduction in the cost of a project within the capital projects fund. In the general fund, revenue shortfalls exceeded the reduction in appropriations. Available fund balance reserves were used to make up the difference.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

The changes in the water and sewer utility, solid waste utility, and information technology funds were for personnel and operations and were funded by retained earnings. The increase in the risk management fund was to cover insurance costs on new facilities and was funded by reserves. The increase in park development expenditures was for the construction of recreational facilities and was covered by increased revenues.

Encumbrance accounting is employed in the governmental funds for budgetary basis. Under this method, outstanding purchase orders and contracts are treated similar to expenditures. For financial statements presented in accordance with generally accepted accounting principles, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year. Accordingly, the GAAP and budgetary financial statements differ.

Budget/GAAP Reconciliation

The following schedules reconcile net change in fund balances and fund balances under encumbrance accounting (budget) to the same balances under GAAP.

| | General Fund |
|-------------------------------------|---------------------|
| Net change in fund balance (budget) | (\$205,443) |
| Beginning encumbrances | (282,994) |
| Ending encumbrances | 253,116 |
| Net change in fund balance (GAAP) | (\$235,321) |
| | |
| Fund balance (budget) | \$4,650,228 |
| Ending encumbrances | 253,116 |
| Fund balance (GAAP) | \$4,903,344 |

Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary and internal service funds, cash equivalents are defined as highly liquid investments, with original maturities of less than ninety days that are held for sale in the ordinary course of business.

Tax Revenue

Real property taxes are collected by the County Treasurer and remitted to the City shortly after collection. The tax levy is established by June 15th with a lien date of January 1st. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. An accrual has been made for uncollected current and prior year's property taxes which remains outstanding at June 30th.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Sales taxes and telecom gross receipts taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise taxes are charged to various utility companies doing business within the City including cable television, natural gas, and electric companies. The fees are remitted on a monthly or quarterly basis and an accrual has been made for all fees due and payable to the City at June 30th.

Excess of Expenditures over Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the Community and Economic Development department (the legal level of budgetary control) of the general fund by \$951. The overage was funded by available and appropriable revenues received in excess of budget expectations.

Net Asset Deficit

The Risk Management Fund, an internal service fund, has a net asset deficit as of June 30, 2010. The fund incurred the deficit due to the recognition of a liability for recaptured losses. Funding for recaptured losses is expected in the year of maturity.

4. Detailed Notes for All Funds

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 the rules of the Utah Money Management Council ("the Council"). The following is a discussion of risks related to Roy City's cash management activities.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

Custodial credit risk for investments is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting credit risk for investments is to comply with the Utah Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer 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 basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated. As of June 30, 2010, the City and the Redevelopment Agency had \$9,647,779 and \$788,878,

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

respectively, invested directly with the PTIF. Amounts invested with the PTIF are reported at cost which does not materially differ from fair value.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be covered. The City's policy for managing credit risk for deposits is to adhere to the Utah Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2010, \$201,483 of the City's bank balance of \$451,483 was uninsured and uncollateralized. For the Redevelopment Agency, all of its \$58,373 was insured within FDIC limits.

Receivables

Receivables as of year end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Water and Sewer Utility Enterprise Fund | Storm Sewer Utility Enterprise Fund | Solid Waste Utility Enterprise Fund | Total |
|---|---------------------------|---|--|--|---------------------------|
| Taxes | \$2,114,371 | \$ - | \$ - | \$ - | \$2,114,371 |
| Ambulance | 1,291,531 | - | - | - | 1,291,531 |
| Utilities | - | 748,804 | 55,387 | 346,745 | 1,150,936 |
| Special assessments | 18,347 | - | - | - | 18,347 |
| Intergovernmental | 273,654 | - | - | - | 273,654 |
| Other | 198,997 | - | - | - | 198,997 |
| Gross receivables | <u>3,896,900</u> | <u>748,804</u> | <u>55,387</u> | <u>346,745</u> | <u>5,047,836</u> |
| Less: allowance for uncollectible accounts | <u>(954,432)</u> | <u>(47,988)</u> | <u>(3,545)</u> | <u>(22,105)</u> | <u>(1,028,070)</u> |
| Net total receivables | <u><u>\$2,942,468</u></u> | <u><u>\$700,816</u></u> | <u><u>\$51,842</u></u> | <u><u>\$324,640</u></u> | <u><u>\$4,019,766</u></u> |

The only receivables not expected to be collected within one year are the \$18,347 of special assessment receivables reported in the general fund.

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

| | Unavailable | Unearned |
|-------------------------------------|-------------|-------------|
| Property taxes levied not yet due | \$2,114,371 | \$2,114,371 |
| Property taxes received not yet due | - | 258,127 |
| Special assessment levied | 800 | 800 |
| | \$2,115,171 | \$2,373,298 |

Inter-fund Receivables, Payables, and Transfers

The composition of internal balances as of June 30, 2010, is as follows:

Advances to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|------------------------------------|--------------|-----------|
| Water and sewer utility enterprise | General | \$550,000 |

The funds were used for on-sight improvements of a development within Roy City's central business district. The advance is not expected to be repaid within the next fiscal year.

Inter-fund transfers:

| Transfer In | Transfer Out | Amount |
|--|------------------------------|-------------|
| Capital improvements plan – capital projects fund | General | \$2,086,168 |
| Fire & Rescue facilities and equipment – capital projects fund | General | 5,000 |
| Parks and recreational facilities improvements – capital projects fund | General | 71,525 |
| General fund | Water and sewer utility fund | 570,577 |
| General fund | Storm water utility fund | 54,555 |
| General fund | Solid waste utility fund | 101,410 |
| Water and sewer utility fund | Solid waste utility fund | 7,425 |
| | | \$2,896,660 |

The funds transferred to the capital project fund will be used for construction of capital assets or major capital repairs. These types of transfers occur on a regular basis as capital projects are approved within the City. Funds transferred between the general fund and the utility funds are for wages and benefits of employees who provide services to both general municipal and utility operations.

Capital Assets

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Capital asset activity for the year ended June 30, 2010 was as follows:

| Governmental Activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|--------------------|----------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,171,733 | \$ - | \$ - | \$3,171,733 |
| Construction in progress | 821,085 | 2,915,658 | (276,781) | 3,459,962 |
| Total capital assets not being depreciated | <u>3,992,818</u> | <u>2,915,658</u> | <u>(276,781)</u> | <u>6,631,695</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 7,857,623 | 261,035 | - | 8,118,658 |
| Improvements other than buildings | 30,016,898 | 538,693 | (2,408) | 30,553,183 |
| Machinery and equipment | 3,927,191 | 231,467 | (119,280) | 4,039,378 |
| Automobiles and trucks | 5,499,382 | 373,822 | (203,830) | 5,669,374 |
| Total capital assets being depreciated | <u>47,301,094</u> | <u>1,405,017</u> | <u>(325,518)</u> | <u>48,380,593</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,059,530) | (186,933) | - | (3,246,463) |
| Improvements other than buildings | (7,404,020) | (1,039,494) | 890 | (8,442,624) |
| Machinery and equipment | (2,582,762) | (357,787) | 98,993 | (2,841,556) |
| Automobiles and trucks | (3,706,866) | (483,576) | 185,985 | (4,004,457) |
| Total accumulated depreciation | <u>(16,753,178)</u> | <u>(2,067,790)</u> | <u>285,868</u> | <u>(18,535,100)</u> |
| Total capital assets being depreciated, net | <u>30,547,916</u> | <u>(662,773)</u> | <u>(39,650)</u> | <u>29,845,493</u> |
| Governmental activities capital assets, net | <u>\$34,540,734</u> | <u>\$2,252,885</u> | <u>(\$316,431)</u> | <u>\$36,477,188</u> |
| | | | | |
| Business-type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 17,365 | \$ - | \$ - | \$ 17,365 |
| Construction in progress | 3,158,387 | 1,045,142 | (2,066,150) | 2,137,379 |
| Total capital assets not being depreciated | <u>3,175,752</u> | <u>1,045,142</u> | <u>(2,066,150)</u> | <u>2,154,744</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 9,339 | - | - | 9,339 |
| Improvements other than buildings | 25,277,119 | 2,838,129 | - | 28,115,248 |
| Machinery and equipment | 788,672 | 86,160 | (35,732) | 839,100 |
| Automobiles and trucks | 956,799 | - | - | 956,799 |
| Total capital assets being depreciated | <u>27,031,929</u> | <u>2,924,289</u> | <u>(35,732)</u> | <u>29,920,486</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,889) | (235) | - | (2,124) |
| Improvements other than buildings | (7,695,454) | (539,497) | - | (8,234,951) |
| Machinery and equipment | (480,591) | (90,811) | 16,494 | (554,908) |
| Automobiles and trucks | (686,253) | (91,280) | - | (777,533) |
| Total accumulated depreciation | <u>(8,864,187)</u> | <u>(721,823)</u> | <u>16,494</u> | <u>(9,569,516)</u> |
| Total capital assets being depreciated, net | <u>18,167,742</u> | <u>2,202,466</u> | <u>(19,238)</u> | <u>20,350,970</u> |
| Business-type activities capital assets, net | <u>\$21,343,494</u> | <u>\$3,247,608</u> | <u>(\$2,085,388)</u> | <u>\$22,505,714</u> |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Depreciation was charged to functions/programs of the primary government as follows:

| | |
|--|--------------------|
| Governmental activities: | |
| General government | \$ 280,550 |
| Public safety | 431,836 |
| Public works, including depreciation of general infrastructure | |
| Assets | 846,025 |
| Parks and recreation | 509,379 |
| | <u>509,379</u> |
| Total depreciation expense – governmental activities | <u>\$2,067,790</u> |
| | |
| Business-type activities: | |
| Water and sewer utility enterprise | \$639,328 |
| Storm water utility enterprise | 50,715 |
| Solid waste utility enterprise | 31,780 |
| | <u>31,780</u> |
| Total depreciation expense – business-type activities | <u>\$721,823</u> |

Construction Commitments

The City has active construction projects as of June 30, 2010. The projects include infrastructure improvements, improvements to the municipal building. At year-end the City's commitments with contractors are as follows:

| | |
|--|------------------|
| Project: | |
| Culinary Water Line Replacement Projects | \$278,556 |
| Street Maintenance Projects | 14,196 |
| Municipal Center Parking Lot Project | 88,190 |
| | <u>88,190</u> |
| Total | <u>\$380,942</u> |

Capital Lease

Roy City has entered into a lease agreement as lessee for financing the acquisition of fire trucks. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through the lease are as follows:

| | |
|---------------------------------------|------------------|
| Asset: | |
| Pierce 105' Heavy Duty Aerial Truck | \$630,661 |
| Pierce 1500 GPM Enforcer Pumper Truck | 312,901 |
| | <u>943,562</u> |
| Less: accumulated depreciation | (304,695) |
| Total | <u>\$638,867</u> |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

| Year ending June 30 | Interest | Principal | Total Lease Payments |
|--|----------|-----------|----------------------|
| 2011 | \$15,189 | \$139,706 | \$154,895 |
| 2012 | 9,844 | 145,051 | 154,895 |
| 2013 | 4,294 | 150,600 | 154,894 |
| Total minimum lease payments | | | 464,684 |
| Less: amount representing interest | | | (29,327) |
| Present value of future minimum lease payments | | | <u>\$435,357</u> |

Long-Term Debt

Sales Tax Revenue Bonds

In October 2007, the City issued \$1,000,000 of sales tax revenue bonds for the purpose of financing a portion of the costs to expand and remodel the municipal building and to pay expenses incurred in connection with the issuance and sale of the bonds.

Principal payments are due annually in October. Interest on the bonds is 4.05% with payments due semi-annually in April and October. The bonds are a special limited obligation of the City with certain local sales and use taxes pledged for debt service, and are not general obligation indebtedness.

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

| Year ending June 30 | Interest | Principal | Total Debt Service |
|---------------------|------------------|------------------|--------------------|
| 2011 | \$ 31,792 | \$ 90,000 | \$ 121,792 |
| 2012 | 28,067 | 94,000 | 122,067 |
| 2013 | 24,199 | 97,000 | 121,199 |
| 2014 | 20,189 | 101,000 | 121,189 |
| 2015 | 16,018 | 105,000 | 121,018 |
| 2016-2018 | 21,202 | 343,000 | 364,202 |
| | <u>\$141,467</u> | <u>\$830,000</u> | <u>\$971,467</u> |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Tax Increment and Annual Appropriation Revenue Refunding Bonds

In November 1997, the Redevelopment Agency of Roy Utah issued \$615,000 of tax increment and annual appropriation revenue refunding bonds for the purpose of prepaying obligations under a promissory note issued by the RDA to developers of the City Centre project. The prepayment was done to restructure debt payments and to achieve a debt service savings.

The net proceeds from the sale of the Series 1997 refunding bonds of \$605,775 (\$615,000 less a purchaser's discount of \$9,225) along with \$483,621 of RDA funds were used to prepay the RDA's obligation under the note. The bonds were discounted to 98.5% of par, bear interest at a variable rate, and mature on April 1, 2017. The interest rate on the bonds was originally set at 5.5%. The bond agreement provides for the interest rate to be adjusted to a rate equal to 95% of the equivalent yield of the United States Treasury Bonds beginning in April 2003 and every fifth year thereafter, not to exceed 12% per annum. On April 1, 2008, the interest rate was adjusted to 2.43% through April 1, 2012.

The result of the refunding was a reduction in interest rates from 9% (imputed) on the note to 5.5% variable on the Series 1997 bonds. The refunding decreased total debt service by \$653,245 and resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$152,266.

Refunding bond annual debt service requirements to maturity are as follows:

| Year ending June 30 | Interest | Principal | Total Debt Service |
|---------------------|----------|-----------|--------------------|
| 2011 | \$ 5,759 | \$ 32,000 | \$37,759 |
| 2012 | 4,981 | 34,000 | 38,981 |
| 2013 | 4,155 | 36,000 | 40,155 |
| 2014 | 3,281 | 31,000 | 34,281 |
| 2015 | 2,527 | 33,000 | 35,527 |
| 2016-2017 | 2,600 | 71,000 | 73,600 |
| | \$23,303 | \$237,000 | \$260,303 |

Water and Sewer Revenue Bonds

In March 2008, the City also issued bonds with the net revenues of the Water and Sewer Utility Enterprise Fund pledged toward the payment of principal and interest. The \$7,500,000 Series 2009 Water and Sewer Revenue Bonds will be used to finance construction projects to replace deteriorating water and sewer system infrastructure; construct additional facilities; and pay costs associated with the issuance of the bonds. The bonds constitute a special limited obligation of the City and not considered general obligation indebtedness.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

The bonds bear interest at variable rates from 3.75-4.35% and mature in March 2028. Interest is due semi-annually in September and March, while principal payments are due annually in March. Under terms of the indenture, net proceeds from the sale of the Series 2008 bonds (the principal amount, plus a net offering premium of \$4,887, less underwriter's discount and bond insurance) are deposited into a construction account held by trustee. Disbursements are made from the account upon request by the City.

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

| Year ending June 30 | Interest | Principal | Total Debt Service |
|---------------------|--------------------|--------------------|---------------------|
| 2011 | \$ 291,053 | \$ 285,000 | \$ 576,053 |
| 2012 | 280,365 | 295,000 | 575,365 |
| 2013 | 269,302 | 300,000 | 569,302 |
| 2014 | 258,052 | 315,000 | 573,052 |
| 2015 | 246,240 | 325,000 | 571,240 |
| 2016-2020 | 1,025,400 | 1,835,000 | 2,860,400 |
| 2021-2025 | 625,070 | 2,220,000 | 2,845,070 |
| 2026-2028 | 137,862 | 1,565,000 | 1,702,862 |
| | <u>\$3,133,344</u> | <u>\$7,140,000</u> | <u>\$10,273,344</u> |

Changes in Long-term Debt

During the year ended June 30, 2010, the following activity occurred in liabilities reported as long-term:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|--------------------|------------------|----------------------|--------------------|---------------------|
| Governmental activities: | | | | | |
| Capital lease | \$ 569,915 | \$ - | (\$134,558) | \$ 435,357 | \$139,706 |
| Bonds payable | 1,183,000 | - | (116,000) | 1,067,000 | 122,000 |
| Recaptured losses | 352,208 | 10,379 | (103,014) | 259,573 | 58,126 |
| Compensated absences | 1,339,404 | 714,908 | (801,817) | 1,252,495 | 105,375 |
| Governmental activity Long-term liabilities | <u>\$3,444,527</u> | <u>\$725,287</u> | <u>(\$1,155,389)</u> | <u>\$3,014,425</u> | <u>\$425,207</u> |
| Business-type activities: | | | | | |
| Bonds payable | \$7,329,491 | \$ - | (\$185,409) | \$7,144,082 | \$285,388 |
| Compensated absences | 67,929 | 44,609 | (56,326) | 56,212 | 9,278 |
| Business-type activity Long-term liabilities | <u>\$7,397,420</u> | <u>\$44,609</u> | <u>(\$241,735)</u> | <u>\$7,200,294</u> | <u>\$294,666</u> |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Internal service funds predominantly serve the governmental funds. Accordingly long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$259,573 of internal service funds recaptured losses and \$2,864 of compensated absences is included in the above amounts and will be liquidated with internal service fund assets. All other governmental activities compensated absences are liquidated by the general fund.

5. Other Information

Reservations and Designations of Fund Balances

The City is required to reserve part of its fund balance to account for certain types of revenues, expenditures, and encumbrances. The reserve balances are presented in the statement of net assets and the balance sheet of governmental funds.

Fund balance designations have been established to reflect the administration's tentative plans for the funds and are subject to change. At June 30, 2010, the City had designated fund balance as follows:

| | General Fund | Redevelopment Agency |
|-------------------------------|---------------------|-----------------------------|
| Sale of land | \$ 1,000 | \$ - |
| Traffic school | 39,352 | - |
| Police forfeiture income | 842 | - |
| Future debt retirement | - | 189,134 |
| Total designated fund balance | <u>\$41,194</u> | <u>\$189,134</u> |

Employee Retirement Systems and Pension Plans

Pension Plan

Plan Description. The City contributes to the Local Government Contributory Retirement System and Local Governmental Non-contributory Retirement System, Public Safety Retirement System for employers with social security coverage, and Firefighters Retirement System for employers with social security coverage which are cost-sharing multiple-employer defined benefit pension plans administered by 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory System, Public Safety Retirement System for employers with social security coverage, and Firefighters Retirement System for employers with social security coverage. A copy of the report can be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102-2099 or by calling 1-800-753-7361.

Funding Policy. For the fiscal year 2009-2010, plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary, all of which is paid by the City for the employee, and the City is required to contribute 7.65% of the employee's annual covered salary. In the Local Governmental Non-contributory Retirement System, the City is required to contribute 11.66% of the employee's annual covered salary. In the Public Safety Retirement System Non-contributory Division, the City is required to contribute 25.90% of the employee's annual salary. In the Firefighters Retirement System for employers with social security coverage, plan members are required to contribute 13.49% of their annual covered salary, 1.23% of which is paid by the employee and 12.26% which is paid by the City for the employee. The contribution rates are actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2010, 2009, and 2008 were \$9,189, \$8,981, and \$9,429, respectively, and for the Non-contributory Retirement System the contributions for June 30, 2010, 2009, and 2008 were \$357,753, \$371,208, and \$376,068, respectively. City contributions for the Public Safety Non-contributory Retirement System for June 30, 2010, 2009, and 2008 were \$446,259, \$442,684, and \$403,740, respectively, and for the Firefighters Retirement System the contributions for June 30, 2010, 2009, and 2008 were \$175,947, \$175,440, and \$167,428, respectively. The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

Deferred Compensation Plan

The City also participates in deferred compensation plans created in accordance with Internal Revenue Code Section 457 and has adopted Governmental Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". As a result, the City's 457 plans are reported as trust funds of the plan administrator rather than as agency funds of the City.

401A Plan

The City provides a 401a plan for employees, which is administered by ICMA Retirement Corporation. All permanent full-time employees, excluding those enrolled in the Utah Public Safety Retirement, along with elected officials and permanent intermittent employees are eligible to participate in the plan. The City contributes 15.45% of earnings for merit participants and 17.64% for firefighters, minus the City's contribution to the Utah State

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

Retirement System on behalf of the participant for the plan year. The contribution rate for administrative participants is 19.66%. Participants are not required to contribute to this plan but may make voluntary after tax contributions. Benefits after termination of employment are paid to individuals based on account balances in lump sum, or as periodic benefit payments, at the option of the participant.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employees are 100% vested and the City owns none of the plan assets. Total payroll for the fiscal year was \$8,198,385 and eligible payroll under this plan was \$5,299,475 for the same period. At June 30, 2010 total plan assets were \$5,856,446. Total contribution requirements were \$286,607, or 5.41% of covered payroll, and were paid by the due dates.

Redevelopment Agency

The Redevelopment Agency of Roy Utah (RDA) consists of four project areas and does not pay tax increment to any other taxing agency. The RDA pays the City a management fee, which totaled \$136,275 for FY 2010. Financial information relating to the project areas for the fiscal year ending June 30, 2010 is as follows:

| | Project Area #1 | Project Area #2 | Project Area #3 | Project Area #4 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Tax increment collected | \$ - | \$323,817 | \$ 49,500 | \$100,000 |
| Outstanding debt principal | - | - | 237,000 | - |
| Amount expended for: | | | | |
| Administrative costs | 19,694 | 154,605 | 1,250 | 13,735 |
| Interest | - | - | 6,488 | - |

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 government carries commercial insurance. The City uses an internal service fund to account for its risk financing activities with the inter-fund premiums being treated as inter-fund services used. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. At June 30, 2010 and 2009, there were no outstanding claims or judgments that management considered necessary for accrual.

Premiums are paid into the risk management fund by other funds and are available to pay claims, claim reserves and administrative costs of programs. During the fiscal years ending June 30, 2010, 2009, and 2008, there were no reductions in insurance coverage and no settlements exceeded insurance coverage. The fund has a deficit in

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2010

ending net assets of \$36,463 at June 30, 2010. The deficit is a result of recording recaptured losses (claims paid by Utah Risk Management Mutual) which will be repaid over five years.

Contingent Liabilities

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. At June 30, 2010, the City had not been informed by federal or state agencies of any grant violations.

Litigation and Claims

The City is currently named as a defendant in various lawsuits. While the final outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Storm Sewer Development – This fund is used to account for impact fees charged to expand and maintain the City's storm sewer system.

Park Development – This fund is used to account for the impact fees charged for the creation, expansion and maintenance of the City's parks.

Cemetery – This fund is used to account for monies held to expand and maintain the City cemetery. Funding for the cemetery fund comes from 20% of the sales price of cemetery lots.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital assets other than those financed by proprietary funds.

Capital Improvement Plan – This fund is used to account for the purchase, expansion, or construction of major capital facilities.

Fire and Rescue Facilities and Equipment – This fund is used to account for the purchase of major fire equipment such as ladder trucks and ambulances, and construction and expansion of facilities.

Recreational Facilities Improvements - This fund is used to account for the replacement of aging infrastructure and improvements to and expansion of recreational facilities throughout the City.

ROY CITY CORPORATION
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

| | Special Revenue Funds | | | Total |
|-------------------------------------|----------------------------|---------------------|-------------------|-------------------|
| | Storm Sewer Development | Park Development | Cemetery | |
| ASSETS | | | | |
| Cash | \$ 193,196 | \$ 117,426 | \$ 142,374 | \$ 452,996 |
| Total assets | <u>\$ 193,196</u> | <u>\$ 117,426</u> | <u>\$ 142,374</u> | <u>\$ 452,996</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,082 | \$ 3,801 | \$ - | \$ 4,883 |
| Deferred revenue | - | 77,000 | - | 77,000 |
| Total liabilities | <u>1,082</u> | <u>80,801</u> | <u>-</u> | <u>81,883</u> |
| FUND BALANCES | | | | |
| Unreserved, undesignated | 192,114 | 36,625 | 142,374 | 371,113 |
| Total fund balances | <u>192,114</u> | <u>36,625</u> | <u>142,374</u> | <u>371,113</u> |
| Total liabilities and fund balances | <u>\$ 193,196</u> | <u>\$ 117,426</u> | <u>\$ 142,374</u> | <u>\$ 452,996</u> |

| Capital Projects Funds | | | Total Non-Major Governmental Funds |
|--|--|-------------------|---|
| Fire & Rescue Facilities and Equipment | Recreational Facilities Improvements | Total | |
| \$ 43,667 | \$ 132,640 | \$ 176,307 | \$ 629,303 |
| <u>\$ 43,667</u> | <u>\$ 132,640</u> | <u>\$ 176,307</u> | <u>\$ 629,303</u> |
| \$ - | \$ - | \$ - | \$ 4,883 |
| - | - | - | 77,000 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>81,883</u> |
| \$ 43,667 | \$ 132,640 | \$ 176,307 | \$ 547,420 |
| <u>43,667</u> | <u>132,640</u> | <u>176,307</u> | <u>547,420</u> |
| <u>\$ 43,667</u> | <u>\$ 132,640</u> | <u>\$ 176,307</u> | <u>\$ 629,303</u> |

ROY CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2010

| | Special Revenue Funds | | | Total |
|--|----------------------------|---------------------|-------------------|-------------------|
| | Storm Sewer Development | Park Development | Cemetery | |
| Revenues: | | | | |
| Impact fees | \$ 125,104 | \$ 64,220 | \$ - | \$ 189,324 |
| Investment earnings | 931 | 320 | - | 1,251 |
| Miscellaneous | - | - | 8,281 | 8,281 |
| Total revenues | <u>126,035</u> | <u>64,540</u> | <u>8,281</u> | <u>198,856</u> |
| Expenditures: | | | | |
| Capital outlay | - | 62,421 | - | 62,421 |
| Total expenditures | <u>-</u> | <u>62,421</u> | <u>-</u> | <u>62,421</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>126,035</u> | <u>2,119</u> | <u>8,281</u> | <u>136,435</u> |
| Other financing sources: | | | | |
| Transfers in | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 126,035 | 2,119 | 8,281 | 136,435 |
| Fund balance - beginning of year | <u>66,079</u> | <u>34,506</u> | <u>134,093</u> | <u>234,678</u> |
| Fund balance - end of year | <u>\$ 192,114</u> | <u>\$ 36,625</u> | <u>\$ 142,374</u> | <u>\$ 371,113</u> |

| Capital Projects Funds | | | Total |
|--|--|------------|------------------------------------|
| Fire & Rescue Facilities and Equipment | Recreational Facilities Improvements | Total | Non-Major Governmental Funds |
| \$ - | \$ - | \$ - | \$ 189,324 |
| - | - | - | 1,251 |
| - | - | - | 8,281 |
| - | - | - | 198,856 |
| 118,500 | 29,559 | 148,059 | 210,480 |
| 118,500 | 29,559 | 148,059 | 210,480 |
| (118,500) | (29,559) | (148,059) | (11,624) |
| 5,000 | 71,525 | 76,525 | 76,525 |
| 5,000 | 71,525 | 76,525 | 76,525 |
| (113,500) | 41,966 | (71,534) | 64,901 |
| 157,167 | 90,674 | 247,841 | 482,519 |
| \$ 43,667 | \$ 132,640 | \$ 176,307 | \$ 547,420 |

ROY CITY CORPORATION
Storm Sewer Development - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Impact fees | \$ 15,000 | \$ 110,000 | \$ 125,104 | \$ 15,104 |
| Investment earnings | 1,000 | 1,000 | 931 | (69) |
| Total revenues | 16,000 | 111,000 | 126,035 | 15,035 |
| Excess of revenues over expenditures | 16,000 | 111,000 | 126,035 | 15,035 |
| Fund balance - beginning of year | 66,079 | 66,079 | 66,079 | - |
| Fund balance - end of year | \$ 82,079 | \$ 177,079 | \$ 192,114 | \$ 15,035 |

ROY CITY CORPORATION
Park Development - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Impact fees | \$ 20,000 | \$ 65,000 | \$ 64,220 | \$ (780) |
| Intergovernmental | 35,000 | 35,000 | - | (35,000) |
| Investment earnings | 600 | 600 | 320 | (280) |
| Total revenues | 55,600 | 100,600 | 64,540 | (36,060) |
| Expenditures: | | | | |
| Professional fees | - | 3,000 | - | 3,000 |
| Capital outlay | 74,000 | 89,000 | 62,421 | 26,579 |
| Total expenditures | 74,000 | 92,000 | 62,421 | 29,579 |
| Excess (deficiency) of revenues over (under) expenditures | (18,400) | 8,600 | 2,119 | (6,481) |
| Other financing sources: | | | | |
| Transfers in | - | 15,000 | - | (15,000) |
| Total other financing sources | - | 15,000 | - | (15,000) |
| Net change in fund balance | (18,400) | 23,600 | 2,119 | (21,481) |
| Fund balance - beginning of year | 34,506 | 34,506 | 34,506 | - |
| Fund balance - end of year | \$ 16,106 | \$ 58,106 | \$ 36,625 | \$ (21,481) |

ROY CITY CORPORATION
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|------------------|------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Miscellaneous | \$ 8,000 | \$ 8,000 | \$ 8,281 | \$ 281 |
| Total revenues | 8,000 | 8,000 | 8,281 | 281 |
| Net change in fund balance | 8,000 | 8,000 | 8,281 | 281 |
| Fund balance - beginning of year | 134,093 | 134,093 | 134,093 | - |
| Fund balance - end of year | \$ 142,093 | \$ 142,093 | \$ 142,374 | \$ 281 |

ROY CITY CORPORATION
Capital Improvement Plan - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Expenditures: | | | | |
| Capital outlay | \$ 3,697,498 | \$ 3,346,014 | \$ 3,106,408 | \$ 239,606 |
| Total expenditures | <u>3,697,498</u> | <u>3,346,014</u> | <u>3,106,408</u> | <u>239,606</u> |
| Deficiency of expenditures over revenues | <u>(3,697,498)</u> | <u>(3,346,014)</u> | <u>(3,106,408)</u> | <u>239,606</u> |
| Other financing sources: | | | | |
| Transfers in | <u>2,406,400</u> | <u>2,317,400</u> | <u>2,086,168</u> | <u>(231,232)</u> |
| Total other financing sources | <u>2,406,400</u> | <u>2,317,400</u> | <u>2,086,168</u> | <u>(231,232)</u> |
| Net change in fund balance | (1,291,098) | (1,028,614) | (1,020,240) | 8,374 |
| Fund balance - beginning of year | <u>1,038,774</u> | <u>1,038,774</u> | <u>1,038,774</u> | <u>-</u> |
| Fund balance - end of year | <u><u>\$ (252,324)</u></u> | <u><u>\$ 10,160</u></u> | <u><u>\$ 18,534</u></u> | <u><u>\$ 8,374</u></u> |

ROY CITY CORPORATION
Fire and Rescue Facilities and Equipment - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: | | | | |
| Capital outlay | \$ - | \$ 118,500 | \$ 118,500 | \$ - |
| Total expenditures | - | 118,500 | 118,500 | - |
| Excess of expenditures over revenues | - | (118,500) | (118,500) | - |
| Other financing sources: | | | | |
| Transfers in | 5,000 | 5,000 | 5,000 | - |
| Total other financing sources | 5,000 | 5,000 | 5,000 | - |
| Net change in fund balance | 5,000 | (113,500) | (113,500) | - |
| Fund balance - beginning of year | 157,167 | 157,167 | 157,167 | - |
| Fund balance - end of year | <u>\$ 162,167</u> | <u>\$ 43,667</u> | <u>\$ 43,667</u> | <u>\$ -</u> |

ROY CITY CORPORATION
Recreational Facilities Improvements - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------|-------------------|---|
| | Original | Final | | |
| Expenditures: | | | | |
| Capital outlay | \$ 30,000 | \$ 30,000 | \$ 29,559 | \$ 441 |
| Total expenditures | 30,000 | 30,000 | 29,559 | 441 |
| Excess of expenditures over revenues | (30,000) | (30,000) | (29,559) | 441 |
| Other financing sources: | | | | |
| Operating transfers in | 71,525 | 71,525 | 71,525 | - |
| Total other financing sources | 71,525 | 71,525 | 71,525 | - |
| Net change in fund balance | 41,525 | 41,525 | 41,966 | 441 |
| Fund balance - beginning of year | 90,674 | 90,674 | 90,674 | - |
| Fund balance - end of year | \$ 132,199 | \$ 132,199 | \$ 132,640 | \$ 441 |

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Information Technology – This fund is used to account for the accumulation and allocation of costs associated with the electronic data processing. It provides service to all governmental and proprietary funds and is financed by charges made to the other funds.

Risk Management - This fund is used to account for the costs of insurance premiums and claims made against the City. Monies are accumulated in this fund to pay premiums for liability and property damage insurance and other claims. The City participates in the Utah Risk Management Mutual Association for its liability and property damage insurance. Insurance for facilities, equipment and vehicles is purchased from private insurers. The fund is financed by charges made to the general and proprietary funds.

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Net Assets
June 30, 2010

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|--|-----------------------------------|----------------------------|-------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 285,173 | \$ 222,431 | \$ 507,604 |
| Prepays | - | 1,767 | 1,767 |
| Total current assets | <u>285,173</u> | <u>224,198</u> | <u>509,371</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Computer hardware | 459,752 | - | 459,752 |
| Software | 187,092 | - | 187,092 |
| Less accumulated depreciation | <u>(458,979)</u> | - | <u>(458,979)</u> |
| Total capital assets net of accumulated depr'n | <u>187,865</u> | - | <u>187,865</u> |
| Total assets | <u>473,038</u> | <u>224,198</u> | <u>697,236</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 38,727 | 1,089 | 39,816 |
| Accrued wages | 3,939 | - | 3,939 |
| Compensated absences | 2,864 | - | 2,864 |
| Recaptured losses | - | 58,126 | 58,126 |
| Total current liabilities | <u>45,530</u> | <u>59,215</u> | <u>104,745</u> |
| Noncurrent liabilities: | | | |
| Recaptured losses, less current portion | - | 201,446 | 201,446 |
| Total liabilities | <u>45,530</u> | <u>260,661</u> | <u>306,191</u> |
| NET ASSETS | | | |
| Invested in capital assets | 187,865 | - | 187,865 |
| Unrestricted | <u>239,643</u> | <u>(36,463)</u> | <u>203,180</u> |
| Total net assets | <u>\$ 427,508</u> | <u>\$ (36,463)</u> | <u>\$ 391,045</u> |

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|---------------------------------|-----------------------------------|----------------------------|-------------------|
| Operating revenue: | | | |
| Charges for services | \$ 290,767 | \$ 383,400 | \$ 674,167 |
| Total operating revenue | <u>290,767</u> | <u>383,400</u> | <u>674,167</u> |
| Operating expenses: | | | |
| Personnel services | 151,392 | - | 151,392 |
| Contractual services | 63,408 | - | 63,408 |
| Materials and supplies | 12,990 | - | 12,990 |
| Insurance | - | 214,540 | 214,540 |
| Other general costs of services | 4,627 | 65,376 | 70,003 |
| Depreciation | 79,649 | - | 79,649 |
| Total operating expenses | <u>312,066</u> | <u>279,916</u> | <u>591,982</u> |
| Operating income (loss) | <u>(21,299)</u> | <u>103,484</u> | <u>82,185</u> |
| Non-operating expenses: | | | |
| Loss on sale of capital assets | <u>(23)</u> | <u>-</u> | <u>(23)</u> |
| Total non-operating expenses | <u>(23)</u> | <u>-</u> | <u>(23)</u> |
| Change in net assets | (21,322) | 103,484 | 82,162 |
| Total net assets - beginning | <u>448,830</u> | <u>(139,947)</u> | <u>308,883</u> |
| Total net assets - ending | <u>\$ 427,508</u> | <u>\$ (36,463)</u> | <u>\$ 391,045</u> |

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

| | Information Technology | Risk Management | Total |
|--|---------------------------|--------------------------|--------------------------|
| Cash flows from operating activities: | | | |
| Cash received from interfund services provided | \$ 290,767 | \$ 383,400 | \$ 674,167 |
| Payments to suppliers | (87,384) | (381,920) | (469,304) |
| Payments to employees | (149,929) | - | (149,929) |
| Net cash provided by operating activities | <u>53,454</u> | <u>1,480</u> | <u>54,934</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | (27,420) | - | (27,420) |
| Net cash used in capital and related financing activities | <u>(27,420)</u> | <u>-</u> | <u>(27,420)</u> |
| Net increase in cash | 26,034 | 1,480 | 27,514 |
| Cash - beginning of year | <u>259,139</u> | <u>220,951</u> | <u>480,090</u> |
| Cash - end of year | <u><u>\$ 285,173</u></u> | <u><u>\$ 222,431</u></u> | <u><u>\$ 507,604</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (21,299) | \$ 103,484 | \$ 82,185 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 79,649 | - | 79,649 |
| (Increase) decrease in prepaid items | - | (1,048) | (1,048) |
| Increase (decrease) in accounts payable | (6,359) | (8,320) | (14,679) |
| Increase (decrease) in accrued wages | 426 | - | 426 |
| Increase (decrease) in compensated absences | 1,037 | - | 1,037 |
| Increase (decrease) in recaptured losses | - | (92,636) | (92,636) |
| Total adjustments | <u>74,753</u> | <u>(102,004)</u> | <u>(27,251)</u> |
| Net cash provided by operating activities | <u><u>\$ 53,454</u></u> | <u><u>\$ 1,480</u></u> | <u><u>\$ 54,934</u></u> |

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------|-----------------|
| Non-cash capital and related financing activities: | | | |
| Purchase of equipment on account | \$ 5,300 | \$ - | \$ 5,300 |
| Total non-cash capital and related financing activities | <u>\$ 5,300</u> | <u>\$ -</u> | <u>\$ 5,300</u> |

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

ROY CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|
| Governmental funds capital assets: | | |
| Land | \$ 3,171,733 | \$ 3,171,733 |
| Buildings | 8,118,658 | 7,857,623 |
| Improvements other than buildings | 30,553,183 | 30,016,898 |
| Machinery and equipment | 3,423,204 | 3,323,453 |
| Vehicles | 5,669,375 | 5,499,382 |
| Construction in progress | 3,459,211 | 821,085 |
| Total governmental funds capital assets | <u>\$ 54,395,364</u> | <u>\$ 50,690,174</u> |
| Investments in governmental funds capital assets by source: | | |
| General fund | \$ 25,987,179 | \$ 25,881,989 |
| Capital projects fund | 14,649,120 | 11,394,654 |
| Special revenue funds | 6,731,379 | 6,657,758 |
| Donations | 7,027,686 | 6,755,773 |
| Total governmental funds capital assets | <u>\$ 54,395,364</u> | <u>\$ 50,690,174</u> |

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

ROY CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2010

| Function and Activity | Land | Buildings | Improvements other than Buildings | Machinery and Equipment | Vehicles | Construction in Progress | Total |
|--|----------------------------|----------------------------|---|-------------------------------|----------------------------|-----------------------------|-----------------------------|
| General government: | | | | | | | |
| Legislative | \$ 414,713 | \$ - | \$ - | \$ 27,157 | \$ 32,317 | \$ - | \$ 474,187 |
| Legal & risk management | - | - | - | 7,796 | - | - | 7,796 |
| Justice court | - | - | - | 23,946 | - | - | 23,946 |
| Community & economic dev. | - | - | - | 23,432 | 43,182 | - | 66,614 |
| Management services | - | - | - | 30,448 | - | - | 30,448 |
| Public buildings | - | 5,416,513 | 101,986 | 243,404 | 158,186 | 3,447,208 | 9,367,297 |
| Redevelopment agency | - | - | 706,497 | 30,972 | - | - | 737,469 |
| Total general government | <u>414,713</u> | <u>5,416,513</u> | <u>808,483</u> | <u>387,155</u> | <u>233,685</u> | <u>3,447,208</u> | <u>10,707,757</u> |
| Public safety: | | | | | | | |
| Animal control | - | - | - | 3,484 | 30,996 | - | 34,480 |
| Fire | 69,417 | 938,782 | 4,485 | 546,172 | 1,856,136 | - | 3,414,992 |
| Police | - | - | - | 291,882 | 1,251,647 | - | 1,543,529 |
| Total public safety | <u>69,417</u> | <u>938,782</u> | <u>4,485</u> | <u>841,538</u> | <u>3,138,779</u> | <u>-</u> | <u>4,993,001</u> |
| Public works: | | | | | | | |
| Administration | 185,268 | - | 13,703 | 22,021 | 25,656 | - | 246,648 |
| Class "C" roads | - | 227,426 | 7,759,568 | 415,434 | 1,633,838 | - | 10,036,266 |
| Fleet services | - | - | - | 88,920 | 69,390 | - | 158,310 |
| Streets | 334,914 | 2,275 | 12,816,772 | 700,018 | 134,389 | - | 13,988,368 |
| Total public works | <u>520,182</u> | <u>229,701</u> | <u>20,590,043</u> | <u>1,226,393</u> | <u>1,863,273</u> | <u>-</u> | <u>24,429,592</u> |
| Parks and recreation: | | | | | | | |
| Aquatic center | 963,941 | - | 4,461,479 | 290,549 | - | - | 5,715,969 |
| Beautification | - | - | - | 10,845 | - | - | 10,845 |
| Parks | 1,203,480 | 174,931 | 4,540,970 | 331,906 | 258,697 | 12,003 | 6,521,987 |
| Recreation | - | 471,596 | 20,522 | 101,242 | 116,999 | - | 710,359 |
| Recreation complex | - | 887,135 | 127,201 | 233,576 | 57,942 | - | 1,305,854 |
| Total parks and recreation | <u>2,167,421</u> | <u>1,533,662</u> | <u>9,150,172</u> | <u>968,118</u> | <u>433,638</u> | <u>12,003</u> | <u>14,265,014</u> |
| Total governmental funds capital assets | <u><u>\$ 3,171,733</u></u> | <u><u>\$ 8,118,658</u></u> | <u><u>\$ 30,553,183</u></u> | <u><u>\$ 3,423,204</u></u> | <u><u>\$ 5,669,375</u></u> | <u><u>\$ 3,459,211</u></u> | <u><u>\$ 54,395,364</u></u> |

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

ROY CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2010

| Function and Activity | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|--|-------------------------|---------------------|-------------------|--------------------------|
| General government: | | | | |
| Legislative | \$ 474,187 | \$ - | \$ - | \$ 474,187 |
| Legal & risk management | 7,796 | - | - | 7,796 |
| Justice court | 23,946 | - | - | 23,946 |
| Community & economic dev. | 66,614 | - | - | 66,614 |
| Management services | 32,238 | - | 1,790 | 30,448 |
| Public buildings | 6,266,581 | 3,116,047 | 15,331 | 9,367,297 |
| Redevelopment agency | 726,269 | 11,200 | - | 737,469 |
| Total general government | <u>7,597,631</u> | <u>3,127,247</u> | <u>17,121</u> | <u>10,707,757</u> |
| Public safety: | | | | |
| Animal control | 34,480 | - | - | 34,480 |
| Fire | 3,298,964 | 231,008 | 114,980 | 3,414,992 |
| Police | 1,596,058 | 13,601 | 66,130 | 1,543,529 |
| Total public safety | <u>4,929,502</u> | <u>244,609</u> | <u>181,110</u> | <u>4,993,001</u> |
| Public works: | | | | |
| Administration | 246,648 | - | - | 246,648 |
| Class "C" roads | 9,820,208 | 247,254 | 31,196 | 10,036,266 |
| Fleet services | 158,310 | - | - | 158,310 |
| Streets | 13,716,455 | 271,913 | - | 13,988,368 |
| Total public works | <u>23,941,621</u> | <u>519,167</u> | <u>31,196</u> | <u>24,429,592</u> |
| Parks and recreation: | | | | |
| Aquatic center | 5,696,411 | 19,558 | - | 5,715,969 |
| Beautification | 10,845 | - | - | 10,845 |
| Parks | 6,523,709 | 296,751 | 298,473 | 6,521,987 |
| Recreation | 706,399 | 18,168 | 14,208 | 710,359 |
| Recreation complex | 1,284,056 | 21,798 | - | 1,305,854 |
| Total parks and recreation | <u>14,221,420</u> | <u>356,275</u> | <u>312,681</u> | <u>14,265,014</u> |
| Total governmental funds capital assets | <u>\$ 50,690,174</u> | <u>\$ 4,247,298</u> | <u>\$ 542,108</u> | <u>\$ 54,395,364</u> |

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

This part of Roy City Corporation's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| Contents | Page |
|--|------|
| FINANCIAL TRENDS <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | 98 |
| REVENUE CAPACITY <i>These schedules contain information to help the reader assess the City's most significant local revenue sources, the sales tax and property tax.</i> | 109 |
| DEBT CAPACITY <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i> | 115 |
| DEMOGRAPHICS AND ECONOMIC INFORMATION <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | 119 |
| OPERATING INFORMATION <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i> | 121 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

ROY CITY CORPORATION
GOVERNMENT-WIDE REVENUES
 Last Eight Fiscal Years

| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes | Unrestricted Investment Earnings | Miscellaneous | Total |
|----------------|----------------------------|---|---|--------------|--|---------------|---------------|
| 2009-10 | \$ 10,239,629 | \$ 1,148,158 | \$ 2,098,255 | \$ 9,680,936 | \$ 67,950 | \$ 65,536 | \$ 23,300,464 |
| 2008-09 | 9,653,597 | 2,169,821 | 1,166,628 | 10,008,970 | 214,159 | 46,875 | 23,260,050 |
| 2007-08 | 9,135,184 | 1,498,917 | 1,672,163 | 10,521,910 | 520,922 | 35,917 | 23,385,013 |
| 2006-07 | 8,788,560 | 1,293,113 | 45,148 | 10,451,169 | 615,774 | 85,299 | 21,279,063 |
| 2005-06 | 8,677,363 | 1,189,023 | 1,462,115 | 9,678,264 | 496,465 | 132,292 | 21,635,522 |
| 2004-05 | 8,625,415 | 1,152,072 | 623,329 | 8,852,773 | 264,234 | 47,903 | 19,565,726 |
| 2003-04 | 8,326,582 | 1,551,557 | 2,535,161 | 7,604,322 | 166,847 | 40,960 | 20,225,429 |
| 2002-03 | 8,957,904 | 418,096 | 4,745,797 | 7,446,276 | 291,928 | 71,425 | 21,931,426 |

Note:

The computation of government-wide revenues began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
GOVERNMENT-WIDE EXPENSES BY FUNCTION
 Last Eight Fiscal Years

| Fiscal Year | General Government | Public Safety | Highways and Streets | Parks and Recreation | Interest and Fiscal Charges | Water and Sewer Utility | Storm Sewer Utility | Solid Waste Utility | Total |
|----------------|-----------------------|------------------|----------------------------|----------------------------|-----------------------------------|-------------------------------|---------------------------|---------------------------|---------------|
| 2009-10 | \$ 3,201,528 | \$ 7,130,287 | \$ 2,512,928 | \$ 2,465,297 | \$ 61,736 | \$ 4,092,647 | \$ 346,546 | \$ 1,468,750 | \$ 21,279,719 |
| 2008-09 | 3,244,050 | 7,364,103 | 2,895,688 | 2,593,013 | 92,776 | 4,108,479 | 348,115 | 1,457,305 | 22,103,529 |
| 2007-08 | 3,014,200 | 7,242,253 | 2,453,832 | 2,707,689 | 80,034 | 3,646,235 | 360,261 | 1,389,521 | 20,894,025 |
| 2006-07 | 2,730,889 | 6,544,530 | 2,758,402 | 2,612,841 | 46,892 | 4,896,054 | 274,795 | - | 19,864,403 |
| 2005-06 | 2,580,946 | 6,422,616 | 2,693,600 | 2,446,046 | 13,706 | 4,862,265 | 244,680 | - | 19,263,859 |
| 2004-05 | 2,551,374 | 6,102,834 | 2,609,811 | 2,108,559 | 27,601 | 4,570,564 | 156,148 | - | 18,126,891 |
| 2003-04 | 2,341,597 | 5,956,373 | 1,917,323 | 1,980,840 | 35,153 | 4,435,633 | 108,650 | - | 16,775,569 |
| 2002-03 | 2,673,990 | 5,649,611 | 2,291,492 | 1,766,306 | 52,682 | 4,222,921 | 108,314 | - | 16,765,316 |

Note:

Prior to FY 2008, the Solid Waste Utility Fund was combined with the Water and Sewer Utility Fund.

The computation of government-wide expenses began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
GENERAL GOVERNMENTAL REVENUES AND OTHER FINANCING SOURCES
Last Ten Fiscal Years

| <u>FISCAL YEAR</u> | <u>TAXES</u> | <u>LICENSES AND PERMITS</u> | <u>INTERGOV-ERNMENTAL</u> | <u>CHARGES FOR SERVICES</u> | <u>FINES AND FORFEITURES</u> | <u>INTEREST AND MISC</u> | <u>OTHER FINANCING SOURCES</u> | <u>TOTAL</u> |
|--------------------|--------------|-----------------------------|---------------------------|-----------------------------|------------------------------|--------------------------|--------------------------------|---------------|
| 2009-10 | \$ 9,207,619 | \$ 315,060 | \$ 2,536,801 | \$ 2,688,425 | \$ 632,539 | \$ 548,974 | \$ 17,196 | \$ 15,946,614 |
| 2008-09 | 9,558,024 | 281,482 | 1,498,797 | 2,680,954 | 631,725 | 470,449 | 12,128 | 15,133,559 |
| 2007-08 | 9,790,006 | 288,299 | 1,864,813 | 2,441,681 | 650,183 | 666,878 | 1,059,310 | 16,761,170 |
| 2006-07 | 9,560,520 | 328,613 | 1,302,953 | 2,633,381 | 620,453 | 764,646 | 35,305 | 15,245,871 |
| 2005-06 | 8,977,857 | 342,186 | 1,271,823 | 2,579,183 | 613,871 | 653,000 | 1,067,755 | 15,505,675 |
| 2004-05 | 8,140,462 | 348,808 | 1,478,565 | 2,679,867 | 574,018 | 424,430 | 13,524 | 13,659,674 |
| 2003-04 | 7,733,389 | 365,335 | 1,523,144 | 2,470,809 | 382,495 | 329,080 | 156,966 | 12,961,218 |
| 2002-03 | 7,229,285 | 443,752 | 1,496,518 | 1,916,586 | 171,388 | 404,048 | 530,853 | 12,192,430 |
| 2001-02 | 7,336,395 | 331,633 | 1,245,595 | 1,593,475 | 87,990 | 539,767 | - | 11,134,855 |
| 2000-01 | 6,921,261 | 378,449 | 1,291,508 | 1,482,737 | 76,655 | 826,685 | 24,876 | 11,002,171 |

Note:

General government is limited to the City's general fund.

ROY CITY CORPORATION
GENERAL GOVERNMENTAL EXPENDITURES (Budget Basis) AND OTHER USES BY FUNCTION
Last Ten Fiscal Years

| Fiscal Year | General Government | Public Safety | Highways and Streets | Parks and Recreation | Capital Outlay | Debt Service | Other Financing Uses | Total |
|----------------|-----------------------|------------------|----------------------------|----------------------------|-------------------|-----------------|----------------------------|---------------|
| 2009-10 | \$ 2,994,623 | \$ 6,913,952 | \$ 1,834,389 | \$ 1,968,899 | \$ - | \$ 277,501 | \$ 2,162,693 | \$ 16,152,057 |
| 2008-09 | 2,945,590 | 6,915,667 | 2,109,472 | 1,995,110 | - | 278,943 | 490,275 | 14,735,057 |
| 2007-08 | 2,916,349 | 7,045,301 | 2,596,801 | 2,297,423 | - | 194,232 | 1,467,290 | 16,517,396 |
| 2006-07 | 2,703,855 | 6,520,599 | 2,348,492 | 2,070,886 | - | 154,894 | 565,426 | 14,364,152 |
| 2005-06 | 2,421,910 | 7,406,572 | 2,751,103 | 2,104,453 | - | 110,104 | 1,537,886 | 16,332,028 |
| 2004-05 | 2,218,865 | 5,902,467 | 2,490,537 | 1,925,333 | - | 116,337 | 555,696 | 13,209,235 |
| 2003-04 | 2,189,415 | 5,954,467 | 2,628,713 | 1,805,393 | - | 122,570 | 321,462 | 13,022,020 |
| 2002-03 | 2,092,671 | 5,559,930 | 2,645,894 | 1,591,269 | - | - | 971,186 | 12,860,950 |
| 2001-02 | 1,946,325 | 4,656,523 | 1,301,717 | 1,091,207 | 1,332,259 | - | 986,887 | 11,314,918 |
| 2000-01 | 2,066,879 | 4,418,677 | 1,114,283 | 1,016,115 | 1,766,285 | - | 1,248,758 | 11,630,997 |

Notes:

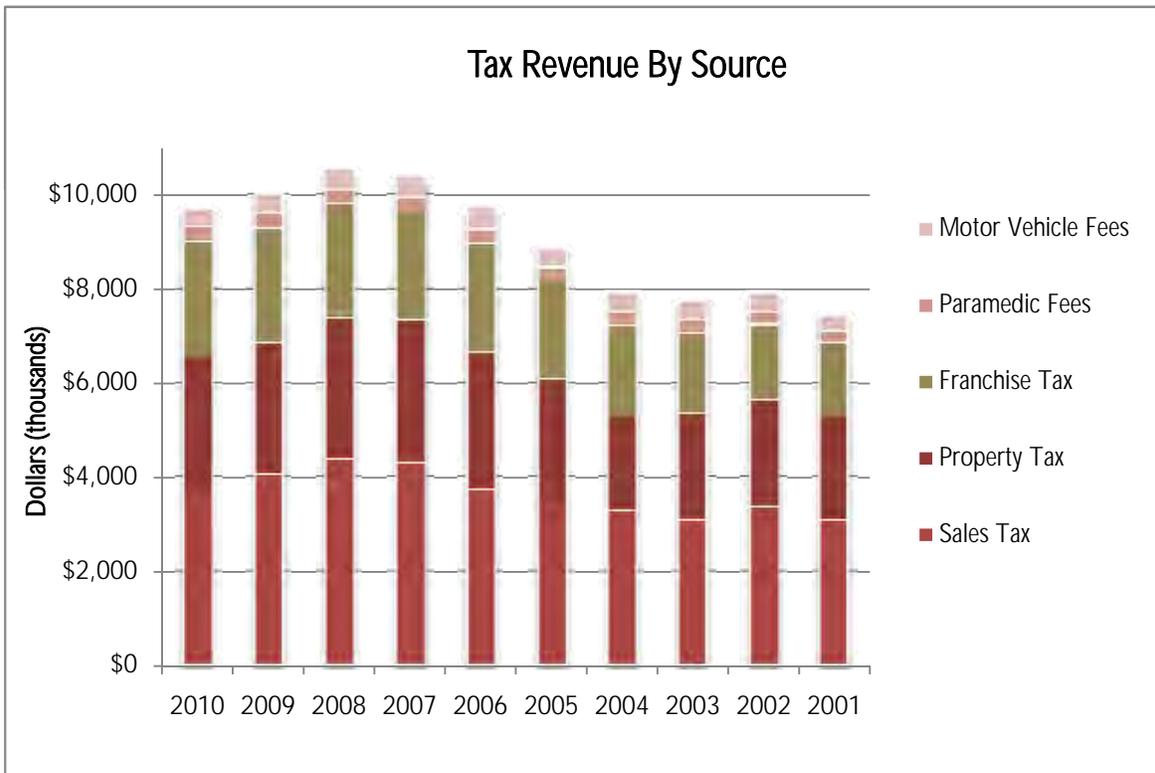
General government is limited to the City's general fund.

In FY '00-'08, other financing uses included transfers to the Capital Projects Fund for construction of capital assets.

Beginning in FY '03, capital outlay expenditures are included under the function for which they were acquired.

ROY CITY CORPORATION
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

| Fiscal Year | Sales Tax | Property Tax | Franchise Tax | Paramedic Fees | Motor Vehicle Fees | Total |
|-------------|-----------|--------------|---------------|----------------|--------------------|----------|
| 2010 | \$ 3,673 | \$ 2,871 | \$ 2,455 | \$ 320 | \$ 363 | \$ 9,682 |
| 2009 | 4,035 | 2,814 | 2,431 | 320 | 409 | 10,009 |
| 2008 | 4,377 | 3,011 | 2,398 | 317 | 418 | 10,521 |
| 2007 | 4,301 | 3,044 | 2,282 | 310 | 426 | 10,363 |
| 2006 | 3,734 | 2,910 | 2,319 | 297 | 446 | 9,706 |
| 2005 | 3,467 | 2,620 | 2,077 | 287 | 401 | 8,852 |
| 2004 | 3,283 | 2,007 | 1,931 | 287 | 385 | 7,893 |
| 2003 | 3,083 | 2,266 | 1,718 | 275 | 379 | 7,721 |
| 2002 | 3,371 | 2,275 | 1,589 | 257 | 397 | 7,889 |
| 2001 | 3,075 | 2,212 | 1,549 | 257 | 343 | 7,436 |



ROY CITY CORPORATION
NET ASSETS BY COMPONENT
Last Eight Fiscal Years
(Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Governmental activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 35,212 | \$ 33,055 | \$ 32,254 | \$ 30,408 | \$ 30,644 | \$ 28,338 | \$ 27,997 | \$ 24,833 |
| Restricted | 2,994 | 2,638 | 2,699 | 1,714 | 1,731 | 3,009 | 2,921 | 2,695 |
| Unrestricted | 3,602 | 4,745 | 5,177 | 8,463 | 6,707 | 3,795 | 2,945 | 4,296 |
| Total governmental activities net assets | <u>\$ 41,808</u> | <u>\$ 40,438</u> | <u>\$ 40,130</u> | <u>\$ 40,585</u> | <u>\$ 39,082</u> | <u>\$ 35,142</u> | <u>\$ 33,863</u> | <u>\$ 31,824</u> |
| Business-type activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 16,961 | \$ 18,165 | \$ 17,370 | \$ 16,672 | \$ 14,931 | \$ 14,317 | \$ 13,948 | \$ 13,052 |
| Restricted | 485 | 902 | - | - | - | - | - | - |
| Unrestricted | 4,989 | 2,694 | 3,529 | 3,349 | 5,017 | 4,967 | 5,005 | 4,489 |
| Total business-type activities net assets | <u>\$ 22,435</u> | <u>\$ 21,761</u> | <u>\$ 20,899</u> | <u>\$ 20,021</u> | <u>\$ 19,948</u> | <u>\$ 19,284</u> | <u>\$ 18,953</u> | <u>\$ 17,541</u> |
| Primary government | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 52,173 | \$ 51,220 | \$ 49,624 | \$ 47,080 | \$ 45,575 | \$ 42,655 | \$ 41,945 | \$ 37,885 |
| Restricted | 3,479 | 3,540 | 2,699 | 1,714 | 1,731 | 3,009 | 2,921 | 2,695 |
| Unrestricted | 8,591 | 7,439 | 8,706 | 11,812 | 11,724 | 8,762 | 7,950 | 8,785 |
| Total primary government net assets | <u>\$ 64,243</u> | <u>\$ 62,199</u> | <u>\$ 61,029</u> | <u>\$ 60,606</u> | <u>\$ 59,030</u> | <u>\$ 54,426</u> | <u>\$ 52,816</u> | <u>\$ 49,365</u> |

Note:
The computation of government-wide expenses began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
 CHANGES IN NET ASSETS
 Last Eight Fiscal Years
 (Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Expenses | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 3,202 | \$ 3,244 | \$ 3,014 | \$ 2,731 | \$ 2,581 | \$ 2,551 | \$ 2,342 | \$ 2,674 |
| Public safety | 7,130 | 7,364 | 7,242 | 6,544 | 6,423 | 6,103 | 5,956 | 5,650 |
| Public works | 2,513 | 2,896 | 2,454 | 2,758 | 2,693 | 2,610 | 1,917 | 2,291 |
| Parks and recreation | 2,465 | 2,593 | 2,708 | 2,613 | 2,446 | 2,108 | 1,981 | 1,766 |
| Interest and fiscal charges | 62 | 93 | 80 | 47 | 14 | 28 | 35 | 53 |
| Total governmental activities expenses | <u>15,372</u> | <u>16,190</u> | <u>15,498</u> | <u>14,693</u> | <u>14,157</u> | <u>13,400</u> | <u>12,231</u> | <u>12,434</u> |
| Business-type activities: | | | | | | | | |
| Water and sewer utility | 4,093 | 4,109 | 3,646 | 4,896 | 4,862 | 4,571 | 4,436 | 4,223 |
| Storm sewer utility | 346 | 348 | 360 | 275 | 245 | 156 | 108 | 108 |
| Solid waste utility | 1,469 | 1,457 | 1,390 | - | - | - | - | - |
| Total business-type activities expenses | <u>5,908</u> | <u>5,914</u> | <u>5,396</u> | <u>5,171</u> | <u>5,107</u> | <u>4,727</u> | <u>4,544</u> | <u>4,331</u> |
| Total primary government expenses | <u>\$ 21,280</u> | <u>\$ 22,104</u> | <u>\$ 20,894</u> | <u>\$ 19,864</u> | <u>\$ 19,264</u> | <u>\$ 18,127</u> | <u>\$ 16,775</u> | <u>\$ 16,765</u> |
| Program Revenues | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| General government | \$ 993 | \$ 874 | \$ 907 | \$ 934 | \$ 991 | \$ 927 | \$ 746 | \$ 659 |
| Public safety | 956 | 1,064 | 963 | 1,021 | 954 | 1,149 | 825 | 695 |
| Public works | 129 | 109 | 45 | 82 | 198 | 193 | 166 | 1,296 |
| Parks and recreation | 1,028 | 922 | 950 | 1,083 | 980 | 946 | 1,156 | 823 |
| Operating grants and contributions | 1,148 | 2,170 | 1,499 | 1,293 | 1,189 | 1,152 | 1,552 | 418 |
| Capital grants and contributions | 1,946 | 408 | 1,120 | 45 | 843 | 585 | 1,484 | 3,198 |
| Total governmental activities program revenues | <u>6,200</u> | <u>5,547</u> | <u>5,484</u> | <u>4,458</u> | <u>5,155</u> | <u>4,952</u> | <u>5,929</u> | <u>7,089</u> |
| Business-type activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| Water and sewer utility | 4,871 | 4,522 | 4,107 | 5,312 | 5,201 | 5,061 | 5,090 | 5,148 |
| Storm sewer utility | 360 | 359 | 424 | 357 | 353 | 349 | 343 | 337 |
| Solid waste utility | 1,901 | 1,803 | 1,739 | - | - | - | - | - |
| Capital grants and contributions | 152 | 759 | 552 | - | 619 | 38 | 1,051 | 1,548 |
| Total business-type activities program revenues | <u>7,284</u> | <u>7,443</u> | <u>6,822</u> | <u>5,669</u> | <u>6,173</u> | <u>5,448</u> | <u>6,484</u> | <u>7,033</u> |
| Total primary government program revenues | <u>\$ 13,484</u> | <u>\$ 12,990</u> | <u>\$ 12,306</u> | <u>\$ 10,127</u> | <u>\$ 11,328</u> | <u>\$ 10,400</u> | <u>\$ 12,413</u> | <u>\$ 14,122</u> |

ROY CITY CORPORATION
 CHANGES IN NET ASSETS
 Last Eight Fiscal Years
 (Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net (expense)/revenue: | | | | | | | | |
| Governmental activities | \$ (9,172) | \$ (10,643) | \$ (10,014) | \$ (10,235) | \$ (9,002) | \$ (8,448) | \$ (6,302) | \$ (5,345) |
| Business-type activities | 1,376 | 1,529 | 1,426 | 498 | 1,066 | 721 | 1,940 | 2,702 |
| Total primary government net expense | <u>\$ (7,796)</u> | <u>\$ (9,114)</u> | <u>\$ (8,588)</u> | <u>\$ (9,737)</u> | <u>\$ (7,936)</u> | <u>\$ (7,727)</u> | <u>\$ (4,362)</u> | <u>\$ (2,643)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | \$ 2,871 | \$ 2,814 | \$ 3,011 | \$ 3,132 | \$ 2,882 | \$ 2,620 | \$ 2,007 | \$ 2,266 |
| Sales taxes | 3,673 | 4,035 | 4,377 | 4,301 | 3,734 | 3,467 | 3,282 | 3,083 |
| Franchise taxes | 2,775 | 2,751 | 2,716 | 2,592 | 2,616 | 2,365 | 1,931 | 1,718 |
| Payments in lieu of taxes | 363 | 410 | 418 | 426 | 446 | 401 | 385 | 379 |
| Unrestricted investment earnings | 68 | 214 | 521 | 616 | 496 | 264 | 167 | 274 |
| Other revenues (uses) not restricted to specific programs | 66 | 47 | (62) | 85 | 132 | 48 | 41 | 71 |
| Transfers | 727 | 680 | 599 | 585 | 571 | 562 | 528 | 536 |
| Total governmental activities | <u>10,543</u> | <u>10,951</u> | <u>11,580</u> | <u>11,737</u> | <u>10,877</u> | <u>9,727</u> | <u>8,341</u> | <u>8,327</u> |
| Business-type activities: | | | | | | | | |
| Other revenues (uses) not restricted to specific programs | - | (131) | 3 | 161 | 169 | 172 | - | - |
| Unrestricted investment earnings | 24 | 144 | 48 | - | - | - | - | 18 |
| Transfers | (727) | (680) | (600) | (586) | (571) | (562) | (528) | (536) |
| Total business-type activities | <u>(703)</u> | <u>(667)</u> | <u>(549)</u> | <u>(425)</u> | <u>(402)</u> | <u>(390)</u> | <u>(528)</u> | <u>(518)</u> |
| Total primary government | <u>\$ 9,840</u> | <u>\$ 10,284</u> | <u>\$ 11,031</u> | <u>\$ 11,312</u> | <u>\$ 10,475</u> | <u>\$ 9,337</u> | <u>\$ 7,813</u> | <u>\$ 7,809</u> |
| Change in Net Assets | | | | | | | | |
| Governmental activities | \$ 1,371 | \$ 308 | \$ 1,566 | \$ 1,502 | \$ 1,875 | \$ 1,279 | \$ 2,039 | \$ 2,982 |
| Business-type activities | 673 | 862 | 877 | 73 | 664 | 331 | 1,412 | 2,184 |
| Total primary government | <u>\$ 2,044</u> | <u>\$ 1,170</u> | <u>\$ 2,443</u> | <u>\$ 1,575</u> | <u>\$ 2,539</u> | <u>\$ 1,610</u> | <u>\$ 3,451</u> | <u>\$ 5,166</u> |

Note:

Prior to FY 2008, the Solid Waste Utility Fund was combined with the Water and Sewer Utility Fund.

The computation of government-wide expenses began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 9,318 | \$ 9,600 | \$ 10,104 | \$ 9,937 | \$ 9,260 | \$ 8,451 | \$ 7,507 | \$ 7,342 | \$ 7,889 | \$ 7,437 |
| Payments in lieu of taxes | 363 | 409 | 418 | 426 | 446 | 401 | 385 | 379 | - | - |
| Licenses and permits | 315 | 281 | 288 | 329 | 342 | 349 | 365 | 444 | 332 | 378 |
| Intergovernmental | 2,537 | 1,534 | 1,900 | 1,338 | 1,272 | 1,737 | 1,648 | 1,497 | 1,246 | 1,292 |
| Charges for services | 2,688 | 2,681 | 2,442 | 2,633 | 2,579 | 2,680 | 2,471 | 1,922 | 1,593 | 1,483 |
| Impact fees | 189 | 56 | 77 | 123 | 159 | 175 | 203 | 416 | 316 | 461 |
| Fines and forfeitures | 633 | 632 | 650 | 620 | 614 | 574 | 382 | 171 | 88 | 77 |
| Investment earnings | 68 | 214 | 521 | 616 | 497 | 264 | 167 | 274 | - | - |
| Property rental | 43 | 11 | 11 | 12 | 18 | 17 | 16 | 35 | - | - |
| Management fee | 136 | 223 | 192 | 190 | 183 | 167 | 171 | 136 | - | - |
| Miscellaneous | 316 | 51 | 33 | 38 | 32 | 31 | 25 | 37 | 634 | 1,228 |
| Total revenues | <u>16,606</u> | <u>15,692</u> | <u>16,636</u> | <u>16,262</u> | <u>15,402</u> | <u>14,846</u> | <u>13,340</u> | <u>12,653</u> | <u>12,098</u> | <u>12,356</u> |
| Expenditures | | | | | | | | | | |
| General government | 3,218 | 3,192 | 3,185 | 2,908 | 2,677 | 2,487 | 2,461 | 2,437 | 1,946 | 2,067 |
| Public safety | 6,885 | 7,026 | 7,097 | 6,365 | 7,427 | 5,872 | 5,954 | 5,560 | 4,657 | 4,419 |
| Public works | 1,893 | 2,411 | 2,015 | 2,488 | 2,789 | 2,635 | 2,736 | 2,297 | 1,301 | 1,118 |
| Parks and recreation | 1,969 | 1,996 | 2,309 | 2,066 | 2,114 | 1,912 | 1,802 | 1,592 | 1,091 | 1,016 |
| Community development | - | - | - | - | - | - | - | - | 118 | 128 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 250 | 243 | 155 | 149 | 131 | 130 | 128 | 130 | 25 | 328 |
| Interest and fiscal charges | 64 | 74 | 80 | 47 | 20 | 28 | 35 | 53 | 81 | 107 |
| Capital outlay | 3,328 | 1,050 | 3,048 | 702 | 1,645 | 724 | 1,241 | 4,613 | 2,841 | 2,353 |
| Total expenditures | <u>\$ 17,607</u> | <u>\$ 15,992</u> | <u>\$ 17,889</u> | <u>\$ 14,725</u> | <u>\$ 16,803</u> | <u>\$ 13,788</u> | <u>\$ 14,357</u> | <u>\$ 16,682</u> | <u>\$ 12,060</u> | <u>\$ 11,536</u> |

ROY CITY CORPORATION
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|--------------|---------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Excess of revenues over (under) expenditures | \$ (1,001) | \$ (300) | \$ (1,253) | \$ 1,537 | \$ (1,401) | \$ 1,058 | \$ (1,017) | \$ (4,029) | \$ 38 | \$ 820 |
| Other financing sources (uses) | | | | | | | | | | |
| Sale of capital assets | 17 | 12 | 59 | 35 | 123 | 14 | 22 | 6 | 44 | 25 |
| Capital lease financing | - | - | - | - | 945 | - | - | - | - | - |
| Proceeds from revenue bonds | - | - | 1,000 | - | - | - | - | - | - | - |
| Contribution from other governmental unit | - | - | - | - | - | - | - | 53 | - | - |
| Residual equity transfer from risk management fund | - | - | - | - | - | - | - | 525 | - | - |
| Transfers in | 2,163 | 490 | 1,467 | 565 | 1,538 | 556 | 444 | 2,344 | 987 | 1,224 |
| Transfers out | (2,163) | (490) | (1,467) | (565) | (1,538) | (556) | (444) | (2,344) | (987) | (1,249) |
| Total other financing sources (uses) | 17 | 12 | 1,059 | 35 | 1,068 | 14 | 22 | 584 | 44 | - |
| Net change in fund balances | <u>\$ (984)</u> | <u>\$ (288)</u> | <u>\$ (194)</u> | <u>\$ 1,572</u> | <u>\$ (333)</u> | <u>\$ 1,072</u> | <u>\$ (995)</u> | <u>\$ (3,445)</u> | <u>\$ 82</u> | <u>\$ 820</u> |
| Debt service as a percentage of noncapital expenditures | 2.3% | 2.2% | 1.7% | 1.5% | 1.2% | 1.3% | 1.5% | 1.6% | 1.2% | 5.0% |

Note:

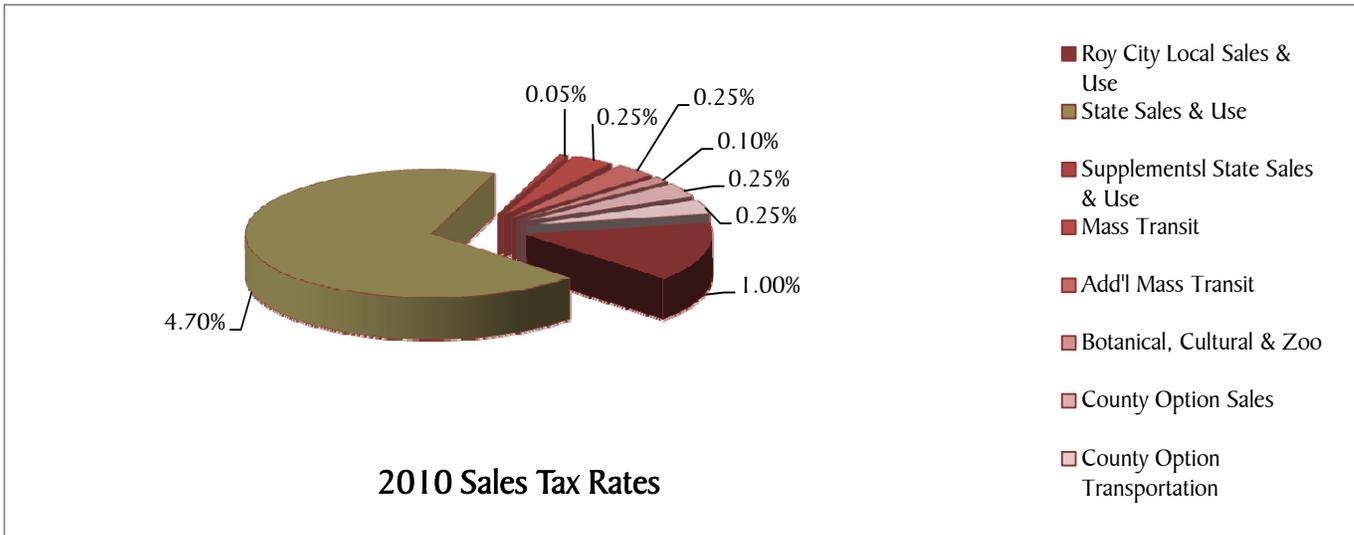
Capital expenditures reported in various functional categories of expenditures have been deducted to arrive at the debt service percentage of noncapital expenditures.

ROY CITY CORPORATION
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| General fund | | | | | | | | | | |
| Reserved | \$ 2,854 | \$ 2,780 | \$ 3,312 | \$ 1,698 | \$ 1,657 | \$ 1,243 | \$ 1,639 | \$ 1,751 | \$ 1,598 | \$ 1,758 |
| Designated, unreserved | 41 | 42 | 42 | 55 | 50 | 36 | 12 | 24 | 18 | 10 |
| Unreserved | 2,008 | 2,317 | 1,799 | 2,680 | 1,782 | 3,018 | 2,293 | 2,327 | 2,805 | 2,860 |
| Total general fund | <u>\$ 4,903</u> | <u>\$ 5,139</u> | <u>\$ 5,153</u> | <u>\$ 4,433</u> | <u>\$ 3,489</u> | <u>\$ 4,297</u> | <u>\$ 3,944</u> | <u>\$ 4,102</u> | <u>\$ 4,421</u> | <u>\$ 4,628</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 1,942 | \$ 1,972 | \$ 1,433 | \$ 1,292 | \$ 1,586 | \$ 1,766 | \$ 1,282 | \$ 1,345 | \$ 964 | \$ 1,280 |
| Designated, unreserved reported in: | | | | | | | | | | |
| Special revenue funds | 202 | 189 | 173 | 158 | 135 | 109 | 97 | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 723 | 1,383 | 2,244 | 1,149 | 553 | 1,288 | 1,521 | 2,564 | 3,738 | 3,153 |
| Capital projects funds | 176 | 248 | 216 | 2,380 | 2,078 | 614 | 158 | (12) | 2,228 | 2,207 |
| Total all other governmental funds | <u>\$ 3,043</u> | <u>\$ 3,792</u> | <u>\$ 4,066</u> | <u>\$ 4,979</u> | <u>\$ 4,352</u> | <u>\$ 3,777</u> | <u>\$ 3,058</u> | <u>\$ 3,897</u> | <u>\$ 6,930</u> | <u>\$ 6,640</u> |

ROY CITY CORPORATION
SALES TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years

| Fiscal Year | Roy City Local Sales & Use | State Sales & Use | Supplemental State Sales & Use | Mass Transit | Additional Mass Transit | Botanical, Cultural & Zoo | County Option Sales | County Option Transportation | Total for Roy City Residents |
|-------------|----------------------------|-------------------|--------------------------------|--------------|-------------------------|---------------------------|---------------------|------------------------------|------------------------------|
| 2010 | 1.00% | 4.70% | 0.05% | 0.25% | 0.25% | 0.10% | 0.25% | 0.25% | 6.85% |
| 2009 | 1.00% | 4.70% | 0.05% | 0.25% | 0.25% | 0.10% | 0.25% | 0.25% | 6.85% |
| 2008 | 1.00% | 4.65% | - | 0.25% | 0.25% | 0.10% | 0.25% | 0.25% | 6.75% |
| 2007 | 1.00% | 4.75% | - | 0.25% | 0.25% | 0.10% | 0.25% | - | 6.60% |
| 2006 | 1.00% | 4.75% | - | 0.25% | 0.25% | 0.10% | 0.25% | - | 6.60% |
| 2005 | 1.00% | 4.75% | - | 0.50% | - | 0.10% | 0.25% | - | 6.60% |
| 2004 | 1.00% | 4.75% | - | 0.50% | - | - | 0.25% | - | 6.50% |
| 2003 | 1.00% | 4.75% | - | 0.50% | - | - | 0.25% | - | 6.50% |
| 2002 | 1.00% | 4.75% | - | 0.50% | - | - | 0.25% | - | 6.50% |
| 2001 | 1.00% | 4.75% | - | 0.50% | - | - | 0.25% | - | 6.50% |



Note:

Rates are given as of the second quarter of each year.

Source:

Utah State Tax Commission web site - Sales Tax Division

ROY CITY CORPORATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

| Fiscal Year | Real Property | | Personal Property | | Centrally Assessed Property | Roy City Taxable Property Value | RDA Tax Increment Value | Total Taxable Assessed Value | Total Direct City Tax Rate | Estimated Actual Market Value | Assessed Value as a Percentage of Actual Value |
|-------------|---------------|------------|-------------------|-----------|-----------------------------|---------------------------------|-------------------------|------------------------------|----------------------------|-------------------------------|--|
| | Real Estate | Building | Mobile Homes | Other | | | | | | | |
| 2010 | \$ 346,923 | \$ 809,567 | \$ 5,659 | \$ 27,527 | \$ 28,285 | \$ 1,181,254 | \$ 36,707 | \$ 1,217,961 | 2.084 | \$ 1,865,033 | 65.31% |
| 2009 | 336,573 | 799,018 | 5,595 | 25,644 | 27,690 | 1,158,495 | 36,025 | 1,194,520 | 2.096 | 2,023,123 | 59.04% |
| 2008 | 247,624 | 824,163 | 5,719 | 26,674 | 24,828 | 1,072,430 | 56,578 | 1,129,008 | 2.178 | 1,940,216 | 58.19% |
| 2007 | 233,599 | 704,371 | 5,684 | 24,672 | 24,335 | 936,564 | 56,097 | 992,661 | 2.451 | 1,650,376 | 60.15% |
| 2006 | 224,519 | 669,961 | 5,956 | 29,417 | 25,284 | 904,564 | 50,573 | 955,137 | 2.514 | 1,575,436 | 60.63% |
| 2005 | 218,424 | 653,538 | 6,275 | 34,751 | 24,379 | 884,584 | 52,783 | 937,367 | 2.144 | 1,542,451 | 60.77% |
| 2004 | 214,196 | 641,116 | 6,523 | 37,821 | 24,913 | 912,484 | 12,085 | 924,569 | 2.080 | 1,518,354 | 60.89% |
| 2003 | 207,234 | 626,795 | 6,951 | 37,918 | 25,269 | 865,787 | 38,380 | 904,167 | 2.065 | 1,486,006 | 60.85% |
| 2002 | 201,376 | 605,703 | 7,973 | 44,787 | 24,409 | 833,395 | 50,853 | 884,248 | 2.060 | 1,446,721 | 61.12% |
| 2001 | | | | | | 805,941 | 41,527 | 847,468 | 2.225 | 1,450,227 | 58.44% |
| 1999 | | | | | | 554,211 | 85,234 | 639,445 | 2.438 | 1,018,999 | 62.75% |

Notes:

Taxable property value is based on the calendar year ending six months before the fiscal year ends.

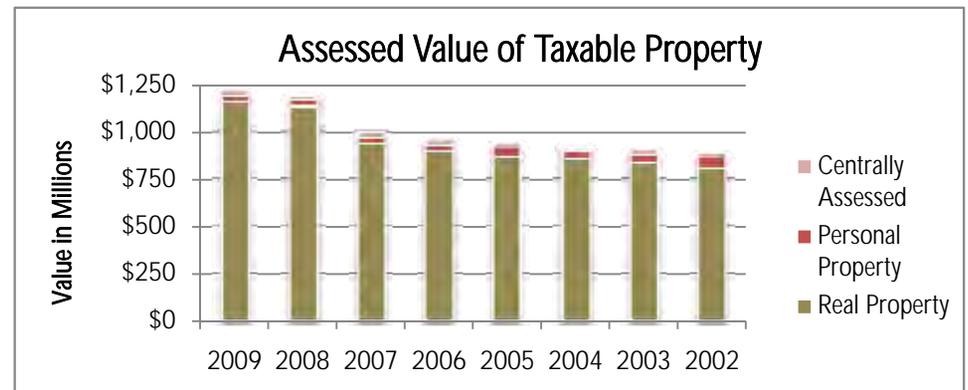
Beginning in 2002, the City began reporting property values based on classification.

Classification information on prior years was not available.

Total property value is excluding fee-in-lieu.

Sources:

Weber County Auditor/Clerk, Assessor, and Treasurer offices



ROY CITY CORPORATION
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 Per \$1,000 Assessed Valuation

| Fiscal Year | Roy City | Weber County | Weber County School District | Weber Basin Water Conservancy District | North Davis County Sewer District | Weber County Mosquito Abatement District | Roy Water Conservancy Subdistrict | Weber Area Dispatch 911 & Emergency District | Total Levy for Roy City Residents |
|-------------|----------|--------------|------------------------------|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|
| 2010 | 2.084 | 3.560 | 5.721 | 0.188 | 0.763 | 0.128 | 0.095 | 0.286 | 12.825 |
| 2009 | 2.096 | 3.447 | 5.458 | 0.181 | 0.763 | 0.089 | 0.094 | 0.278 | 12.406 |
| 2008 | 2.178 | 3.608 | 5.626 | 0.200 | 0.763 | 0.094 | 0.103 | 0.293 | 12.865 |
| 2007 | 2.451 | 4.063 | 6.263 | 0.178 | 0.763 | 0.106 | 0.116 | 0.302 | 14.242 |
| 2006 | 2.514 | 4.284 | 6.427 | 0.193 | 0.763 | 0.110 | 0.119 | - | 14.410 |
| 2005 | 2.144 | 3.663 | 6.245 | 0.198 | 0.763 | 0.112 | 0.120 | - | 13.245 |
| 2004 | 2.080 | 3.609 | 6.061 | 0.196 | 0.763 | 0.111 | 0.116 | - | 12.936 |
| 2003 | 2.065 | 3.629 | 5.902 | 0.193 | 0.763 | 0.111 | 0.115 | - | 12.778 |
| 2002 | 2.060 | 3.647 | 5.764 | 0.193 | 0.763 | 0.111 | 0.115 | - | 12.653 |
| 2001 | 2.225 | 4.012 | 5.790 | 0.200 | 0.763 | 0.118 | 0.125 | - | 13.233 |
| 1999 | 2.438 | 3.359 | 6.032 | 0.141 | 0.708 | 0.127 | 0.137 | - | 12.942 |

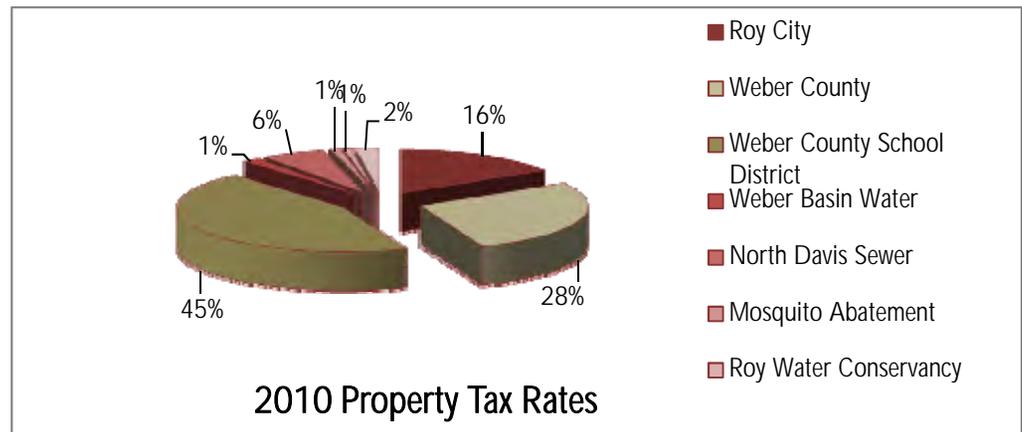
Notes:

Overlapping rates are those of local and county governments that apply to property owners within Roy City. Not all overlapping rates apply to all Roy City property owners (e.g., the rates for special districts apply only to the property owners whose property is located within the geographic boundaries of the special district).

The total levy for Roy City residents does not include the Central Weber Sewer Improvement District or the Hooper Water Improvement District due to the small number of properties located within those districts.

Source:

Utah State Tax Commission - Property Tax Division office and web site



ROY CITY CORPORATION
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago
(Amounts Expressed in Thousands)

| Taxpayer | Type of Business | 2010 | | 2001 | | Rank | Percentage of Total Taxable Assessed Value |
|---|------------------------|------------------------|------|------------------------|-------------------|------|--|
| | | Taxable Assessed Value | Rank | Taxable Assessed Value | Rank | | |
| Pacificorp | Utility | \$ 17,626 | 1 | 1.45% | \$ 5,156 | 5 | 0.61% |
| Orchard Cove LTD | Residential properties | 10,416 | 2 | 0.86% | 8,195 | 2 | 0.97% |
| Boyer Iomega | Business Park | 10,101 | 3 | 0.83% | 58,471 | 1 | 6.89% |
| America First Credit Union | Credit Union | 9,668 | 4 | 0.79% | | | |
| Roy Marketplace LC | Retail properties | 6,106 | 5 | 0.50% | | | |
| Boydean B Frazier Family Trust | Retail properties | 5,967 | 6 | 0.49% | 2,705 | 10 | 0.32% |
| Harmon City Inc | Retail properties | 5,485 | 7 | 0.45% | 7,018 | 3 | 0.83% |
| IBP Funding | Business Park | 5,091 | 8 | 0.42% | | | |
| Comcast of Utah Inc | Utility | 4,806 | 9 | 0.39% | | | |
| K B Family Roy, LLC | Retail properties | 4,508 | 10 | 0.37% | | | |
| Questar Gas | Utility | | | | 4,553 | 6 | 0.54% |
| Roy City Centre Realty Limited | Retail properties | | | | 4,104 | 7 | 0.48% |
| ANA/Edwards LC | Retail properties | | | | 6,152 | 4 | 0.73% |
| B&D Development LC | Retail properties | | | | 2,799 | 9 | 0.33% |
| U S West Communications | Utility | | | | 3,709 | 8 | 0.44% |
| Total taxable value of 10 largest taxpayers | | 79,774 | | 6.55% | 102,862 | | 12.14% |
| Total taxable value of other taxpayers | | 1,138,188 | | 93.45% | 744,606 | | 87.86% |
| Total taxable value of all taxpayers | | <u>\$ 1,217,962</u> | | <u>100.00%</u> | <u>\$ 847,468</u> | | <u>100.00%</u> |

Note:

Information on the top tax payers is presented based on property tax because it is not available on sales tax.

Source:

Weber County Treasurer's office

ROY CITY CORPORATION
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Tax Years
(Dollar Values Expressed in Thousands)

| Tax Year | Total Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Percent of Total Tax Collected to Total Levy |
|---|----------------------|-------------------------------|---------------------------------|----------------------------------|-----------------------------|---|
| General Fund | | | | | | |
| 2009 | \$ 2,462 | \$ 2,336 | 94.88% | \$ 61 | \$ 2,397 | 97.36% |
| 2008 | 2,431 | 2,290 | 94.20% | 73 | 2,363 | 97.20% |
| 2007 | 2,345 | 2,213 | 94.37% | 65 | 2,278 | 97.14% |
| 2006 | 2,297 | 2,174 | 94.65% | 68 | 2,242 | 97.61% |
| 2005 | 2,261 | 2,123 | 93.90% | 59 | 2,182 | 96.51% |
| 2004 | 1,894 | 1,790 | 94.51% | 117 | 1,907 | 100.69% |
| 2003 | 1,897 | 1,793 | 94.52% | 56 | 1,849 | 97.47% |
| 2002 | 1,788 | 1,709 | 95.58% | 66 | 1,775 | 99.27% |
| 2001 | 1,725 | 1,628 | 94.38% | 94 | 1,722 | 99.83% |
| 2000 | 1,723 | 1,648 | 95.65% | 49 | 1,697 | 98.49% |
| Redevelopment Agency Special Revenue Fund | | | | | | |
| 2009 | \$ 473 | \$ 473 | 100.00% | \$ - | \$ 473 | 100.00% |
| 2008 | 451 | 451 | 100.00% | - | 451 | 100.00% |
| 2007 | 732 | 732 | 100.00% | - | 732 | 100.00% |
| 2006 | 802 | 802 | 100.00% | - | 802 | 100.00% |
| 2005 | 728 | 728 | 100.00% | - | 728 | 100.00% |
| 2004 | 699 | 699 | 100.00% | 13 | 712 | 101.86% |
| 2003 | 156 | 121 | 77.56% | 37 | 158 | 101.28% |
| 2002 | 550 | 480 | 87.27% | 11 | 491 | 89.27% |
| 2001 | 643 | 553 | 86.00% | - | 553 | 86.00% |
| 2000 | 423 | 509 | 120.33% | 7 | 516 | 121.99% |

Note:

In 2006, the property tax rate was increased to fund various projects including new fire trucks, expansion of the municipal building and recreational facilities improvements.

Delinquent collections are monies received for any previous tax year during the current fiscal year. Details of the tax year for which the collection was levied is not available.

Source:

Weber County Treasurer's office

ROY CITY CORPORATION
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
 Last Ten Fiscal Years
 (Dollar Values Expressed in Thousands)

| Year | Real Property Taxable Value | | | | Residential Construction | | Commercial Construction | | Other Construction | | Bank Deposits |
|------|-----------------------------|-------------|--------|--------------|--------------------------|----------|-------------------------|----------|--------------------|----------|---------------|
| | Commercial | Residential | Other | Total | Units | Value | Units | Value | Units | Value | |
| 2010 | \$ 183,183 | \$ 972,791 | \$ 517 | \$ 1,156,491 | 111 | \$ 5,371 | 13 | \$ 8,693 | 212 | \$ 3,837 | \$ 11,071 |
| 2009 | 164,197 | 970,536 | 857 | 1,135,590 | 95 | 3,608 | 22 | 6,438 | 234 | 613 | 10,493 |
| 2008 | 154,105 | 916,801 | 881 | 1,071,787 | 147 | 8,686 | 26 | 6,677 | 197 | 684 | 11,590 |
| 2007 | 143,831 | 792,990 | 1,150 | 937,971 | 121 | 7,778 | 26 | 5,593 | 215 | 794 | 11,565 |
| 2006 | 133,782 | 759,312 | 1,386 | 894,480 | 146 | 11,032 | 24 | 6,186 | 243 | 700 | 11,951 |
| 2005 | 129,626 | 740,807 | 1,529 | 871,962 | 163 | 13,844 | 35 | 3,972 | 251 | 1,597 | 11,950 |
| 2004 | 123,305 | 730,711 | 1,296 | 855,312 | 188 | 14,204 | 46 | 3,608 | 194 | 560 | 11,516 |
| 2003 | 113,364 | 719,173 | 1,492 | 834,029 | 266 | 21,353 | 52 | 1,695 | 195 | 273 | 11,584 |
| 2002 | 104,471 | 701,005 | 1,603 | 807,079 | 361 | 27,720 | 48 | 4,458 | 134 | 375 | 15,619 |
| 2001 | | | | | 429 | 38,878 | 5 | 2,555 | 254 | 5,148 | 14,959 |

Notes:

Taxable property value, construction units and construction values are based on the calendar year ending six months before the fiscal year ends. Beginning in 2002, the City began reporting property values based on classification. Classification information on prior years was not available.

Sources:

Weber County Auditor/Clerk's office
 Weber County Treasurer's office
 Roy City Community & Economic Development department

ROY CITY CORPORATION
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|-------------------------|---------------|---------------|-------------------------|--------------------------|--------------------------|-------------------------------|------------|
| | General Obligation Bonds | Sales Tax Revenue Bonds | Capital Lease | Notes Payable | URMMA Recaptured Losses | Water Revenue Bonds | | | |
| 2010 | \$ 237,000 | \$ 830,000 | \$ 435,357 | \$ - | \$ 259,573 | \$ 7,140,000 | \$ 8,901,930 | 0.93% | 245.50 |
| 2009 | 267,000 | 916,000 | 569,915 | - | 352,208 | 7,325,000 | 9,430,123 | 0.99% | 264.36 |
| 2008 | 296,000 | 100,000 | 699,514 | - | 207,322 | 7,500,000 | 8,802,836 | 0.97% | 251.17 |
| 2007 | 326,000 | - | 824,338 | - | 92,282 | - | 1,242,620 | 0.14% | 35.50 |
| 2006 | 355,000 | - | 944,562 | - | 106,452 | - | 1,406,014 | 0.18% | 39.85 |
| 2005 | 382,000 | - | - | 103,873 | 127,810 | - | 613,683 | 0.08% | 17.41 |
| 2004 | 408,000 | - | - | 208,053 | - | - | 616,053 | 0.09% | 17.51 |
| 2003 | 432,000 | - | - | 316,270 | - | - | 748,270 | 0.11% | 21.50 |
| 2002 | 458,000 | - | - | 428,544 | - | - | 886,544 | 0.14% | 25.93 |
| 2001 | 483,000 | - | - | 24,228 | - | - | 507,228 | 0.08% | 15.25 |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 See the Schedule of Demographic and Economic Statistics for personal income and population data.

ROY CITY CORPORATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Debt Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property | Net Bonded Debt per Capita |
|----------------|--------------------------------|--|-----------------------|---|----------------------------------|
| 2010 | \$ 237,000 | \$ - | \$ 237,000 | 0.01% | \$ 6.54 |
| 2009 | 267,000 | - | 267,000 | 0.01% | 7.48 |
| 2008 | 296,000 | - | 296,000 | 0.02% | 8.45 |
| 2007 | 326,000 | - | 326,000 | 0.02% | 9.31 |
| 2006 | 355,000 | - | 355,000 | 0.02% | 10.06 |
| 2005 | 382,000 | - | 382,000 | 0.02% | 10.83 |
| 2004 | 408,000 | - | 408,000 | 0.03% | 11.60 |
| 2003 | 432,000 | - | 432,000 | 0.03% | 12.41 |
| 2002 | 458,000 | - | 458,000 | 0.03% | 13.40 |
| 2001 | 483,000 | - | 483,000 | 0.03% | 14.52 |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for population data.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

Sources:

U S Census Bureau

Weber County Auditor/Clerk's office

ROY CITY CORPORATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2010

| <u>Governmental Unit</u> | <u>General Bonded Debt Outstanding</u> | <u>Estimated Percentage Applicable to Roy City</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|--|--|--|
| North Davis County Sewer District | \$ 46,313,000 | 14.43% | \$ 6,684,292 |
| Roy Water Conservancy Subdistrict | 1,835,000 | 100.00% | 1,835,000 |
| State of Utah | 2,409,940,000 | 0.57% | 13,817,782 |
| Weber Basin Water Conservancy District | 28,164,446 | 3.29% | 927,071 |
| Weber County | 16,520,000 | 10.39% | 1,717,027 |
| Weber County School District | 102,350,000 | 14.51% | <u>14,848,495</u> |
| Overlapping debt | | | \$ 39,829,667 |
| Roy City bonded debt | | 100.00% | <u>237,000</u> |
| Total direct and overlapping general bonded obligation debt | | | <u><u>\$ 40,066,667</u></u> |

Note:

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by taking Roy City's taxable property value and dividing by the governmental unit's taxable property value.

Sources:

Individual governmental units

ROY CITY CORPORATION
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Debt Limit | \$ 47,250 | \$ 46,340 | \$ 42,897 | \$ 37,463 | \$ 36,183 | \$ 35,383 | \$ 36,499 | \$ 34,631 | \$ 33,336 | \$ 30,971 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | <u>\$ 47,250</u> | <u>\$ 46,340</u> | <u>\$ 42,897</u> | <u>\$ 37,463</u> | <u>\$ 36,183</u> | <u>\$ 35,383</u> | <u>\$ 36,499</u> | <u>\$ 34,631</u> | <u>\$ 33,336</u> | <u>\$ 30,971</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Total assessed value | | | | | | <u>\$ 1,181,254</u> | | | | |
| Debt limit (4% of total assessed value) | | | | | | \$ 47,250 | | | | |
| Debt applicable to limit: | | | | | | | | | | |
| Total bonded debt | | | | | \$ 7,970 | | | | | |
| Less: | | | | | | | | | | |
| Special assessment bonds | | | | | - | | | | | |
| Revenue bonds | | | | | (7,970) | | | | | |
| Amounts available for repayment of general obligation bonds | | | | | - | | | | | |
| Other deductions allowed by law | | | | | <u>-</u> | | | | | |
| Total net debt applicable to limit | | | | | | <u>-</u> | | | | |
| Legal debt margin | | | | | | <u>\$ 47,250</u> | | | | |

Note: Does not include values for the Redevelopment Agency Special Revenue Fund.

ROY CITY CORPORATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| <u>Year</u> | <u>Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|----------------------------|---|------------------------------|
| 2010 | 36,260 | \$ 957,363,464 | \$ 26,403 | 7.6% |
| 2009 | 35,672 | 952,600,462 | 26,704 | 4.1% |
| 2008 | 35,048 | 911,579,390 | 26,009 | 3.1% |
| 2007 | 35,008 | 865,697,426 | 24,729 | 3.3% |
| 2006 | 35,280 | 800,090,043 | 22,678 | 4.6% |
| 2005 | 35,259 | 725,376,285 | 20,573 | 5.5% |
| 2004 | 35,180 | 677,921,762 | 19,270 | 6.4% |
| 2003 | 34,801 | 663,978,219 | 19,079 | 6.2% |
| 2002 | 34,185 | 645,893,209 | 18,894 | 5.2% |
| 2001 | 33,265 | 611,062,639 | 18,370 | 4.2% |

Notes:

All figures for 2000 are from the 2000 US Census.

Population figures from 2001-2010 are estimates as of July 1 of the previous year based on the US Census' population estimates.

Personal income figures, other than 2000, are estimates based on annual growth rates for the State of Utah.

Unemployment figures, other than 2000, are rates for Weber County. Information on a city level is not available.

Sources:

U S Census Bureau

State of Utah Governor's office web sites

Utah Department of Workforce Services

**ROY CITY CORPORATION
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago**

| Employer | Type of Business | Fiscal Year | | | |
|--------------------------|-------------------------------------|--------------------|-------------|------------------|-------------|
| | | 2010 | | 2001 | |
| | | Employees | Rank | Employees | Rank |
| Hill Air Force Base | United States Air Force / Logistics | 10,000 - 14,999 | 1 | 21,237 | 1 |
| Internal Revenue Service | Federal Government | 5,000 - 6,999 | 2 | 6,000 | 2 |
| McKay-Dee Hospital | Health Care | 3,000 - 3,999 | 3 | 2,500 | 4 |
| Weber School District | Public Education | 3,000 - 3,999 | 3 | 1,600 | 5 |
| Weber State University | Higher Education | 3,000 - 3,999 | 3 | 2,500 | 4 |
| Autoliv ASP | Manufacturing | 1,000 - 1,999 | 4 | 6,000 | 2 |
| Convergys | Call Center | 1,000 - 1,999 | 4 | 1,500 | 6 |
| Fresenius USA, Inc. | Manufacturing | 1,000 - 1,999 | 4 | 900 | 7 |
| Ogden School District | Public Education | 1,000 - 1,999 | 4 | 1,600 | 5 |
| State of Utah | State Government | 1,000 - 1,999 | 4 | 0 | |
| Iomega Corporation | Manufacturing | | | 4,500 | 3 |

Note:

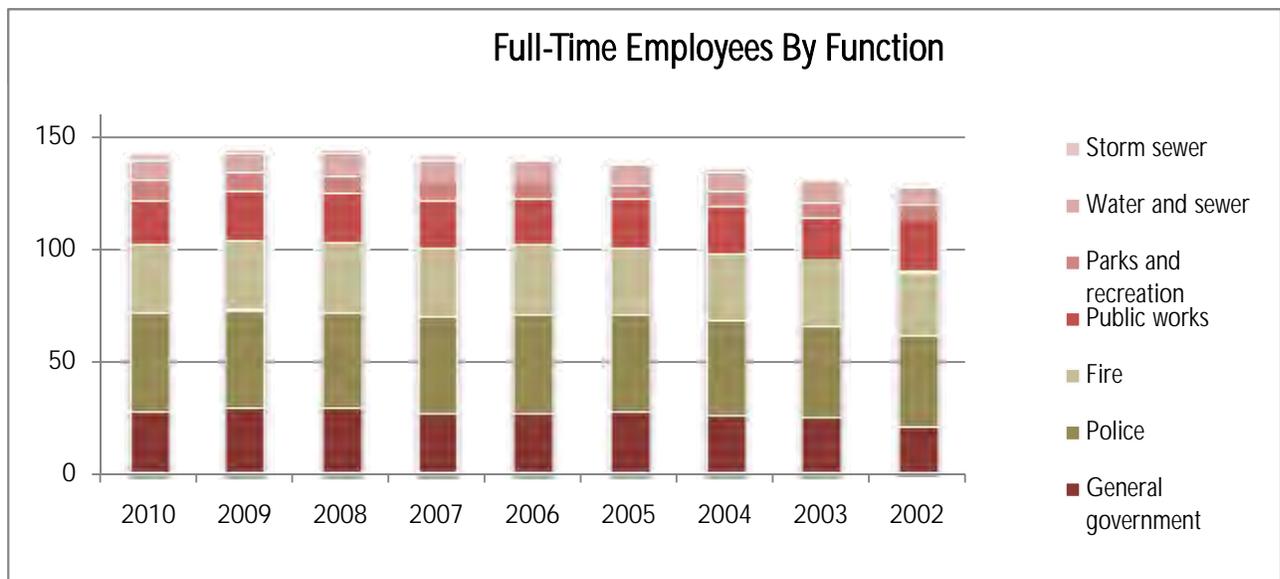
The Utah Department of Workforce Services provides employment information on a county basis. Roy City is the second largest city in Weber County.

Sources:

Weber County Comprehensive Annual Financial Report 2009

ROY CITY CORPORATION
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
 Last Nine Fiscal Years

| Function | Full-time Employees as of June 30 | | | | | | | | |
|---------------------------|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| General government | 28 | 29 | 29 | 27 | 27 | 28 | 26 | 25 | 21 |
| Public safety | | | | | | | | | |
| Police | | | | | | | | | |
| Officers | 39 | 39 | 38 | 39 | 39 | 37 | 37 | 37 | 37 |
| Civilians | 5 | 5 | 5 | 4 | 5 | 6 | 5 | 4 | 4 |
| Fire | | | | | | | | | |
| Firefighters and officers | 29 | 30 | 30 | 30 | 30 | 29 | 29 | 29 | 27 |
| Civilians | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public works | 20 | 22 | 22 | 21 | 21 | 22 | 21 | 18 | 23 |
| Parks and recreation | 9 | 9 | 8 | 8 | 7 | 6 | 7 | 7 | 7 |
| Water and sewer | 9 | 8 | 10 | 10 | 10 | 9 | 9 | 9 | 8 |
| Storm sewer | 3 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Total | 143 | 145 | 145 | 142 | 141 | 139 | 136 | 131 | 129 |



Notes:

In 2009, one employee was reclassified from general government to parks & recreation.

In 2003, three employees were reclassified from public works to general government.

Roy City began presenting these statistics in 2002. Comparative data prior to that time is not available.

ROY CITY CORPORATION
OPERATING INDICATORS BY FUNCTION
Last Six Fiscal Years

| Function | Fiscal Year | | | | | |
|--------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Police | | | | | | |
| Moving violations | 1,864 | 1,980 | 2,692 | 2,509 | 2,496 | 2,259 |
| Non-moving violations | 3,539 | 4,002 | 4,813 | 4,860 | 3,619 | 3,088 |
| DUI violations | 85 | 121 | 123 | 103 | 113 | 118 |
| Parking violations | 272 | 95 | 1,096 | 708 | 767 | 1,148 |
| Fire | | | | | | |
| Number of calls dispatched - Fire | 612 | 652 | 617 | 577 | 524 | 456 |
| Number of calls dispatched - Medical | 4,196 | 3,986 | 3,944 | 3,814 | 3,606 | 3,490 |
| Streets | | | | | | |
| Snow removal and sanding: | | | | | | |
| Miles | 8,504 | 13,326 | 19,759 | 2,728 | 7,529 | 4,212 |
| Hours | 935 | 1,515 | 2,692 | 286 | 772 | 569 |
| Asphalt resurfacing (tons) | 939 | 775 | 1,077 | 2,420 | 1,735 | 2,200 |
| Water | | | | | | |
| Service connections | 10,565 | 10,538 | 10,510 | 10,490 | 10,460 | 10,388 |
| Water main breaks | 23 | 28 | 17 | 22 | 32 | 15 |
| Average daily consumption (gallons) | 2,834,907 | 2,936,564 | 2,946,649 | 3,053,622 | 2,989,756 | 2,868,266 |
| Aquatic Center | | | | | | |
| Admissions | 113,607 | 72,089 | 73,944 | 70,424 | 75,594 | 62,954 |
| Complex | | | | | | |
| Admissions | 37,727 | 37,723 | 31,537 | 36,244 | 37,201 | 42,320 |

Notes:

Roy City began presenting these statistics in 2005. Comparative data prior to that time is not available.

Participants in instructional classes at the complex was unavailable at the time of this report.

Sources:

Various City departmental data

ROY CITY CORPORATION
CAPITAL STATISTICS BY FUNCTION
Last Eight Fiscal Years

| Function | Fiscal Year | | | | | | | |
|----------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Police | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 22 | 22 | 22 | 22 | 22 | 22 | 25 | 25 |
| Motorcycle units | 2 | 2 | 2 | 2 | 2 | 2 | 2 | - |
| Animal control units | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets | | | | | | | | |
| Streets (miles) | 114 | 114 | 113 | 110 | 110 | 110 | 109 | 108 |
| Curb and gutter (miles) | 207 | 207 | 207 | 213 | 215 | 214 | 212 | 210 |
| Sidewalk (miles) | 196 | 196 | 196 | 181 | 184 | 183 | 182 | 181 |
| Streetlights | 806 | 806 | 806 | 791 | 791 | 791 | 777 | 772 |
| Traffic signals | 2 | 2 | 2 | 2 | 2 | 2 | - | - |
| Parks and recreation | | | | | | | | |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks | 10 | 10 | 10 | 10 | 9 | 9 | 9 | 9 |
| Park acreage | 113 | 113 | 113 | 113 | 110 | 110 | 110 | 110 |
| Covered picnic areas | 18 | 18 | 18 | 16 | 14 | 14 | 14 | 13 |
| Baseball/Softball diamonds | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Soccer fields | 13 | 13 | 13 | 13 | 11 | 11 | 11 | 10 |
| Tennis courts | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Swimming pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Gymnasiums | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sewer | | | | | | | | |
| Sanitary sewers (miles) | 117 | 117 | 117 | 112 | 112 | 112 | 112 | 111 |
| Storm sewers (miles) | 83 | 83 | 83 | 79 | 79 | 79 | 78 | 73 |
| Water | | | | | | | | |
| Water lines (miles) | 153 | 153 | 153 | 151 | 151 | 151 | 150 | 148 |
| Fire hydrants | 1,345 | 1,343 | 1,341 | 1,305 | 1,305 | 1,304 | 1,282 | 1,260 |

Note:

Roy City began presenting these statistics in 2003. Comparative data prior to that time is not available.

Sources:

Various City departmental data

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REPORTS ON COMPLIANCE AND INTERNAL CONTROL
INCLUDING REPORTS REQUIRED UNDER THE
SINGLE AUDIT ACT

Independent Auditors' 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 Members of the City Council
Roy, 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 Roy City Corporation as of and for the year ended June 30, 2010, which collectively comprise Roy City Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Roy City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and 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 of the financial statements of Roy City Corporation as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Roy City Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Roy City Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Roy City Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as part of our audit, we performed procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented. We also performed procedures to test the operating effectiveness of certain controls.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Roy City Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roy City Corporation'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*.

Roy City Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings, recommendations, and responses. We did not audit Roy City Corporation's response and, accordingly, we express no opinion on it.

This communications is intended solely for the information and use of the audit committee, administration, the Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins; Co., PC

October 15, 2010

ROY CITY CORPORATION
Schedule of Findings on Internal Controls
June 30, 2010

Finding #10-01: A transfer between the restricted cash and investments in the Water and Sewer Utility Fund and the unrestricted cash and investments was in-transit at year end. No entry was made for the transfer causing the restricted account to be overstated and the unrestricted account to be understated.

Criteria: The restricted account and the unrestricted account on the current year balance sheet were materially misstated.

Cause of Condition: The City does not have a system in place to independently monitor transfers between funds.

Effect of Condition: The current year financial statements were materially misstated prior to the audit adjustment being made.

Recommendation: The City should implement a procedure where transfers between funds are monitored.

Response: The City was aware of the in-transit funds and did not correctly journalize the transfer. Procedures for review of the monthly bank reconciliation process will be enhanced to ensure that this type of error does not occur in the future.

Independent Auditors' Report On Compliance With Requirements
Applicable to Each Major Program and Internal Control Over Compliance
in Accordance With OMB Circular A-133

Honorable Mayor and Members of the City Council
Roy, Utah

We have audited the compliance of Roy City Corporation with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Roy City Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Roy City Corporation's management. Our responsibility is to express opinions on Roy City Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Roy City Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Roy City Corporation's compliance with those requirements.

In our opinion, Roy City Corporation complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Roy City Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Roy City Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Roy City Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material*

weakness in internal control over compliance is a deficiency, or combination of significant deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

Roy City Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Roy City Corporation's response and, accordingly, we do not express an opinion on responses.

This report is intended solely for the information and use of the audit committee, administration, the Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co., PC
October 15, 2010

ROY CITY CORPORATION
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Fiscal Year Ended June 30, 2010 | | |
|--|---------------------------|-------------------------------------|---------------------------------|-----------------------|---------------------|
| | | | Grant Award | Revenue Recognized | Expenditures |
| U. S. Department of Energy | | | | | |
| Direct program: | | | | | |
| Energy Efficiency and Conservation Block Grant | 81.128 | N/A | \$ 134,200 | \$ - | \$ - |
| Total U. S. Department of Energy | | | <u>134,200</u> | <u>-</u> | <u>-</u> |
| U. S. Department of Housing and Urban Development (H. U. D.) | | | | | |
| Passed through the State of Utah: | | | | | |
| Community Development Block Grant | 14.228 | N/A | 1,000,000 | 1,000,000 | 1,000,000 * |
| Total U. S. Department of H. U. D. | | | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| U. S. Department of Justice | | | | | |
| Direct program: | | | | | |
| Justice Assistance Program (J. A. G.) Direct | 16.938 | N/A | 53,123 | 43,923 | 43,923 |
| Justice Assistance Program (J. A. G.) Stimulus | 16.938 | N/A | 12,864 | 12,864 | 12,864 |
| Total U. S. Department of Justice | | | <u>65,987</u> | <u>56,787</u> | <u>56,787</u> |
| U. S. Department of Homeland Security | | | | | |
| Direct program: | | | | | |
| F. E. M. A. Assistance to Firefighters | 97.044 | N/A | 43,884 | 41,041 | 41,041 |
| Total U. S. Department of Homeland Security | | | <u>43,884</u> | <u>41,041</u> | <u>41,041</u> |
| Totals | | | <u>\$ 1,244,071</u> | <u>\$ 1,097,828</u> | <u>\$ 1,097,828</u> |

Notes to schedule:

Calculated on the same basis as the general purpose financial statements.

*Indicates programs audited as major programs.

ROY CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

1. Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to Roy City Corporation's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Roy City Corporation, it is not intended to and does not present either the financial position, changes in fund balances or the current funds revenues, expenditures and other changes of Roy City Corporation.

2. Significant Accounting Policies

Basis of Presentation

The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal awards. Pursuant to the Single Audit Act of 1984 (Public Law 98-402) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, insurance, or direct appropriations. Federal awards, accordingly, nonmonetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. It does not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B programs. The Single Audit Act Amendments of 1996 and OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A programs, for Roy City Corporation, are those programs which exceed \$300,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2010.

Reporting Entity

The reporting entity is fully described in Note 1 of Roy City Corporation's financial statements. The Schedule includes all federal financial awards received directly from federal agencies as well as federal financial awards passed through from other governmental agencies for the year ended June 30, 2010.

Basis of Accounting

The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited to the amount of reimbursement.

Matching costs. The schedule does not include matching expenditures.

ROY CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards, continued
June 30, 2010

Direct and Indirect Flow Through Federal Assistance. The majority of Roy City Corporation's federal awards are passed through a separate entity prior to receipts by Roy City Corporation (i. e. Roy City Corporation is a sub-recipient), and identified accordingly on the Schedule. However, there is a portion of federal awards that is received directly from the granting federal agencies.

ROY CITY CORPORATION
Schedule of Findings and Questioned Costs
June 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified
Internal control over financial reporting:
Material weakness(es) identified? Yes x No
Significant deficiencies identified, not considered
to be material weaknesses x Yes No
Noncompliance material to financial statements noted Yes x None reported

Federal Awards

Internal control over major programs
Material weakness(es) identified? Yes x No
Significant deficiencies identified, not considered
to be material weaknesses Yes x None reported

Type of auditors’ report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to be
Reported in accordance with Circular A-133,
Section 510(a)? Yes x No

Identification of programs tested as major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 14.228 | U. S. Department of Housing and Urban Development Community Development Block Grant |

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes x No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 and 5.20 of *Government Auditing Standards*.

ROY CITY CORPORATION
Schedule of Findings and Questioned Costs, continued
June 30, 2010

We did not identify any deficiencies in internal control that we considered to be material weaknesses.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit. Accordingly, no such matters are reported.

Honorable Mayor and Members of the City Council
Roy, Utah

We have audited the financial statements, the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roy City Corporation for the year ended June 30, 2010 and have issued our report thereon dated October 15, 2010. As part of our audit, we have audited Roy City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major state assistance programs from the State of Utah:

Liquor Law Enforcement (State Tax Commission)
B & C Road Funds (Department of Transportation)

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Justice Court
Other General Issues
Impact Fees
Uniform Building Code Standards

The management of Roy City Corporation 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 generally accepted accounting standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 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 instance of noncompliance listed in the accompanying schedule of findings and questioned costs, Roy City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2010.

The report is intended solely for the information and use of management of the City and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

Wiggins & Co., PC

October 15, 2010

ROY CITY CORPORATION
Schedule of Findings and Questioned Costs
June 30, 2010

Budgetary Compliance

Finding #1: The expenditures in the Community and Economic Development Department exceeded budgetary appropriations.

Recommendations: We recommend that the City not incur expenditures or encumbrances in excess of budgetary appropriations for any department.

Response: Revenue for the City was lower than expected. Throughout the year, departments had to tighten up on spending so as not to pay out more than was coming in. In the Community and Economic Development Department, engineering costs related to ongoing development projects increased towards the end of the year and exceeded funds available in the department. Because total expenditures for the General Fund were below budget, funds were available to cover the overage.