

# ROY CITY CORPORATION

Roy, Utah

Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2012

# ROY CITY CORPORATION

Roy, Utah

## Comprehensive Annual Financial Report For the Fiscal Year Ending June 30, 2012

*Prepared by:*

*Cathy A. Spencer  
Management Services Director*

**ROY CITY CORPORATION**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Letter of Transmittal -----	7
List of Elected and Appointed Officials -----	12
Organizational Chart -----	13
Certificate of Achievement for Excellence in Financial Reporting -----	14

**FINANCIAL SECTION**

Independent Auditors' Report -----	16
Management's Discussion and Analysis -----	18
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets -----	34
Statement of Activities -----	36
Fund Financial Statements:	
Balance Sheets – Governmental Funds -----	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds -----	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities -----	42
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual:	
General Fund -----	43
Redevelopment Agency of Roy Utah – Special Revenue Fund -----	45
Statement of Net Assets – Proprietary Funds -----	46
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds -----	48
Statement of Cash Flows – Proprietary Funds -----	49
Notes to the Financial Statements -----	52
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non-major Governmental Funds -----	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds -----	82
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual:	
Storm Sewer Development – Special Revenue Fund -----	84
Park Development – Special Revenue Fund -----	85
Cemetery – Special Revenue Fund -----	86
Fire and Rescue Facilities and Equipment – Capital Projects Fund -----	88
Recreational Facilities Improvements – Capital Projects Fund -----	88
Combining Statement of Net Assets – Internal Service Funds -----	90

**ROY CITY CORPORATION**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

**TABLE OF CONTENTS, Continued**

**FINANCIAL SECTION, Continued**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –	
Internal Service Funds -----	91
Combining Statement of Cash Flows – Internal Service Funds -----	92
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source -----	95
Schedule by Function and Activity -----	96
Schedule by Changes by Function and Activity -----	97

**STATISTICAL SECTION**

**Financial Trends:**

Government-wide Revenues -----	99
Government-wide Expenses by Function -----	100
General Governmental Revenues and Other Financing Sources -----	101
General Governmental Expenditures (Budget Basis) and Other Uses by Function -----	102
Governmental Activities Tax Revenues by Source -----	103
Net Assets by Component -----	104
Changes in Net Assets -----	105
Fund Change in Fund Balances of Governmental Funds -----	107
Fund Balances of Governmental Funds -----	109

**Revenue Capacity:**

Sales Tax Rates – Direct and Overlapping Governments -----	111
Assessed Value and Estimated Actual Value of Taxable Property -----	112
Property Tax Rates – Direct and Overlapping Governments -----	113
Principal Property Taxpayers -----	114
Property Tax Levies and Collections -----	115
Property Value, Construction and Bank Deposits -----	116

**Debt Capacity:**

Ratios of Outstanding Debt by Type -----	117
Ratios of General Bonded Debt Outstanding -----	118
Direct and Overlapping Governmental Activities Debt -----	119
Legal Debt Margin Information -----	120

**Demographics and Economic Information**

Demographic and Economic Statistics -----	121
Principal Employers -----	122

**Operating Information:**

Full-time City Government Employees by Function -----	123
Operating Indicators by Function -----	124
Capital Statistics by Function -----	125

**ROY CITY CORPORATION**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

**TABLE OF CONTENTS, Continued**

**COMPLIANCE SECTION**

Independent Auditors' Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards -----	127
Independent Auditors' Report on Compliance in Accordance with the State of Utah Legal Compliance Audit Guide -----	129
Schedule of Findings and Questioned Costs -----	131

*(This page is intentionally left blank.)*

## INTRODUCTORY SECTION

**Mayor**

Joe H. Ritchie

**City Manager**

Christopher G. Davis

**City Council**

John R. Cordova  
Willard S. Cragun  
Bradley R. Hilton  
Michael L. Stokes  
David E. Tafoya

---

November 19, 2012

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, 2012.

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, 2012, 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, 2012, 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 control and legal requirements involving the administration of federal awards. Although the City received funds under federal financial assistance programs, the revenue was not sufficient to require a single audit.



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 37,000. 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 22<sup>nd</sup>. 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 84.

## **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 local economy in Roy continues to recover albeit slowly. In FY 2012 sales tax revenue increased 7.35% compared to 3.35% in FY 2011. While revenue from sales tax is still below the high of \$4,377,000 in FY 2008, the administration anticipates the State's economy to continue to improve and thus has budgeted a 2.6% increase in sales tax.

Roy City has limited developable ground for residential construction. Commercial construction has focused on the west side of the City along the 3500 West Midland Drive corridor. Redevelopment of the 1900 West corridor has begun to increase as the economy has strengthened.

America First Credit Union has expanded its presence in Roy by purchasing another building. This adds to the property they own in Wasatch Executive Park that houses long-term tenants Iomega Corporation and Citi Group.

Also at Wasatch Executive Park, the Redevelopment Agency of Roy Utah has signed an agreement with Weber School District to sell property on 4000 South for the construction of a new elementary school. The Agency will acquire some property in the agreement which would then be traded with the City. The Agency would receive property frontage on 1900 West, part of the current George Wahlen North Park. The City in turn would receive the old elementary school property and relocate George Wahlen North Park west to 2175 West.

Commercial construction remained low in FY 2012. Last year, a local developer acquired the failed Stone Edge Commercial development and constructed twelve 1,000 square foot condominiums for retail, office, and professional users. Tenants continue to fill up vacancies in the building. On the other end of 1900 West, a developer demolished the vacant building on 5700 South and constructed a three unit office condominium. An adjacent pad previously occupied by Blockbuster Video was also made into an office condominium by way of an extensive remodel. The two pads are now home to Papa Murphy Pizza, Dollar Cuts, T-Mobile, and Dollars Loans.

Iasis Health Care Corporation selected a site within Roy City on which to build a regional standalone emergency center and scanning facility. This new 15,000 square foot building is scheduled to open in spring 2013. At the present time, there are no emergency facilities located in western Weber and Davis counties thus making this development beneficial for a large segment of the community.

For years what can be described as the "most strategically located aerospace research park in the nation" at Hill Air Force Base has been under discussion. In 2011, Sunset Ridge Development Partners, the developer of the enhanced use lease project, submitted a comprehensive Master Development Concept Plan for the entire 550 acre Falcon Hill development to the Military Installation Development Authority. A portion of the development, 32 acres, lies within the boundaries of Roy City. During FY 2012, the first building for the Air Force was completed. The developers are now planning their next building within the gates for the Air Force. Further master planning of the development continues including the transportation planning from the Roy Front Runner Station. In the future, the Roy gate to Hill Air Force Base will be moved allowing easier access to the development.

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 2012, the local unemployment rate was 6.3%. This is a decrease of

1.4% from the same time in 2011. The local unemployment rate is well below the national rate of 8.2%. Locally, jobs were up slightly in most areas and where noted, losses were minimal. Losses occurred in the governmental sector by (3.1%), other services by (1.8%), and professional and business services by (.5%). Some of the largest increases occurred in mining, logging, and construction of 10.9%, manufacturing of 2.8%, education and health services of 3.3%, and leisure and hospitality of 2.0%.

### **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 assigned and unassigned 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. Unassigned fund balance was \$2,939,269 at June 30, 2012, and \$2,414,923 at June 30, 2011.

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. After the completion of a long-term capital improvement plan, the City saw 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. During the fiscal year, the City refinanced debt related to the Municipal Building remodel. The interest rate was lowered from 4.5% to variable rates of 1.4%-2.0%. For more information on the City's long-term debt, see the Detailed Notes to the Financial Statements pages 70-72.

### **Major Initiatives**

Roy City leaders working in conjunction with the Ogden Weber Chamber, the Weber County Commission, area legislators, and the Utah Department of Transportation (UDOT), have been successful in getting the Utah State Legislature to appropriate funds to complete an extension of Riverdale Road from I-84 to 1900 West. This long awaited project will begin in the summer of 2013. In addition, UDOT recently completed construction of an additional lane for the City's only off ramp from I-15. This project allows traffic to flow more smoothly and safely.

The City and UDOT jointly submitted a proposal to the Weber County Commission to purchase corridor right of way from Hinckley Drive to 4000 South. The County granted the request for \$1,000,000 to purchase the right of way. Ultimately the corridor of Midland Drive and 3500 West will be widened to the end of the City's south boundary.

The Redevelopment Agency of Roy Utah will be trading land with Roy City in the area of the Wasatch Executive Park. The Agency will acquire some of the acreage which is now George Wahlen North Park. This property will have frontage on 1900 West which will be enticing for the business park development. The City will move the existing park to the west replacing outdated infrastructure with new facilities to better serve the citizens.

The City has completed all but a minimal amount of projects on the \$7.5 million water bond project. The final phase, a two million gallon reservoir and well on Hill Air Force Base is complete and awaiting final approval from regulatory agencies.

During FY 2011, Roy City contracted for a study to be done on disproportionate business license fees. In FY 2012, the results of the study were used by the administration to create a new business license fee system. In June 2012, a "Good Landlord Program" was established which allows for reductions in fees for landlords who meet requirements related to selecting tenants to occupy their properties. The response by landlords has been encouraging. The program will benefit the entire community by setting standards for rental units.

The City will continue to review city services provided to island areas within the City. This effort will be coordinated with other governmental entities involved with service delivery to determine whether these islands should be incorporated into the City.

While the economy has curtailed economic development significantly, Roy City through its Redevelopment Agency anticipates that during FY 2013, projects will be undertaken to enhance the economic viability of the City.

### **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, 2011. 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

**ROY CITY CORPORATION**  
**List of Elected and Appointed Officials**  
**June 30, 2012**

*Elected Officials*

Joe H. Ritchie	-----	Mayor
John R. Cordova	-----	City Councilperson
Willard S. Cragun	-----	City Councilperson
Bradley R. Hilton	-----	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

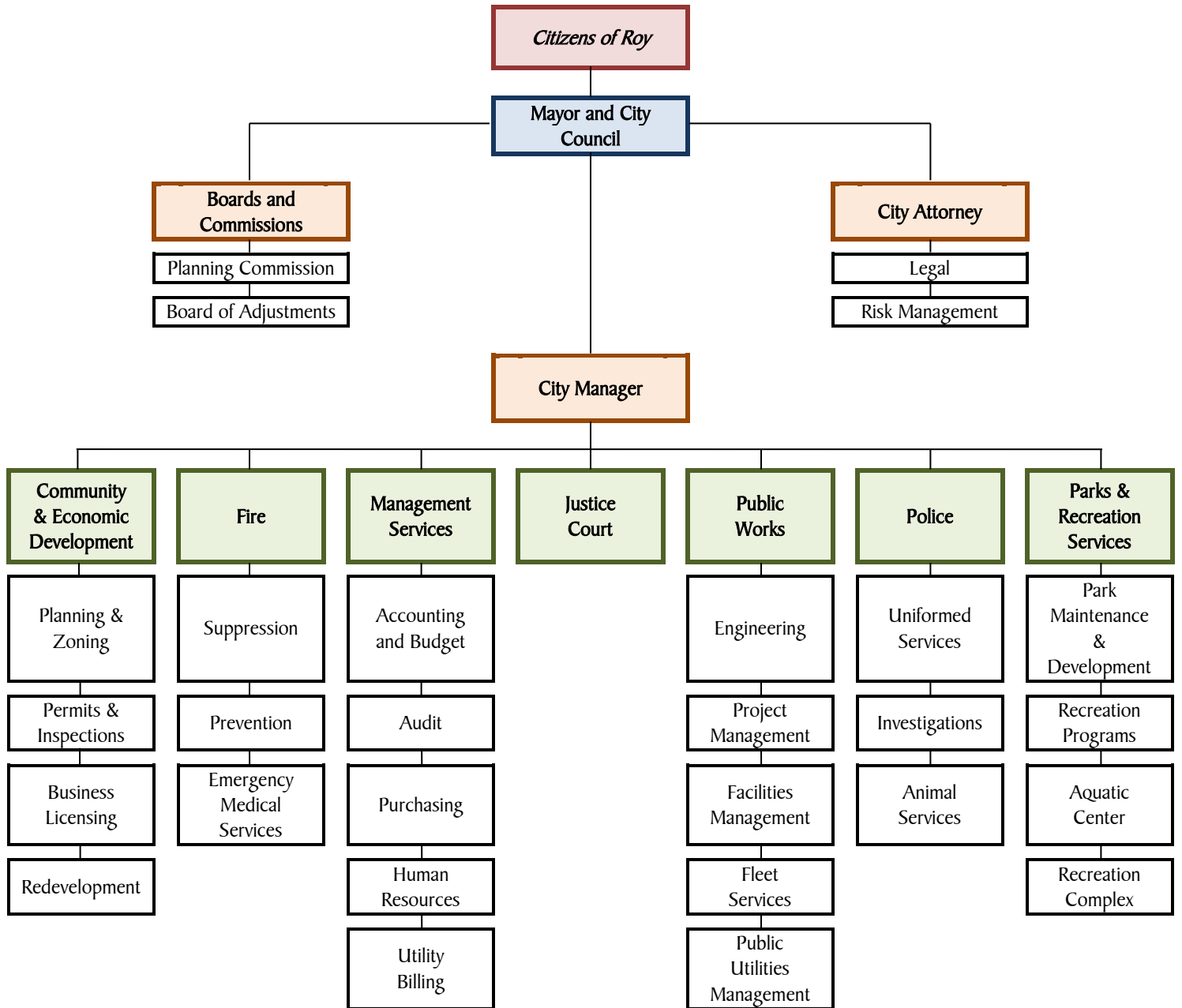
*Statutory Appointed Officials*

Gregory G. Whinham	-----	Chief of Police
Amy S. Mortenson	-----	City Recorder
Nicole L. Higgs	-----	City Treasurer
Mark T. Miller	-----	City Engineer

*Department Directors*

Jason R. Poulsen	-----	Fire Chief
Cathy A. Spencer	-----	Management Services Director
S. Ross Oliver	-----	Public Works Director
Travis J. Flint	-----	Parks & Recreation and Recreational Facilities Director
R. Scott Waterfall	-----	Justice Court Judge

# Roy City Corporation Organizational Chart



# 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, 2011

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.



*Linda C. Davidson*

President

*Jeffrey R. Emswiler*

Executive Director

## FINANCIAL SECTION



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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, 2012, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Redevelopment Agency 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 November 9, 2012 on our consideration of the City of Roy, Utah's internal control over financial reporting and on 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 18 through 31 and 84 through 88 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 Roy City, Utah's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and budgetary comparison schedules, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements, budgetary comparison schedules and capital asset schedules 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 them.

*Wiggins & Co., PC*

November 19, 2012  
Ogden, Utah

## 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 \$493,138. Approximately \$414,722 of the increase is attributable to operations of the utility funds, while \$78,416 is a result of governmental activities.
- ❖ The assets of Roy City Corporation exceeded its liabilities at the close of the most recent fiscal year by \$67,400,791 (net assets). Of this amount, \$12,684,722 (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 \$9,619,830, an increase of \$1,051,698 in comparison with the prior year. Approximately \$4.89 million of the total amount is available for spending at the City's discretion within the general, capital projects and special revenue funds.
- ❖ At the close of the fiscal year, unassigned fund balance for the general fund was \$2,939,269 or 20.00% 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 requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary 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 seven 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 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.

### **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 \$67,400,791 at the close of the most recent year, June 30, 2012.

By far, the largest portion of the City's net assets, 78.00%, 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 (3.18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$12,684,722, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year and prior 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 City has no individual funds reporting a deficit in unrestricted net assets.

The following table reflects the condensed statement of net assets:

<b>Roy City Corporation's Net Assets</b> <b>(Stated in Thousands of Dollars)</b> <b>As of June 30</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$13,823	\$12,740	\$ 6,935	\$ 6,951	\$20,758	\$19,691
Capital assets	35,064	36,304	24,897	24,769	59,961	61,073
Total assets	48,887	49,044	31,832	31,720	80,719	80,764
Long-term debt outstanding	2,252	2,125	6,627	6,622	8,879	8,747
Other liabilities	3,783	4,146	656	964	4,439	5,110
Total liabilities	6,035	6,271	7,283	7,586	13,318	13,857
Net assets:						
Invested in capital assets net of related debt	34,239	35,269	18,334	17,940	52,573	53,209
Restricted	2,116	1,735	27	1,106	2,143	2,841
Unrestricted	6,497	5,769	6,188	5,088	12,685	10,857
Total net assets	\$42,852	\$42,773	\$24,549	\$24,134	\$67,401	\$66,907

Governmental activities increased Roy City's net assets by \$78,416, while business-type activities increased net assets by \$414,722. Key elements of the City's increase in net assets can be found in the table below:

<b>Roy City Corporation's Changes in Net Assets</b> <b>(Stated in Thousands of Dollars)</b> <b>As of June 30</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 3,460	\$ 3,151	\$ 7,052	\$ 7,118	\$10,512	\$10,269
Grants and contributions:						
Operating	1,304	1,200	-	-	1,304	1,200
Capital	512	1,559	-	1,314	512	2,873
General revenues:						
Property taxes	2,922	2,892	-	-	2,922	2,892
Other taxes	7,170	6,941	-	-	7,170	6,941
Investment earnings	88	59	2	11	90	70
Other	71	68	193	-	264	68
Total revenues	15,527	15,870	7,247	8,443	22,774	24,313
Expenses:						
General government	3,621	3,258	-	-	3,621	3,258
Public safety	7,260	7,249	-	-	7,260	7,249
Public works	2,669	2,640	-	-	2,669	2,640
Parks and recreation	2,530	2,414	-	-	2,530	2,414
Interest and fiscal charges	48	51	-	-	48	51
						21

Water and sewer utility	-	-	4,322	4,120	4,322	4,120
Storm sewer utility	-	-	342	368	342	368
Solid waste utility	-	-	1,488	1,549	1,488	1,549
Total expenses	<u>16,128</u>	<u>15,612</u>	<u>6,152</u>	<u>6,037</u>	<u>22,280</u>	<u>21,649</u>
Increase in net assets before transfers	( 601)	258	1,095	2,406	494	2,664
Transfers	<u>680</u>	<u>707</u>	<u>( 680)</u>	<u>( 707)</u>	<u>-</u>	<u>-</u>
Increase in net assets	79	965	415	1,699	494	2,664
Net assets - beginning	<u>42,773</u>	<u>41,808</u>	<u>24,134</u>	<u>22,435</u>	<u>66,907</u>	<u>64,243</u>
Net assets – ending	<u>\$42,852</u>	<u>\$42,773</u>	<u>\$24,549</u>	<u>\$24,134</u>	<u>\$67,401</u>	<u>\$66,907</u>

*Governmental activities.* The governmental activities portion of the increase in net assets accounted for 15.90% of the total growth for the City as a whole.

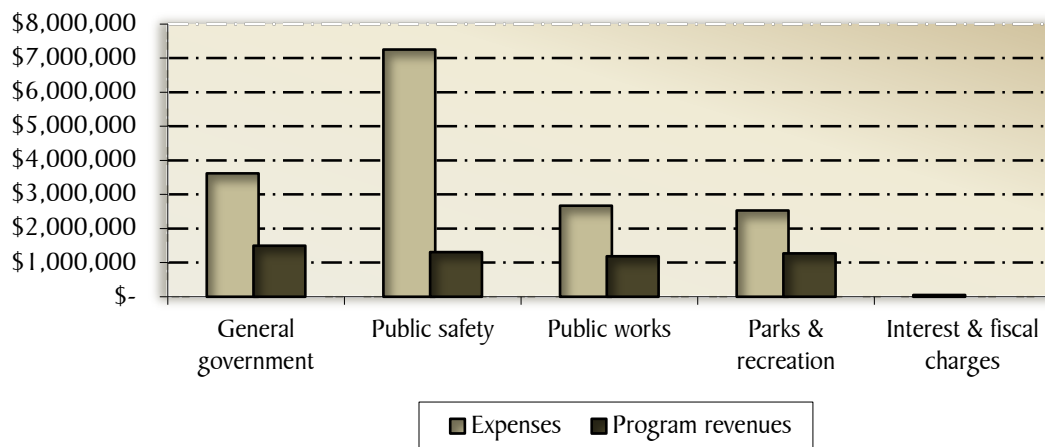
- ❖ Overall, property taxes increased by \$30,284 in the governmental funds from FY 2011. Property taxes in the general fund increased by \$37,038, while the increment received by the RDA decreased \$6,754. The increase for the general fund can be attributed to new growth, while the decrease for the RDA is a result of the “haircut” provision which reduces available increment every five years.
- ❖ Other taxes were up \$229,010 over the previous fiscal year. Of that amount, \$279,084 came from a 7.35% increase in sales tax revenue, while franchise tax revenue decreased by .86% or \$24,255. The remaining portion of the change, a decrease of \$25,819, relates to motor vehicle fees.
- ❖ Revenue from charges for services increased 9.82% from FY 2011. Some of the larger increases came from ambulance fees, \$147,589; business licenses, \$120,221; and Aquatic Center, \$64,679. Revenue from ambulance services increased because of a larger number of calls, while increase to business licenses and the Aquatic Center were a result of rate increases. The City implemented a good landlord program. The fee structure includes charging a fee for single family dwellings as well as higher fees for landlords that do not participate. Rates at the Aquatic Center increased \$1 per user. Charges for services related to building decreased \$36,810. This includes building permits, subdivision and development fees, and impact fees, and is a result of reduced new home construction. Recreational programs saw a decrease in participation and a reduction in revenue of \$17,375 from FY 2011.
- ❖ In FY 2012, the City received a \$200,000 private donation to assist with the construction costs of the Hope Community Center. This was the fourth of five payments.
- ❖ Class C Road funds received was up 1.29%, \$13,574, from 2011.
- ❖ The City made final acceptance of several subdivisions during FY 2012. Infrastructure received from the developers, including streets, sidewalks, and curb and gutter totaled \$75,142.
- ❖ Roy City’s average yield on investments increased 33.55% from FY 2011, and investment balances were up at the end of the year. As a result, income from interest increased by \$28,653.
- ❖ Total expenses for wages and benefits were down \$70,073 from FY 2011. There were no wage increases in FY 2012. A bonus was paid to both full and part-time employees based on the percentage of full-time equivalent hours worked. The increase in health insurance costs was small and covered by the City and the employees. Some positions which were open due to resignation or retirement were left unfilled and used as a chance to restructure departments with less staffing.
- ❖ Operating expenses increased by \$488,798. A portion of the increase, \$133,010, can be attributed to the Energy Efficiency Community Block Grant that was used to upgrade the HVAC systems throughout

the City buildings. Another \$56,047 of the increase is a result of moving the sheltering of animals to the new Weber County facility. In addition to a rate increase for sheltering, the City is required to pay an annual fee to help cover the cost of constructing the new building. Other changes include the RDA expending \$175,000 for a fiber optics line at the Wasatch Executive Park; \$42,685 increase in road maintenance; and \$12,676 for the election. Small increases in expenditures were made in specific areas as requested by departments in budget meetings.

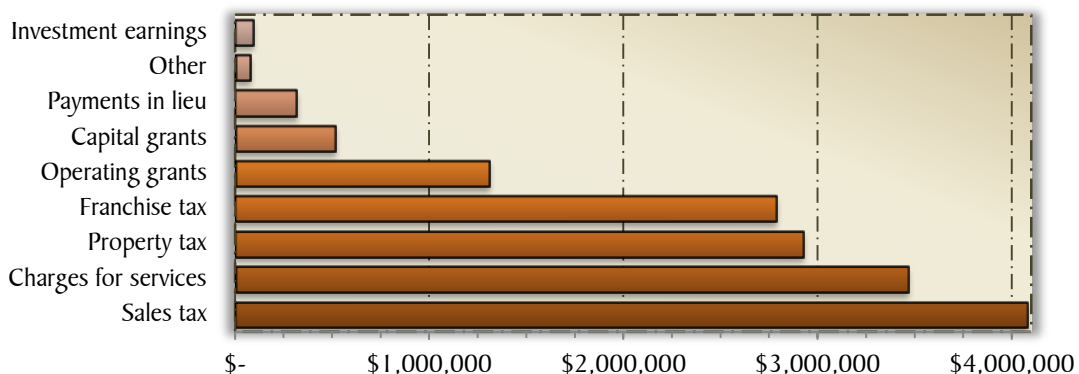
- ❖ Other financing sources and uses decreased by \$142,808. The bonds for the municipal building remodel were refinanced to achieve an economic gain. Proceeds from the bond issue totaled \$577,000 with \$560,117 being paid to the refunding bond escrow agent. Transfers to other funds were down \$115,315 because the capital facilities project was completed in FY 2011 and some capital purchases for FY 2012 were made in the general fund rather than the capital projects.

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



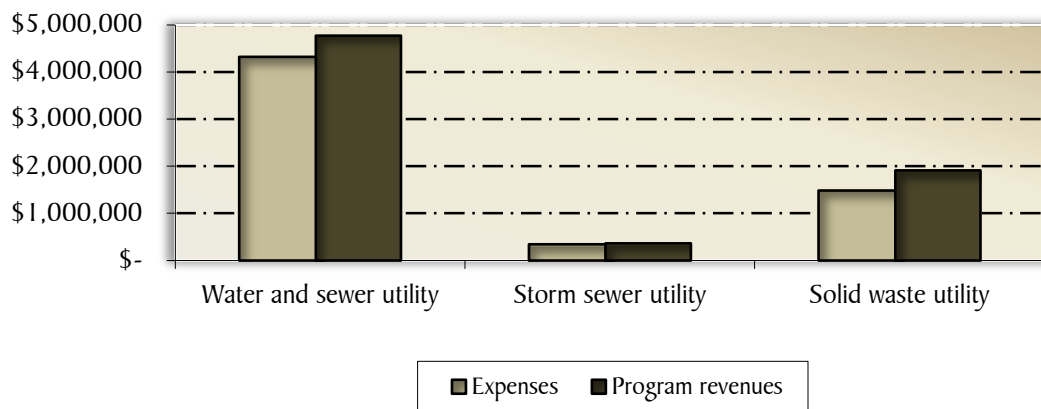


*Business-type activities.* The business-type activities portion of the increase in net assets was 87.08% of the total growth for the City. At the end of the current fiscal year, all of the City's business-type funds reported positive net assets.

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

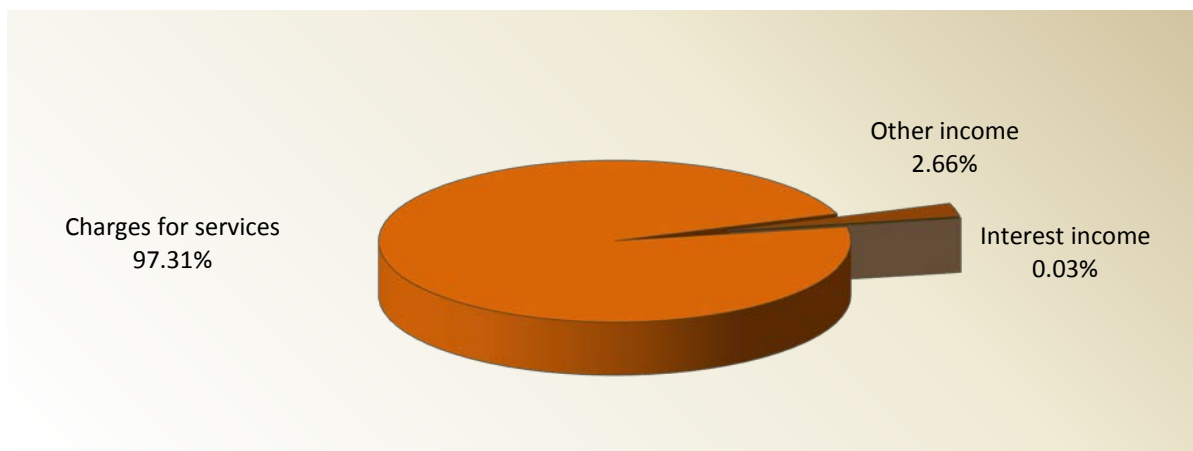
---

#### Expenses and Program Revenues – Business-type Activities



---

#### Revenues by Source – Business-type Activities



---

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 \$75,160. Sewer fees were increased to cover rate increases from contractors.

- ❖ Impact and connection fees related to new construction increased by \$10,540. Construction of multi-family dwellings saw a small increase for the year.
- ❖ Revenue from late fees, shut off fees, and ownership transfers increased by \$35,408. The down economy has caused an increase in delinquent accounts.
- ❖ Proceeds from the 2008 Water and Sewer Revenue Bonds are invested in the Utah State Treasurer's Pool until drawn. Interest income decreased \$8,482 from the prior year. This is a result of higher interest rates, yet fewer funds on deposit.
- ❖ Total expenses for wages and benefits were up \$34,616 from FY 2011. There were no wage increases in FY 2011. A bonus was paid on both full and part-time employees based on the percentage of full-time equivalent hours worked. The increase in health insurance costs was small and covered by the City and the employees. The Water and Sewer Utility restructured its staffing to add a full-time employee and reduced part-time employees. Additional costs for retirement and insurance were added with the full-time worker.
- ❖ Operating costs increased \$33,653. Overall operating expenditures for business type activities were down from FY 2011. One exception is the contracts for sewer service. Central Weber Sewer increased rates which made expenditures under the contract \$51,036 higher than in FY 2011.
- ❖ Debt service decreased by \$11,268. Interest expense is reduced as the debt is repaid.

### **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, unassigned 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 \$9,619,830, an increase of \$1,051,698 from the prior year. Approximately 30.55%, or \$2,939,269, of this amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The fund balance of Capital Projects and Special Revenue Funds are classified as assigned and available for fund operations. At June 30, 2012, \$1,951,646 was available for spending in these funds. The remainder of fund balance is classified to indicate that it is not available for spending because it 1) cannot be spent because of its form, 2) is restricted by external sources, or 3) is committed to specific use.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,939,269, while the total fund balance was \$5,963,185. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 20.00% of total general fund expenditures, while total fund balance represents 40.57% of that same amount. During the fiscal year, the fund balance of Roy City Corporation's general fund (GAAP basis) increased by \$703,631 which is \$347,421 more than the prior year. When comparing FY 2012 to FY 2011 there was 1) a 4.60% increase in revenue of \$679,357, 2) a 3.33% increase in expenditures of \$474,745, 3) a 43.22% increase in proceeds from sale of assets of \$10,611, and 4) a 54.31% decrease in the amount transferred to capital projects funds of \$115,315. The refinancing of the Series 2007 Sales Tax Revenue bonds generated \$16,883 in proceeds to cover issuance costs.

Included in the *governmental funds* is \$341,422 which is unassigned but designated for specific capital projects. The capital projects fund accounts for financial resources the City has set aside for the acquisition or construction of major capital facilities and equipment, other than those financed by proprietary or special revenue funds. During FY 2012 the fund balance in the capital projects funds increased by \$60,090 or 21.36% compared to an \$86,491 increase in FY 2011. When comparing FY 2012 to FY 2011, the change \$26,401 can be attributed to a 54.31% decrease in transfers from the general fund of \$115,315 exceeding a 70.65% decrease in project expenditures of \$88,914. At June 30, 2012, fund balances available for specific capital projects include Recreational Facilities Improvements of \$230,755, and Fire & Rescue Facilities and Equipment of \$110,667.

Also included within the *governmental funds* is \$3,315,223 which is assigned for specific purposes. For these special revenue funds, fund balance increased by \$287,977 or 9.51% compared to \$178,761 in FY 2011. When comparing FY 2012 to FY 2011, the change of \$109,216 is a result of 1) a 1.38% decrease in property tax revenue of \$6,724, 2) a 13.64% decrease in impact fees of \$14,928, 3) a 61.05% increase in investment earnings of \$3,917, 4) a 19.18% increase in cemetery fees of \$1,383, 5) a 169.73% increase in grant revenue of \$130,691, 6) a 137.82% increase in operating expenditures of \$210,886, 7) a 34.16% increase in capital outlay of \$38,245, and 8) a 100.00% decrease in debt service of \$244,008. At June 30, 2012, available fund balances in these special funds included Redevelopment Agency \$2,725,724; Storm Sewer Development \$180,857; Park Development \$250,463; and Cemetery \$158,179.

*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 \$3,656,898, for the storm sewer utility fund unrestricted net assets were \$661,533, and for the solid waste utility fund unrestricted net assets were \$1,781,457. Net assets for two of the three utilities increased, Change for the water and sewer and solid waste utility funds increased by \$105,640 and \$335,392, respectively, while the storm sewer utility fund saw a decrease of \$29,250.

The increase in net assets for the water and sewer utility fund was lower than the increase in FY 2011 by \$656,577. Operating revenues for the water and sewer utility fund increased \$107,946, or 2.22% from the prior year, while operating expenses increased \$28,202 or .62%. Other factors in the increase in net assets are 1) interest income dropped 80.69% or \$8,482, 2) interest expense and bond costs dropped 3.72% or \$11,269, 3) losses on sale of assets decreased \$14,680, and 4) contributions from developers decreased \$753,788 or 100.00%.

The decrease in net assets for the storm water utility fund exceeded the increase in FY 2011 by \$584,493. Operating revenues for the storm water utility fund increased \$899, or .25% from the prior year, while expenses increased \$24,644 or 6.69%, and contributions from developers decreased \$560,375 or 100.00%.

Operating revenue for the solid waste utility fund was up \$18,013 or .95% from FY 2011. Operating expenses increased \$30,309 or 1.95%. These factors resulted in an increase in net assets \$12,296 less than FY 2011.

## **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 \$14,792,545 to a final budget of \$15,117,385, an increase of \$324,840 or 2.20%. Some of the more significant changes to individual revenue and expenditure items are as follows:

- ❖ \$60,000 reduction in telecom revenue. The State of Utah collects and disburses these funds. There continues to be a decline in land based phone systems in lieu of cellular phones.
- ❖ \$55,000 increase in franchise fees. Part of this can be attributed to weather conditions, longer and colder winters allow for higher utility costs as do hotter summers. At the time budgets are prepared these conditions are not known, so adjustments were needed to account for the conditions.
- ❖ \$30,000 decrease in payments in lieu. Fees in lieu are disbursed by Weber County as a ratio of property taxes. As other taxing entities raise taxes and Roy City does not, Roy City loses a share of the fees in lieu. Roy City has not had a tax increase since 2005.
- ❖ \$107,648 increase in intergovernmental revenue. A number of grants were received or not funded after the original budget was approved. This includes Justice Assistant Grants \$8,959, Bulletproof Vest \$4,000, Administrative Office of the Courts \$4,400, Energy Efficiency Community Block Grant \$137,288, EMS per capita \$5,277, Weber County RAMP \$7,000, Fire FRARCFPP \$6,588 and the loss of the Fire AFG \$55,000, Fire Competitive Training \$864 and \$10,000 reduction in State Liquor Law funding.
- ❖ \$67,041 increase in charges for services. This includes \$50,000 increase in ambulance services, \$20,000 in recreation complex admissions, and \$14,000 in cemetery lots and grave openings. Management fees were reduced by \$16,959.
- ❖ \$27,800 increase in investment earnings. There has been a gradual increase in interest rates over the past year.
- ❖ \$192,482 decrease in legislative department expenditures. Funding for a bonus program was placed in the council contingency fund. When a determination was made as to how much each department would be allocated for the bonuses, \$200,000 was taken from council contingency and allocated to the specific departments. Personnel budgets in all departments were increased to account for the bonuses paid.
- ❖ \$17,500 decrease in risk management. The special revenue fund for risk management is funded by transfers from the General and Water and Sewer Utility Enterprise funds. The budget for the Risk Management fund was reworked to use reserves to fund expenditures and reduce the burden on the General and Water and Sewer Utility Enterprise funds.
- ❖ \$145,669 increase in public buildings. This includes expenditures under the Energy Efficiency Community Block Grant of \$120,288 and \$20,000 for Christmas lighting.
- ❖ \$36,459 decrease in community and economic development. The Department Director resigned in February and was not replaced. Residual funds were disbursed to other areas.
- ❖ \$216,087 increase in police. The City Council approved purchasing new vehicles for \$146,000. Approximately \$60,400 was transferred in for the bonus program.
- ❖ \$95,878 increase in fire. \$57,400 of the increase was used to pay out accrued vacation and sick leave to the Fire Chief who retired. Another \$40,918 was transferred in for the bonus program. \$11,400 to purchase a vehicle for the Fire Chief. \$26,000 increase in vehicle maintenance funding. \$5,000 for the fire FRARCFPP grant. Remove \$60,500 for the AFG grant which was not a funded.
- ❖ \$17,182 increase in public works administration. \$4,800 to upgrade the software packages. \$7,000 to purchase a large format printer. \$4,832 transferred in for the bonus program.
- ❖ \$52,514 increase in parks and recreation. \$38,110 increase to purchase a one-ton truck, and \$13,604 increase for the bonus program.

The items described above resulted in expenditures outweighing revenues in the general fund. Where possible, expenditures reductions were made to offset the net decrease in funding. For budget purposes the City drew from fund balance reserves to cover the revenue shortfall of \$115,166. During the year, actual expenditures were less than budgetary estimates, and revenues exceeded budget so fund balance reserves were not used for operations.

*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. Some of the most noteworthy items, sales tax exceeded expectations by \$74,076; business licenses over by \$110,826; ambulance services over by \$151,879; Pacificorp franchise fees over by \$54,545; and aquatic center admissions exceeded budget by \$57,679. Revenues related to concessions, interest earned, and sale of fixed assets also were higher. Delinquent property tax revenue, Questar franchise fees, and recreation programs were lower than budgeted by \$22,825, \$42,423 and \$18,530, respectively. In total, general fund revenue exceeded budget by \$412,286 or 2.74%.

Overall expenditures were \$305,190 under budget. Departments continue to be cautious with spending, not knowing if revenues would meet expectations. There was one individual that resigned whose position was not refilled. The funding was transferred to other areas where shortages existed. The police department was under budget by \$115,475, mainly the result of employees on military leave. The department also had savings in training, fuel, and telephone expenditures. Total expenditures in the Class C Road Fund were \$43,866 under budget. With no capital projects planned, the budget for engineering services was not used. The street department was under budget by \$45,244. This was due to a milder winter where less over-time and fuel were needed for snowplowing. Three departments including the aquatic center, recreation complex, and debt service were over budget. Savings in other departments allowed the City as a whole to be 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, 2012, amounts to \$52,573,269 (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 change in the City's investment in capital assets for the current fiscal year was a decrease of 1.19% (a 2.92% decrease in governmental activities and a 2.20% increase in business-type activities).

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

#### **Governmental activities:**

- ❖ Vehicle for the City Manager, \$14,931 after trade in.
- ❖ Metal detectors for the Justice Court, \$3,421.
- ❖ Eleven police cars and a vehicle for the Chief of Police, \$342,996.
- ❖ Vehicle for the Fire Chief, \$13,641 after trade in.
- ❖ Two external defibrillators, \$5,418.
- ❖ Laptops for fire engines, \$6,700.
- ❖ Large format printer, \$6,998.
- ❖ Color copier, \$4,505.
- ❖ Dodge Ram 3500 truck, \$35,689.
- ❖ Tube slide, \$5,569.

- ❖ Two treadmills, \$10,640.
- ❖ Steam valves, \$7,125.
- ❖ Fans over track at Recreation Complex, \$13,601.
- ❖ Air compressor, \$14,400.
- ❖ DR&G trail project, \$46,778.
- ❖ Gazebo, \$6,769.
- ❖ Infrastructure from developers through acceptance of new subdivision, \$75,142. Includes curb, gutter, sidewalks, streets, water lines, sewer lines, storm drains, and land drains.

Business type activities:

- ❖ Culinary water line replacement, \$1,340,945.
- ❖ 6000 S bridge over Layton canal, \$209,615.
- ❖ Hill Air Force Base well, reservoir, and control building, \$1,019,579.
- ❖ Land at 4000 S Sandridge Drive, \$130,934.
- ❖ Hydraulic ram for trac hoe, \$7,680.
- ❖ Sewer pump, \$12,142.
- ❖ Hook dump bed for roll-off truck, \$15,764.
- ❖ Two roll-off containers, \$14,854.

Shared activities:

- ❖ John Deere front end loader, \$50,938.
- ❖ 4300 W storm drain project, \$308,195.
- ❖ Case 580 Super N backhoe, \$73,336.

<b>Roy City Corporation's Capital Assets</b> <b>(Stated in Thousands of Dollars and Net of Depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,172	\$ 3,172	\$ 139	\$ 9	\$ 3,311	\$ 3,181
Buildings	11,690	11,690	9	9	11,699	11,699
Improvements other than bldgs	31,995	31,780	32,768	29,410	64,763	61,190
Machinery and equipment	4,230	4,157	1,349	832	5,579	4,989
Automobiles and trucks	5,637	5,765	729	1,127	6,366	6,892
Construction in progress	228	180	988	3,700	1,216	3,880
Accumulated depreciation	(21,888)	(20,440)	(11,085)	(10,318)	(32,973)	(30,758)
Total capital assets	<u>\$35,064</u>	<u>\$36,304</u>	<u>\$24,897</u>	<u>\$24,769</u>	<u>\$59,961</u>	<u>\$61,073</u>

Additional information on Roy City Corporation's capital assets can be found in Note 4 on pages 67-68 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 \$150,600. Lease payments are due semi-annually in August and February.

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, 2012 is \$97,000. In June 2012, the City refinanced the long-term portion of the 2007 bonds by issuing \$577,000 in sales tax revenue refunding bonds. The current portion of the 2007 debt obligation which had funds appropriated for FY 2013, was not refunded. The series 2012 sales tax revenue refunding bonds mature in October 2017. Interest is due semi-annually in April and October, while principal is due annually.

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, 2012, the balance due on the bonds is \$6,560,000. 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".

<b>Roy City Corporation's Outstanding Debt</b> (Stated in Thousands of Dollars)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital lease	\$ 151	\$ 296	\$ -	\$ -	\$ 151	\$ 296
Revenue bonds	674	740	6,560	6,855	7,234	7,595
Total	<u>\$ 825</u>	<u>\$1,036</u>	<u>\$6,560</u>	<u>\$6,855</u>	<u>\$7,385</u>	<u>\$7,891</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 \$44,924,000, 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 \$44,924,000 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 City reviews State and regional economic data in developing its annual budget. The assumptions derived from the data are reviewed by the City Council in its approval of the budget. Monthly reports are presented to the City Council to provide both budget and actual information for monitoring the financial activities of the City.

The following assumptions were used to develop the FY 2013 budget:

- ❖ Economic activity in the region is adversely affected by the national economy. The housing market, credit market, and consumer confidence remain uncertain.
- ❖ The unemployment rate for the Ogden/Clearfield metropolitan area within which Roy City is located, is currently 6.3%. This compares to the State's average unemployment rate of 6.0% and the Mountain West's average of 8.0%. The Mountain West average is a decline of .9% from the prior year, while the metropolitan and State averages decreased 1.4% and 1.4%, respectively.

- ❖ Roy City is near “build out” for residential dwellings. With less land available, growth is expected in multi-family housing units. Revenue from services is near peak and one-time fees from development continue to be low.
- ❖ Opening of new businesses is minimal, but some expansion is expected within the central business district and on the west side of the City.
- ❖ Sales tax revenue is calculated by the State based on a number of factors including point of sale and population. Sales tax is expected to continue a gradual increase in FY 2013 as the local economy begins to strengthen.
- ❖ The budget includes no increases in wages and benefits, although a tiered bonus is expected for employees. Energy costs are expected to increase along with the cost of maintaining aging equipment. Capital expenditure will remain low, but will include some rotation of old vehicles.
- ❖ Enterprise fund activity reflects minimal rate increases to cover vendor increases.

During the current fiscal year, the fund balance in the general fund increased by \$703,631 to \$5,963,185. Roy City has appropriated \$316,300 of the restricted fund balance from Class C Roads for spending in the 2013 fiscal year. This is for capital improvements to the roadways of the City. No fund balance reserves will be used for ongoing operations.

#### **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.



*(This page is intentionally left blank.)*

## **BASIC FINANCIAL STATEMENTS**

**ROY CITY CORPORATION**  
**Statement of Net Assets**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 7,264,646	\$ 4,527,300	\$ 11,791,946
Restricted cash: Class "C" roads	1,867,456	-	1,867,456
Cash with fiscal agent	-	27,364	27,364
Investment in water stock	-	16,100	16,100
Interactivity receivable	(87,648)	87,648	-
Accounts receivable - net of allowance for doubtful accounts	3,466,594	1,124,338	4,590,932
Inventory	1,798,669	249,710	2,048,379
Prepaid items	46,961	233,926	280,887
Total current assets	<u>14,356,678</u>	<u>6,266,386</u>	<u>20,623,064</u>
Noncurrent assets:			
Deferred charges	16,883	118,562	135,445
Internal balances	<u>(550,000)</u>	<u>550,000</u>	<u>-</u>
Capital assets:			
Land	3,171,733	139,434	3,311,167
Buildings	11,690,154	9,339	11,699,493
Improvements other than buildings	31,994,876	32,767,777	64,762,653
Machinery and equipment	4,229,604	1,349,430	5,579,034
Automobiles and trucks	5,637,556	728,754	6,366,310
Construction in progress	228,120	987,847	1,215,967
Less accumulated depreciation	<u>(21,888,390)</u>	<u>(11,085,043)</u>	<u>(32,973,433)</u>
Total capital assets net of accumulated depreciation	<u>35,063,653</u>	<u>24,897,538</u>	<u>59,961,191</u>
Total noncurrent assets	<u>34,530,536</u>	<u>25,566,100</u>	<u>60,096,636</u>
Total assets	<u>\$ 48,887,214</u>	<u>\$ 31,832,486</u>	<u>\$ 80,719,700</u>

**ROY CITY CORPORATION**  
**Statement of Net Assets, continued**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 632,506	\$ 557,745	\$ 1,190,251
Accrued wages	336,191	20,001	356,192
Unearned revenue	2,614,814	-	2,614,814
Interest payable	9,727	78,423	88,150
Current portion of long-term debt	456,101	314,224	770,325
Total current liabilities	4,049,339	970,393	5,019,732
Long-term liabilities:			
Long-term debt due in more than one year	1,796,360	6,312,977	8,109,337
Guarantee deposits	189,840	-	189,840
Total liabilities	6,035,539	7,283,370	13,318,909
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	34,239,053	18,334,216	52,573,269
Restricted for:			
Debt service	-	27,364	27,364
Class "C" roads	2,115,436	-	2,115,436
Unrestricted	6,497,186	6,187,536	12,684,722
Total net assets	\$ 42,851,675	\$ 24,549,116	\$ 67,400,791

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, 2012**

		<b>Program Revenues</b>	
		<b>Charges for</b>	<b>Operating</b>
	<b>Expenses</b>	<b>Services</b>	<b>Grants and</b>
			<b>Contributions</b>
<b>FUNCTIONS/PROGRAMS</b>			
Primary government:			
Governmental activities:			
General government	\$ 3,620,941	\$ 1,163,889	\$ 4,400
Public safety	7,260,104	1,181,607	119,739
Public works	2,668,853	48,626	1,028,135
Parks and recreation	2,530,588	1,065,803	151,876
Interest and fiscal charges	47,918	-	-
Total governmental activities	16,128,404	3,459,925	1,304,150
Business-type activities:			
Water and sewer utility	4,322,493	4,775,426	-
Storm sewer utility	341,969	363,850	-
Solid waste utility	1,487,770	1,912,545	-
Total business-type activities	6,152,232	7,051,821	-
Total primary government	\$ 22,280,636	\$ 10,511,746	\$ 1,304,150
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
\$ 332,070	\$ (2,120,582)	\$ -	\$ (2,120,582)
13,042	(5,945,716)	-	(5,945,716)
110,611	(1,481,481)	-	(1,481,481)
55,816	(1,257,093)	-	(1,257,093)
-	(47,918)	-	(47,918)
511,539	(10,852,790)	-	(10,852,790)
-	-	452,933	452,933
-	-	21,881	21,881
-	-	424,775	424,775
-	-	899,589	899,589
\$ 511,539	(10,852,790)	899,589	(9,953,201)
	2,922,225	-	2,922,225
	4,074,076	-	4,074,076
	2,783,090	-	2,783,090
	312,468	-	312,468
	87,833	2,030	89,863
	71,571	193,046	264,617
	679,943	(679,943)	-
	10,931,206	(484,867)	10,446,339
	78,416	414,722	493,138
	42,773,259	24,134,394	66,907,653
\$ 42,851,675	\$ 42,851,675	\$ 24,549,116	\$ 67,400,791

**ROY CITY CORPORATION**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 4,785,564	\$ 1,070,243	\$ 898,396	\$ 6,754,203
Restricted cash:				
Class "C" roads	1,867,456	-	-	1,867,456
Accounts receivable, net	3,243,640	-	127,771	3,371,411
Inventory	93,671	1,704,999	-	1,798,670
Prepaid items	44,068	-	-	44,068
Total assets	<u>\$ 10,034,399</u>	<u>\$ 2,775,242</u>	<u>\$ 1,026,167</u>	<u>\$ 13,835,808</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 522,429	\$ 6,443	\$ 95,246	\$ 624,118
Accrued wages payable	332,389	-	-	332,389
Deferred revenue	2,476,557	43,075	-	2,519,632
Guarantee deposits	189,839	-	-	189,839
Advance from other funds	550,000	-	-	550,000
Total liabilities	<u>\$ 4,071,214</u>	<u>\$ 49,518</u>	<u>\$ 95,246</u>	<u>\$ 4,215,978</u>

**ROY CITY CORPORATION**  
**Balance Sheet, continued**  
**Governmental Funds**  
**June 30, 2012**

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	\$ 93,671	\$ 1,704,999	\$ -	\$ 1,798,670
Prepaid items	44,068	-	-	44,068
Restricted for:				
Class C roads	2,034,972	-	-	2,034,972
Committed for:				
Debt service	824,600	-	-	824,600
Assigned to:				
Encumbrances	18,232	-	-	18,232
Public safety	8,373	-	110,667	119,040
Storm sewer improvements	-	-	180,857	180,857
Park improvements	-	-	481,218	481,218
Cemetery	-	-	158,179	158,179
Redevelopment	-	1,020,725	-	1,020,725
Unassigned	2,939,269	-	-	2,939,269
Total fund balances	<u>5,963,185</u>	<u>2,725,724</u>	<u>930,921</u>	<u>9,619,830</u>
Total liabilities and fund balances	<u>\$ 10,034,399</u>	<u>\$ 2,775,242</u>	<u>\$ 1,026,167</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.	35,063,653
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,245,305)
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>413,497</u>
Net assets of governmental activities	<u>\$ 42,851,675</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, 2012**

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,298,457	\$ 480,934	\$ -	\$ 9,779,391
Payments in lieu of taxes	312,469	-	-	312,469
Licenses and permits	391,361	-	-	391,361
Intergovernmental	1,332,855	-	207,691	1,540,546
Charges for services	2,901,616	-	-	2,901,616
Impact fees	-	-	94,500	94,500
Fines and forfeitures	752,390	-	-	752,390
Investment earnings	77,500	7,571	2,762	87,833
Property rental	36,666	-	-	36,666
Management fee	117,911	-	-	117,911
Contributions and donations	200,000	-	-	200,000
Miscellaneous	26,311	-	8,594	34,905
Total revenues	<u>15,447,536</u>	<u>488,505</u>	<u>313,547</u>	<u>16,249,588</u>
Expenditures:				
Current:				
General government	3,190,479	336,612	-	3,527,091
Public safety	7,360,512	-	-	7,360,512
Public works	1,805,027	-	-	1,805,027
Parks and recreation	2,048,194	-	27,292	2,075,486
Debt service:				
Principal retirement	239,051	-	-	239,051
Interest and fiscal charges	55,660	-	-	55,660
Capital outlay	-	-	187,106	187,106
Total expenditures	<u>14,698,923</u>	<u>336,612</u>	<u>214,398</u>	<u>15,249,933</u>
Excess of revenues over expenditures	<u>\$ 748,613</u>	<u>\$ 151,893</u>	<u>\$ 99,149</u>	<u>\$ 999,655</u>

**ROY CITY CORPORATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances, continued**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	General	Special Revenue Funds Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Excess of revenues over expenditures	\$ 748,613	\$ 151,893	\$ 99,149	\$ 999,655
Other financing sources (uses):				
Sale of capital assets	35,160	-	-	35,160
Refunding bond proceeds	577,000	-	-	577,000
Payment to refunded bond escrow agent	(560,117)			(560,117)
Transfers in	-	-	97,025	97,025
Transfers out	(97,025)	-	-	(97,025)
Total other financing sources (uses)	(44,982)	-	97,025	52,043
Net change in fund balances	703,631	151,893	196,174	1,051,698
Fund balances - beginning of year	5,259,554	2,573,831	734,747	8,568,132
Fund balances - end of year	\$ 5,963,185	\$ 2,725,724	\$ 930,921	\$ 9,619,830

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, 2012**

---

Amounts reported for governmental activities in the statement of activities (page 36-37) are different because:

Net change in fund balances - total governmental funds (page 41)	\$ 1,051,698
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.	(1,350,813)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	94,144
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.	229,911
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.	54,051
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>(575)</u>
Change in net assets of governmental activities	<u><u>\$ 78,416</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive/(Negative)</u>
Revenues:				
Taxes:				
Property	\$ 2,446,244	\$ 2,464,918	\$ 2,441,291	\$ (23,627)
Sales	4,000,000	4,000,000	4,074,076	74,076
Telecom gross receipts	580,000	520,000	510,511	(9,489)
Franchise	1,878,343	1,933,343	1,952,583	19,240
Paramedic	320,000	320,000	319,996	(4)
Payments in lieu of taxes	340,000	310,000	312,469	2,469
Licenses and permits	266,900	272,900	391,361	118,461
Intergovernmental	1,164,694	1,272,342	1,332,855	60,513
Charges for services	2,629,402	2,696,443	2,901,616	205,173
Fines and forfeitures	787,000	784,000	752,390	(31,610)
Investment earnings	46,300	74,100	77,500	3,400
Property rental	35,000	40,000	36,666	(3,334)
Management fee	117,911	117,911	117,911	-
Contributions and donations	205,000	205,000	200,000	(5,000)
Miscellaneous	16,582	24,293	26,311	2,018
	<u>14,833,376</u>	<u>15,035,250</u>	<u>15,447,536</u>	<u>412,286</u>
Total revenues				
Expenditures:				
General government:				
Legislative	661,064	468,582	463,674	4,908
Legal	246,032	247,468	229,219	18,249
Community & economic development	482,841	446,382	432,723	13,659
Information technology	240,718	227,452	227,452	-
Justice court	322,817	330,977	300,798	30,179
Management services	545,488	559,794	552,108	7,686
Public buildings	606,943	752,612	744,510	8,102
Risk management	257,495	239,995	239,995	-
	<u>3,363,398</u>	<u>3,273,262</u>	<u>3,190,479</u>	<u>82,783</u>
Public safety:				
Fire	2,955,200	3,051,078	3,041,165	9,913
Police	4,217,910	4,433,997	4,318,522	115,475
	<u>7,173,110</u>	<u>7,485,075</u>	<u>7,359,687</u>	<u>125,388</u>

**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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Positive/(Negative)</b>
Public works:				
Administration	342,155	359,337	353,779	5,558
Class "C" roads	761,469	761,469	717,603	43,866
Fleet services	202,048	207,875	205,613	2,262
Streets	573,605	587,676	542,432	45,244
	<u>1,879,277</u>	<u>1,916,357</u>	<u>1,819,427</u>	<u>96,930</u>
Parks and recreation:				
Aquatic center	431,553	440,162	448,704	(8,542)
Parks and recreation	952,626	1,005,140	979,282	25,858
Recreation complex	606,094	621,902	622,880	(978)
	<u>1,990,273</u>	<u>2,067,204</u>	<u>2,050,866</u>	<u>16,338</u>
Debt service:				
Principal	242,051	239,051	239,051	-
Interest and fiscal charges	39,411	39,411	55,660	(16,249)
	<u>281,462</u>	<u>278,462</u>	<u>294,711</u>	<u>(16,249)</u>
Total expenditures	<u>14,687,520</u>	<u>15,020,360</u>	<u>14,715,170</u>	<u>305,190</u>
Excess of revenues over expenditures	<u>145,856</u>	<u>14,890</u>	<u>732,366</u>	<u>717,476</u>
Other financing sources (uses):				
Sale of capital assets	10,000	17,800	35,160	17,360
Refunding bond proceeds	-	-	577,000	577,000
Payment to refunding bond escrow agent			(560,117)	(560,117)
Transfers out	(105,025)	(97,025)	(97,025)	-
Total other financing sources (uses)	<u>(95,025)</u>	<u>(79,225)</u>	<u>(44,982)</u>	<u>34,243</u>
Net change in fund balance	50,831	(64,335)	687,384	751,719
Fund balance - beginning of year	<u>5,257,569</u>	<u>5,257,569</u>	<u>5,257,569</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,308,400</u>	<u>\$ 5,193,234</u>	<u>\$ 5,944,953</u>	<u>\$ 751,719</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Revenues:				
Property tax	\$ 476,000	\$ 476,000	\$ 480,934	\$ 4,934
Investment earnings	3,000	3,000	7,571	4,571
Total revenues	479,000	479,000	488,505	9,505
Expenditures:				
General government	1,330,586	1,330,586	336,612	993,974
Total expenditures	1,330,586	1,330,586	336,612	993,974
Net change in fund balance	(851,586)	(851,586)	151,893	1,003,479
Fund balance - beginning of year	2,573,831	2,573,831	2,573,831	-
Fund balance - end of year	<u>\$ 1,722,245</u>	<u>\$ 1,722,245</u>	<u>\$ 2,725,724</u>	<u>\$ 1,003,479</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, 2012**

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	Activities - Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash	\$ 2,263,696	\$ 698,046	\$ 1,565,558	\$ 4,527,300	\$ 510,443
Cash with fiscal agent	27,364	-	-	27,364	-
Investment in water stock	16,100	-	-	16,100	-
Accounts receivable - net of allowance for doubtful accounts	743,222	52,171	328,945	1,124,338	-
Inventory	224,499	24,326	885	249,710	-
Prepaid items	232,349	295	1,282	233,926	2,892
Total current assets	<u>3,507,230</u>	<u>774,838</u>	<u>1,896,670</u>	<u>6,178,738</u>	<u>513,335</u>
Noncurrent assets:					
Deferred charges	118,562	-	-	118,562	-
Advance to other fund	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>-</u>
Capital assets:					
Land	139,434	-	-	139,434	-
Buildings	9,339	-	-	9,339	-
Improvements other than buildings	30,212,895	2,554,882	-	32,767,777	-
Machinery and equipment	720,781	99,274	529,375	1,349,430	686,476
Automobiles and trucks	728,754	-	-	728,754	-
Construction in progress	855,706	132,141	-	987,847	-
Less accumulated depreciation	<u>(10,377,216)</u>	<u>(381,163)</u>	<u>(326,664)</u>	<u>(11,085,043)</u>	<u>(506,193)</u>
Total capital assets net of accumulated depreciation	<u>22,289,693</u>	<u>2,405,134</u>	<u>202,711</u>	<u>24,897,538</u>	<u>180,283</u>
Total noncurrent assets	<u>22,958,255</u>	<u>2,405,134</u>	<u>202,711</u>	<u>25,566,100</u>	<u>180,283</u>
Total assets	<u>26,465,485</u>	<u>3,179,972</u>	<u>2,099,381</u>	<u>31,744,838</u>	<u>693,618</u>

**ROY CITY CORPORATION**  
**Statement of Net Assets, continued**  
**Proprietary Funds**  
**June 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water &amp; Sewer Utility Fund</b>	<b>Storm Sewer Utility Fund</b>	<b>Solid Waste Utility Fund</b>	<b>Total</b>	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	351,428	91,677	114,640	557,745	8,388
Accrued wages	15,812	3,616	573	20,001	3,802
Compensated absences	11,428	2,440	-	13,868	737
Recaptured losses	-	-	-	-	52,651
Interest payable	78,423	-	-	78,423	-
Revenue bonds payable	300,356	-	-	300,356	-
Total current liabilities	757,447	97,733	115,213	970,393	65,578
Long-term liabilities, less current portion:					
Compensated absences	34,439	15,572	-	50,011	3,595
Recaptured losses	-	-	-	-	135,611
Revenue bonds payable	6,262,966	-	-	6,262,966	-
Total liabilities	7,054,852	113,305	115,213	7,283,370	204,784
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	15,726,371	2,405,134	202,711	18,334,216	180,283
Restricted for debt service	27,364	-	-	27,364	-
Unrestricted	3,656,898	661,533	1,781,457	6,099,888	308,551
Total net assets	<u>\$ 19,410,633</u>	<u>\$ 3,066,667</u>	<u>\$ 1,984,168</u>	24,461,468	<u>\$ 488,834</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>87,648</u>	
Net assets of business-type activities				<u><u>\$ 24,549,116</u></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, 2012**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water &amp; Sewer Utility Fund</b>	<b>Storm Sewer Utility Fund</b>	<b>Solid Waste Utility Fund</b>	<b>Total</b>	
Operating revenues:					
Charges for services	\$ 3,877,668	\$ 363,850	\$ 1,912,545	\$ 6,154,063	\$ 627,165
Other fees	897,758	-	-	897,758	-
Other income	187,765	-	5,281	193,046	-
Total operating revenue	<u>4,963,191</u>	<u>363,850</u>	<u>1,917,826</u>	<u>7,244,867</u>	<u>627,165</u>
Operating expenses:					
Personnel services	1,183,824	190,492	114,555	1,488,871	151,188
Contractual services	2,161,708	34,535	1,350,578	3,546,821	231,056
Materials and supplies	362,988	98,968	32,514	494,470	39,647
Other general costs of services	186,207	3,545	15,164	204,916	134,833
Depreciation	656,366	65,187	69,623	791,176	70,957
Total operating expenses	<u>4,551,093</u>	<u>392,727</u>	<u>1,582,434</u>	<u>6,526,254</u>	<u>627,681</u>
Operating income (loss)	<u>412,098</u>	<u>(28,877)</u>	<u>335,392</u>	<u>718,613</u>	<u>(516)</u>
Non-operating revenues/(expenses):					
Interest income	2,030	-	-	2,030	-
Interest expense	(276,771)	-	-	(276,771)	-
Gain/(loss) on sale of capital assets	(16,933)	-	-	(16,933)	(7,835)
Bond issue costs	(14,784)	(373)	-	(15,157)	-
Total non-operating revenues/(expenses)	<u>(306,458)</u>	<u>(373)</u>	<u>-</u>	<u>(306,831)</u>	<u>(7,835)</u>
Changes in net assets	105,640	(29,250)	335,392	411,782	(8,351)
Total net assets - beginning	<u>19,304,993</u>	<u>3,095,917</u>	<u>1,648,776</u>		<u>-</u>
Total net assets - ending	<u>\$ 19,410,633</u>	<u>\$ 3,066,667</u>	<u>\$ 1,984,168</u>		<u>\$ (8,351)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>2,940</u>	
Change in net assets of business-type activities				<u>\$ 414,722</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, 2012**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water &amp; Sewer Utility Fund</b>	<b>Storm Sewer Utility Fund</b>	<b>Solid Waste Utility Fund</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ 4,733,694	\$ 363,193	\$ 1,903,015	\$ 6,999,902	\$ -
Cash received from interfund activities	9,982	-	-	9,982	627,165
Other income	177,783	-	5,281	183,064	-
Payments to suppliers	(2,544,448)	(133,239)	(1,397,204)	(4,074,891)	(426,338)
Payments to employees	(1,187,214)	(191,822)	(114,588)	(1,493,624)	(149,903)
Payments for interfund services	(150,220)	-	(12,495)	(162,715)	-
Net cash provided by operating activities	<u>1,039,577</u>	<u>38,132</u>	<u>384,009</u>	<u>1,461,718</u>	<u>50,924</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(868,390)	(9,925)	(57,990)	(936,305)	(96,135)
Principal paid on bond	(295,000)	-	-	(295,000)	-
Interest paid on bond	(280,366)	-	-	(280,366)	-
Fiscal agent fees paid	(1,500)	-	-	(1,500)	-
Net cash used in capital and related financing activities	<u>(1,445,256)</u>	<u>(9,925)</u>	<u>(57,990)</u>	<u>(1,513,171)</u>	<u>(96,135)</u>
<b>Cash flows from investing activities:</b>					
Interest received	<u>2,030</u>	<u>-</u>	<u>-</u>	<u>2,030</u>	<u>-</u>
Net cash provided by investing activities	<u>2,030</u>	<u>-</u>	<u>-</u>	<u>2,030</u>	<u>-</u>
Net increase (decrease) in cash	(403,649)	28,207	326,019	(49,423)	(45,211)
Cash - beginning of year	<u>2,694,709</u>	<u>669,839</u>	<u>1,239,539</u>	<u>4,604,087</u>	<u>555,654</u>
Cash - end of year	<u>\$ 2,291,060</u>	<u>\$ 698,046</u>	<u>\$ 1,565,558</u>	<u>\$ 4,554,664</u>	<u>\$ 510,443</u>

**ROY CITY CORPORATION**  
**Statement of Cash Flows, continued**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water &amp; Sewer Utility Fund</b>	<b>Storm Sewer Utility Fund</b>	<b>Solid Waste Utility Fund</b>	<b>Total</b>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 412,098	\$ (28,877)	\$ 335,392	\$ 718,613	\$ (516)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	656,366	65,187	69,623	791,176	70,957
(Increase) decrease in accounts receivable	(27,818)	184	(4,080)	(31,714)	-
Increase (decrease) in allowance for uncollectible accounts	(5,959)	(568)	(3,214)	(9,741)	-
(Increase) decrease in inventory	2,466	2,869	(623)	4,712	-
(Increase) decrease in prepaid items	(6,081)	45	43	(5,993)	(1,366)
Increase (decrease) in accounts payable	11,895	623	(13,099)	(581)	(10,151)
Increase (decrease) in accrued wages	(1,588)	(410)	(33)	(2,031)	(418)
Increase (decrease) in compensated absences	(1,802)	(921)	-	(2,723)	1,702
Increase (decrease) in recaptured losses	-	-	-	-	(9,284)
Total adjustments	627,479	67,009	48,617	743,105	51,440
Net cash provided by operating activities	<u>\$ 1,039,577</u>	<u>\$ 38,132</u>	<u>\$ 384,009</u>	<u>\$ 1,461,718</u>	<u>\$ 50,924</u>
<b>Non-cash capital and related financing activities:</b>					
Purchase of equipment on account	\$ 6,526	\$ 87,583	\$ -		\$ 1,998
Total non-cash capital and related financing activities	<u>\$ 6,526</u>	<u>\$ 87,583</u>	<u>\$ -</u>		<u>\$ 1,998</u>

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, 2012**

---

**I. 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 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, 2012**

---

**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 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 and proprietary funds. 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

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, 2012**

---

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 *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.

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 providing administrative services for such funds. Elimination of these charges would distort the total costs and program revenues reported for the various functions concerned.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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.

**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 road funds are restricted for use in maintaining roads and streets throughout the City. The "revenue bond construction" account is used to report those proceeds that are restricted for use in construction.

**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.



**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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. Prepaids are also recorded as expenditures when consumed rather than when purchased.

**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.

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.

**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 \$1,500 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.

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:

<b>Asset Type</b>	<b>Years</b>
Wells	25
Reservoirs	40 – 50
Water distribution and sewer collection systems	50
Infrastructure	15 – 30
Vehicles	5 – 8
Equipment and machinery	5 – 30
Furniture and fixtures	5 – 10
Software	3 – 5

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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.

**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 (24 hour shift) accumulate 6.25 days 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.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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.

**Categories and Classification of Fund Balances**

The City has implemented GASB 54 which establishes components for fund balance classifications based primarily on the extent to which a government is bound to honor constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications under GASB 54 are non-spendable, restricted, committed, assigned, and unassigned.

*Non-spendable fund balance* includes amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted fund balance* includes amounts that are mandated for a specific purpose (e.g. Class C Road funds and grants) by external parties, constitutional provisions, or enabling legislation.

*Committed fund balance* includes amounts that are set aside for a specific purpose by a formal action of the City's highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally, such as a majority vote or resolution.

*Assigned fund balance* comprises amounts intended to be used by the City for specific purposes that are neither considered restricted or committed. Intent can be expressed by the City Council or the Management Services Director. The Management Services Director has been designated by resolution to assign fund balance.

*Unassigned fund balance* includes all amounts not contained in the previous four classifications. All funds in the category are considered spendable resources. This category provided the resources necessary to meet unexpected expenditures or revenue shortfalls.

See Note 5 for further details of the various fund balance classifications.

**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 results

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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) are to be used in governmental activities and 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	\$56,952,043
Accumulated depreciation	<u>(21,888,390)</u>
Total difference	<u><u>\$35,063,653</u></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, 2012 were:

Bonds payable	\$ 683,727
Deferred bond financing costs	(16,883)
Capital lease financing	150,600
URMMA recaptured losses	188,262
Compensated absences	<u>1,239,599</u>
Total difference	<u><u>\$2,245,305</u></u>

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, 2012 include:

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

Cash	\$510,443
Prepaid items	2,892
Accounts payable	(8,388)
Accrued wages payable	(3,802)
Interactivity payable	(87,648)
Total difference	<u>\$413,497</u>

**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	\$ 668,007
Depreciation expense	(2,018,820)
Total difference	<u>(\$1,350,813)</u>

Another element of the reconciliation is the net effect of various miscellaneous transactions involving capital assets. The detail of the \$94,144 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.

\$19,002

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.

75,142

Total difference \$94,144

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 \$229,911 difference is as follows:

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

Debt issued:	
Issuance of sales tax revenue refunding bonds	\$ 577,000
Deferred charges for issuance costs	(16,883)
Principal repayments:	
Sales tax revenue bonds	(94,000)
Accrued interest payable	(1,977)
Capital lease	(145,051)
Payment to escrow agent for refunding	(549,000)
Total difference	<u>(\$229,911)</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 \$54,051.

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 \$575 difference is as follows:

Change in net assets of the internal service funds	(\$8,351)
Add: Capital outlay shown as expenditure	10,716
Less: Profit from charges to business-type activities	(2,940)
Total difference	<u>(\$ 575)</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, 2012, there was \$467,447 in transfers requiring elimination.

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

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:

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

Interactivity receivable representing charges in excess of cost to business-type activities – prior years	\$84,708
Interactivity receivable representing charges in excess of cost to business-type activities – current year	<u>2,940</u>
Total difference	<u>\$87,648</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. 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 22<sup>nd</sup>, the budget is legally adopted by resolution for the following fiscal year which begins on July 1<sup>st</sup>. 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 17<sup>th</sup>. 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 was an increase in the general fund of \$324,840; decrease in the capital projects fund of \$8,000; decrease in the water and sewer utility fund of \$44,940; increase in the park development fund of \$57,200; decrease in the risk management fund of \$6,653; and decrease in the information technology fund of \$1,465.

The increase in the general fund was attributed to new grants, capital, projects, personnel changes, and variations in ongoing revenues. Adjustments to the budget were made in various categories including personnel for \$137,241; operations and maintenance for \$44,363; purchase and construction of capital assets of \$185,002; transfers to other funds for (\$38,766); and debt service of (\$3,000). In the general fund, revenue shortfalls exceeded the increase in appropriations. Available fund balance reserves of \$115,165 were used to make up the difference.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

The change in the capital projects fund was to reduce funding so that funds could be spent in the general fund for small capital items.

The decrease in the water and sewer utility and storm sewer utility was to reduce the overall budget. In looking at the debt ratio, it was determined that the budget should be reduced by \$35,000 to obtain a higher debt ratio. In addition, budgets for the risk management and information technology budgets were reduced, so \$9,940 less funding from the water and sewer utility enterprise fund was needed. The savings were used to offset amounts previously budgeted from retained earnings.

The increase in the park development was for park projects. \$23,200 of the projects was funded by increased revenue estimates. The remaining \$34,000 was drawn from fund balance reserves. The decrease in both risk management and information technology was to reduce the burden on the general fund and utility enterprise funds. Internal service fund funding was changed to draw from retained earnings for operations.

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 assigned fund balance 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.

	<b>General Fund</b>
Net change in fund balance (budget)	\$687,384
Beginning encumbrances	(1,985)
Ending encumbrances	18,232
Net change in fund balance (GAAP)	<u>\$703,631</u>
Fund balance (budget)	\$5,944,953
Ending encumbrances	18,232
Fund balance (GAAP)	<u><u>\$5,963,185</u></u>



**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

**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 15<sup>th</sup> with a lien date of January 1<sup>st</sup>. Taxes are due and payable on November 1<sup>st</sup> and delinquent after 12 o'clock noon on November 30<sup>th</sup> of each year. An accrual has been made for uncollected current and prior year's property taxes which remains outstanding at June 30<sup>th</sup>.

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 30<sup>th</sup>.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2012, expenditures exceeded appropriations in the Aquatic Center, Recreation Complex and Debt Service (the legal level of budgetary control) of the general fund by \$8,542, \$978, and \$16,249, respectively. The overages were funded by available and appropriable revenues received in excess of budget expectations.

**4. Detailed Notes for All Funds**

**Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in checking accounts as well as time deposits. Investments are stated at cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet which also includes accounts that are separately held by the City's component unit.

Deposits 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 UMMC"). The Act requires that City funds be deposited with a "qualified depository" which has been certified by the Utah State Commissioner of Financial Institutions as having met its Rule 11. Rule 11 established the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

Investments for the City are also governed by the Act and rules of the UMMC. In addition, the City has adopted its own written investment policy which allows for investments in the following: 1) Obligations of the U. S. Treasury including bills, notes, and bonds; 2) U. S. Government Agencies; 3) Banker's Acceptances which are eligible for discounts at a federal reserve bank and which have a remaining term to maturity of 270 days or less; 4) Commercial paper which is rated P-1 by Moody's Investors Services or Standard and Poor's, having a remaining term to maturity of 270 days or less; 5) Negotiable certificates of deposit having a term to maturity of 365 days or less and variable rate certificates maturing in two years or less re-priced semi-annually; 6) Repurchase agreements with qualified depositories or dealers certified by the Utah Money Management Council; 7) Municipal obligations which are of the State, incorporated city, town, school district, or other political subdivision; 8) The Utah State Treasurer's Investment Pool.

While the City's investment policy allows for a range of investments, at June 30, 2012 the only investment tool utilized is the Utah Public Treasurer's Investment Fund ("PTIF"), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and UMMC requirements. The PTIF is not registered with the SEC as an investment company and is not rated. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionately in any realized gains or losses on investments. The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. 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. As of June 30, 2012, the City and the Redevelopment Agency had \$12,311,329 and \$1,065,673, respectively, invested directly with the PTIF. Amounts invested with the PTIF are reported at cost which does not materially differ from fair value.

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 which matches anticipated cash flows. The City will structure its investment portfolio so that maturity dates are staggered to meet cash requirements of ongoing operations, thereby avoiding the need to sell securities prior to maturity.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to pay interest or principal. The City minimizes credit risk by limiting investments to securities rated A1/P1/First Tier by two nationally recognized rating agencies, one of which must be Moody's or Standard and Poor's. Risk is also minimized by using financial institutions certified by the UMMC.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

*Concentration of credit risk* is the risk of loss attributed to the magnitude of the City's investments in a single issuer. At June 30, 2012 the City's cash and investments in the PTIF and qualified institutions is 97.93% and 2.07%, respectively.

*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, 2012, \$28,569 of the City's bank balance of \$278,569 was uninsured and uncollateralized. For the Redevelopment Agency, all of its \$4,570 was insured within FDIC limits.

*Custodial credit risk for investments* is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investment. Investments in the PTIF by the City and Redevelopment Agency are exposed to custodial credit risk.

**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	Park Development Fund	Water and Sewer Utility Enterprise Fund	Storm Sewer Utility Enterprise Fund	Solid Waste Utility Enterprise Fund	Total
Taxes	\$2,246,301	\$ -	\$ -	\$ -	\$ -	\$2,246,301
Ambulance	1,484,978	-	-	-	-	1,484,978
Utilities	-	-	790,662	55,501	349,941	1,196,104
Special assessments	18,347	-	-	-	-	18,347
Intergovernmental	232,888	127,771	-	-	-	360,659
Other	348,320	-	-	-	-	348,320
Gross receivables	4,330,834	127,771	790,662	55,501	349,941	5,654,709
Less: allowance for uncollectible accounts	(1,087,194)	-	(47,440)	(3,330)	(20,996)	(1,158,960)
Net total receivables	<u>\$3,243,640</u>	<u>\$127,771</u>	<u>\$743,222</u>	<u>\$52,171</u>	<u>\$328,945</u>	<u>\$4,495,749</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.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

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:

	Unavailable	Unearned
Property taxes levied not yet due	\$2,246,301	\$2,246,301
Property taxes received not yet due	-	264,531
Fees received for future services	-	8,000
Special assessment levied	800	800
	<u>\$2,247,101</u>	<u>\$2,519,632</u>

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**

Capital asset activity for the year ended June 30, 2012 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	180,316	171,092	(123,288)	228,120
Total capital assets not being depreciated	<u>3,352,049</u>	<u>171,092</u>	<u>(123,288)</u>	<u>3,399,853</u>
Capital assets being depreciated:				
Buildings	11,690,154	-	-	11,690,154
Improvements other than buildings	31,780,269	214,607	-	31,994,876
Machinery and equipment	4,157,599	201,224	(129,219)	4,229,604
Automobiles and trucks	5,764,544	464,325	(591,313)	5,637,556
Total capital assets being depreciated	<u>53,392,566</u>	<u>880,156</u>	<u>(720,532)</u>	<u>53,552,190</u>
Less accumulated depreciation for:				
Buildings	(3,437,209)	(281,635)	-	(3,718,844)
Improvements other than buildings	(9,486,939)	(1,111,886)	-	(10,598,825)
Machinery and equipment	(3,083,895)	(302,576)	118,620	(3,267,851)
Automobiles and trucks	(4,432,317)	(393,679)	523,126	(4,302,870)
Total accumulated depreciation	<u>(20,440,360)</u>	<u>(2,089,776)</u>	<u>641,746</u>	<u>(21,888,390)</u>
Total capital assets being depreciated, net	<u>32,952,206</u>	<u>(1,209,620)</u>	<u>(78,786)</u>	<u>31,663,800</u>
Governmental activities capital assets, net	<u>\$36,304,255</u>	<u>(\$1,038,528)</u>	<u>(\$202,074)</u>	<u>\$35,063,653</u>

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 8,500	\$ 130,934	-	\$ 139,434
Construction in progress	3,700,490	664,303	(3,376,946)	987,847
Total capital assets not being depreciated	3,708,990	795,237	(3,376,946)	1,127,281
Capital assets being depreciated:				
Buildings	9,339	-	-	9,339
Improvements other than buildings	29,409,879	3,357,898	-	32,767,777
Machinery and equipment	1,257,579	92,712	( 861)	1,349,430
Automobiles and trucks	700,750	51,233	(23,229)	728,754
Total capital assets being depreciated	31,377,547	3,501,843	(24,090)	34,855,300
Less accumulated depreciation for:				
Buildings	(2,359)	( 235)	-	(2,594)
Improvements other than buildings	(8,812,866)	(614,548)	-	(9,427,414)
Machinery and equipment	(634,646)	(78,003)	488	(712,161)
Automobiles and trucks	(867,712)	(98,390)	23,228	(942,874)
Total accumulated depreciation	(10,317,583)	(791,176)	23,716	(11,085,043)
Total capital assets being depreciated, net	21,059,964	2,710,667	( 374)	23,770,257
Business-type activities capital assets, net	\$24,768,954	\$3,505,904	(\$3,377,320)	\$24,897,538

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

Governmental activities:	
General government	\$ 242,115
Public safety	370,577
Public works, including depreciation of general infrastructure assets	913,085
Parks and recreation	493,043
Information technology	70,956
Total depreciation expense – governmental activities	<u>\$2,089,776</u>
Business-type activities:	
Water and sewer utility enterprise	\$656,366
Storm water utility enterprise	65,187
Solid waste utility enterprise	69,623
Total depreciation expense – business-type activities	<u>\$791,176</u>

**Inter-fund Receivables, Payables, and Transfers**

The composition of internal balances as of June 30, 2012, is as follows:

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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
Fire & Rescue facilities and equipment – capital projects fund	General	\$ 33,500
Parks and recreational facilities improvements – capital projects fund	General	63,525
General fund	Water and sewer utility fund	534,468
General fund	Storm water utility fund	51,132
General fund	Solid waste utility fund	94,343
Water and sewer utility fund	Solid waste utility fund	9,982
		<u>\$786,950</u>

**Construction Commitments**

The City has active construction projects as of June 30, 2012. The projects include infrastructure construction, improvements, and maintenance. At year-end the City's commitments with contractors are as follows:

Project:	
4300 West Storm Drain	<u>\$222,261</u>
Total	<u>\$222,261</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:

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

Asset:	
Pierce 105' Heavy Duty Aerial Truck	\$630,661
Pierce 1500 GPM Enforcer Pumper Truck	312,901
	<u>943,562</u>
Less: accumulated depreciation	(471,826)
Total	<u>\$471,736</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

<u>Year ending June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Lease Payments</u>
2013	\$4,294	\$150,600	<u>\$154,894</u>
Total minimum lease payments			154,894
Less: amount representing interest			<u>(4,294)</u>
Present value of future minimum lease payments			<u>\$150,600</u>

**Long-Term Liabilities and 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. 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.

Principal payments are due annually in October. The Series 2007 bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount and accrued interest to the redemption date. Interest on the bonds is 4.05% with payments due semi-annually in April and October. The City has exercised the early redemption option by issuing Series 2012 sales tax revenue refunding bonds. The refunding bonds do not include the current portion of the sales tax revenue bonds. The remaining debt service, \$98,964, on the bonds is due on October 1, 2012 and includes principal and interest of \$97,000 and \$1,964 respectively.

**Sales Tax Revenue Refunding Bonds**

In June 2012, the City issued \$577,000 of sales tax revenue refunding bonds for the purpose of refunding a portion of the City's outstanding sales tax revenue bonds and paying costs of issuance of the refunding bonds.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

The refunding was done to achieve a debt service savings. Proceeds from the Series 2012 refunding bonds will be used to repay the long-term portion of the Series 2007 sales tax revenue bonds. The current portion, \$97,000, will be paid by the City according to the original bond agreement. The bonds were sold at par, carry interest at various rates, 1.4%-2.0%, and mature on October 1, 2017.

Annual debt service for the sales tax revenue refunding bonds is as follows:

<b>Year ending June 30</b>	<b>Interest</b>	<b>Principal Amount</b>	<b>Total Debt Service</b>
2013	\$ 7,757	\$ 12,000	\$ 19,757
2014	9,096	109,000	118,096
2015	7,391	111,000	118,391
2016	5,514	113,000	118,514
2017	3,432	115,000	118,432
2018	1,170	117,000	118,170
	<u>\$34,360</u>	<u>\$577,000</u>	<u>\$611,360</u>

The refunding and defeasance of Series 2007 bonds will be accomplished by depositing the net proceeds \$560,117 (\$577,000 less costs of issuance of \$16,883) with an escrow agent to pay the principal and interest on and to otherwise redeem the refunded bonds. The City reduced its debt service payments by \$17,283 and obtained an economic gain of \$16,112. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The Series 2012 refunding bonds are subject to optional redemption prior to maturity on any interest payment date, at the option of the City, in whole or in part.

**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 2008 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.

The bonds bear interest at various 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.



**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

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

<b>Year ending June 30</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Debt Service</b>
2013	\$ 269,302	\$ 300,000	\$ 569,302
2014	258,052	315,000	573,052
2015	246,240	325,000	571,240
2016	233,240	340,000	573,240
2017	219,640	350,000	569,640
2018-2022	875,800	1,980,000	2,855,800
2023-2027	435,945	2,405,000	2,840,945
2028	23,707	545,000	568,707
	<u>\$2,561,926</u>	<u>\$6,560,000</u>	<u>\$9,121,926</u>

The Series 2008 bonds maturing on March 15, 2028 are subject to mandatory sinking fund redemption. The redemption price is 100% of the principal amount and accrued interest to the redemption date. The principal amounts and dates due are \$520,000 due March 15, 2027, and \$545,000 due March 15, 2028.

**Changes in Long-term Liabilities**

During the year ended June 30, 2012, the following activity occurred in liabilities reported as long-term:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
Capital lease	\$ 295,651	\$ -	(\$145,051)	\$ 150,600	\$150,600
Bonds payable	740,000	577,000	(643,000)	674,000	109,000
Recaptured losses	197,546	72,005	(81,289)	188,262	66,347
Compensated absences	1,291,948	718,672	(771,021)	1,239,599	130,154
Governmental activity					
Long-term liabilities	<u>\$2,525,145</u>	<u>\$1,367,677</u>	<u>(\$1,640,361)</u>	<u>\$2,252,461</u>	<u>\$456,101</u>
Business-type activities:					
Bonds payable	\$6,858,694	\$ -	(\$295,372)	\$6,563,322	\$300,356
Compensated absences	66,602	53,603	(56,326)	63,879	13,867
Business-type activity					
Long-term liabilities	<u>\$6,925,296</u>	<u>\$53,603</u>	<u>(\$351,698)</u>	<u>\$6,627,201</u>	<u>\$314,223</u>

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, \$188,262 of internal service funds

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

recaptured losses and \$4,332 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**

**Fund Balances**

The City is required to restrict part of its fund balance to account for the extent to which it is bound to honor constraints on the specific purpose of funds. The non-spendable and restricted balances are presented in the statement of net assets and the balance sheet of governmental fund and consist of inventory, prepaid items, and Class C Road funds.

Fund balances that are not restricted are categorized as committed, assigned, or unassigned. It is the City Council's intent to commit an amount equal to the unpaid portion of general obligation debt. At June 30, 2012, committed fund balance includes:

	<b>General Fund</b>
Debt service:	
Capital lease	\$150,600
Series 2007 sales tax revenue bonds	97,000
Series 2012 sales tax revenue refunding bonds	577,000
Total designated fund balance	<u>\$824,600</u>

The Management Services Director has been delegated the authority to assign amounts, which are neither restricted nor committed, to be used for specific purposes. At June 30, 2012 the City had assigned fund balance as follows:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Park Development Fund</b>	<b>Storm Sewer Development Fund</b>	<b>Cemetery Fund</b>	<b>RDA</b>
Governmental activities:						
Encumbrances	\$ 3,832	\$ -	\$ -	\$ -	\$ -	\$ -
Traffic school	7,530	-	-	-	-	-
Police forfeitures	843	-	-	-	-	-
Recreational facilities	-	230,755	250,463	-	-	-
Fire apparatus	-	110,667	-	-	-	-
Storm sewer	-	-	-	180,857	-	-
Cemetery	-	-	-	-	158,179	-
Redevelopment	-	-	-	-	-	1,020,725
	<u>\$12,205</u>	<u>\$341,422</u>	<u>\$250,463</u>	<u>\$180,857</u>	<u>\$158,179</u>	<u>\$1,020,725</u>

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

- ❖ *Encumbrances* represent purchase commitments which were not completed by year end.
- ❖ *Traffic school* represents residual funds acquired from traffic school and set aside for police equipment purchases.
- ❖ *Police forfeitures* represent residual funds acquired from the sale of police evidence and set aside for police purchases.
- ❖ *Recreational facilities* are funds set aside for improvements to or construction of parks and recreational facilities. Assignments under the capital project fund are annual transfers from the general fund. Park development funds are acquired from a fee charged on building permits.
- ❖ *Fire apparatus* are funds set aside for the purchase of fire trucks and ambulances and acquired through a transfer from the general fund.
- ❖ *Storm sewer* is funds set aside to improve or construct storm sewer infrastructure. Storm sewer development funds are acquired from a fee charged on building permits.
- ❖ *Cemetery* is funds set aside to expand the City cemetery and acquired through the sale of cemetery plots.
- ❖ *Redevelopment* is property tax assessments acquired by the Redevelopment Agency for redevelopment of specific areas of the City.

When both restricted and non-restricted funds are available for expenditure, the City will start with the most restricted category and spend those funds first. Similarly, when an expenditure is incurred for amounts in any of the unrestricted classifications of fund balance, the City will reduce committed amounts first, followed by assigned and then unassigned amounts.

The City has a minimum fund balance policy in the general fund of no less than 8% of budget revenue. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level.

### **Employee Retirement Systems and Pension Plans**

#### **Pension Plan**

*Plan Description.* The City contributes to the Local Government Contributory Retirement System Tier I and Tier 2 and Local Governmental Non-contributory Retirement System, Public Safety Non-contributory Retirement System Tier 1 and Contributory Tier 2 for employers with social security coverage, and Firefighters Retirement System Tier 1 and Tier 2 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.

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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). The seven members are appointed by the Governor and include the State Treasurer. Authority to establish and amend the plans provisions and contribution requirement lies with the Utah State Legislature. The Systems issue a publicly available financial report that includes 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 may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102-2099 or by calling 1-800-365-8772.

*Funding Policy.* For the fiscal year 2011-2012, plan members in the Local Governmental Contributory Retirement System Tier 1 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 9.76% of the employee's annual covered salary. In the Local Government Contributory Retirement System Tier 2, there are no employee contributions and the City contributes 10.33% of eligible salary. In the Local Governmental Non-contributory Retirement System, the City is required to contribute 13.77% of the employee's annual covered salary. In the Public Safety Retirement System Non-contributory Division, the City is required to contribute 28.82% of the employee's annual salary and for the Contributory Division contributions are 17.18%. In the Firefighters Retirement System Tier 1 for employers with social security coverage, plan members are required to contribute 15.05% of their annual covered salary, 1.23% of which is paid by the employee and 13.82% which is paid by the City for the employee. The City is also required to contribute .5% of the employee's annual covered salary. For the Firefighters Retirement System Tier 2 for employers with social security coverage, the City is required to contribute 10.64% of eligible salary. 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 Tier 1 and Tier 2 for the years ending June 30, 2012, 2011, and 2010 were \$16,830, \$10,008, and \$9,189, respectively, and for the Non-contributory Retirement System the contributions for June 30, 2012, 2011, and 2010 were \$448,415, \$402,630, and \$357,753, respectively. City contributions for the Public Safety Contributory and Non-contributory Retirement System for June 30, 2012, 2011, and 2010 were \$526,945, \$506,967, and \$446,259, respectively, and for the Firefighters Retirement System the contributions for June 30, 2012, 2011, and 2010, were \$193,064, \$191,582, and \$175,947. 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

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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 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, 16.46% for police officers, 17.64% for firefighters, and 20.64% for administrative participants, minus the City's contribution to the Utah State Retirement System on behalf of the participant for the plan year. 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. Authority to establish and amend the provisions and contribution requirements lies with the Roy City Council.

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 \$8,249,032 and eligible payroll under this plan was \$7,166,501 for the same period. At June 30, 2012 total plan assets were \$5,789,996. Total contribution requirements were \$165,035, or 2.85% 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 \$117,911 for FY 2012. Financial information relating to the project areas for the fiscal year ending June 30, 2012 is as follows:

	<b>Project Area #2</b>	<b>Project Area #3</b>	<b>Project Area #4</b>
Tax increment collected	\$325,627	\$ 55,307	\$100,000
Amount expended for:			
Administrative costs	122,237	-	5,000
Redevelopment activities	190,351	-	5,000

**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-

**ROY CITY CORPORATION**  
**Notes to the Financial Statements, Continued**  
**June 30, 2012**

---

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, 2012 and 2011, 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, 2012, 2011, and 2010, there were no reductions in insurance coverage and no settlements exceeded insurance coverage. Net assets of the fund are intended for funding future losses and totaled \$86,909 at June 30, 2012.

**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, 2012, 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.

*(This page is intentionally left blank.)*

## **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.

*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, 2012**

	Special Revenue Funds			
	Storm Sewer Development	Park Development	Cemetery	Total
<b>ASSETS</b>				
Cash	\$ 268,440	\$ 123,230	\$ 158,179	\$ 549,849
Accounts receivable	-	127,771	-	127,771
Total assets	<u>\$ 268,440</u>	<u>\$ 251,001</u>	<u>\$ 158,179</u>	<u>\$ 677,620</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 87,583	\$ 538	\$ -	\$ 88,121
Total liabilities	<u>87,583</u>	<u>538</u>	<u>-</u>	<u>88,121</u>
<b>FUND BALANCES</b>				
Unrestricted, unassigned	180,857	250,463	158,179	589,499
Total fund balances	<u>180,857</u>	<u>250,463</u>	<u>158,179</u>	<u>589,499</u>
Total liabilities and fund balances	<u>\$ 268,440</u>	<u>\$ 251,001</u>	<u>\$ 158,179</u>	<u>\$ 677,620</u>

Capital Projects Funds			Total
Fire & Rescue Facilities and Equipment	Recreational Facilities Improvements	Total	Non-Major Governmental Funds
\$ 110,667	\$ 237,880	\$ 348,547	\$ 898,396
-	-	-	127,771
<u>\$ 110,667</u>	<u>\$ 237,880</u>	<u>\$ 348,547</u>	<u>\$ 1,026,167</u>
\$ -	\$ 7,125	\$ 7,125	\$ 95,246
-	7,125	7,125	95,246
\$ 110,667	\$ 230,755	\$ 341,422	\$ 930,921
110,667	230,755	341,422	930,921
<u>\$ 110,667</u>	<u>\$ 237,880</u>	<u>\$ 348,547</u>	<u>\$ 1,026,167</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, 2012**

	Special Revenue Funds			
	Storm Sewer Development	Park Development	Cemetery	Total
Revenues:				
Impact fees	\$ 40,500	\$ 54,000	\$ -	\$ 94,500
Intergovernmental	-	207,691	-	207,691
Investment earnings	1,800	962	-	2,762
Miscellaneous	-	-	8,594	8,594
Total revenues	42,300	262,653	8,594	313,547
Expenditures:				
Maintenance	-	27,292	-	27,292
Capital outlay	96,447	53,724	-	150,171
Total expenditures	96,447	81,016	-	177,463
Excess (deficiency) of revenues over (under) expenditures	(54,147)	181,637	8,594	136,084
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	(54,147)	181,637	8,594	136,084
Fund balance - beginning of year	235,004	68,826	149,585	453,415
Fund balance - end of year	\$ 180,857	\$ 250,463	\$ 158,179	\$ 589,499

Capital Projects Funds			Total
Fire & Rescue Facilities and Equipment	Recreational Facilities Improvements	Total	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 94,500
-	-	-	207,691
-	-	-	2,762
-	-	-	8,594
-	-	-	313,547
-	-	-	27,292
-	36,935	36,935	187,106
-	36,935	36,935	214,398
-	(36,935)	(36,935)	99,149
33,500	63,525	97,025	97,025
33,500	63,525	97,025	97,025
33,500	26,590	60,090	196,174
77,167	204,165	281,332	734,747
<u>\$ 110,667</u>	<u>\$ 230,755</u>	<u>\$ 341,422</u>	<u>\$ 930,921</u>

**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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Revenues:				
Impact fees	\$ 40,000	\$ 40,000	\$ 40,500	\$ 500
Investment earnings	750	1,750	1,800	50
Total revenues	40,750	41,750	42,300	550
Expenditures:				
Capital outlay	200,000	200,000	96,447	103,553
Total expenditures	200,000	200,000	96,447	103,553
Excess of revenues over expenditures	(159,250)	(158,250)	(54,147)	104,103
Fund balance - beginning of year	235,004	235,004	235,004	-
Fund balance - end of year	\$ 75,754	\$ 76,754	\$ 180,857	\$ 104,103

**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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Revenues:				
Impact fees	\$ 30,000	\$ 53,000	\$ 54,000	\$ 1,000
Intergovernmental	44,000	44,200	207,691	163,491
Investment earnings	500	500	962	462
Total revenues	74,500	97,700	262,653	164,953
Expenditures:				
Maintenance	-	21,200	27,292	(6,092)
Capital outlay	44,000	80,000	53,724	26,276
Total expenditures	44,000	101,200	81,016	20,184
Excess (deficiency) of revenues over (under) expenditures	30,500	(3,500)	181,637	185,137
Fund balance - beginning of year	68,826	68,826	68,826	-
Fund balance - end of year	\$ 99,326	\$ 65,326	\$ 250,463	\$ 185,137

**ROY CITY CORPORATION**  
**Cemetery Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Revenues:				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 8,594	\$ 594
Total revenues	8,000	8,000	8,594	594
Net change in fund balance	8,000	8,000	8,594	594
Fund balance - beginning of year	149,585	149,585	149,585	-
Fund balance - end of year	\$ 157,585	\$ 157,585	\$ 158,179	\$ 594

**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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Other financing sources:				
Transfers in	\$ 33,500	\$ 33,500	\$ 33,500	\$ -
Total other financing sources	33,500	33,500	33,500	-
Net change in fund balance	33,500	33,500	33,500	-
Fund balance - beginning of year	77,167	77,167	77,167	-
Fund balance - end of year	<u>\$ 110,667</u>	<u>\$ 110,667</u>	<u>\$ 110,667</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Expenditures:				
Capital outlay	\$ 179,000	\$ 179,000	\$ 36,935	\$ 142,065
Total expenditures	179,000	179,000	36,935	142,065
Deficiency of expenditures over revenues	(179,000)	(179,000)	(36,935)	142,065
Other financing sources:				
Operating transfers in	\$ 71,525	\$ 63,525	\$ 63,525	\$ -
Total other financing sources	71,525	63,525	63,525	-
Net change in fund balance	(107,475)	(115,475)	26,590	(142,065)
Fund balance - beginning of year	204,165	204,165	204,165	-
Fund balance - end of year	\$ 96,690	\$ 88,690	\$ 230,755	\$ (142,065)

## 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, 2012**

	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 232,570	\$ 277,873	\$ 510,443
Prepays	1,353	1,539	2,892
Total current assets	<u>233,923</u>	<u>279,412</u>	<u>513,335</u>
Noncurrent assets:			
Capital assets:			
Computer hardware	500,647	-	500,647
Software	185,829	-	185,829
Less accumulated depreciation	<u>(506,193)</u>	<u>-</u>	<u>(506,193)</u>
Total capital assets net of accumulated depr'n	<u>180,283</u>	<u>-</u>	<u>180,283</u>
Total assets	<u>414,206</u>	<u>279,412</u>	<u>693,618</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,147	4,241	8,388
Accrued wages	3,802	-	3,802
Compensated absences	737	-	737
Recaptured losses	<u>-</u>	<u>66,347</u>	<u>66,347</u>
Total current liabilities	<u>8,686</u>	<u>70,588</u>	<u>79,274</u>
Noncurrent liabilities:			
Compensated absences	3,595	-	3,595
Recaptured losses, less current portion	<u>-</u>	<u>121,915</u>	<u>121,915</u>
Total liabilities	<u>12,281</u>	<u>192,503</u>	<u>204,784</u>
NET ASSETS			
Invested in capital assets	180,283	-	180,283
Unrestricted	<u>221,642</u>	<u>86,909</u>	<u>308,551</u>
Total net assets	<u><u>\$ 401,925</u></u>	<u><u>\$ 86,909</u></u>	<u><u>\$ 488,834</u></u>

**ROY CITY CORPORATION**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total</u>
Operating revenue:			
Charges for services	\$ 284,315	\$ 342,850	\$ 627,165
Total operating revenue	<u>284,315</u>	<u>342,850</u>	<u>627,165</u>
Operating expenses:			
Personnel services	151,188	-	151,188
Contractual services	41,106	-	41,106
Materials and supplies	36,606	3,042	39,648
Insurance	-	189,950	189,950
Other general costs of services	1,669	133,164	134,833
Depreciation	<u>70,956</u>	<u>-</u>	<u>70,956</u>
Total operating expenses	<u>301,525</u>	<u>326,156</u>	<u>627,681</u>
Operating income (loss)	<u>(17,210)</u>	<u>16,694</u>	<u>(516)</u>
Non-operating expenses:			
Loss on sale of capital assets	<u>(7,835)</u>	<u>-</u>	<u>(7,835)</u>
Total non-operating expenses	<u>(7,835)</u>	<u>-</u>	<u>(7,835)</u>
Change in net assets	(25,045)	16,694	(8,351)
Total net assets - beginning	<u>426,970</u>	<u>70,215</u>	<u>497,185</u>
Total net assets - ending	<u><u>\$ 401,925</u></u>	<u><u>\$ 86,909</u></u>	<u><u>\$ 488,834</u></u>

**ROY CITY CORPORATION**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

	Information Technology	Risk Management	Total
<b>Cash flows from operating activities:</b>			
Cash received from interfund services provided	\$ 284,315	\$ 342,850	\$ 627,165
Payments to suppliers	(83,100)	(343,238)	(426,338)
Payments to employees	(149,903)	-	(149,903)
Net cash provided (used) by operating activities	51,312	(388)	50,924
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(96,135)	-	(96,135)
Net cash used in capital and related financing activities	(96,135)	-	(96,135)
Net increase (decrease) in cash	(44,823)	(388)	(45,211)
Cash - beginning of year	277,393	278,261	555,654
Cash - end of year	\$ 232,570	\$ 277,873	\$ 510,443
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (17,210)	\$ 16,694	\$ (516)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	70,957	-	70,957
(Increase) decrease in prepaid items	(1,353)	(13)	(1,366)
Increase (decrease) in accounts payable	(2,366)	(7,785)	(10,151)
Increase (decrease) in accrued wages	(418)	-	(418)
Increase (decrease) in compensated absences	1,702	-	1,702
Increase (decrease) in recaptured losses	-	(9,284)	(9,284)
Total adjustments	68,522	(17,082)	51,440
Net cash provided (used) by operating activities	\$ 51,312	\$ (388)	\$ 50,924

**ROY CITY CORPORATION**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total</u>
<b>Non-cash capital and related financing activities:</b>			
Purchase of equipment on account	\$ 1,998	\$ -	\$ 1,998
Total non-cash capital and related financing activities	<u>\$ 1,998</u>	<u>\$ -</u>	<u>\$ 1,998</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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets:		
Land	\$ 3,171,733	\$ 3,171,733
Buildings	11,690,154	11,690,154
Improvements other than buildings	31,994,876	31,780,269
Machinery and equipment	3,557,527	3,491,063
Vehicles	5,637,557	5,746,304
Construction in progress	228,120	180,316
Total governmental funds capital assets	<u>\$ 56,279,967</u>	<u>\$ 56,059,839</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 26,139,225	\$ 26,165,135
Capital projects fund	14,811,904	14,774,969
Special revenue funds	6,987,983	6,854,022
Donations	8,340,855	8,265,713
Total governmental funds capital assets	<u>\$ 56,279,967</u>	<u>\$ 56,059,839</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, 2012**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements other than Buildings</b>	<b>Machinery and Equipment</b>	<b>Vehicles</b>	<b>Construction in Progress</b>	<b>Total</b>
General government:							
Legislative	\$ 414,713	\$ -	\$ -	\$ 25,550	\$ 32,931	\$ -	\$ 473,194
Legal & risk management	-	-	-	6,646	-	-	6,646
Justice court	-	-	-	35,064	-	-	35,064
Economic development	-	-	-	28,336	43,182	-	71,518
Management services	-	-	-	45,267	-	-	45,267
Public buildings	-	8,988,009	101,986	248,201	158,185	-	9,496,381
Total general government	414,713	8,988,009	101,986	389,064	234,298	-	10,128,070
Public safety:							
Animal control	-	-	-	3,484	16,325	-	19,809
Fire	69,417	938,782	8,685	603,761	1,850,173	-	3,470,818
Police	-	-	-	273,385	1,263,505	-	1,536,890
Total public safety	69,417	938,782	8,685	880,630	3,130,003	-	5,027,517
Public works:							
Administration	185,268	-	13,703	30,991	42,854	-	272,816
Class "C" roads	-	227,426	7,861,424	485,850	1,595,183	-	10,169,883
Fleet services	-	-	-	82,426	69,390	-	151,816
Streets	334,914	2,275	14,795,954	692,498	129,428	96,448	16,051,517
Total public works	520,182	229,701	22,671,081	1,291,765	1,836,855	96,448	26,646,032
Parks and recreation:							
Aquatic center	963,941	-	4,467,048	286,750	-	-	5,717,739
Beautification	-	-	-	10,845	-	-	10,845
Parks	1,203,480	174,931	4,569,796	362,235	294,386	131,672	6,736,500
Recreation	-	471,596	20,522	103,402	84,073	-	679,593
Recreation complex	-	887,135	155,758	232,836	57,942	-	1,333,671
Total parks and recreation	2,167,421	1,533,662	9,213,124	996,068	436,401	131,672	14,478,348
Total governmental funds capital assets	<u>\$ 3,171,733</u>	<u>\$ 11,690,154</u>	<u>\$ 31,994,876</u>	<u>\$ 3,557,527</u>	<u>\$ 5,637,557</u>	<u>\$ 228,120</u>	<u>\$ 56,279,967</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, 2012**

Function and Activity	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
General government:				
Legislative	\$ 474,187	\$ 32,931	\$ (33,924)	\$ 473,194
Legal & risk management	23,218	10,716	(27,288)	6,646
Justice court	31,644	3,420	-	35,064
Economic development	71,518	-	-	71,518
Management services	45,267	-	-	45,267
Public buildings	9,493,451	2,930	-	9,496,381
Total general government	10,139,285	49,997	(61,212)	10,128,070
Public safety:				
Animal control	19,809	-	-	19,809
Fire	3,460,454	46,959	(36,595)	3,470,818
Police	1,515,913	366,352	(345,375)	1,536,890
Total public safety	4,996,176	413,311	(381,970)	5,027,517
Public works:				
Administration	245,770	27,046	-	272,816
Class "C" roads	10,233,504	151,725	(215,346)	10,169,883
Fleet services	183,035	-	(31,219)	151,816
Streets	15,887,449	172,742	(8,674)	16,051,517
Total public works	26,549,758	351,513	(255,239)	26,646,032
Parks and recreation:				
Aquatic center	5,712,169	5,570	-	5,717,739
Beautification	10,845	-	-	10,845
Parks	6,633,486	103,014	-	6,736,500
Recreation	727,190	-	(47,597)	679,593
Recreation complex	1,290,930	43,702	(961)	1,333,671
Total parks and recreation	14,374,620	152,286	(48,558)	14,478,348
Total governmental funds capital assets	\$ 56,059,839	\$ 967,107	\$ (746,979)	\$ 56,279,967

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	99
<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>	
REVENUE CAPACITY	111
<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>	
DEBT CAPACITY	117
<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>	
DEMOGRAPHICS AND ECONOMIC INFORMATION	121
<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>	
OPERATING INFORMATION	123
<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>	

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 Ten Fiscal Years

---

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Taxes</b>	<b>Unrestricted Investment Earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
2011-12	\$ 10,511,746	\$ 1,304,150	\$ 511,539	\$ 10,091,859	\$ 89,863	\$ 264,617	\$ 22,773,774
2010-11	10,268,538	1,200,056	2,873,376	9,832,536	69,702	68,559	24,312,767
2009-10	10,239,629	1,148,158	2,098,255	9,680,936	91,936	65,536	23,324,450
2008-09	9,653,597	2,169,821	1,166,628	10,008,970	358,593	46,875	23,404,484
2007-08	9,135,184	1,498,917	1,672,163	10,521,910	568,450	35,917	23,432,541
2006-07	8,788,560	1,293,113	45,148	10,451,169	615,774	246,015	21,439,779
2005-06	8,677,363	1,189,023	1,462,115	9,678,264	496,465	300,730	21,803,960
2004-05	8,625,415	1,152,072	623,329	8,852,773	264,234	219,813	19,737,636
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

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

---

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Parks and Recreation</b>	<b>Interest and Fiscal Charges</b>	<b>Water and Sewer Utility</b>	<b>Storm Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Total</b>
2011-12	\$ 3,620,941	\$ 7,260,104	\$ 2,668,853	\$ 2,530,588	\$ 47,918	\$ 4,322,493	\$ 341,969	\$ 1,487,770	\$ 22,280,636
2010-11	3,258,496	7,248,790	2,639,589	2,414,439	50,897	4,119,750	368,083	1,548,614	21,648,658
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.

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

---

<b>FISCAL YEAR</b>	<b>TAXES</b>	<b>LICENSES AND PERMITS</b>	<b>INTERGOV- ERNMENTAL</b>	<b>CHARGES FOR SERVICES</b>	<b>FINES AND FORFEITURES</b>	<b>INTEREST AND MISC</b>	<b>OTHER FINANCING SOURCES</b>	<b>TOTAL</b>
2011-12	\$ 9,610,926	\$ 391,361	\$ 1,332,855	\$ 2,901,616	\$ 752,390	\$ 458,388	\$ 612,160	\$ 16,059,696
2010-11	9,344,878	282,723	1,244,242	2,741,540	723,989	430,807	24,549	14,792,728
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

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**

---

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Parks and Recreation</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Other Financing Uses</b>	<b>Total</b>
2011-12	\$ 3,190,479	\$ 7,359,687	\$ 1,819,427	\$ 2,050,866	\$ -	\$ 294,711	\$ 657,142	\$ 15,372,312
2010-11	3,063,502	6,985,946	1,724,724	1,920,939	-	277,937	212,340	\$ 14,185,388
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

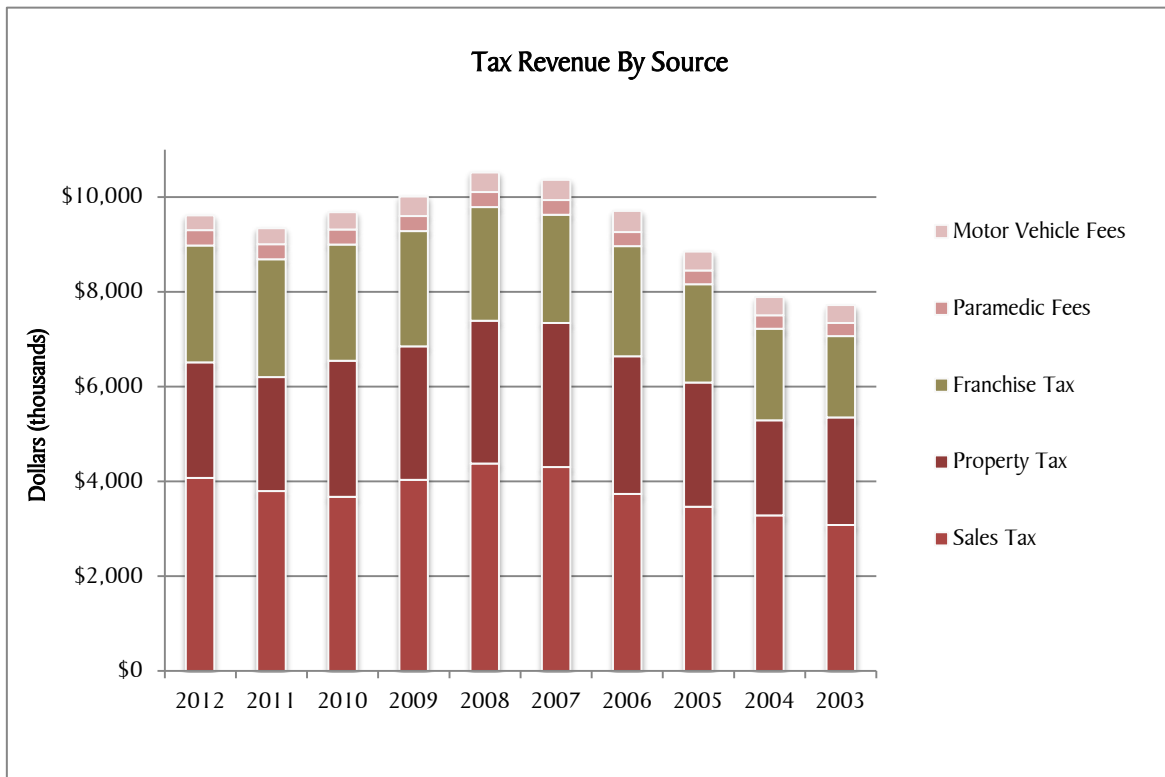
Notes:

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

Other financing uses included transfers to the Capital Projects Fund for construction of capital assets.

**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
2012	\$ 4,074	\$ 2,441	\$ 2,464	\$ 320	\$ 312	\$ 9,611
2011	3,795	2,404	2,488	320	338	9,345
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





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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 34,239	\$ 35,269	\$ 35,212	\$ 33,055	\$ 32,254	\$ 30,408	\$ 30,644	\$ 28,338	\$ 27,997	\$ 24,833
Restricted	2,115	1,735	2,994	2,638	2,699	1,714	1,731	3,009	2,921	2,695
Unrestricted	6,498	5,769	3,602	4,745	5,177	8,463	6,707	3,795	2,945	4,296
Total governmental activities net assets	<u>\$ 42,852</u>	<u>\$ 42,773</u>	<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	\$ 18,334	\$ 17,940	\$ 16,961	\$ 18,165	\$ 17,370	\$ 16,672	\$ 14,931	\$ 14,317	\$ 13,948	\$ 13,052
Restricted	27	1,106	485	902	-	-	-	-	-	-
Unrestricted	6,188	5,088	4,989	2,694	3,529	3,349	5,017	4,967	5,005	4,489
Total business-type activities net assets	<u>\$ 24,549</u>	<u>\$ 24,134</u>	<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	\$ 52,573	\$ 53,209	\$ 52,173	\$ 51,220	\$ 49,624	\$ 47,080	\$ 45,575	\$ 42,655	\$ 41,945	\$ 37,885
Restricted	2,142	2,841	3,479	3,540	2,699	1,714	1,731	3,009	2,921	2,695
Unrestricted	12,686	10,857	8,591	7,439	8,706	11,812	11,724	8,762	7,950	8,785
Total primary government net assets	<u>\$ 67,401</u>	<u>\$ 66,907</u>	<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>

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

Page 1 of 2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,621	\$ 3,258	\$ 3,202	\$ 3,244	\$ 3,014	\$ 2,731	\$ 2,581	\$ 2,551	\$ 2,342	\$ 2,674
Public safety	7,260	7,249	7,130	7,364	7,242	6,544	6,423	6,103	5,956	5,650
Public works	2,669	2,640	2,513	2,896	2,454	2,758	2,693	2,610	1,917	2,291
Parks and recreation	2,531	2,414	2,465	2,593	2,708	2,613	2,446	2,108	1,981	1,766
Interest and fiscal charges	48	51	62	93	80	47	14	28	35	53
Total governmental activities expenses	<u>16,129</u>	<u>15,612</u>	<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	4,322	4,120	4,093	4,109	3,646	4,896	4,862	4,571	4,436	4,223
Storm sewer utility	342	368	346	348	360	275	245	156	108	108
Solid waste utility	1,488	1,549	1,469	1,457	1,390	-	-	-	-	-
Total business-type activities expenses	<u>6,152</u>	<u>6,037</u>	<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>\$ 22,281</u>	<u>\$ 21,649</u>	<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>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,164	\$ 1,034	\$ 993	\$ 874	\$ 907	\$ 934	\$ 991	\$ 927	\$ 746	\$ 659
Public safety	1,182	1,040	956	1,064	963	1,021	954	1,149	825	695
Public works	49	71	129	109	45	82	198	193	166	1,296
Parks and recreation	1,066	1,006	1,028	922	950	1,083	980	946	1,156	823
Operating grants and contributions	1,304	1,200	1,148	2,170	1,499	1,293	1,189	1,152	1,552	418
Capital grants and contributions	511	1,559	1,946	408	1,120	45	843	585	1,484	3,198
Total governmental activities program revenues	<u>5,276</u>	<u>5,910</u>	<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	4,775	4,855	4,871	4,522	4,107	5,312	5,201	5,061	5,090	5,148
Storm sewer utility	364	363	360	359	424	357	353	349	343	337
Solid waste utility	1,913	1,900	1,901	1,803	1,739	-	-	-	-	-
Capital grants and contributions	-	1,314	152	759	552	-	619	38	1,051	1,548
Total business-type activities program revenues	<u>7,052</u>	<u>8,432</u>	<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>\$ 12,328</u>	<u>\$ 14,342</u>	<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 Ten Fiscal Years**  
**(Amounts Expressed in Thousands)**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense)/revenue:										
Governmental activities	\$ (10,853)	\$ (9,702)	\$ (9,172)	\$ (10,643)	\$ (10,014)	\$ (10,235)	\$ (9,002)	\$ (8,448)	\$ (6,302)	\$ (5,345)
Business-type activities	900	2,395	1,376	1,529	1,426	498	1,066	721	1,940	2,702
Total primary government net expense	<u>\$ (9,953)</u>	<u>\$ (7,307)</u>	<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>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 2,922	\$ 2,892	\$ 2,871	\$ 2,814	\$ 3,011	\$ 3,132	\$ 2,882	\$ 2,620	\$ 2,007	\$ 2,266
Sales taxes	4,074	3,795	3,673	4,035	4,377	4,301	3,734	3,467	3,282	3,083
Franchise taxes	2,783	2,807	2,775	2,751	2,716	2,592	2,616	2,365	1,931	1,718
Payments in lieu of taxes	312	338	363	410	418	426	446	401	385	379
Unrestricted investment earnings	88	59	68	214	521	616	496	264	167	274
Other revenues (uses) not restricted to specific programs	72	69	66	47	(62)	85	132	48	41	71
Transfers	680	707	727	680	599	585	571	562	528	536
Total governmental activities	<u>10,931</u>	<u>10,667</u>	<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	193	-	-	(131)	3	161	169	172	-	-
Unrestricted investment earnings	2	11	24	144	48	-	-	-	-	18
Transfers	(680)	(707)	(727)	(680)	(600)	(586)	(571)	(562)	(528)	(536)
Total business-type activities	<u>(485)</u>	<u>(696)</u>	<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>\$ 10,446</u>	<u>\$ 9,971</u>	<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>
<b>Change in Net Assets</b>										
Governmental activities	\$ 78	\$ 965	\$ 1,371	\$ 308	\$ 1,566	\$ 1,502	\$ 1,875	\$ 1,279	\$ 2,039	\$ 2,982
Business-type activities	415	1,699	673	862	877	73	664	331	1,412	2,184
Total primary government	<u>\$ 493</u>	<u>\$ 2,664</u>	<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.

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

Page 1 of 2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Taxes	\$ 9,779	\$ 9,494	\$ 9,318	\$ 9,600	\$ 10,104	\$ 9,937	\$ 9,260	\$ 8,451	\$ 7,507	\$ 7,342
Payments in lieu of taxes	312	338	363	409	418	426	446	401	385	379
Licenses and permits	391	283	315	281	288	329	342	349	365	444
Intergovernmental	1,541	1,321	2,537	1,534	1,900	1,338	1,272	1,737	1,648	1,497
Charges for services	2,902	2,742	2,688	2,681	2,442	2,633	2,579	2,680	2,471	1,922
Impact fees	95	109	189	56	77	123	159	175	203	416
Fines and forfeitures	752	724	633	632	650	620	614	574	382	171
Investment earnings	88	59	68	214	521	616	497	264	167	274
Property rental	37	39	43	11	11	12	18	17	16	35
Management fee	118	117	136	223	192	190	183	167	171	136
Miscellaneous	35	30	316	51	33	38	32	31	25	37
Total revenues	16,050	15,256	16,606	15,692	16,636	16,262	15,402	14,846	13,340	12,653
<b>Expenditures</b>										
General government	3,527	3,216	3,218	3,192	3,185	2,908	2,677	2,487	2,461	2,437
Public safety	7,361	7,017	6,885	7,026	7,097	6,365	7,427	5,872	5,954	5,560
Public works	1,805	1,946	1,893	2,411	2,015	2,488	2,789	2,635	2,736	2,297
Parks and recreation	2,075	1,920	1,969	1,996	2,309	2,066	2,114	1,912	1,802	1,592
Community development	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	239	467	250	243	155	149	131	130	128	130
Interest and fiscal charges	56	55	64	74	80	47	20	28	35	53
Capital outlay	187	238	3,328	1,050	3,048	702	1,645	724	1,241	4,613
Total expenditures	\$ 15,250	\$ 14,859	\$ 17,607	\$ 15,992	\$ 17,889	\$ 14,725	\$ 16,803	\$ 13,788	\$ 14,357	\$ 16,682

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

Page 2 of 2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Excess of revenues over (under) expenditures	\$ 800	\$ 397	\$ (1,001)	\$ (300)	\$ (1,253)	\$ 1,537	\$ (1,401)	\$ 1,058	\$ (1,017)	\$ (4,029)
<b>Other financing sources (uses)</b>										
Sale of capital assets	35	24	17	12	59	35	123	14	22	6
Capital lease financing	-	-	-	-	-	-	945	-	-	-
Proceeds from revenue bonds	577	-	-	-	1,000	-	-	-	-	-
Payment to refunding bond escrow agent	(560)									
Contribution from other governmental unit	-	-	-	-	-	-	-	-	-	53
Contributions from private source	200	200	-	-	-	-	-	-	-	-
Residual equity transfer from risk management fund	-	-	-	-	-	-	-	-	-	525
Transfers in	97	212	2,163	490	1,467	565	1,538	556	444	2,344
Transfers out	(97)	(212)	(2,163)	(490)	(1,467)	(565)	(1,538)	(556)	(444)	(2,344)
Total other financing sources (uses)	252	224	17	12	1,059	35	1,068	14	22	584
Net change in fund balances	<u>\$ 1,052</u>	<u>\$ 621</u>	<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>
Debt service as a percentage of noncapital expenditures	2.0%	3.7%	2.3%	2.2%	1.7%	1.5%	1.2%	1.3%	1.5%	1.6%

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)

Page 1 of 2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Non-spendable:										
Inventory	\$ 29	\$ 26	\$ 89	\$ 94	\$ 101	\$ 57	\$ 83	\$ 76	\$ 74	\$ 64
Prepaid items	43	44	46	33	113	33	40	43	16	52
Restricted for:										
Class C Roads	2,115	1,736	1,201	885	703	563	432	777	975	712
Public Safety	-	-	-	-	-	-	-	-	13	58
Committed for:										
Debt service	825	1,036	1,265	1,486	1,700	824	945	110	226	-
Assigned to:										
Encumbrances	4	2	253	283	696	220	157	237	335	431
Public Safety	8	1	40	40	40	54	49	35	11	23
Community development	-	-	-	-	-	-	-	-	-	1
Pedestrian safety	-	-	-	-	-	-	-	-	-	30
Land purchase	-	-	1	1	1	1	1	1	1	1
Unassigned	2,939	2,415	2,008	2,317	1,799	2,681	1,782	3,018	2,293	2,729
Total general fund	<u>\$ 5,963</u>	<u>\$ 5,260</u>	<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>\$ 4,101</u>

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

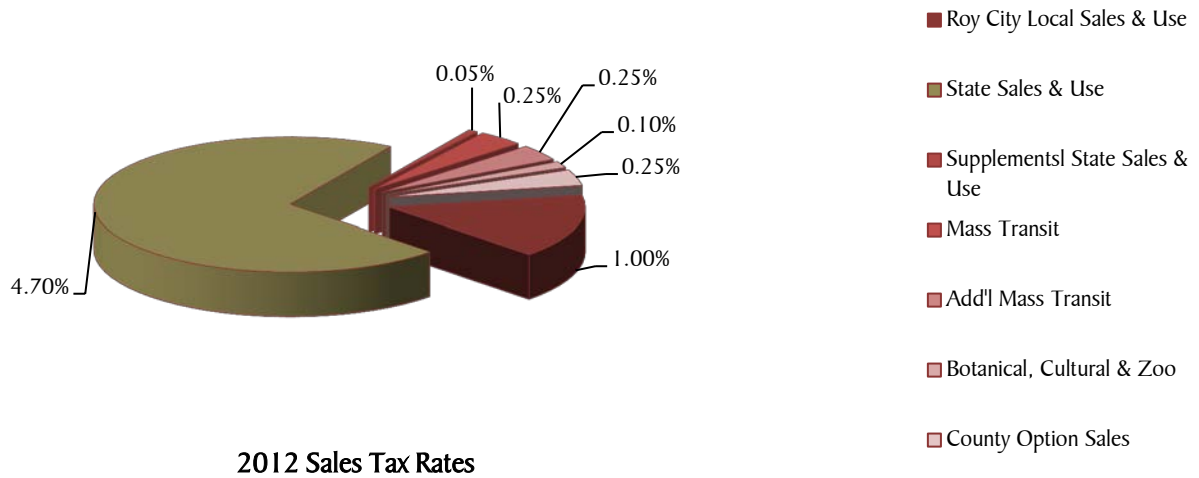
Page 2 of 2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other governmental funds										
Non-spendable:										
Inventory	\$ 1,705	\$ 1,705	\$ 1,705	\$ 1,705	\$ 950	\$ 966	\$ 974	\$ 953	\$ 964	\$ 967
Committed for:										
Debt service	-	-	237	267	296	326	355	382	408	432
Assigned to:										
Encumbrances	-	-	-	-	216	-	257	431	318	379
Public safety	111	77	44	157	114	199	190	3	4	57
Capital improvements	-	-	19	1,039	1,114	2,119	1,822	611	155	138
Storm sewer improvements	181	235	192	66	30	170	151	369	273	889
Park improvements	481	273	169	125	205	258	283	570	563	551
Cemetery improvements	158	150	142	134	127	120	110	103	97	90
Redevelopment	1,021	869	535	299	1,014	822	209	356	277	395
Total other governmental funds	<u>\$ 3,657</u>	<u>\$ 3,309</u>	<u>\$ 3,043</u>	<u>\$ 3,792</u>	<u>\$ 4,066</u>	<u>\$ 4,980</u>	<u>\$ 4,351</u>	<u>\$ 3,778</u>	<u>\$ 3,059</u>	<u>\$ 3,898</u>
Total governmental funds	<u><u>\$ 9,620</u></u>	<u><u>\$ 8,569</u></u>	<u><u>\$ 7,946</u></u>	<u><u>\$ 8,931</u></u>	<u><u>\$ 9,219</u></u>	<u><u>\$ 9,413</u></u>	<u><u>\$ 7,840</u></u>	<u><u>\$ 8,075</u></u>	<u><u>\$ 7,003</u></u>	<u><u>\$ 7,999</u></u>

In FY 2011, GASB 54 was implemented and changed the method of classifying fund balance. FY 2003-2010 have been adjusted to reflect classifications under GASB 54.

**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
2012	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2011	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
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%



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							
2012	\$ 307,044	\$ 778,886	\$ 5,379	\$ 28,328	\$ 36,249	\$ 1,123,097	\$ 32,789	\$ 1,155,886	2.263	\$ 1,855,180	62.31%
2011	301,471	768,147	5,503	26,767	27,315	1,094,650	34,553	1,129,203	2.266	1,894,347	59.61%
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%

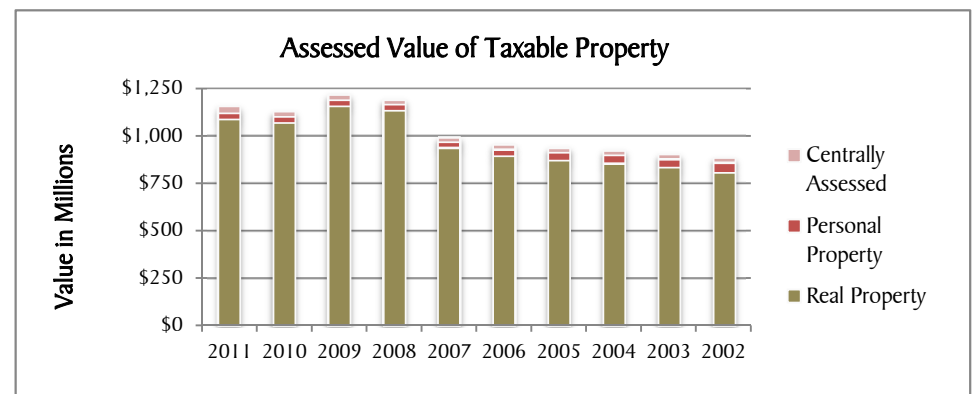
**Notes:**

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

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 (General)	Weber County (All Components)	Weber School District (All Components)	Weber Basin Water Conservancy (Conservancy)	North Davis Sewer District (All Components)	Mosquito Abatement District (Abatement)	Roy Water Conservancy Subdistrict (Conservancy)	Weber Area Dispatch 911 & Emergency Svcs District (Multiple Svc)	Total Levy for Roy City Residents
2012	2.263	3.916	6.833	0.217	0.928	0.141	0.101	0.301	14.700
2011	2.266	3.832	6.526	0.207	0.864	0.138	0.103	0.309	14.245
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

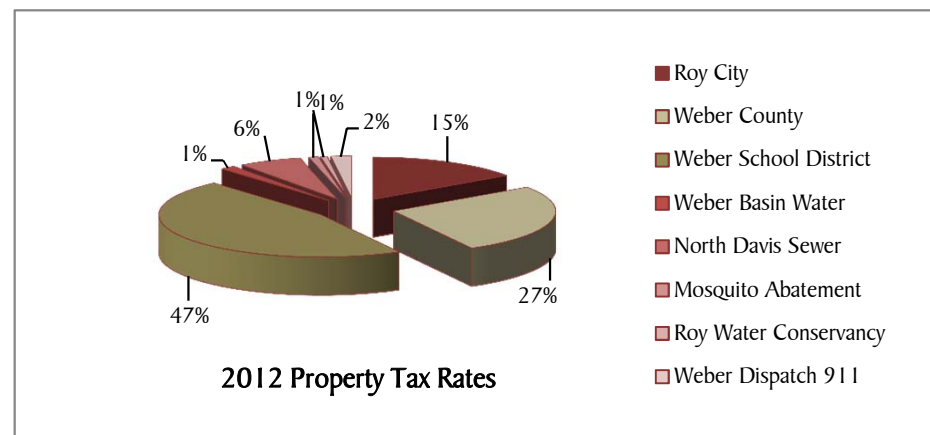
**Notes:**

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**  
**(Amounts Expressed in Thousands)**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
PACIFICORP	\$ 17,102	1	1.48%	\$ 5,872	5	0.65%
AMERICA FIRST FEDERAL CREDIT	13,924	2	1.20%	-		-
WINCO FOODS LLC	12,074	3	1.04%	-		-
QUESTAR GAS	11,300	4	0.98%	5,407	6	0.60%
ORCHARD COVE LTD	10,958	5	0.95%	8,195	2	0.91%
BOYDEAN B FRAZIER FAMILY TRUST	5,553	6	0.48%	4,394	8	0.49%
ROY MARKETPLACE L C	5,508	7	0.48%	-		-
HARMON CITY INC	5,287	8	0.46%	6,612	4	0.73%
COMCAST OF UTAH INC II	5,197	9	0.45%	-		-
K B FAMILY ROY LLC	4,527	10	0.39%	-		-
BOYER IOMEGA	-		-	35,554	1	3.93%
ANA EDWARDS LC	-		-	7,118	3	0.79%
QWEST COMMUNICATIONS	-		-	4,959	7	0.55%
ROY CITY CENTRE REALTY LIMITED	-		-	4,104	9	0.45%
B & D DEVELOPMENT LC	-		-	2,799	10	0.31%
Total taxable value of 10 largest taxpayers	91,430		7.91%	85,014		9.40%
Total taxable value of other taxpayers	1,064,456		92.09%	819,153		90.60%
Total taxable value of all taxpayers	<u>\$ 1,155,886</u>		<u>100.00%</u>	<u>\$ 904,167</u>		<u>100.00%</u>

Notes:

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)**

<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections (a)</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collected to Total Levy (a)</b>
General Fund						
2011	\$ 2,542	\$ 2,399	94.37%	\$ 42	\$ 2,441	96.03%
2010	2,475	2,336	94.38%	61	2,397	96.85%
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%
Redevelopment Agency Special Revenue Fund						
2011	\$ 481	\$ 481	100.00%	\$ -	\$ 481	100.00%
2010	488	488	100.00%	-	488	100.00%
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%

Note:

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

a) Property taxes are collected and disbursed to entities by Weber County. The remittance advise related to delinquent taxes does not include information as to the particular year the tax covers. Delinquent collections are monies received for any previous tax year during the current fiscal year. Because the collection cannot be broken down by year, the percentage of total tax collected is skewed.

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	
2012	195,103	890,294	533	\$ 1,085,930	125	\$ 8,160,255	30	\$ 3,476,815	243	\$ 749,870	12,590
2011	185,033	883,937	647	\$ 1,069,617	118	\$ 6,870,422	23	\$ 2,586,374	231	\$ 863,769	11,015
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

Notes:

Taxable property value, construction units and construction values are based on the calendar year ending six months before the fiscal year ends.

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			
2012	\$ -	\$ 674,000	\$ 150,600	\$ -	\$ 188,262	\$ 6,560,000	\$ 7,572,862	0.79%	202.51
2011	-	740,000	295,651	-	197,546	6,855,000	8,088,197	0.84%	219.29
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

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**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Debt Service Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property</b>	<b>Net Bonded Debt per Capita</b>
2012	\$ -	\$ -	\$ -	0.00%	\$ -
2011	-	-	-	0.00%	-
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

**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, 2012**

<b>Governmental Unit</b>	<b>General Bonded Debt Outstanding</b>	<b>Estimated Percentage Applicable to Roy City</b>	<b>Estimated Share of Overlapping Debt</b>
North Davis County Sewer District	\$ 39,746,000	14.05%	\$ 5,584,313
Roy Water Conservancy Subdistrict	1,551,000	100.00%	1,551,000
State of Utah	3,660,089,000	0.57%	20,862,507
Weber Basin Water Conservancy District	25,333,790	3.19%	808,148
Weber County	11,275,000	10.03%	1,130,883
Weber County School District	89,330,000	14.85%	13,265,505
Overlapping debt			\$ 43,202,356
Roy City bonded debt		100.00%	824,600
Total direct and overlapping general bonded obligation debt			<u>\$ 44,026,956</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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit	\$ 44,924	\$ 43,786	\$ 47,250	\$ 46,340	\$ 42,897	\$ 37,463	\$ 36,183	\$ 35,383	\$ 36,499	\$ 34,631
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 44,924</u>	<u>\$ 43,786</u>	<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>
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>\$ 1,123,096</u>		
Debt limit (4% of total assessed value)								\$ 44,924		
Debt applicable to limit:										
Total bonded debt							\$ 7,234			
Less:										
Special assessment bonds							-			
Revenue bonds							(7,234)			
Amounts available for repayment of general obligation bonds							-			
Other deductions allowed by law							-			
Total net debt applicable to limit								<u>-</u>		
Legal debt margin								<u>\$ 44,924</u>		

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

**ROY CITY CORPORATION**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

---

<b>Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2012	37,395	\$ 964,076,497	\$ 25,781	7.8%
2011	36,884	960,235,555	26,034	8.6%
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%

Notes:

Figures for 2002-2010 are from the 2000 U S Census. Figures for 2011 are from the 2010 U S Census.

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

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

Unemployment figures 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			
		2012		2003	
		Employees	Rank	Employees	Rank
Hill Air Force Base	United States Air Force / Logistics	10,000 - 14,999	1	20,000 - 25,000	1
Internal Revenue Service	Federal Government	5,000 - 6,999	2	5,000 - 6,999	2
McKay-Dee Hospital	Health Care	3,000 - 3,999	3	2,000 - 2,999	5
Weber School District	Public Education	3,000 - 3,999	4	2,000 - 2,499	3
Weber State University	Higher Education	2,000 - 2,999	5	-	
Autoliv ASP	Manufacturing	2,000 - 2,999	5	2,000 - 2,999	4
Fresenius USA, Inc.	Manufacturing	1,000 - 1,999	6	1,000 - 1,999	6
Ogden School District	Public Education	1,000 - 1,999	6	2,000 - 2,499	3
State of Utah	State Government	1,000 - 1,999	6	1,000 - 1,999	8
Wal-Mart	Retail Center	1,000 - 1,999	6	-	
Convergys	Call Center	1,000 - 1,999	6	1,000 - 1,999	7
Parker-Hannifin	Manufacturing	-		700 - 999	9
Ogden Regional Medical Center	Health Care	-		700 - 999	10

**Note:**

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

Hill Air Force Base is considered to be in Davis County, which is contiguous to Weber County.

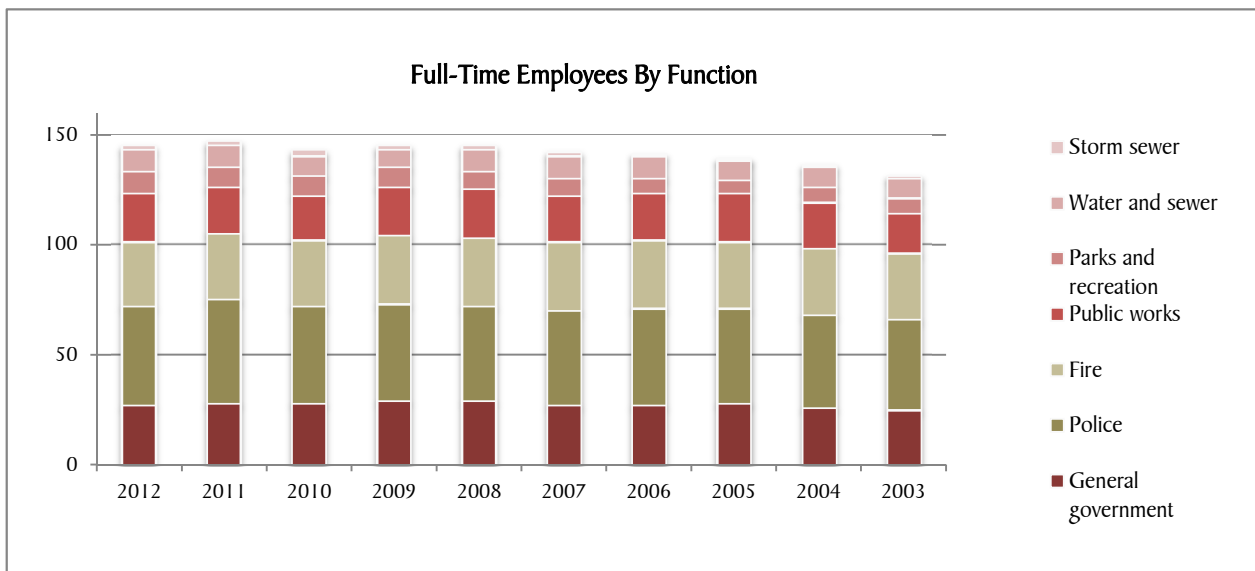
Actual employment numbers are not available to calculate the percentage of total employment by employer.

**Sources:**

Weber County Comprehensive Annual Financial Report 2011

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

Function	Full-time Employees as of June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	27	28	28	29	29	27	27	28	26	25
Public safety										
Police										
Officers	40	42	39	39	38	39	39	37	37	37
Civilians	5	5	5	5	5	4	5	6	5	4
Fire										
Firefighters and officers	28	29	29	30	30	30	30	29	29	29
Civilians	1	1	1	1	1	1	1	1	1	1
Public works	22	21	20	22	22	21	21	22	21	18
Parks and recreation	10	9	9	9	8	8	7	6	7	7
Water and sewer	10	10	9	8	10	10	10	9	9	9
Storm sewer	2	2	3	2	2	2	1	1	1	1
<b>Total</b>	<b>145</b>	<b>147</b>	<b>143</b>	<b>145</b>	<b>145</b>	<b>142</b>	<b>141</b>	<b>139</b>	<b>136</b>	<b>131</b>



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 CORPORATION**  
**OPERATING INDICATORS BY FUNCTION**  
Last Eight Fiscal Years

Function	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Police								
Moving violations	4,623	4,086	1,864	1,980	2,692	2,509	2,496	2,259
Non-moving violations	2,870	3,917	3,539	4,002	4,813	4,860	3,619	3,088
DUI violations	132	106	85	121	123	103	113	118
Parking violations	598	691	272	95	1,096	708	767	1,148
Fire								
Number of calls dispatched - Fire	955	701	612	652	617	577	524	456
Number of calls dispatched - Medical	3,702	3,923	4,196	3,986	3,944	3,814	3,606	3,490
Streets								
Snow removal and sanding:								
Miles	3,987	9,925	8,504	13,326	19,759	2,728	7,529	4,212
Hours	506	904	935	1,515	2,692	286	772	569
Asphalt resurfacing (tons)	581	747	939	775	1,077	2,420	1,735	2,200
Water								
Service connections	10,657	10,610	10,565	10,538	10,510	10,490	10,460	10,388
Water main breaks	16	28	23	28	17	22	32	15
Average daily consumption (gallons)	2,737,570	2,851,236	2,834,907	2,936,564	2,946,649	3,053,622	2,989,756	2,868,266
Aquatic Center								
Admissions	120,702	119,648	113,607	72,089	73,944	70,424	75,594	62,954
Complex								
Admissions	32,384	37,665	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.

Police functions (other than parking violations) are for calendar year ended six months earlier.

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 Ten Fiscal Years

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	20	22	22	22	22	22	22	25	25
Motorcycle units	2	2	2	2	2	2	2	2	2	-
Animal control units	2	2	2	2	2	2	2	2	2	2
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Streets										
Streets (miles)	114	114	114	114	113	110	110	110	109	108
Curb and gutter (miles)	207	207	207	207	207	213	215	214	212	210
Sidewalk (miles)	196	196	196	196	196	181	184	183	182	181
Streetlights	812	806	806	806	806	791	791	791	777	772
Traffic signals	2	2	2	2	2	2	2	2	-	-
Parks and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks	10	10	10	10	10	10	9	9	9	9
Park acreage	113	113	113	113	113	113	110	110	110	110
Covered picnic areas	18	18	18	18	18	16	14	14	14	13
Baseball/Softball diamonds	13	13	13	13	13	13	13	13	13	13
Soccer fields	17	13	13	13	13	13	11	11	11	10
Tennis courts	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	1	1	1	1	1	1	1
Sewer										
Sanitary sewers (miles)	117	117	117	117	117	112	112	112	112	111
Storm sewers (miles)	83	83	83	83	83	79	79	79	78	73
Water										
Water lines (miles)	153	153	153	153	153	151	151	151	150	148
Fire hydrants	1,363	1,358	1,345	1,343	1,341	1,305	1,305	1,304	1,282	1,260

Sources:  
Various City departmental data

## REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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, 2012, 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, 2012, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct on a timely basis.

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



identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies as described in the accompanying schedule of findings, recommendations and responses, items 5 thru 7. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### 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*.

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

November 19, 2012  
Ogden, Utah

Independent Auditors' Report On Compliance in Accordance  
With the State of Utah Legal Compliance Audit Guide

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, 2012 and have issued our report thereon dated November 19, 2012. As part of our audit, we have audited Roy City Corporation's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows

- 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
- Liquor Law Enforcement
- B & C Road Funds

The City received the following major assistance programs from the State of Utah

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

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City'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 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 with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012.

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*

November 19, 2012  
Ogden, Utah

**ROY CITY CORPORATION**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

---

**Budgetary Compliance**

Finding #1: The expenditures in the Aquatic Center exceeded budgetary appropriations.

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

Response: Concession sales at the Aquatic Center exceeded budget expectations, and therefore the related sales tax and cost of goods sold were higher. The increased sales occurred in the summer months of May and June, making it too late in the year to advertise for the budget adjustment and take it before the City Council. Because total expenditures for the General Fund were below budget, funds were available to cover the overage.

Finding #2: The expenditures in the Recreation Complex exceeded budgetary appropriations.

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

Response: Concession sales at the Recreation Complex exceeded budget expectations, and therefore the related sales tax and cost of goods sold were higher. The increased sales occurred in the summer months of May and June making it too late in the year to advertise for the budget adjustment and take it before the City Council. Because total expenditures for the General Fund were below budget, funds were available to cover the overage.

Finding #3: The expenditures for Debt Service exceeded budgetary appropriations.

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

Response: The City refunded its sales tax revenue bonds in late June 2012. It was originally planned that the closing would not take place until July. It was too late in the year to advertise for the budget adjustment and take it before the City Council. Because total expenditures for the General Fund were below budget, funds were available to cover the overage.

Finding #4: The unassigned fund balance of the general fund exceeds 18% of total estimated revenue of the general fund by \$184,331.

Recommendation: We recommend that the City include the excess as an available resource to the general fund and appropriate it in the subsequent budget.

**ROY CITY CORPORATION**  
**Schedule of Findings and Questioned Costs, continued**  
**June 30, 2012**

---

Response: Revenue came in higher than expected and departments spent less of their available funds. This caused an unexpected increase in surplus funds. As required, the City will include this portion of fund balance as an appropriation in the next fiscal year.

Finding #5: Department Directors apply for grants but do not submit the grant documentation to the Management Services Department for recording. This is a problem ensuring all budget information is properly recorded and sources for matching funds, if applicable, have been identified.

Recommendation: We recommend that a copy of all grants submitted to outside agencies be provided to the Management Services Department upon submission. Once approved, a copy of the formal approved grant should also be forwarded to Management Services.

Response: The City will develop procedures for grant writing to include advising the Management Services Department of all request and the responses from the outside agencies.

**Purchasing Requirements**

Finding #6: No contract is in place for continual works with Wasatch Civil Engineering. The contract expired in 2006.

Recommendation: We recommend that the contract for engineering services be put out for competitive bid.

Response: The City will begin the bidding process for outside engineering services.

**Other General Issues**

Finding #7: The Company contracted to provide ambulance and hazmat billing service has no formal internal controls, and has not had an audit to test internal controls relevant to the services it provides to Roy City.

Recommendation: We recommend that the City request that the Company have an audit of internal controls performed to ensure the safety of Roy City's accounts.

Response: The City will work with the Company to determine the best way to ensure the security of ambulance and hazmat accounts with enhanced internal controls and appropriate testing.