

2013



ROY CITY CORPORATION

Roy, Utah

Comprehensive Annual Financial Report
For the Fiscal Year Ending June 30, 2013

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Prepared by:

*Cathy A. Spencer
Management Services Director*

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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

October 30, 2013

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, 2013.

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, 2013, 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, 2013, 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 22nd. The appropriated budget is prepared by fund, and department (e.g., police). Department Directors may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the major governmental funds, this comparison is presented on pages 41-43 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than the major governmental funds, this comparison is presented in the governmental fund subsection of this report, which starts on page 82.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Roy City Corporation operates. The local economy in Roy continues to recover albeit slowly. In FY 2013 sales tax revenue increased 5.48% compared to 7.38% in FY 2012. While revenue from sales tax is still below the high of \$4,377,000 in FY 2008, it continues to increase each year. The administration anticipates the State's economy to continue to improve and thus has budgeted a 1.7% increase in sales tax.

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

At the Wasatch Executive Park, the Redevelopment Agency of Roy Utah (RDA) transferred property to Roy City which was then exchanged with the Weber School District for the construction of a new North Park Elementary School. In addition to trading similar acreage, the Weber School District paid the City \$527,862, which was the difference in the appraisals of the two parcels.

Upon completion of the new elementary school, which is scheduled for late spring 2014, the school district will demolish the old school and remove the asphalt parking and play areas. The City will then begin construction of a new George Wahlen North Park which will be funded partially by the proceeds from the land sale.

In the spring of 2013, Weber County voters approved a General Obligation Bond to fund new library buildings. The new headquarters library will be built on property in the Wasatch Executive Park directly next to the new North Park Elementary. The RDA will be trading acreage in the Wasatch Executive Park to Weber County in exchange for the current library facility and property on 4800 South.

The City, the RDA, and Weber County are working on a joint project which will have property on the frontage of 1900 West, where the current George Wahlen North Park exists, transferred to the RDA for development. When reconstruction moves it to the old school property, George Wahlen North Park will have the same acreage as it currently does. New facilities will be constructed to replace aging and insufficient infrastructure. The City will also be applying for a R.A.M.P. grant through Weber County to help fund the project.

Once completed, the new elementary school, library and park and new developable property will be a catalyst to the improvement of the northeast section of the City.

The RDA has also commissioned a sales tax leakage and economic opportunity study. The firm of Lewis, Young, Robertson, and Burningham was awarded the project. Their team of experts includes a commercial real estate broker and a planning and architectural firm. The City and RDA will be working with Lewis Young to implement their recommendations.

CVS Pharmacies has chosen Roy City as one of its first entries into the State of Utah. CVS is constructing their new building on the corner of Riverdale Road/5300 South and 1900 West. CVS aggregated several parcels, the key parcel being a piece owned by the RDA. The CVS development represents another project in the continuing revitalization of the 1900 West corridor.

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 opened in spring 2013. Prior to this, there were no emergency facilities located in western Weber and Davis counties thus making this development beneficial for a large segment of the community. Iasis has already started construction of a second medical office facility on the property with a third building in the concept phase.

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. According to the Bureau of Labor Statistics, in June 2013 the local unemployment rate was 5.2%. This is a decrease of 1.1% from the same time in 2012. The local unemployment rate is well below the national rate of 7.6%. Of the nonfarm wage and salary employment, locally, jobs were up slightly in most areas and where noted, losses were minimal. Some of the largest increases occurred in information of 5.7%, financial activities of 5.5%, leisure and hospitality of 5.1%, professional and business services of 4.3% and education and health services of 3.6%. Only the governmental sector showed a loss, (2.8%).

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 25% 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 \$3,505,492 at June 30, 2013, and \$2,939,269 at June 30, 2012.

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 completed payment of the fire truck lease. For more information on the City's long-term debt, see the Detailed Notes to the Financial Statements pages 68-70.

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 fall of 2013. In addition, UDOT recently completed construction of an additional lane for the City's only off ramp from I-15. This project will allow traffic to flow more smoothly and safely. The City is working with UDOT and local business owners to make the new Riverdale Road a mutual success.

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 development of the new George Wahlen North Park, library, and elementary school will revitalize an aging part of the City. A new round-a-bout will address traffic calming and safety for residents, students, library patrons, and visitors. The Weber School District, Weber County, Library Board, Roy City and the RDA will continue to coordinate their efforts to maximize the positive impact of these new facilities to the community.

Roy City received a grant from Weber County to upgrade 4400 South from Airport Road to 1900 West. This project is being coordinated with Ogden City specifically the Ogden Airport. The project will have a bike lane to provide safer travel for cyclists. Landscaping will be completed on the south side of the

street. Curb, gutter, and sidewalk will be installed along the north side of 4400 South which has been lacking for decades.

The City continues to replace and upgrade water lines as part of the plan adopted by the City Council when water rates were raised. The focus has been primarily on aging water lines on the east side of the City.

The City Council in partnership with Waste Management adopted an opt-out recycling program. Waste Management lowered their collection fees for garbage and set levels of fees for recycling depending upon participation. The City and Waste Management took numerous steps to inform citizens regarding the new program. After some challenging weeks, over 80% of the residents now participate in recycling. The City and Waste Management have made a commitment to review the program to seek ways to lower the cost of recycling in the future.

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.

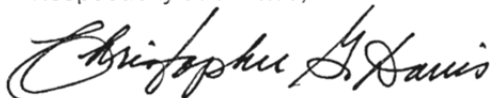
Awards and Acknowledgements

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, 2012. 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, 2013

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

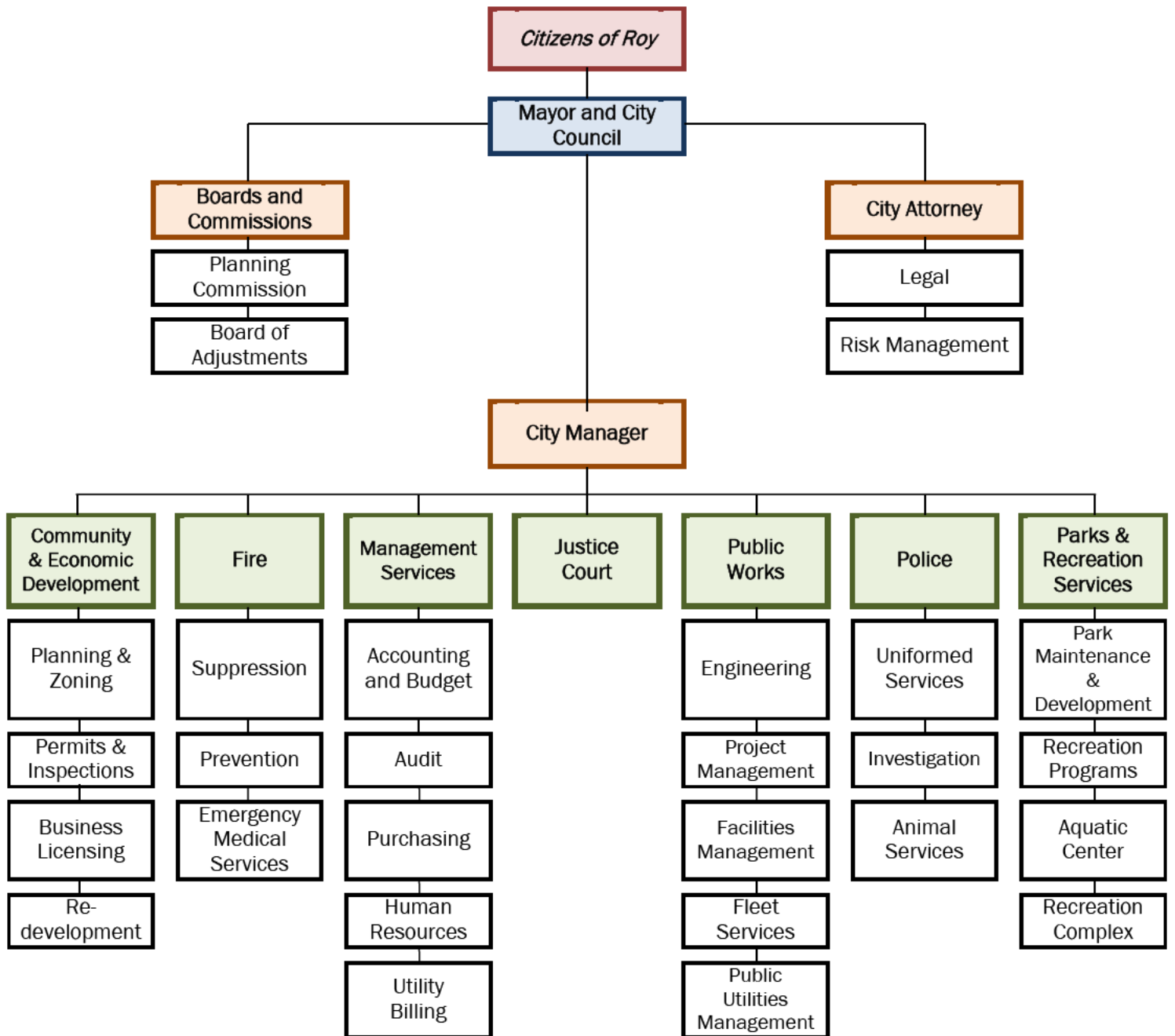
Statutory Appointed Officials

Michael R. Elliott	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





Government Finance Officers Association

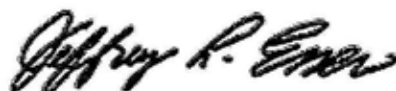
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Roy City Corporation
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 16 through 29 and 82 through 86 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roy City, Utah's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary comparison schedules and capital asset schedules are fairly stated, in all material respects, in relation to the basic 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2013 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.

W. J. J. & Co., PC

November 13, 2013
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 position increased by \$2,361,820. Approximately \$1,287,374 of the increase is attributable to operations of the business-type activities, while \$1,074,446 is a result of governmental activities.
- The assets and deferred outflows of resources of Roy City Corporation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$69,678,957 (net position). Of this amount, \$14,375,188 (unrestricted net position) 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 \$10,478,059, an increase of \$858,229 in comparison with the prior year. Approximately \$6.78 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 \$3,505,492 or 22.08% 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 position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases and decreases in net position 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 position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into 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 position may serve over time as a useful indicator of a government's financial position. In the case of Roy City Corporation, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,678,957 at the close of the most recent year, June 30, 2013.

By far, the largest portion of the City's net position, 76.12%, 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 needed 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 position (3.24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$14,375,188, 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 position, 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 position.

The City implemented two new Government Accounting Standards Board Statements this year, Statement 63 and Statement 65. In part, Statement 65 changes the way closing costs are handled within the government-wide financial statements. This statement impacts the City and is the reason for the prior period adjustment for net position. See Note 5 – Prior Period Adjustment for additional disclosures related to the implementation.

Governmental activities increased Roy City's net position by \$1,074,446, while business-type activities increased net position by \$1,287,374.

Key elements of the City's net position and increase in net position can be found in the tables below:

Roy City Corporation's Net Position (Stated in Thousands of Dollars) As of June 30						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$14,776	\$13,807	\$ 7,896	\$ 6,816	\$22,672	\$20,623
Capital assets	35,034	35,063	24,836	24,897	59,870	59,960
Deferred outflows	-	-	46	52	46	52
Total assets and deferred outflows of resources	49,810	48,870	32,778	31,765	82,588	80,635
Long-term debt outstanding	2,002	2,252	6,331	6,627	8,333	8,879
Other liabilities	1,235	1,168	677	656	1,912	1,824
Deferred inflows	2,664	2,615	-	-	2,664	2,615
Total liabilities and deferred inflows of resources	5,901	6,035	7,008	7,283	12,909	13,318
Net position:						
Invested in capital assets net of related debt	34,469	34,239	18,574	18,334	53,043	52,573
Restricted	2,261	2,116	-	27	2,261	2,143
Unrestricted, as restated	7,179	6,480	7,196	6,121	14,375	12,601
Total net position	\$43,909	\$42,835	\$25,770	\$24,482	\$69,679	\$67,317

Roy City Corporation's Changes in Net Position (Stated in Thousands of Dollars) As of June 30						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 3,644	\$ 3,460	\$ 7,785	\$ 7,052	\$11,429	\$10,512
Grants and contributions:						
Operating	1,263	1,304	-	-	1,263	1,304
Capital	734	512	595	-	1,329	512
General revenues:						
Property taxes	3,079	2,922	-	-	3,079	2,922
Other taxes	7,569	7,170	-	-	7,569	7,170
Investment earnings	594	88	-	2	594	90
Other	53	71	198	193	251	264
Total revenues	16,936	15,527	8,578	7,247	25,514	22,774
Expenses:						
General government	3,329	3,621	-	-	3,329	3,621
Public safety	7,612	7,260	-	-	7,612	7,260
Public works	3,000	2,669	-	-	3,000	2,669
Parks and recreation	2,623	2,530	-	-	2,623	2,530
Interest and fiscal charges	8	65	-	-	8	65
Water and sewer utility	-	-	4,589	4,315	4,589	4,315
Storm sewer utility	-	-	383	342	383	342
Solid waste utility	-	-	1,608	1,488	1,608	1,488
Total expenses	16,572	16,145	6,580	6,145	23,152	22,290

Increase in net position before transfers	364	(618)	1,998	1,102	2,362	484
Transfers	710	680	(710)	(680)	-	-
Increase in net position	1,074	62	1,288	422	2,362	484
Net position – beginning, as restated	42,835	42,773	24,482	24,060	67,317	66,833
Net position – ending	<u>\$43,909</u>	<u>\$42,835</u>	<u>\$25,770</u>	<u>\$24,482</u>	<u>\$69,679</u>	<u>\$67,317</u>

Governmental activities. The governmental activities portion of the increase in net position accounted for 45.49% of the total growth for the City as a whole.

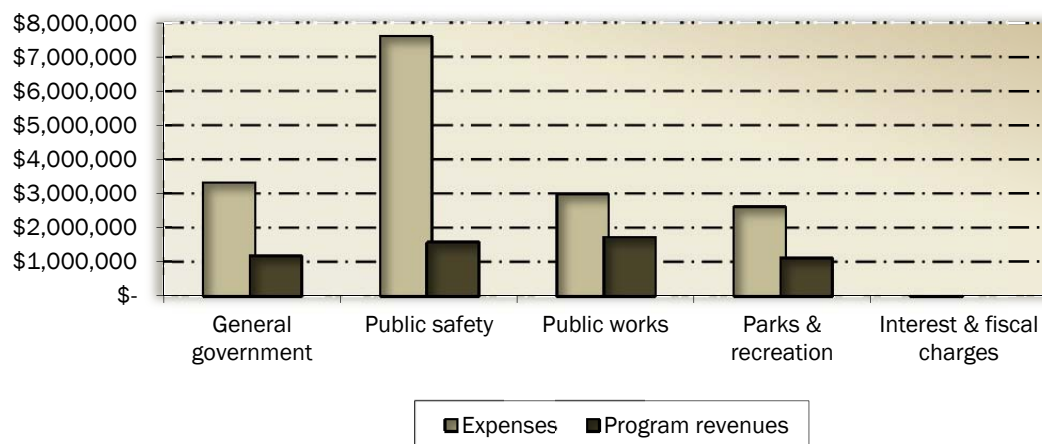
- Overall, property taxes increased by \$156,961 in the governmental funds from FY 2012. Property taxes in the general fund increased by \$69,363, while the increment received by the RDA increased \$87,598. The increase for the general fund can be attributed to new growth, while the increase for the RDA is a result of two factors. First, the “haircut” provision reduced available increment in two districts. Second, a change in how the County pays out increment increased taxes for another district. The County is required to pay out all available increment rather than just the amount the entity requested.
- Other taxes were up \$398,889 over the previous fiscal year. Of that amount, \$223,167 came from a 5.47% increase in sales tax revenue, while franchise tax revenue increased by 6.93% or \$170,724. The remaining portion of the change, an increase of \$4,998, relates to motor vehicle fees.
- Revenue from charges for services increased 5.30% from FY 2012. The largest increases came from ambulance fees, \$297,139. Two new programs were implemented including dialysis patient transports and transports from a new emergency facility to hospitals for continuing care. Fees from recreational activities were up \$74,617. This was due to an apparel sales fund raiser, which was a one-time program. Decreases were found in several areas including business licenses of \$171,971; aquatic center and recreation complex, \$40,714 and \$22,336, respectively; cemetery lot sales and burials, \$25,326, and justice court fines, \$21,617. The City implemented a good landlord program in FY 2012. The fee structure includes charging a fee for single family dwellings as well as higher fees for landlords that do not participate. During FY 2013, the City Council approved a one-time rate reduction, retroactive for the FY 2012 billings. The swimming pool facilities had a drop in attendance. Cemetery lot sales and burials are down due to facility reaching maximum capacity. Only a handful of lots are still available.
- In FY 2013, 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 2.90%, \$31,545, from 2012.
- The City made final acceptance of several subdivisions during FY 2013. Infrastructure received from the developers, including streets, sidewalks, and curb and gutter totaled \$529,361.
- Roy City’s average yield on investments in the Utah Public Treasurer’s Investment Fund decreased 35.90% from FY 2012, and investment balances were up at the end of the year. As a result, income from interest increased by only a small amount, \$2,794. Other investment earnings relate to transfers and sale of land held for investment.
- Total expenses for wages and benefits were up \$296,959 from FY 2012. A bonus was paid to all employees in the first quarter of FY 2013. A set amount was paid to all full time employees and tiered for part time employees based on the number of hours worked. A 2% cost of living adjustment for all employees was approved as of January 1, 2013. This impacted wages, payroll taxes, and retirement. In addition, retirement rates for the Utah Retirement System continue to increase to cover losses over the past few years. 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.

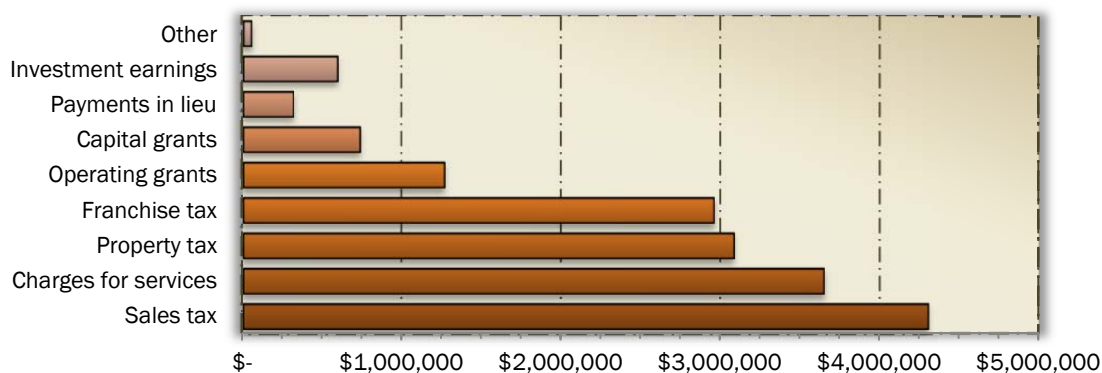
- Operating expenses increased \$136,004. Increases include \$246,252 for road maintenance and related engineering; \$37,354 for information technology; \$27,689 for ambulance billing services; and \$59,366 to purchase items for the recreation fund raiser. Emphasis was placed on road maintenance rather than capital improvements under the Class C Road Fund. Ambulance billing costs increased with the two new transport contracts and a one-time fund raiser was done in the recreation division to help the football teams. Decreases in expenditures include \$56,894 for property insurance; \$142,707 for building maintenance; and \$130,342 in redevelopment activities. The information technology and insurance activities relate to internal service funds where expenditures fluctuate annually based on needs. Building maintenance had an EECBG grant in FY 2012, which resulted in the comparative difference with FY 2013. Redevelopment activities were down due to no specific projects underway. Other expenditure differences between fiscal years exist, but are the result of annual budgeting. No significant changes in operations were made.
- Transfers to other funds were up \$30,494 because of an increase in wages in the general fund which are partially supported by the utility enterprise funds.

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



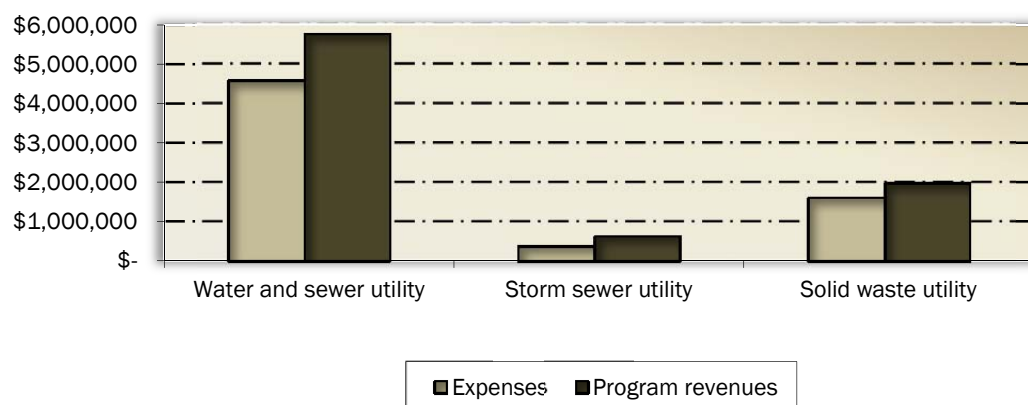
Business-type activities. The business-type activities portion of the increase in net position was 54.51% of the total growth for the City. At the end of the current fiscal year, all of the City's business-type funds reported positive net position.

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

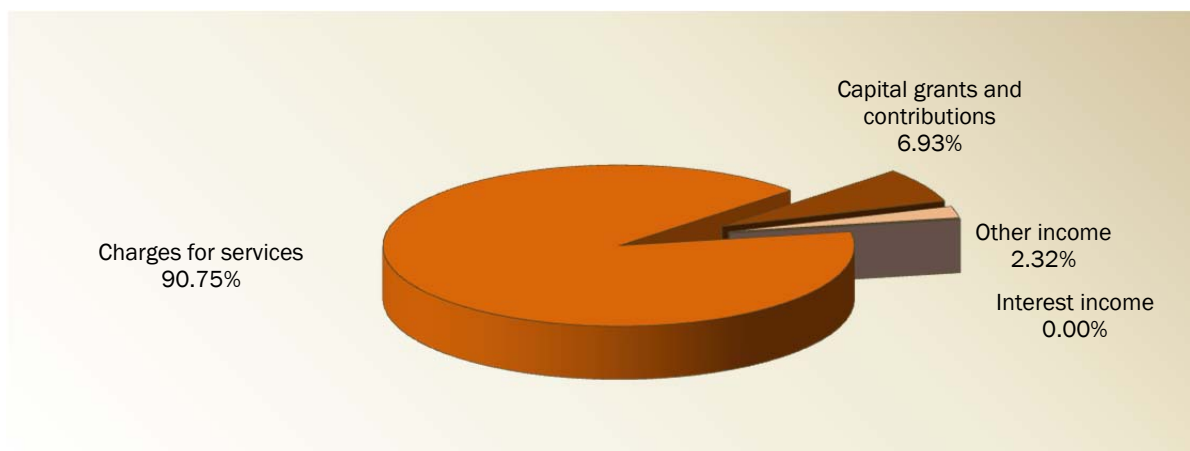
- Revenue from water, sewer, storm sewer and garbage services had an increase of \$735,646. The City performed a study on water and sewer capital needs and revised rates to allow for the study to be funded. Garbage and sewer fees were also increased to cover rate increases from contractors.
- Impact and connection fees related to new construction decreased by \$2,983. Construction starts were very limited this year.
- Revenue from late fees, shut off fees, and ownership transfers increased by \$5,751. This is a smaller increase than seen in previous years because the economy has begun to pick up and delinquencies are down.
- Interest income has dropped as the funds received from the issuance of bonds have been fully expended.
- Total expenses for wages and benefits were up \$4,779 from FY 2012. As stated above, both a bonus and a cost of living adjustment were paid to employees during the fiscal year. The increase in health insurance costs was small and covered by the City and the employees. The Utah Retirement System increased rates to help absorb losses in the fund over the last few years.
- Operating costs increased \$452,463. Contract for sewer and garbage were up because of rate increases by the contractors. Sewer and garbage fees increased by \$213,343 and \$44,254, respectively. The study on water and sewer infrastructure also included a study of maintenance costs.
- Debt service decreased by \$18,832. Interest expense is reduced as the debt is repaid.

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

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$10,478,059, an increase of \$858,229 from the prior year. Approximately 33.46%, or \$3,505,492, 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, 2013, \$1,391,993 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 \$3,505,492, while the total fund balance was \$6,723,957. 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 22.09% of total general fund expenditures, while total fund balance represents 42.36% of that same amount. During the fiscal year, the fund balance of Roy City Corporation's general fund (GAAP basis) increased by \$760,772 which is \$57,141 more than the prior year. When comparing FY 2013 to FY 2012 there was 1) a 3.94% increase in revenue of \$608,652, 2) a 7.97% increase in expenditures of \$1,172,172, 3) a 100% decrease in proceeds from sale of assets of \$35,160, and 4) a 566.89% increase in the amount transferred to capital projects funds of \$550,025.

Included in the *governmental funds* is \$816,816 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 finances by proprietary or special revenue funds. During FY 2013 the fund balance in the capital projects funds increased by \$475,394 or 139.24% compared to a \$60,090 increase in FY 2012. When comparing FY 2013 to FY 2012, the \$415,304 change can be attributed to a 566.89% increase in transfers from the general fund of \$550,025 exceeding a 364.75% increase in project expenditures of \$134,721. At June 30, 2013, fund balances available for specific capital projects include Recreational Facilities Improvements of \$792,649, and Fire & Rescue Facilities and Equipment of \$24,167.

Also included within the *governmental funds* is \$2,937,286 which is assigned for specific purposes. For these special revenue funds, fund balance decreased by \$377,937 or 11.40% compared to an increase of \$287,977 in FY 2012. When comparing FY 2013 to FY 2012, the change of \$665,914 is a result of 1) a 18.21% increase in property tax revenue of \$87,598, 2) a 19.03% increase in impact fees of \$22,212, 3) a 4,684.87% increase in investment earnings of \$484,088, 4) a 70.33% decrease in cemetery fees of \$6,044, 5) a 100% decrease in grant revenue of \$207,691, 6) a 44.61% decrease in operating expenditures of \$162,336, 7) a 9.53% decrease in capital outlay of \$14,316, and 8) an increase in transfers out of \$1,222,729. At June 30, 2013, available fund balances in these special funds included Redevelopment Agency \$2,362,109; Storm Sewer Development \$119,120; Park Development \$295,328; and Cemetery \$160,729.

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 position of the water and sewer utility fund at the end of the fiscal year were \$4,226,326, for the storm sewer utility fund unrestricted net position were \$690,293, and for the solid waste utility fund unrestricted net position were \$2,161,471. Net position for all of the utilities increased. Change for the water and sewer, storm sewer, and solid waste utility funds increased by \$632,722 and \$255,403, and \$368,710, respectively.

The increase in net position for the water and sewer utility fund was higher than the increase in FY 2012 by \$519,601. Operating revenues for the water and sewer utility fund increased \$676,163, or 13.62% from the prior year, while operating expenses increased \$503,321 or 11.06%. Other factors in the increase in net position are 1) interest income dropped 97.19% or \$1,973, 2) interest expense and bond costs dropped 3.99% or \$11,351, 3) losses on sale of assets decreased \$16,933, and 4) contributions from developers increased \$320,448 or 100.00%.

The increase in net position for the storm water utility fund exceeded the decrease in FY 2012 by \$284,653. Operating revenues for the storm water utility fund increased \$3,142, or .86% from the prior year, while expenses decreased \$6,880 or 1.75%, and contributions from developers increased \$174,258 or 100%. Grant revenue increased \$100,000, while loss on sale of assets decreased \$373, or 100%.

Operating revenue for the solid waste utility fund was up \$59,383 or 3.10% from FY 2012. Operating expenses increased \$26,065 or 1.65%. These factors resulted in an increase in net position \$33,318 greater than FY 2012.

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 \$15,115,583 to a final budget of \$16,762,217, an increase of \$1,646,634 or 10.89%. Some of the more significant budget changes to individual revenue and expenditure items are as follows:

- \$77,750 increase in property tax revenue. When the budget was approved the certified tax rate had not been received by the County. Once the rate was received the budget was adjusted.
- \$120,476 increase in property tax revenue. New commercial and residential construction.
- \$22,000 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.
- \$160,000 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.
- \$60,000 decrease in business licenses. In FY 2012 licensing fees were changed to include a good landlord program. In FY 2013, the City Council approved adjustments to the first year fees.
- \$302,823 increase in intergovernmental revenue. The City does not budget for grants until the likelihood of funding is fairly certain. A number of grants were received after the original budget was approved. This includes Justice Assistant \$6,686, Bulletproof Vest \$4,838, Victims Advocate \$17,851, EMS per capita \$5,084, Fire AFG \$57,938, and WACOG \$209,500. The State Liquor Law allotment was increased \$926.
- \$335,823 increase in ambulance services. Two new transport contracts were obtained during the year. The first with a care facility to transport dialysis patients to treatment and the second with an emergency facility to transport patients to hospitals for continued care.
- \$67,235 increase for a recreation football program fund raiser. This was a one-time event to help coordinate a fund raiser for the parents and participants.
- \$532,000 increase in investment revenue. The City, in conjunction with the Redevelopment Agency, sold land to a local school district upon which to build a new elementary school.
- \$186,975 decrease in the management services department expenditures. Funding for an increase to employee compensation was placed in the sundry account. When a determination was made as to what form the compensation would take and how much each department would be allocated, the funds were transferred from sundry and allocated to the specific departments. The City Council determined the funds would be used for a bonus in July and a 2% COLA in January.
- \$547,000 increase in transfers to capital projects fund. A City park sits next to one of the redevelopment districts. During FY 2013, a land exchange and sale took place between the City, Redevelopment Agency, and a local school district in this area. Proceeds from the land sale will be set aside to use at a future date to reconfigure the park.
- \$71,403 increase in the amount set aside to fund balance reserves. The City anticipates a significant expenditure to upgrade public safety communication systems within the next five

years and has begun setting funds aside for the upgrade. In addition, all of the football helmets in the recreation department need to be replaced to meet safety standards. This will take place within the next few years.

- \$163,227 increase in capital assets for the building maintenance department. This was used to replace the boiler and the roof on the Municipal Building, as well as remodel the public works reception area.
- \$48,361 increase in expenditures in the police department for grant related items. This includes overtime, and equipment.
- \$64,200 increase to capital to replace vehicles in the police department.
- \$41,778 increase to part time wages, benefits, fuel and professional services in the fire department to account for costs associated with the new transport contract for dialysis patients.
- \$111,667 increase in capital to replace a vehicle, repair showers and purchase equipment under grant funding in the fire department.
- \$209,500 increase in capital to install curb, gutter, and sidewalk on 4400 South next to the Ogden Airport. Funding was provided by a grant from WACOG.
- \$31,535 increase in capital to replace equipment, a diving board, and repair a sauna at the Recreation Complex.
- \$20,700 increase in supplies at the Aquatic Center to replace deck chairs and umbrellas.
- \$67,235 increase in program expenditures in the recreation division for costs associated with the fund raiser.
- \$24,000 increase in capital to purchase a truck in the park division.

The items described above resulted in balanced budget adjustments. Revenues equaled expenditures. While actual revenues were lower than projected and expenditures exceeded estimates, total revenues surpassed expenditures by \$469,155.

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 \$72,243; building permits over by \$19,285; B & C Road funds over by \$45,149; and Aquatic Center operations over by \$44,598. The budget was prepared showing investment earnings on the land sale of \$532,000, while the actual transaction resulted in a contribution of the land valued at \$1,222,729. As a result, investment earnings were below budget while contributions were over budget. Revenues related to franchise taxes, planning and development, and recreation also were higher. Property tax revenue, grant funding, and Recreation Complex operations were lower than budgeted by \$22,116, \$288,569 and \$18,835, respectively. Fines in the justice court were lower than projected by \$11,228. In total, general fund revenue was lower than budgeted by \$451,669 or 2.74%.

Expenditures were \$47,545 over budget. Generally, departments were cautious with spending, giving back \$370,663. Three departmental budgets were overspent. This includes the legislative, community and economic development, and justice court. The latter two overages were minimal, \$5,678 and \$1,143, respectively. The legislative budget was overspent due to the land transfer and sale. The part of the transaction where the City obtained land and an old school valued at \$710,525 was not included in the budget. Overall a net gain was obtained through the transfer and sale. The legal department was under budget by \$28,361; the result of the Victims Advocate Grant getting a late start and the prosecutor working fewer hours. The police department was under budget by \$133,978, mainly the result of employees on military leave. The department also had savings in equipment, fuel, and telephone expenditures. Savings in the fire department are a result of a grant being budgeted, but in the end, not funded. Total expenditures in the Class C Road Fund were \$308,819 under budget. With no capital projects planned, the expenditures for engineering services were low. Actual road maintenance was lower than expected.

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, 2013, amounts to \$53,042,951 (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 an increase of .89% (a .67% increase in governmental activities and a 1.30% increase in business-type activities).

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

Governmental activities:

- Land and building obtained from school district, \$710,525.
- Roof for Municipal Building, \$66,723.
- Animal control vehicle, \$24,479.
- Vehicle for Deputy Fire Chief, \$29,779.
- Ambulance, \$135,000.
- Curb, gutter, and sidewalk along 4400 South, \$65,818.
- Truck for streets, \$27,484.
- Air condition for Recreation Complex, \$11,925.
- Liner repair for pool, \$36,656.
- Truck for parks, \$22,186.
- Kubota tractor, \$19,500.
- Intellisys phone system, \$50,131.
- 3100 West storm drain realignment, \$11,380.
- Infrastructure from developers through acceptance of new subdivision, \$529,361. Includes curb, gutter, sidewalks, streets, and land drains.

Business type activities:

- Culinary water line replacement, \$54,294.
- Homa sewage pumps (3), \$23,052.
- Maverick tie in, \$12,286.
- Chipper, \$42,626.
- Infrastructure from developers through acceptance of new subdivision, \$423,162. Includes water lines, sewer lines, and storm drains.

Shared activities:

- John Deere boom mower, \$15,000.

Roy City Corporation's Capital Assets (Stated in Thousands of Dollars and Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,882	\$ 3,172	\$ 139	\$ 139	\$ 4,021	\$ 3,311
Buildings	11,698	11,690	14	9	11,712	11,699
Improvmnts other than bldgs	32,966	31,995	33,717	32,768	66,683	64,763
Machinery and equipment	4,113	4,230	1,401	1,349	5,514	5,579
Automobiles and trucks	5,826	5,637	729	729	6,555	6,366
Construction in progress	139	228	771	988	910	1,216
Accumulated depreciation	(23,590)	(21,888)	(11,935)	(11,085)	(35,525)	(32,973)
Total capital assets	<u>\$35,034</u>	<u>\$35,064</u>	<u>\$24,836</u>	<u>\$24,897</u>	<u>\$59,870</u>	<u>\$59,961</u>

Additional information on Roy City Corporation's capital assets can be found in Note 4 on pages 65-66 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. The lease was paid in full in February 2013.

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. 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 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. At year end, the City had \$565,000 outstanding on the bonds.

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, 2013, the balance due on the bonds is \$6,260,000. The City originally received an "Aaa" rating from Moody's Investors Service on the Series 2008 bonds. In May 2010, the rating was revised to "A1".

Roy City Corporation's Outstanding Debt (Stated in Thousands of Dollars)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital lease	\$ -	\$ 151	\$ -	\$ -	\$ -	\$ 151
Revenue bonds	565	674	6,260	6,560	6,825	7,234
Total	<u>\$ 565</u>	<u>\$ 825</u>	<u>\$6,260</u>	<u>\$6,560</u>	<u>\$6,825</u>	<u>\$7,385</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 \$43,662,000, 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 \$43,662,000 in debt obligation.

Additional information on Roy City Corporation's long-term debt activity can be found in Note 4 on pages 68-70 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 2014 budget:

- Economic activity in the region is adversely affected by the national economy. Consumer confidence is growing with upswings in the housing and credit markets. Growth tends to be stronger within the State than nationally.
- The unemployment rate for the Ogden/Clearfield metropolitan area within which Roy City is located, is currently 5.2%. This compares to the State's average unemployment rate of 5.2% and the Mountain West's average of 7.5%. The Mountain West average is a decline of .5% from the prior year, while the metropolitan and State averages decreased 1.1% and .8%, 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 2014 as the local economy begins to strengthen.
- The budget includes a 2% cost of living adjustment for all employees, and health insurance costs have once again increased. Expenditures that are expected to increase include fuel, utilities, repairs and maintenance. For the first time in several years, aging capital assets will be replaced.
- 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 \$469,155 to \$6,414,108. Roy City has appropriated \$75,000 of the restricted fund balance from Class C Roads for spending in the 2014 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.

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BASIC FINANCIAL STATEMENTS

ROY CITY CORPORATION
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash	\$ 9,247,922	\$ 5,415,666	\$ 14,663,588
Restricted cash: Class "C" roads	1,978,972	-	1,978,972
Investment in water stock	-	16,100	16,100
Interactivity receivable	(118,188)	118,188	-
Accounts receivable - net of allowance for doubtful accounts	3,575,267	1,316,188	4,891,455
Inventory	589,169	240,925	830,094
Prepaid items	53,181	238,419	291,600
Total current assets	15,326,323	7,345,486	22,671,809
Noncurrent assets:			
Internal balances	(550,000)	550,000	-
Capital assets:			
Land	3,882,258	139,434	4,021,692
Buildings	11,698,381	14,519	11,712,900
Improvements other than buildings	32,966,397	33,716,747	66,683,144
Machinery and equipment	4,113,057	1,401,405	5,514,462
Automobiles and trucks	5,825,832	728,754	6,554,586
Construction in progress	138,914	770,970	909,884
Less accumulated depreciation	(23,590,329)	(11,935,422)	(35,525,751)
Total capital assets net of accumulated depreciation	35,034,510	24,836,407	59,870,917
Total noncurrent assets	34,484,510	25,386,407	59,870,917
Deferred outflows of resources:			
Bond insurance	-	46,237	46,237
Total assets and deferred outflows of resources	\$ 49,810,833	\$ 32,778,130	\$ 82,588,963

ROY CITY CORPORATION
Statement of Net Position, continued
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 695,282	\$ 580,553	\$ 1,275,835
Accrued wages	399,294	21,258	420,552
Interest payable	2,520	75,147	77,667
Current portion of long-term debt	296,491	326,941	623,432
Total current liabilities	1,393,587	1,003,899	2,397,486
Long-term liabilities:			
Long-term debt due in more than one year	1,705,752	6,004,512	7,710,264
Guarantee deposits	138,045	-	138,045
Total long-term liabilities	1,843,797	6,004,512	7,848,309
DEFERRED INFLOWS OF RESOURCES	2,664,211	-	2,664,211
Total liabilities and deferred inflows of resources	5,901,595	7,008,411	12,910,006
NET POSITION			
Invested in capital assets, net of related debt	34,469,510	18,573,441	53,042,951
Restricted for:			
Class "C" roads	2,260,818	-	2,260,818
Unrestricted	7,178,910	7,196,278	14,375,188
Total net position	\$ 43,909,238	\$ 25,769,719	\$ 69,678,957

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, 2013

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and
			Contributions
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
General government	\$ 3,329,353	\$ 986,627	\$ -
Public safety	7,612,498	1,463,311	120,374
Public works	2,999,507	114,478	1,095,149
Parks and recreation	2,623,244	1,079,424	47,881
Interest and fiscal charges	8,308	-	-
Total governmental activities	<u>16,572,910</u>	<u>3,643,840</u>	<u>1,263,404</u>
Business-type activities:			
Water and sewer utility	4,589,355	5,441,682	-
Storm sewer utility	382,653	366,992	-
Solid waste utility	<u>1,608,499</u>	<u>1,976,267</u>	<u>-</u>
Total business-type activities	<u>6,580,507</u>	<u>7,784,941</u>	<u>-</u>
Total primary government	<u>\$ 23,153,417</u>	<u>\$ 11,428,781</u>	<u>\$ 1,263,404</u>
General revenues:			
Property taxes			
Sales tax			
Franchise taxes			
Payments in lieu of taxes			
Unrestricted investment earnings			
Other revenues not restricted to specific programs			
Transfers			
Total general revenues and transfers			
Changes in net position			
Net position - beginning, as restated			
Net position - 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 Position		
	Governmental Activities	Business-type Activities	Total
\$ 200,000	\$ (2,142,726)	\$ -	\$ (2,142,726)
5,084	(6,023,729)	-	(6,023,729)
529,361	(1,260,519)	-	(1,260,519)
-	(1,495,939)	-	(1,495,939)
-	(8,308)	-	(8,308)
734,445	(10,931,221)	-	(10,931,221)
320,448	-	1,172,775	1,172,775
274,258	-	258,597	258,597
-	-	367,768	367,768
594,706	-	1,799,140	1,799,140
\$ 1,329,151	(10,931,221)	1,799,140	(9,132,081)
	3,079,186	-	3,079,186
	4,297,243	-	4,297,243
	2,953,814	-	2,953,814
	317,467	-	317,467
	593,839	57	593,896
	53,681	198,614	252,295
	710,437	(710,437)	-
	12,005,667	(511,766)	11,493,901
	1,074,446	1,287,374	2,361,820
	42,834,792	24,482,345	67,317,137
	\$ 43,909,238	\$ 25,769,719	\$ 69,678,957

ROY CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 5,576,787	\$ 1,817,871	\$ 1,386,993	\$ 8,781,651
Restricted cash:				
Class "C" roads	1,978,972	-	-	1,978,972
Accounts receivable, net	3,400,384	-	5,000	3,405,384
Advance to other funds	-	106,650	-	106,650
Inventory	95,397	493,772	-	589,169
Prepaid items	51,664	-	-	51,664
Total assets	<u>\$ 11,103,204</u>	<u>\$ 2,418,293</u>	<u>\$ 1,391,993</u>	<u>\$ 14,913,490</u>
LIABILITIES				
Accounts payable	\$ 676,730	\$ 1,228	\$ -	\$ 677,958
Accrued wages payable	395,416	-	-	395,416
Guarantee deposits	138,045	-	-	138,045
Advance from other funds	656,650	-	-	656,650
Total liabilities	1,866,841	1,228	-	1,868,069
DEFERRED INFLOWS OF RESOURCES	<u>2,512,406</u>	<u>54,956</u>	<u>-</u>	<u>2,567,362</u>
Total liabilities and deferred inflows of resources	<u>\$ 4,379,247</u>	<u>\$ 56,184</u>	<u>\$ -</u>	<u>\$ 4,435,431</u>

ROY CITY CORPORATION
Balance Sheet, continued
Governmental Funds
June 30, 2013

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Inventory	\$ 27,452	\$ 493,772	\$ -	\$ 521,224
Prepaid items	51,664	-	-	51,664
Restricted for:				
Class C roads	2,260,818	-	-	2,260,818
Committed for:				
Debt service	565,000	-	-	565,000
Public safety	50,000			50,000
Recreation	22,000			22,000
Assigned to:				
Encumbrances	228,515	-	-	228,515
Public safety	13,016	-	24,167	37,183
Storm sewer improvements	-	-	119,120	119,120
Park improvements	-	-	1,087,977	1,087,977
Cemetery	-	-	160,729	160,729
Redevelopment	-	1,868,337	-	1,868,337
Unassigned	3,505,492	-	-	3,505,492
Total fund balances	<u>6,723,957</u>	<u>2,362,109</u>	<u>1,391,993</u>	<u>10,478,059</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,103,204</u>	<u>\$ 2,418,293</u>	<u>\$ 1,391,993</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.	35,034,510
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,004,763)
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 position.	<u>401,432</u>
Net position of governmental activities	<u>\$ 43,909,238</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, 2013

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,761,711	\$ 568,532	\$ -	\$ 10,330,243
Payments in lieu of taxes	317,467	-	-	317,467
Licenses and permits	234,559	-	-	234,559
Intergovernmental	1,268,489	-	-	1,268,489
Charges for services	3,272,233	-	-	3,272,233
Impact fees	-	-	116,712	116,712
Fines and forfeitures	730,772	-	-	730,772
Investment earnings	99,418	492,150	2,271	593,839
Property rental	31,658	-	-	31,658
Management fee	120,408	-	-	120,408
Contributions and donations	200,000	-	-	200,000
Miscellaneous	19,473	-	2,550	22,023
Total revenues	<u>16,056,188</u>	<u>1,060,682</u>	<u>121,533</u>	<u>17,238,403</u>
Expenditures:				
Current:				
General government	3,874,172	201,568	-	4,075,740
Public safety	7,324,208	-	-	7,324,208
Public works	2,206,894	-	-	2,206,894
Parks and recreation	2,190,705	-	-	2,190,705
Debt service:				
Principal retirement	259,600	-	-	259,600
Interest and fiscal charges	15,516	-	-	15,516
Capital outlay	-	-	307,511	307,511
Total expenditures	<u>15,871,095</u>	<u>201,568</u>	<u>307,511</u>	<u>16,380,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 185,093</u>	<u>\$ 859,114</u>	<u>\$ (185,978)</u>	<u>\$ 858,229</u>

ROY CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Special Revenue Funds Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	\$ 185,093	\$ 859,114	\$ (185,978)	\$ 858,229
Other financing sources (uses):				
Transfers in	1,222,729	-	647,050	1,869,779
Transfers out	(647,050)	(1,222,729)	-	(1,869,779)
Total other financing sources (uses)	575,679	(1,222,729)	647,050	-
Net change in fund balances	760,772	(363,615)	461,072	858,229
Fund balances - beginning of year	5,963,185	2,725,724	930,921	9,619,830
Fund balances - end of year	<u>\$ 6,723,957</u>	<u>\$ 2,362,109</u>	<u>\$ 1,391,993</u>	<u>\$ 10,478,059</u>

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

ROY CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Government-wide Statement of Activities
For the Fiscal Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities (page 34-35) are different because:

Net change in fund balances - total governmental funds (page 39)	\$ 858,229
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 depreciation exceeded capital outlay in the current period.	(577,381)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	525,171
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, deferred bond insurance costs are reported in the governmental fund's operating statement because these transactions require the use of financial resources but are reported on the government-wide statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	266,807
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.	(57,506)
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.	59,126
Change in net position of governmental activities	<u>\$ 1,074,446</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive/(Negative)
Revenues:				
Taxes:				
Property	\$ 2,450,000	\$ 2,532,750	\$ 2,510,654	\$ (22,096)
Sales	4,100,000	4,225,000	4,297,243	72,243
Telecom gross receipts	520,000	498,000	505,569	7,569
Franchise	1,937,800	2,117,476	2,128,249	10,773
Paramedic	320,000	320,000	319,996	(4)
Payments in lieu of taxes	320,000	320,000	317,467	(2,533)
Licenses and permits	268,700	213,700	234,559	20,859
Intergovernmental	1,204,000	1,511,909	1,268,489	(243,420)
Charges for services	2,659,975	3,057,150	3,272,233	215,083
Fines and forfeitures	752,000	742,000	730,772	(11,228)
Investment earnings	52,000	604,000	99,418	(504,582)
Property rental	21,000	33,000	31,658	(1,342)
Management fee	120,408	120,408	120,408	-
Contributions and donations	200,000	200,000	200,000	-
Miscellaneous	22,000	12,464	19,473	7,009
Total revenues	14,947,883	16,507,857	16,056,188	(451,669)
Expenditures:				
General government:				
Legislative	456,393	459,734	1,160,751	(701,017)
Legal	253,183	277,301	248,940	28,361
Community & economic develop.	334,946	336,375	342,053	(5,678)
Information technology	246,722	244,512	244,512	-
Justice court	322,285	329,214	330,357	(1,143)
Management services	568,419	594,478	562,752	31,726
Public buildings	614,126	786,782	783,571	3,211
Risk management	263,095	263,095	263,095	-
	3,059,169	3,291,491	3,936,031	(644,540)
Public safety:				
Fire	2,927,173	3,181,454	3,095,858	85,596
Police	4,208,019	4,367,218	4,233,240	133,978
	7,135,192	7,548,672	7,329,098	219,574

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive/(Negative)
Public works:				
Administration	348,697	352,659	351,989	670
Class "C" roads	1,380,360	1,380,360	1,071,541	308,819
Fleet services	209,362	224,220	223,410	810
Streets	565,724	782,091	770,571	11,520
	<u>2,504,143</u>	<u>2,739,330</u>	<u>2,417,511</u>	<u>321,819</u>
Parks and recreation:				
Aquatic center	441,277	468,656	460,878	7,778
Parks and recreation	612,161	676,069	664,950	11,119
Recreation complex	981,016	1,113,349	1,079,128	34,221
	<u>2,034,454</u>	<u>2,258,074</u>	<u>2,204,956</u>	<u>53,118</u>
Debt service:				
Principal	247,600	259,600	259,600	-
Interest and fiscal charges	30,000	18,000	15,516	2,484
	<u>277,600</u>	<u>277,600</u>	<u>275,116</u>	<u>2,484</u>
Total expenditures	<u>15,010,558</u>	<u>16,115,167</u>	<u>16,162,712</u>	<u>(47,545)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,675)</u>	<u>392,690</u>	<u>(106,524)</u>	<u>(499,214)</u>
Other financing sources (uses):				
Sale of capital assets	10,000	10,000	-	(10,000)
Transfers in	-	-	1,222,729	1,222,729
Transfers out	<u>(105,025)</u>	<u>(647,050)</u>	<u>(647,050)</u>	<u>-</u>
Total other financing sources (uses)	<u>(95,025)</u>	<u>(637,050)</u>	<u>575,679</u>	<u>1,212,729</u>
Net change in fund balance	<u>(157,700)</u>	<u>(244,360)</u>	<u>469,155</u>	<u>713,515</u>
Fund balance - beginning of year	<u>5,944,953</u>	<u>5,944,953</u>	<u>5,944,953</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,787,253</u>	<u>\$ 5,700,593</u>	<u>\$ 6,414,108</u>	<u>\$ 713,515</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property tax	\$ 476,000	\$ 620,000	\$ 568,532	\$ (51,468)
Investment earnings	7,000	22,662	492,151	469,489
Total revenues	483,000	642,662	1,060,683	418,021
Expenditures:				
General government	1,368,523	1,368,523	201,568	1,166,955
Debt service:				
Principal	106,650	106,650	-	106,650
Total expenditures	1,475,173	1,475,173	201,568	1,273,605
Excess (deficiency) of revenues over expenditures	(992,173)	(832,511)	859,115	(855,584)
Other financing sources (uses):				
Transfers out	-	-	(1,222,729)	(1,222,729)
Total other financing sources (uses)	-	-	(1,222,729)	(1,222,729)
Net change in fund balance	(992,173)	(832,511)	(363,614)	(2,078,313)
Fund balance - beginning of year	2,725,724	2,725,724	2,725,724	-
Fund balance - end of year	\$ 1,733,551	\$ 1,893,213	\$ 2,362,110	\$ (2,078,313)

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

ROY CITY CORPORATION
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash	\$ 2,875,573	\$ 544,948	\$ 1,995,145	\$ 5,415,666	\$ 466,271
Investment in water stock	16,100	-	-	16,100	-
Accounts receivable - net of allowance for doubtful accounts	820,330	153,576	342,282	1,316,188	73,034
Inventory	218,267	21,380	1,278	240,925	-
Prepaid items	236,804	303	1,312	238,419	1,517
Total current assets	4,167,074	720,207	2,340,017	7,227,298	540,822
Noncurrent assets:					
Advance to other fund	550,000	-	-	550,000	-
Capital assets:					
Land	139,434	-	-	139,434	-
Buildings	14,519	-	-	14,519	-
Improvements other than buildings	30,740,076	2,976,671	-	33,716,747	-
Machinery and equipment	727,329	102,075	572,001	1,401,405	544,784
Automobiles and trucks	728,754	-	-	728,754	-
Construction in progress	770,970	-	-	770,970	-
Less accumulated depreciation	(11,107,859)	(446,969)	(380,594)	(11,935,422)	(348,494)
Total capital assets net of accumulated depreciation	22,013,223	2,631,777	191,407	24,836,407	196,290
Total noncurrent assets	22,563,223	2,631,777	191,407	25,386,407	196,290
DEFERRED OUTFLOWS OF RESOURCES					
Bond insurance	46,237	-	-	46,237	-
Total assets and deferred outflows of resources	\$ 26,776,534	\$ 3,351,984	\$ 2,531,424	\$ 32,659,942	\$ 737,112

ROY CITY CORPORATION
Statement of Net Position, continued
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 393,135	\$ 9,679	\$ 177,739	\$ 580,553	\$ 17,324
Accrued wages	16,730	3,721	807	21,258	3,878
Compensated absences	8,531	3,070	-	11,601	1,301
Recaptured losses	-	-	-	-	49,198
Interest payable	75,147	-	-	75,147	-
Revenue bonds payable	315,340	-	-	315,340	-
Total current liabilities	808,883	16,470	178,546	1,003,899	71,701
Long-term liabilities, less current portion:					
Compensated absences	43,442	13,444	-	56,886	6,546
Recaptured losses	-	-	-	-	87,425
Revenue bonds payable	5,947,626	-	-	5,947,626	-
Total liabilities	6,799,951	29,914	178,546	7,008,411	165,672
NET POSITION					
Invested in capital assets, net of related debt	15,750,257	2,631,777	191,407	18,573,441	196,290
Unrestricted	4,226,326	690,293	2,161,471	7,078,090	375,150
Total net position	\$ 19,976,583	\$ 3,322,070	\$ 2,352,878	25,651,531	\$ 571,440
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				118,188	
Net position of business-type activities				\$ 25,769,719	

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 Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	
Operating revenues:					
Charges for services	\$ 4,539,182	\$ 366,992	\$ 1,976,267	\$ 6,882,441	\$ 681,490
Other fees	902,500	-	-	902,500	-
Other income	197,672	-	942	198,614	73,034
Total operating revenue	5,639,354	366,992	1,977,209	7,983,555	754,524
Operating expenses:					
Personnel services	1,208,002	193,257	123,158	1,524,417	156,642
Contractual services	2,479,612	24,181	1,383,481	3,887,274	233,218
Materials and supplies	424,118	99,597	27,467	551,182	60,315
Other general costs of services	212,039	3,007	20,462	235,508	144,698
Depreciation	730,643	65,805	53,931	850,379	75,736
Total operating expenses	5,054,414	385,847	1,608,499	7,048,760	670,609
Operating income	584,940	(18,855)	368,710	934,795	83,915
Non-operating revenues/ (expenses):					
Intergovernmental	-	100,000	-	100,000	-
Interest income	57	-	-	57	-
Interest expense	(265,670)	-	-	(265,670)	-
Gain/(loss) on sale of capital assets	-	-	-	-	(1,309)
Bond issuance costs	(7,053)	-	-	(7,053)	-
Total non-operating revenues/(expenses)	(272,666)	100,000	-	(172,666)	(1,309)
Income (loss) before contributions	312,274	81,145	368,710	762,129	82,606
Contribution from developers	320,448	174,258	-	494,706	-
Changes in net position	\$ 632,722	\$ 255,403	\$ 368,710	\$ 1,256,835	\$ 82,606

ROY CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	
Changes in net position	\$ 632,722	\$ 255,403	\$ 368,710	\$ 1,256,835	\$ 82,606
Total net position - beginning, as restated	19,343,861	3,066,667	1,984,168		488,834
Total net position - ending	<u>\$ 19,976,583</u>	<u>\$ 3,322,070</u>	<u>\$ 2,352,878</u>		<u>\$ 571,440</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				30,539	
Change in net position of business-type activities				<u>\$ 1,287,374</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, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	
Cash flows from operating activities:					
Cash received from customers and users	\$ 5,345,321	\$ 364,723	\$ 1,956,569	\$ 7,666,613	\$ -
Cash received from interfund activities	10,256	-	-	10,256	681,490
Other income	187,416	-	942	188,358	-
Payments to suppliers	(2,940,260)	(117,398)	(1,348,744)	(4,406,402)	(486,077)
Payments to employees	(1,200,977)	(194,650)	(122,924)	(1,518,551)	(153,051)
Payments for interfund services	(160,254)	-	(13,630)	(173,884)	-
Net cash provided by operating activities	1,241,502	52,675	472,213	1,766,390	42,362
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(86,244)	(205,773)	(42,626)	(334,643)	(86,534)
Principal paid on bond	(300,000)	-	-	(300,000)	-
Interest paid on bond	(269,302)	-	-	(269,302)	-
Fiscal agent fees paid	(1,500)	-	-	(1,500)	-
Net cash used in capital and related financing activities	(657,046)	(205,773)	(42,626)	(905,445)	(86,534)
Cash flows from investing activities:					
Interest received	57	-	-	57	-
Net cash provided by investing activities	57	-	-	57	-
Net increase (decrease) in cash	584,513	(153,098)	429,587	861,002	(44,172)
Cash - beginning of year	2,291,060	698,046	1,565,558	4,554,664	510,443
Cash - end of year	\$ 2,875,573	\$ 544,948	\$ 1,995,145	\$ 5,415,666	\$ 466,271

ROY CITY CORPORATION
Statement of Cash Flows, continued
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 584,940	\$ (18,855)	\$ 368,710	\$ 934,795	\$ 83,915
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	730,643	65,805	53,931	850,379	75,736
(Increase) decrease in accounts receivable	(74,242)	(989)	(10,937)	(86,168)	(73,034)
Increase (decrease) in allowance for uncollectible accounts	(2,867)	(416)	(2,401)	(5,684)	-
(Increase) decrease in inventory	6,232	2,947	(393)	8,786	-
(Increase) decrease in prepaids	(4,455)	(8)	(30)	(4,493)	1,375
Increase (decrease) in accounts payable	(5,774)	5,584	63,100	62,910	2,418
Increase (decrease) in accrued wages	918	105	233	1,256	76
Increase (decrease) in compensated absences	6,107	(1,498)	-	4,609	3,515
Increase (decrease) in recaptured losses	-	-	-	-	(51,639)
Total adjustments	656,562	71,530	103,503	831,595	(41,553)
Net cash provided by operating activities	\$ 1,241,502	\$ 52,675	\$ 472,213	\$ 1,766,390	\$ 42,362
Non-cash capital and related financing activities:					
Purchase of equipment on account	\$ 54,007	\$ -	\$ -		\$ 8,516
Total non-cash capital and related financing activities	\$ 54,007	\$ -	\$ -		\$ 8,516

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, 2013

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.

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Roy City Corporation (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are the representation of the City's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, as applicable to governmental organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. The City applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided that they do not conflict with or contradict GASB pronouncements. For the enterprise funds, the City applies any FASB statements and interpretations issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below:

Reporting Entity

The reporting entity is comprised of the primary government, and component units included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, and agencies that are not legally separate from the City. For Roy City, this entity includes the component unit described below.

Component units are legally separate entities for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial supports to the organization; or the City is obligated for the debt of the organization.

Based upon the application of the 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, 2013

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, along with fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the City and its component unit. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City's general revenues, from business-type activities, generally financed in whole or part with fees charged to external customers. The operating activities of the internal service funds are eliminated to avoid duplicating revenues and expenditures.

The statement of net position presents the financial position of the governmental and business-type activities at year-end.

The statement of activities presents a comparison between direct expenses and programs revenues for each function of the City's governmental activities and each identifiable activity of the business-type activities. A function is a grouping of similar activities to capture the expenses and program revenues associated with a distinct functional activity. 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. The determining factor for identifying which function charges for services pertain to, is which function generates the revenue. For grants and contributions, the determining factor is, to which function is the revenue restricted.

Taxes, fees in lieu, and other revenue sources not properly included among program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City records transactions in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are prepared separately for governmental and proprietary funds and are designed to present financial information at a more detailed level. Major individual governmental and enterprise funds are reported in separate columns with combined columns for nonmajor funds. The internal service funds are presented in a single column of the proprietary fund statements.

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included in the statement of net position. The statement of activities reports the revenues and expenditures.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports the source (i.e., revenues and other financing sources) and the uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included in the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, while proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, deferred inflows of resources, and the presentation of expenses versus expenditures.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

The use of financial resources to acquire capital assets are shown as assets in the government-wide and proprietary fund financial statements and as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide and proprietary fund financial statements, and as other financing sources on the governmental fund financial statements. 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.

For the government-wide and proprietary 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.

Governmental fund financial statements recognize revenues 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. Sales and 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 as such have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the government.

Non-exchange transactions in which the City receives value without directly giving equal value in return, may include property taxes, grants, and donations. On an accrual basis, property taxes are recognized in the year for which the taxes are levied (see Note 3 – Tax Revenue). Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions also must be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. See Note 4 - Deferred Inflows/Outflows of Resources.

On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measureable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measureable.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of 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 position or Equity

Cash, Deposits, and Investments

Cash includes cash on hand, demand deposits with banks, deposits in cash management pools that have the general characteristics of demand deposit accounts, and deposits in a receiver's account for on-line bill pay. The City adopted an investment policy by resolution that allows for

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

the investment of funds in time certificates of deposit with federally insured depositories, in the Utah Public Treasurer's Investment Fund (the Fund), in U. S. backed Government Securities, and other funds and obligations.

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

Class C Road funds are classified as restricted assets on the balance sheet because their use is restricted by laws and regulations. The road funds are restricted for use in maintaining roads and streets throughout the City.

Receivables, Payables, and Interfund Balances

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.

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". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual amounts due between governmental activities and business-type activities, which are reclassified 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.

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The expenditure/expense of prepaid items is reflected in the fiscal year in which services are consumed.

At the fund reporting level, fund balance is designated as non-spendable for an amount equal to inventories and prepaid items, as this amount is not available for general appropriations.

Capital Assets

General capital assets relate to governmental activities and do not specifically relate to activities of the proprietary funds. These assets generally result from expenditures in the governmental

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

funds. The City reports these assets in the governmental activities column of the government-wide statement of net position and does not report the assets in the governmental fund financial statements. Capital assets used by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary funds statement of net position.

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. These assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Outlays for major improvements are capitalized. The City's infrastructure consists of roads, storm sewer systems, curb, gutter, sidewalk, and street lights.

All reported capital assets, except land and construction in progress, are depreciated using the straight line method over the following useful lives:

Asset Type	Years
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

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 expensed.

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, sick leave 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 position and as expenses in the government-wide statement of activities. Accumulated vacation, sick leave 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, including social security and Medicare costs, 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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. The liability for sick leave is calculated based on percentages that would be paid in the event the employee terminated employment.

Accrued Liabilities and Long-term Obligations

All payables and accrued liabilities are reported in the government-wide financial statements. 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 position. Bond discounts and premiums are amortized over the life of the applicable debt. Bond insurance costs are recognized as outflows of resources in the reporting period in which they are incurred and amortized using the effective interest method over the life of the bonds.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Recaptured losses are included in long-term obligations and 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.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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, which is passage of a resolution by a majority vote.

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.

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.

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

Net Position

The net position represents the difference between assets and liabilities. The net position component, "net investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used (i.e. the amount the City has not spent) for the acquisition, construction, or improvement of those assets. The net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining balance of the net position is reported as unrestricted.

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 Position

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

Capital related items:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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 position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$58,624,839
Accumulated depreciation	<u>(23,590,329)</u>
Total difference	<u>\$35,034,510</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 position.

Balances at June 30, 2013 were:

Bonds payable	\$ 567,520
URMMA recaptured losses	136,623
Compensated absences	<u>1,300,620</u>
Total difference	<u>\$2,004,763</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 position at June 30, 2013 include:

Cash	\$466,271
Accounts receivable	73,034
Prepaid items	1,517
Accounts payable	(17,324)
Accrued wages payable	(3,878)
Interactivity payable	<u>(118,188)</u>
Total difference	<u>\$401,432</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 position 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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	\$ 1,428,644
Depreciation expense	(2,006,025)
Total difference	<u>(\$ 577,381)</u>

Another element of the reconciliation is the net effect of various miscellaneous transactions involving capital assets. The detail of the \$525,171 increase to net position 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 position differs from the change in fund balance by the cost of the capital assets sold.	(\$ 4,190)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	529,361
Total difference	<u>\$525,171</u>

Another element of the reconciliation is the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance, 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 \$266,807 difference is as follows:

Principal repayments:	
Sales tax revenue bonds	\$ 97,000
Series '12 revenue refunding bonds	12,000
Accrued interest payable	7,207
Capital lease	150,600
Total difference	<u>\$266,807</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 an increase of \$57,506.

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 \$59,126 difference is as follows:

Change in net position of the internal service funds	\$82,606
Add: Capital outlay shown as expenditure	7,059
Less: Profit from charges to business-type activities	(30,539)
Total difference	<u>\$59,126</u>

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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, 2013, there was \$681,490 in transfers requiring elimination.

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

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

Interactivity receivable representing charges in excess of cost to business-type activities – prior years	\$ 87,649
Interactivity receivable representing charges in excess of cost to business-type activities – current year	30,539
Total difference	<u>\$118,188</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 governmental and proprietary funds. On or before the first day of April, all agencies of the City submit requests for appropriation to the City Manager and Budget Officer so that a budget can be prepared. On the first Tuesday in May, the proposed budget is presented to the City Council for tentative acceptance. The City Council then reviews, adjusts, and holds a public hearing on the budget. On or before June 22nd, the budget is legally adopted by resolution for the following fiscal year which begins on July 1st. If a property tax increase is proposed, the City shall not adopt its final budget until a public hearing has been held. The latest possible date for adoption of a budget with a property tax increase is August 17th. All annual appropriations lapse at fiscal year-end.

Budgets are prepared by fund, function and department. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the department level. Budget control is exercised at the department level. 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 \$1,646,634; increase in the capital projects fund of \$542,025; increase in the water and sewer utility fund of \$324,921; increase in storm sewer utility fund of \$100,000; increase in the park development fund of \$18,126; increase in storm sewer development fund of \$110,800; and increase in the information technology fund of \$15,040.

The increase in the general fund was attributed to new grants, capital, projects, cost of living increases, and operations. Adjustments to the budget were made in various categories including (in approximate

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

amounts) personnel for \$309,000; operations and maintenance for \$246,000; purchase and construction of capital assets of \$622,000; and transfers to other funds for \$409,000. In the general fund, all expenditure increases were covered by increased revenue projections.

The change in the capital projects fund was to set investment proceeds aside for future projects.

The increase in the water and sewer utility was the result of a rate increase to cover capital improvements and ongoing maintenance of the systems. The storm sewer utility increase was for a grant to install improvements along 4400 South.

The increase in information technology was to add funds for system improvements and for cost of living increases. Unassigned fund balance reserves were used for the increased expenditures. Both the increases to the storm sewer development and park development budgets were for capital improvements. Funding was taken from unassigned reserves for both projects.

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.

	General Fund
Net change in fund balance (budget)	\$469,155
Beginning encumbrances	(18,232)
Ending encumbrances	309,849
Net change in fund balance (GAAP)	<u>\$760,772</u>
Fund balance (budget)	\$6,414,108
Ending encumbrances	309,849
Fund balance (GAAP)	<u><u>\$6,723,957</u></u>

Cash and Cash Equivalents

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

Tax Revenue

Real property taxes are collected by the County Treasurer and remitted to the City shortly after collection. The tax levy is established by June 15th with a lien date of January 1st. Taxes are due and payable on

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

November 1st and delinquent after 12 o'clock noon on November 30th of each year. An accrual has been made for uncollected current and prior year's property taxes which remains outstanding at June 30th. Sales taxes and telecom gross receipts taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise taxes are charged to various utility companies doing business within the City including cable television, natural gas, and electric companies. The fees are remitted on a monthly or quarterly basis and an accrual has been made for all fees due and payable to the City at June 30th.

Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in the Legislative and Justice Court departments (the legal level of budgetary control) of the general fund by \$701,017 and \$1,143, 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.

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, 2013 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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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, 2013, the City and the Redevelopment Agency had \$14,264,616 and \$1,674,213, 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.

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, 2013 the City's cash and investments in the PTIF and qualified institutions is 96.42% and 3.58%, 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, 2013, \$421,645 of the City's bank balance of \$671,645 was uninsured and uncollateralized. For the Redevelopment Agency, all of their \$143,658 was insured within FDIC limits. In the Water and Sewer Utility, \$26,967 held in a receiver's account for on-line bill pay was uninsured.

Custodial credit risk for investments is the risk that in the event of the failure of a counter party, 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:

Governmental and internal service funds:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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	General Fund	Park Development Fund	Risk Management Fund	Total
Taxes	\$2,259,064	\$ -	\$ -	\$2,259,064
Ambulance	1,823,791	-	-	1,823,791
Special assessments	18,347	-	-	18,347
Intergovernmental	319,550	5,000	-	324,550
Other	250,220	-	73,034	323,254
Gross receivables	4,670,972	5,000	73,034	4,749,006
Less: allowance for uncollectible accounts	(1,270,588)	-	-	(1,270,588)
Net receivables	<u>\$3,400,384</u>	<u>\$5,000</u>	<u>\$73,034</u>	<u>\$3,478,418</u>

Enterprise funds:

	Water and Sewer Utility Enterprise Fund	Storm Sewer Utility Enterprise Fund	Solid Waste Utility Enterprise Fund	Total
Utilities	\$864,903	\$ 56,490	\$360,878	\$1,282,271
Intergovernmental	-	100,000	-	100,000
Gross receivables	864,903	156,490	360,878	1,382,271
Less: allowance for uncollectible accounts	(44,573)	(2,914)	(18,596)	(66,083)
Net receivables	<u>\$820,330</u>	<u>\$153,576</u>	<u>\$342,282</u>	<u>\$1,316,188</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.

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,171,733	\$ 710,525	\$ -	\$ 3,882,258
Construction in progress	228,120	205,062	(294,268)	138,914
Total capital assets not being depreciated	<u>3,399,853</u>	<u>915,587</u>	<u>(294,268)</u>	<u>4,021,172</u>
Capital assets being depreciated:				
Buildings	11,690,154	8,227	-	11,698,381
Improvements other than buildings	31,994,876	971,521	-	32,966,397
Machinery and equipment	4,229,604	218,120	(334,667)	4,113,057
Automobiles and trucks	5,637,556	238,929	(50,653)	5,825,832
Total capital assets being depreciated	<u>53,552,190</u>	<u>1,436,797</u>	<u>(385,320)</u>	<u>54,603,667</u>
Less accumulated depreciation for:				
Buildings	(3,718,844)	(281,841)	-	(11,719,267)

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Notes to the Financial Statements, Continued
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Improvements other than buildings	(10,598,825)	(1,120,442)	-	(3,228,335)
Machinery and equipment	(3,267,851)	(289,654)	329,170	(4,642,042)
Automobiles and trucks	(4,302,870)	(389,825)	50,653	(80,939,163)
Total accumulated depreciation	(76,397,028)	(7,481,525)	1,519,292	(231,250,017)
Total capital assets being depreciated, net	53,552,190	1,436,797	(385,320)	54,603,667
Governmental activities capital assets, net	\$3,399,853	\$ 915,587	(\$294,268)	\$4,021,172

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 139,434	\$ -	\$ -	\$ 139,434
Construction in progress	987,847	182,889	(399,766)	770,970
Total capital assets not being depreciated	1,127,281	182,889	(399,766)	910,404
Capital assets being depreciated:				
Buildings	9,339	5,180	-	14,519
Improvements other than buildings	32,767,777	948,970	-	33,716,747
Machinery and equipment	1,349,430	51,975	-	1,401,405
Automobiles and trucks	728,754	-	-	728,754
Total capital assets being depreciated	34,855,300	1,006,125	-	35,861,425
Less accumulated depreciation for:				
Buildings	(2,594)	(364)	-	(2,958)
Improvements other than buildings	(9,427,414)	(709,854)	-	(10,137,268)
Machinery and equipment	(712,161)	(120,445)	-	(832,606)
Automobiles and trucks	(942,874)	(19,716)	-	(962,590)
Total accumulated depreciation	(11,085,043)	(850,379)	-	(11,935,422)
Total capital assets being depreciated, net	23,770,257	155,746	-	23,926,003
Business-type activities capital assets, net	\$24,897,538	\$338,635	(\$399,766)	\$24,836,407

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

Governmental activities:	
General government	\$ 235,638
Public safety	361,213
Public works, including depreciation of general infrastructure assets	917,965
Parks and recreation	491,209
Information technology	75,736
Total depreciation expense – governmental activities	<u>\$2,081,761</u>
Business-type activities:	
Water and sewer utility enterprise	\$730,643
Storm water utility enterprise	65,805
Solid waste utility enterprise	53,931
Total depreciation expense – business-type activities	<u>\$850,379</u>

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expenditure/expense) until then. The City reports the deferred charge on bond insurance of \$46,237 in the government-wide statement of net position. This amount is deferred and amortized over the life of the water and sewer revenue bonds.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports two of these items; available unearned revenue, and unavailable revenue. Available unearned revenue refers to resources that are received before the period(s) which they are required to be used. Unavailable revenue refers to resources that are reported as a receivable before the period(s) for which they are levied and for other imposed non-exchange transactions where resources are reported as receivables and use is permitted.

The City reports the following deferred inflows of resources on the governmental funds balance sheet and the government-wide statement of net position:

	Governmental Funds	Governmental Activities
Property taxes not yet levied	\$2,259,064	\$2,259,064
Property taxes received not yet levied	300,498	300,498
Delinquent property taxes	-	96,849
Grants received for future use	7,000	7,000
Special assessment levied	800	800
	<u>\$2,567,362</u>	<u>\$2,664,211</u>

Inter-fund Receivables, Payables, and Transfers

The composition of internal balances as of June 30, 2013, is as follows:

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Water and sewer utility enterprise fund	General fund	\$550,000
Redevelopment agency special revenue fund	General fund	106,500
		<u>\$656,500</u>

The funds were used for on-sight improvements of a development within Roy City's central business district. The district is within one of the redevelopment project areas. A portion of the advances are expected to be repaid within the next fiscal year.

Inter-fund transfers:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

Transfer In	Transfer Out	Amount
Fire & Rescue facilities and equipment - capital projects fund	General fund	\$ 48,500
Parks and recreational facilities improvements – capital projects fund	General fund	598,550
General fund	Water and sewer utility fund	553,515
General fund	Storm water utility fund	54,071
General fund	Solid waste utility fund	102,851
Water and sewer utility fund	Solid waste utility fund	10,256
		\$1,367,743

Transfers are used to move revenue from the fund that statute or budget requires them to collect, to the fund the budget authorizes them to expend. The transfers to the capital project fund segregate money for anticipated capital projects. Funds transferred to the general fund by the utility funds are for wages and benefits of employees who provide services to both general municipal and utility operations. All City transfers either occur on a regular basis or are authorized by annual budget appropriation.

Leases

Operating Lease

The City acquired an elementary school and land from a local school district in exchange for vacant real estate. The school district is constructing a new elementary school and will lease the old school from the City until such time as the new school is completed. In consideration of granting the lease, the school district will pay for the demolition of the building located on the leased premises. The lease expires in the fall of 2014, 120 days after the new school opens and demolition is completed. The school and land acquired through the exchange total \$710,525.

Capital Lease

In 2006, Roy City entered into a lease agreement as lessee for financing the acquisition of fire trucks. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through the lease are as follows:

Asset:	
Pierce 105' Heavy Duty Aerial Truck	\$630,661
Pierce 1500 GPM Enforcer Pumper Truck	312,901
	943,562
Less: accumulated depreciation	(555,391)
Total	\$388,171

The lease obligation was paid in full during FY 2013.

Long-Term Debt and Liabilities

Sales Tax Revenue Bonds

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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 Series 2007 bonds allowed for early redemption at a price equal to 100% of the principal amount and accrued interest to the redemption date. The City exercised the early redemption option in June 2012 by issuing Series 2012 sales tax revenue refunding bonds. The refunding bonds did not include the portion of the sales tax revenue bonds due in October 2012. The final debt service payment of \$98,964 was made on October 1, 2012.

Sales Tax Revenue Refunding Bonds

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

The refunding was done to achieve a debt service savings. 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:

Year ending June 30	Interest	Principal Amount	Total Debt Service
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>\$26,603</u>	<u>\$565,000</u>	<u>\$591,603</u>

The refunding and defeasance of Series 2007 bonds was 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 position. 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 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 were 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.

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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

Year ending June 30	Interest	Principal	Total Debt Service
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	205,640	365,000	570,640
2019-2023	796,175	2,060,000	2,856,175
2024-2028	333,638	2,505,000	2,838,638
	<u>\$2,292,625</u>	<u>\$6,260,000</u>	<u>\$8,552,625</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, 2013, the following activity occurred in liabilities reported as long-term:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease	\$ 150,600	\$ -	(\$150,600)	\$ -	\$ -
Bonds payable	674,000	-	(109,000)	565,000	109,000
Recaptured losses	188,262	40,665	(92,304)	136,623	49,198
Compensated absences	1,239,599	802,334	(741,313)	1,300,620	138,293
	<u>\$2,252,461</u>	<u>\$842,999</u>	<u>(\$1,093,217)</u>	<u>\$2,002,243</u>	<u>\$296,491</u>
Governmental activity					
Long-term liabilities	<u>\$2,252,461</u>	<u>\$842,999</u>	<u>(\$1,093,217)</u>	<u>\$2,002,243</u>	<u>\$296,491</u>
Business-type activities:					
Bonds payable	\$6,563,322	\$ 2,520	(\$303,322)	\$6,262,520	\$317,520
Compensated absences	63,879	51,508	(46,900)	68,487	11,601
Business-type activity	<u>\$6,627,201</u>	<u>\$54,028</u>	<u>(\$350,222)</u>	<u>\$6,331,007</u>	<u>\$329,121</u>
Long-term liabilities	<u>\$6,627,201</u>	<u>\$54,028</u>	<u>(\$350,222)</u>	<u>\$6,331,007</u>	<u>\$329,121</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, \$136,623 of internal service funds recaptured losses and \$7,847 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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 position 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, as well as funds needed to replace large amounts of equipment due to regulatory and safety requirement. At June 30, 2013, committed fund balance includes:

	General Fund
Debt service:	
Series 2012 sales tax revenue refunding bonds	\$565,000
Equipment upgrades:	
Police communication equipment	50,000
Football helmets	22,000
	<hr/>
Total committed fund balance	\$637,000

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, 2013 the City had assigned fund balance as follows:

	General Fund	Capital Projects Fund	Park Development Fund	Storm Sewer Development Fund	Cemetery Fund	RDA
Governmental activities:						
Encumbrances	\$ 228,514	\$ -	\$ -	\$ -	\$ -	\$ -
Traffic school	13,016	-	-	-	-	-
Recreational facilities	-	792,649	295,328	-	-	-
Fire apparatus	-	24,167	-	-	-	-
Storm sewer	-	-	-	119,120	-	-
Cemetery	-	-	-	-	160,729	-
Redevelopment	-	-	-	-	-	1,868,337
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$241,530	\$816,816	\$295,328	\$119,120	\$160,729	\$1,868,337

- *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.
- *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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

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 I 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, defined retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statute. The Systems cover Roy City as well as all participating eligible employers in the State of Utah. Roy City is legally obligated to contribute to the retirement system as long as they have employees meeting membership requirements.

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 2012-2013, 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 12.03% of the employee's annual covered salary. In the Local Governmental Contributory Retirement System Tier 2, there are no employee contributions and the City contributes 12.74% of eligible salary. In the Local Governmental Non-contributory Retirement System, the City is required to contribute 16.04% of the employee's annual covered salary. In the Public Safety Retirement System Non-contributory Division, the City is required to contribute 33.65% of the employee's annual salary and for the Contributory Division contributions are 21.94%. 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 2.66% 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 11.10% 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, 2013, 2012, and 2011 were \$32,466, \$16,830, and \$10,008, respectively, and for the Non-contributory Retirement System the contributions for June 30, 2013, 2012, and 2011 were \$502,348, \$448,415, and \$402,630, respectively. City contributions for the Public Safety Contributory and Non-contributory Retirement System for June 30, 2013, 2012, and 2011 were \$595,126, \$526,945, and \$506,967, respectively, and for the Firefighters Retirement System Division A and B the contributions for June 30, 2013, 2012, and 2011, were \$212,117, \$193,064, and \$191,582,

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

respectively, The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

Deferred Compensation Plan

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

401A Plan

The City provides a 401a plan for employees, which is administered by ICMA Retirement Corporation. All permanent full-time employees 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 22.47% 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 \$8,276,675 and eligible payroll under this plan was \$6,990,288 for the same period. At June 30, 2013 total plan assets were \$6,024,907. Total contribution requirements were \$79,109, or 1.13% 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 \$120,408 for FY 2013. Financial information relating to the project areas for the fiscal year ending June 30, 2013 is as follows:

	Project Area #2	Project Area #3	Project Area #4
Tax increment collected	\$277,640	\$ 46,848	\$244,044
Amount expended for:			
Administrative costs	109,104	10,000	5,000
Redevelopment activities	77,464	-	12,200

Commitments

The City entered into contracts prior to June 30, 2013 for which work has not yet begun. At year-end the City's commitments with vendors is as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

Project:	
5900 South culinary water line	\$171,365
Sales tax leakage and economic opportunity study	25,000
	<hr/>
Total	\$196,365
	<hr/>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City uses an internal service fund to account for its risk financing activities with the inter-fund premiums being treated as inter-fund services used. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. At June 30, 2013 and 2012, 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, 2013, 2012, and 2011, there were no reductions in insurance coverage and no settlements exceeded insurance coverage. Net position of the fund is intended for funding future losses and totaled \$219,928 at June 30, 2013.

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, 2013, 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.

Prior Period Adjustments

In fiscal year 2013, the City implemented *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. As a result, unamortized bond issuance costs have been deleted for all period affected for both governmental activities and business-type activities at the government-wide level and the Water and Sewer Utility at the fund level. In addition, there are numerous terminology changes that have been made throughout the financial section of this report.

Adjustments for implementing the change in accounting principles are as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2013

	Water & Sewer Utility Fund	Government-wide Governmental Activities Statement of Activities	Government-wide Business-type Activities Statement of Activities
Net position, as previously reported, June 30, 2012	\$19,410,633	\$42,851,675	\$24,549,116
Expense unamortized bond issuance costs	(66,772)	(16,883)	(66,771)
Net position, as restated	<u>\$19,343,861</u>	<u>\$42,834,792</u>	<u>\$24,482,345</u>
Net position, as previously reported, June 30, 2011	\$19,304,993	\$42,773,259	\$24,134,394
Expense unamortized bond Issuance costs	(74,253)	-	(74,253)
Net position as restated	<u>\$19,230,740</u>	<u>\$42,773,259</u>	<u>\$24,060,141</u>

Subsequent Events

An elementary school obtained by the City through a land sale and trade is set to be demolished in the fall of 2014. The demolition will be carried out by the previous owner at no cost to the City. See Operating Leases for additional information.

Subsequent events have been evaluated through the auditor's report date, which is the date the financial statements were to be issued. Except as noted above, there are no subsequent events to disclose.

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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, 2013

	Special Revenue Funds			
	Storm Sewer Development	Park Development	Cemetery	Total
ASSETS				
Cash	\$ 119,120	\$ 290,328	\$ 160,729	\$ 570,177
Accounts receivable	-	5,000	-	5,000
Total assets	<u>\$ 119,120</u>	<u>\$ 295,328</u>	<u>\$ 160,729</u>	<u>\$ 575,177</u>
FUND BALANCES				
Unrestricted, unassigned	\$ 119,120	\$ 295,328	\$ 160,729	\$ 575,177
Total fund balances	<u>119,120</u>	<u>295,328</u>	<u>160,729</u>	<u>575,177</u>
Total liabilities and fund balances	<u>\$ 119,120</u>	<u>\$ 295,328</u>	<u>\$ 160,729</u>	<u>\$ 575,177</u>

Capital Projects Funds			Total
Fire & Rescue Facilities and Equipment	Recreational Facilities Improvements	Total	Non-Major Governmental Funds
\$ 24,167	\$ 792,649	\$ 816,816	\$ 1,386,993
-	-	-	5,000
<u>\$ 24,167</u>	<u>\$ 792,649</u>	<u>\$ 816,816</u>	<u>\$ 1,391,993</u>
 \$ 24,167	 \$ 792,649	 \$ 816,816	 \$ 1,391,993
<u>24,167</u>	<u>792,649</u>	<u>816,816</u>	<u>1,391,993</u>
 \$ 24,167	 \$ 792,649	 \$ 816,816	 \$ 1,391,993
<u><u>\$ 24,167</u></u>	<u><u>\$ 792,649</u></u>	<u><u>\$ 816,816</u></u>	<u><u>\$ 1,391,993</u></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, 2013

	Special Revenue Funds			
	Storm Sewer Development	Park Development	Cemetery	Total
Revenues:				
Impact fees	\$ 71,972	\$ 44,740	\$ -	\$ 116,712
Investment earnings	686	1,585	-	2,271
Miscellaneous	-	-	2,550	2,550
Total revenues	72,658	46,325	2,550	121,533
Expenditures:				
Maintenance	-	-	-	-
Capital outlay	134,395	1,460	-	135,855
Total expenditures	134,395	1,460	-	135,855
Excess (deficiency) of revenues over (under) expenditures	(61,737)	44,865	2,550	(14,322)
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	(61,737)	44,865	2,550	(14,322)
Fund balance - beginning of year	180,857	250,463	158,179	589,499
Fund balance - end of year	\$ 119,120	\$ 295,328	\$ 160,729	\$ 575,177

Capital Projects Funds			Total
Fire & Rescue Facilities and Equipment	Recreational Facilities Improvements	Total	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 116,712
-	-	-	2,271
-	-	-	2,550
-	-	-	121,533
-	-	-	-
135,000	36,656	171,656	307,511
135,000	36,656	171,656	307,511
(135,000)	(36,656)	(171,656)	(185,978)
48,500	598,550	647,050	647,050
48,500	598,550	647,050	647,050
(86,500)	561,894	475,394	461,072
110,667	230,755	341,422	930,921
\$ 24,167	\$ 792,649	\$ 816,816	\$ 1,391,993

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Impact fees	\$ 30,000	\$ 30,000	\$ 71,972	\$ 41,972
Investment earnings	1,200	1,200	686	(514)
Total revenues	31,200	31,200	72,658	41,458
Expenditures:				
Capital outlay	-	142,000	134,395	7,605
Total expenditures	-	142,000	134,395	7,605
Excess of revenues over expenditures	31,200	(110,800)	(61,737)	49,063
Fund balance - beginning of year	180,857	180,857	180,857	-
Fund balance - end of year	\$ 212,057	\$ 70,057	\$ 119,120	\$ 49,063

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Impact fees	\$ 35,000	\$ 35,000	\$ 44,740	\$ 9,740
Investment earnings	800	800	1,585	785
Total revenues	<u>35,800</u>	<u>35,800</u>	<u>46,325</u>	<u>10,525</u>
Expenditures:				
Capital outlay	<u>40,000</u>	<u>58,126</u>	<u>1,460</u>	<u>56,666</u>
Total expenditures	<u>40,000</u>	<u>58,126</u>	<u>1,460</u>	<u>56,666</u>
Excess (deficiency) of revenues over (under) expenditures	(4,200)	(22,326)	44,865	67,191
Fund balance - beginning of year	<u>250,463</u>	<u>250,463</u>	<u>250,463</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 246,263</u></u>	<u><u>\$ 228,137</u></u>	<u><u>\$ 295,328</u></u>	<u><u>\$ 67,191</u></u>

ROY CITY CORPORATION
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 2,550	\$ (5,450)
Total revenues	8,000	8,000	2,550	(5,450)
Net change in fund balance	8,000	8,000	2,550	(5,450)
Fund balance - beginning of year	158,179	158,179	158,179	-
Fund balance - end of year	<u>\$ 166,179</u>	<u>\$ 166,179</u>	<u>\$ 160,729</u>	<u>\$ (5,450)</u>

ROY CITY CORPORATION
Fire and Rescue Facilities and Equipment - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures:				
Capital outlay	\$ 135,000	\$ 135,000	\$ 135,000	\$ -
Total expenditures	135,000	135,000	135,000	-
Deficiency of expenditures over revenues	(135,000)	(135,000)	(135,000)	-
Other financing sources:				
Transfers in	\$ 33,500	\$ 48,500	\$ 48,500	\$ -
Total other financing sources	33,500	48,500	48,500	-
Net change in fund balance	(101,500)	(86,500)	(86,500)	-
Fund balance - beginning of year	110,667	110,667	110,667	-
Fund balance - end of year	\$ 9,167	\$ 24,167	\$ 24,167	\$ -

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures:				
Capital outlay	\$ -	\$ 36,700	\$ 36,656	\$ 44
Total expenditures	-	36,700	36,656	44
Deficiency of expenditures over revenues	-	(36,700)	(36,656)	44
Other financing sources:				
Operating transfers in	\$ 71,525	\$ 598,550	\$ 598,550	\$ -
Total other financing sources	71,525	598,550	598,550	-
Net change in fund balance	71,525	561,850	561,894	(44)
Fund balance - beginning of year	230,755	230,755	230,755	-
Fund balance - end of year	<u>\$ 302,280</u>	<u>\$ 792,605</u>	<u>\$ 792,649</u>	<u>\$ (44)</u>

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 Position
June 30, 2013

	Information Technology	Risk Management	Total
ASSETS			
Current assets:			
Cash	\$ 182,984	\$ 283,287	\$ 466,271
Accounts receivable	-	73,034	73,034
Prepays	-	1,517	1,517
Total current assets	182,984	357,838	540,822
Noncurrent assets:			
Capital assets:			
Equipment	1,998	-	1,998
Computer hardware	418,079	-	418,079
Software	124,707	-	124,707
Less accumulated depreciation	(348,494)	-	(348,494)
Total capital assets net of accumulated depreciation	196,290	-	196,290
Total assets	379,274	357,838	737,112
LIABILITIES			
Current liabilities:			
Accounts payable	16,037	1,287	17,324
Accrued wages	3,878	-	3,878
Compensated absences	1,301	-	1,301
Recaptured losses	-	49,198	49,198
Total current liabilities	21,216	50,485	71,701
Noncurrent liabilities:			
Compensated absences	6,546	-	6,546
Recaptured losses, less current portion	-	87,425	87,425
Total liabilities	27,762	137,910	165,672
NET POSITION			
Invested in capital assets	196,290	-	196,290
Unrestricted	155,222	219,928	375,150
Total net position	\$ 351,512	\$ 219,928	\$ 571,440

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

	Information Technology	Risk Management	Total
Operating revenue:			
Charges for services	\$ 305,640	\$ 375,850	\$ 681,490
Other income	-	73,034	73,034
Total operating revenue	305,640	448,884	754,524
Operating expenses:			
Personnel services	156,642	-	156,642
Contractual services	62,661	-	62,661
Materials and supplies	58,140	2,175	60,315
Insurance	-	170,557	170,557
Other general costs of services	1,565	143,133	144,698
Depreciation	75,736	-	75,736
Total operating expenses	354,744	315,865	670,609
Operating income (loss)	(49,104)	133,019	83,915
Non-operating expenses:			
Loss on sale of capital assets	(1,309)	-	(1,309)
Total non-operating expenses	(1,309)	-	(1,309)
Change in net position	(50,413)	133,019	82,606
Total net position - beginning	401,925	86,909	488,834
Total net position - ending	\$ 351,512	\$ 219,928	\$ 571,440

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	Information Technology	Risk Management	Total
Cash flows from operating activities:			
Cash received from interfund services provided	\$ 305,640	\$ 375,850	\$ 681,490
Payments to suppliers	(115,641)	(370,436)	(486,077)
Payments to employees	(153,051)	-	(153,051)
Net cash provided by operating activities	36,948	5,414	42,362
Cash flows from capital and related financing activities:			
Purchase of capital assets	(86,534)	-	(86,534)
Net cash used in capital and related financing activities	(86,534)	-	(86,534)
Net increase (decrease) in cash	(49,586)	5,414	(44,172)
Cash - beginning of year	232,570	277,873	510,443
Cash - end of year	\$ 182,984	\$ 283,287	\$ 466,271
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (49,104)	\$ 133,019	\$ 83,915
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	75,736	-	75,736
(Increase) decrease in accounts receivable	-	(73,034)	(73,034)
(Increase) decrease in prepaids	1,353	22	1,375
Increase (decrease) in accounts payable	5,372	(2,954)	2,418
Increase (decrease) in accrued wages	76	-	76
Increase (decrease) in compensated absences	3,515	-	3,515
Increase (decrease) in recaptured losses	-	(51,639)	(51,639)
Total adjustments	86,052	(127,605)	(41,553)
Net cash provided by operating activities	\$ 36,948	\$ 5,414	\$ 42,362

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	Information Technology	Risk Management	Total
Non-cash capital and related financing activities:			
Purchase of equipment on account	\$ 8,516	\$ -	\$ 8,516
Total non-cash capital and related financing activities	<u>\$ 8,516</u>	<u>\$ -</u>	<u>\$ 8,516</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Governmental funds capital assets:		
Land	\$ 3,882,258	\$ 3,171,733
Buildings	11,698,381	11,690,154
Improvements other than buildings	33,030,915	31,994,876
Machinery and equipment	3,585,493	3,557,527
Vehicles	5,825,832	5,637,557
Construction in progress	282,596	228,120
Total governmental funds capital assets	<u>\$ 58,305,475</u>	<u>\$ 56,279,967</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 33,305,292	\$ 26,139,225
Capital projects fund	13,672,341	14,811,904
Special revenue funds	7,368,809	6,987,983
Donations	3,959,033	8,340,855
Total governmental funds capital assets	<u>\$ 58,305,475</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 position.

ROY CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2013

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment	Vehicles	Construction in Progress	Total
General government:							
Legislative	\$ 1,125,238	\$ -	\$ 4,525	\$ 25,550	\$ 32,931	\$ -	\$ 1,188,244
Legal & risk management	-	-	-	4,709	-	-	4,709
Justice court	-	-	-	35,064	-	-	35,064
Economic development	-	-	-	28,336	43,182	-	71,518
Management services	-	-	-	45,267	-	-	45,267
Public buildings	-	8,996,236	230,569	248,201	158,185	-	9,633,191
Total general government	1,125,238	8,996,236	235,094	387,127	234,298	-	10,977,993
Public safety:							
Animal control	-	-	-	3,484	-	-	3,484
Fire	69,417	938,782	23,572	608,165	1,994,573	-	3,634,509
Police	-	-	1,768	288,220	1,270,541	-	1,560,529
Total public safety	69,417	938,782	25,340	899,869	3,265,114	-	5,198,522
Public works:							
Administration	185,268	-	22,208	33,418	42,854	-	283,748
Class "C" roads	-	227,426	7,861,424	505,282	1,622,667	-	10,216,799
Fleet services	-	-	-	92,455	69,390	-	161,845
Streets	334,914	2,275	15,543,397	692,499	129,428	222,261	16,924,774
Total public works	520,182	229,701	23,427,029	1,323,654	1,864,339	222,261	27,587,166
Parks and recreation:							
Aquatic center	963,941	-	4,503,704	281,723	-	-	5,749,368
Beautification	-	-	-	10,845	-	-	10,845
Parks	1,203,480	174,931	4,645,983	386,735	390,068	60,335	6,861,532
Recreation	-	471,596	20,522	76,486	47,281	-	615,885
Recreation complex	-	887,135	173,243	219,054	24,732	-	1,304,164
Total parks and recreation	2,167,421	1,533,662	9,343,452	974,843	462,081	60,335	14,541,794
Total governmental funds capital assets	<u>\$ 3,882,258</u>	<u>\$ 11,698,381</u>	<u>\$ 33,030,915</u>	<u>\$ 3,585,493</u>	<u>\$ 5,825,832</u>	<u>\$ 282,596</u>	<u>\$ 58,305,475</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 position.

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, 2013

Function and Activity	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
General government:				
Legislative	\$ 473,194	\$ 715,050	\$ -	\$ 1,188,244
Legal & risk management	6,646	-	(1,940)	4,706
Justice court	35,064	-	-	35,064
Economic development	71,518	-	-	71,518
Management services	45,267	-	-	45,267
Public buildings	9,496,381	136,810	-	9,633,191
Total general government	10,128,070	851,860	(1,940)	10,977,990
Public safety:				
Animal control	19,809	-	(16,325)	3,484
Fire	3,470,818	194,955	(31,263)	3,634,510
Police	1,536,890	62,924	(39,285)	1,560,529
Total public safety	5,027,517	257,879	(86,873)	5,198,523
Public works:				
Administration	272,816	10,933	-	283,749
Class "C" roads	10,169,883	46,915	-	10,216,798
Fleet services	151,816	10,029	-	161,845
Streets	16,051,517	873,256	-	16,924,773
Total public works	26,646,032	941,133	-	27,587,165
Parks and recreation:				
Aquatic center	5,717,739	36,656	(5,025)	5,749,370
Beautification	10,845	-	-	10,845
Parks	6,736,500	201,218	(76,186)	6,861,532
Recreation	679,593	16,325	(80,033)	615,885
Recreation complex	1,333,671	37,021	(66,527)	1,304,165
Total parks and recreation	14,478,348	291,220	(227,771)	14,541,797
Total governmental funds capital assets	<u>\$ 56,279,967</u>	<u>\$ 2,342,092</u>	<u>\$ (316,584)</u>	<u>\$ 58,305,475</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 position

STATISTICAL SECTION

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

Contents	Page
FINANCIAL TRENDS <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	99
REVENUE CAPACITY <i>These schedules contain information to help the reader assess the City's most significant local revenue sources, the sales tax and property tax.</i>	111
DEBT CAPACITY <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	117
DEMOGRAPHICS AND ECONOMIC INFORMATION <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	121
OPERATING INFORMATION <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i>	123

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

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2012-13	\$ 11,428,781	\$ 1,263,404	\$ 1,329,151	\$ 10,647,710	\$ 593,839	\$ 53,681	\$ 25,316,566
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

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

Fiscal Year	General Government	Public Safety	Highways and Streets	Parks and Recreation	Interest and Fiscal Charges	Water and Sewer Utility	Storm Sewer Utility	Solid Waste Utility	Total
2012-13	\$ 3,329,353	\$ 7,612,498	\$ 2,999,507	\$ 2,623,244	\$ 8,308	\$ 4,589,355	\$ 382,653	\$ 1,608,499	\$ 23,153,417
2011-12	3,620,941	7,260,104	2,668,853	2,530,588	64,801	4,315,012	341,969	1,487,770	22,290,038
2010-11	3,258,496	7,248,790	2,639,589	2,414,439	50,897	4,111,957	368,083	1,548,614	21,640,865
2009-10	3,201,528	7,130,287	2,512,928	2,465,297	61,736	4,084,228	346,546	1,468,750	21,271,300
2008-09	3,244,050	7,364,103	2,895,688	2,593,013	92,776	4,103,262	348,115	1,457,305	22,098,312
2007-08	3,014,200	7,242,253	2,453,832	2,707,689	80,034	3,741,916	360,261	1,389,521	20,989,706
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

Notes:

In FY 2013, GASB 63 and 65 were implemented and changed the method of amortizing bond issuance costs. The change was retrospectively applied to all periods affected.

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

FISCAL YEAR	TAXES	LICENSES AND PERMITS	INTERGOV- ERNMENTAL	CHARGES FOR SERVICES	FINES AND FORFEITURES	INTEREST AND MISC	OTHER FINANCING SOURCES	TOTAL
2012-13	\$ 10,079,178	\$ 234,559	\$ 1,268,489	\$ 3,272,233	\$ 730,772	\$ 470,957	\$ 1,222,729	\$ 17,278,917
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

Note:

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

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

Fiscal Year	General Government	Public Safety	Highways and Streets	Parks and Recreation	Capital Outlay	Debt Service	Other Financing Uses	Total
2012-13	\$ 3,936,031	\$ 7,329,098	\$ 2,417,511	\$ 2,204,956		\$ 275,116	\$ 647,050	\$ 16,809,762
2011-12	3,190,479	7,359,687	1,819,427	2,050,866	-	311,594	657,142	15,389,195
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

Notes:

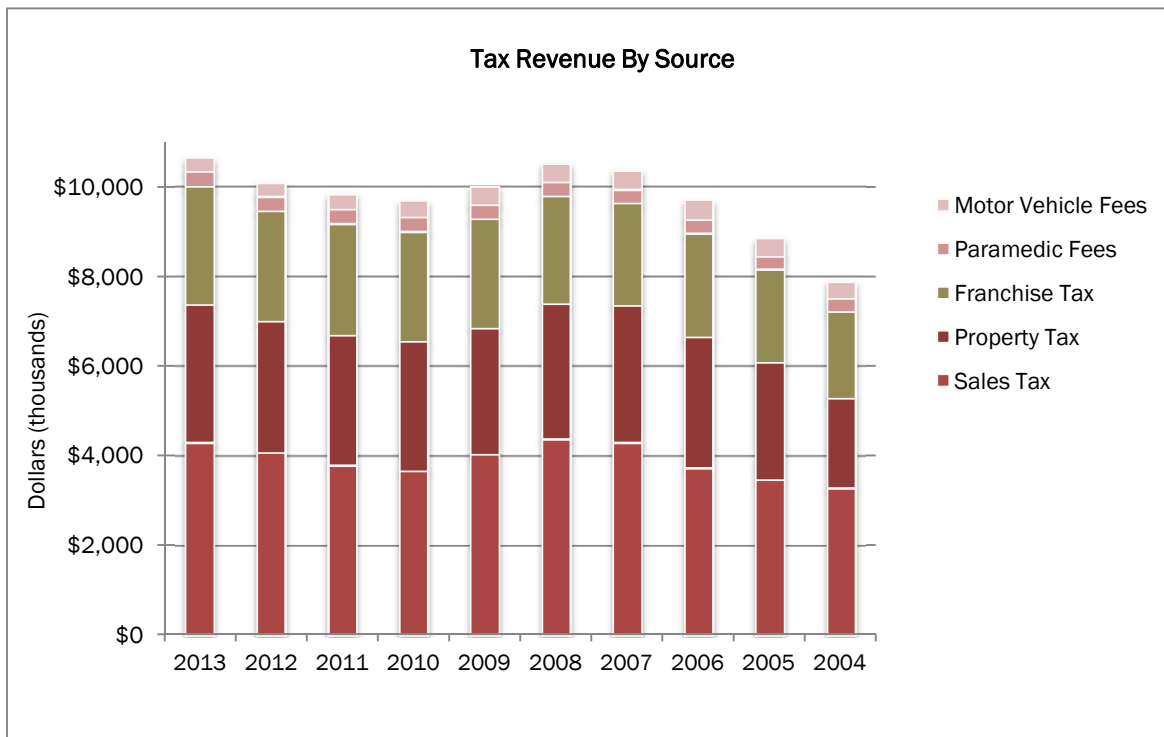
In FY 2013, GASB 63 and 65 were implemented and changed the method of amortizing bond issuance costs. The change was retrospectively applied to all periods affected.

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
2013	\$ 4,297	\$ 3,079	\$ 2,634	\$ 320	\$ 317	\$ 10,647
2012	4,074	2,922	2,464	320	312	10,092
2011	3,795	2,892	2,488	320	338	9,833
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



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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Invested in capital assets, net of related debt	\$ 34,469	\$ 34,239	\$ 35,269	\$ 35,212	\$ 33,055	\$ 32,254	\$ 30,408	\$ 30,644	\$ 28,338	\$ 27,997
Restricted	2,261	2,116	1,735	2,994	2,638	2,699	1,714	1,731	3,009	2,921
Unrestricted	7,179	6,480	5,769	3,602	4,745	5,177	8,463	6,707	3,795	2,945
Total governmental activities net position	<u>\$ 43,909</u>	<u>\$ 42,835</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>
Business-type activities										
Invested in capital assets, net of related debt	\$ 18,574	\$ 18,334	\$ 17,940	\$ 16,961	\$ 18,165	\$ 17,370	\$ 16,672	\$ 14,931	\$ 14,317	\$ 13,948
Restricted	-	27	1,106	485	902	-	-	-	-	-
Unrestricted	7,196	6,121	5,014	4,907	2,604	3,433	3,349	5,017	4,967	5,005
Total business-type activities net position	<u>\$ 25,770</u>	<u>\$ 24,482</u>	<u>\$ 24,060</u>	<u>\$ 22,353</u>	<u>\$ 21,671</u>	<u>\$ 20,803</u>	<u>\$ 20,021</u>	<u>\$ 19,948</u>	<u>\$ 19,284</u>	<u>\$ 18,953</u>
Primary government										
Invested in capital assets, net of related debt	\$ 53,043	\$ 52,573	\$ 53,209	\$ 52,173	\$ 51,220	\$ 49,624	\$ 47,080	\$ 45,575	\$ 42,655	\$ 41,945
Restricted	2,261	2,143	2,841	3,479	3,540	2,699	1,714	1,731	3,009	2,921
Unrestricted	14,375	12,601	10,783	8,509	7,349	8,610	11,812	11,724	8,762	7,950
Total primary government net position	<u>\$ 69,679</u>	<u>\$ 67,317</u>	<u>\$ 66,833</u>	<u>\$ 64,161</u>	<u>\$ 62,109</u>	<u>\$ 60,933</u>	<u>\$ 60,606</u>	<u>\$ 59,030</u>	<u>\$ 54,426</u>	<u>\$ 52,816</u>

Note:

In FY 2013, GASB 63 and 65 were implemented and changed the method of amortizing bond issuance costs. The change was retrospectively applied to all periods affected.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General government	\$ 3,329	\$ 3,621	\$ 3,258	\$ 3,202	\$ 3,244	\$ 3,014	\$ 2,731	\$ 2,581	\$ 2,551	\$ 2,342
Public safety	7,612	7,260	7,249	7,130	7,364	7,242	6,544	6,423	6,103	5,956
Public works	3,000	2,669	2,640	2,513	2,896	2,454	2,758	2,693	2,610	1,917
Parks and recreation	2,623	2,531	2,414	2,465	2,593	2,708	2,613	2,446	2,108	1,981
Interest and fiscal charges	8	65	51	62	93	80	47	14	28	35
Total governmental activities expenses	16,572	16,146	15,612	15,372	16,190	15,498	14,693	14,157	13,400	12,231
Business-type activities:										
Water and sewer utility	4,589	4,315	4,112	4,084	4,103	3,742	4,896	4,862	4,571	4,436
Storm sewer utility	383	342	368	346	348	360	275	245	156	108
Solid waste utility	1,608	1,488	1,549	1,469	1,457	1,390	-	-	-	-
Total business-type activities expenses	6,580	6,145	6,029	5,899	5,908	5,492	5,171	5,107	4,727	4,544
Total primary government expenses	\$ 23,152	\$ 22,291	\$ 21,641	\$ 21,271	\$ 22,098	\$ 20,990	\$ 19,864	\$ 19,264	\$ 18,127	\$ 16,775
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 987	\$ 1,164	\$ 1,034	\$ 993	\$ 874	\$ 907	\$ 934	\$ 991	\$ 927	\$ 746
Public safety	1,463	1,182	1,040	956	1,064	963	1,021	954	1,149	825
Public works	114	49	71	129	109	45	82	198	193	166
Parks and recreation	1,079	1,066	1,006	1,028	922	950	1,083	980	946	1,156
Operating grants and contributions	1,263	1,304	1,200	1,148	2,170	1,499	1,293	1,189	1,152	1,552
Capital grants and contributions	734	511	1,559	1,946	408	1,120	45	843	585	1,484
Total governmental activities program revenues	5,640	5,276	5,910	6,200	5,547	5,484	4,458	5,155	4,952	5,929
Business-type activities:										
Charges for services:										
Water and sewer utility	5,442	4,775	4,855	4,871	4,522	4,107	5,312	5,201	5,061	5,090
Storm sewer utility	367	364	363	360	359	424	357	353	349	343
Solid waste utility	1,976	1,913	1,900	1,901	1,803	1,739	-	-	-	-
Capital grants and contributions	595	-	1,314	152	759	552	-	619	38	1,051
Total business-type activities program revenues	8,380	7,052	8,432	7,284	7,443	6,822	5,669	6,173	5,448	6,484
Total primary government program revenues	\$ 14,020	\$ 12,328	\$ 14,342	\$ 13,484	\$ 12,990	\$ 12,306	\$ 10,127	\$ 11,328	\$ 10,400	\$ 12,413

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense)/revenue:										
Governmental activities	\$ (10,932)	\$ (10,870)	\$ (9,702)	\$ (9,172)	\$ (10,643)	\$ (10,014)	\$ (10,235)	\$ (9,002)	\$ (8,448)	\$ (6,302)
Business-type activities	1,800	907	2,403	1,385	1,535	1,330	498	1,066	721	1,940
Total primary government net expense	<u>\$ (9,132)</u>	<u>\$ (9,963)</u>	<u>\$ (7,299)</u>	<u>\$ (7,787)</u>	<u>\$ (9,108)</u>	<u>\$ (8,684)</u>	<u>\$ (9,737)</u>	<u>\$ (7,936)</u>	<u>\$ (7,727)</u>	<u>\$ (4,362)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 3,079	\$ 2,922	\$ 2,892	\$ 2,871	\$ 2,814	\$ 3,011	\$ 3,132	\$ 2,882	\$ 2,620	\$ 2,007
Sales taxes	4,297	4,074	3,795	3,673	4,035	4,377	4,301	3,734	3,467	3,282
Franchise taxes	2,954	2,783	2,807	2,775	2,751	2,716	2,592	2,616	2,365	1,931
Payments in lieu of taxes	317	312	338	363	410	418	426	446	401	385
Unrestricted investment earnings	594	88	59	68	214	521	616	496	264	167
Other revenues (uses) not restricted to specific programs	54	72	69	66	47	(62)	85	132	48	41
Transfers	710	680	707	727	680	599	585	571	562	528
Total governmental activities	<u>12,005</u>	<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>
Business-type activities:										
Other revenues (uses) not restricted to specific programs	199	193	-	-	(131)	3	161	169	172	-
Unrestricted investment earnings	-	2	11	24	144	48	-	-	-	-
Transfers	(710)	(680)	(707)	(727)	(680)	(600)	(586)	(571)	(562)	(528)
Total business-type activities	<u>(511)</u>	<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>
Total primary government	<u>\$ 11,494</u>	<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>
Change in Net Position										
Governmental activities	\$ 1,073	\$ 61	\$ 965	\$ 1,371	\$ 308	\$ 1,566	\$ 1,502	\$ 1,875	\$ 1,279	\$ 2,039
Business-type activities	1,289	422	1,707	682	868	781	73	664	331	1,412
Total primary government	<u>\$ 2,362</u>	<u>\$ 483</u>	<u>\$ 2,672</u>	<u>\$ 2,053</u>	<u>\$ 1,176</u>	<u>\$ 2,347</u>	<u>\$ 1,575</u>	<u>\$ 2,539</u>	<u>\$ 1,610</u>	<u>\$ 3,451</u>

Notes:

In FY 2013, GASB 63 and 65 were implemented and changed the method of amortizing bond issuance costs. The change was retrospectively applied to all periods affected.
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)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 10,330	\$ 9,779	\$ 9,494	\$ 9,318	\$ 9,600	\$ 10,104	\$ 9,937	\$ 9,260	\$ 8,451	\$ 7,507
Payments in lieu of taxes	317	312	338	363	409	418	426	446	401	385
Licenses and permits	235	391	283	315	281	288	329	342	349	365
Intergovernmental	1,268	1,541	1,321	2,537	1,534	1,900	1,338	1,272	1,737	1,648
Charges for services	3,272	2,902	2,742	2,688	2,681	2,442	2,633	2,579	2,680	2,471
Impact fees	117	95	109	189	56	77	123	159	175	203
Fines and forfeitures	731	752	724	633	632	650	620	614	574	382
Investment earnings	594	88	59	68	214	521	616	497	264	167
Property rental	32	37	39	43	11	11	12	18	17	16
Management fee	120	118	117	136	223	192	190	183	167	171
Miscellaneous	22	35	30	31	51	33	38	32	31	25
Total revenues	17,038	16,050	15,256	16,321	15,692	16,636	16,262	15,402	14,846	13,340
Expenditures										
General government	4,076	3,527	3,216	3,218	3,192	3,185	2,908	2,677	2,487	2,461
Public safety	7,324	7,361	7,017	6,885	7,026	7,097	6,365	7,427	5,872	5,954
Public works	2,207	1,805	1,946	1,893	2,411	2,015	2,488	2,789	2,635	2,736
Parks and recreation	2,191	2,075	1,920	1,969	1,996	2,309	2,066	2,114	1,912	1,802
Debt service:										
Principal retirement	260	239	467	250	243	155	149	131	130	128
Interest and fiscal charges	15	73	55	64	74	80	47	20	28	35
Capital outlay	307	187	238	3,328	1,050	3,048	702	1,645	724	1,241
Total expenditures	\$ 16,380	\$ 15,267	\$ 14,859	\$ 17,607	\$ 15,992	\$ 17,889	\$ 14,725	\$ 16,803	\$ 13,788	\$ 14,357

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

Page 2 of 2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Excess of revenues over (under) expenditures	\$ 658	\$ 783	\$ 397	\$ (1,286)	\$ (300)	\$ (1,253)	\$ 1,537	\$ (1,401)	\$ 1,058	\$ (1,017)
Other financing sources (uses)										
Sale of capital assets	-	35	24	17	12	59	35	123	14	22
Capital lease financing	-	-	-	-	-	-	-	945	-	-
Proceeds from revenue bonds	-	577	-	-	-	1,000	-	-	-	-
Payment to refunding bond escrow agent	-	(560)								
Contributions from private source	200	200	200	200	-	-	-	-	-	-
Transfers in	1,870	97	212	2,163	490	1,467	565	1,538	556	444
Transfers out	(1,870)	(97)	(212)	(2,163)	(490)	(1,467)	(565)	(1,538)	(556)	(444)
Total other financing sources (uses)	200	252	224	217	12	1,059	35	1,068	14	22
Net change in fund balances	\$ 858	\$ 1,035	\$ 621	\$ (1,069)	\$ (288)	\$ (194)	\$ 1,572	\$ (333)	\$ 1,072	\$ (995)
Debt service as a percentage of noncapital expenditures	1.8%	2.1%	3.7%	2.3%	2.2%	1.7%	1.5%	1.2%	1.3%	1.5%

Notes:

In FY 2013, GASB 63 and 65 were implemented and changed the method of amortizing bond issuance costs. The change was retrospectively applied to all periods affected. 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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General fund										
Non-spendable:										
Inventory	\$ 27	\$ 29	\$ 26	\$ 89	\$ 94	\$ 101	\$ 57	\$ 83	\$ 76	\$ 74
Prepaid items	52	43	44	46	33	113	33	40	43	16
Restricted for:										
Class C Roads	2,261	2,115	1,736	1,201	885	703	563	432	777	975
Public Safety	-	-	-	-	-	-	-	-	-	13
Committed for:										
Debt service	565	825	1,036	1,265	1,486	1,700	824	945	110	226
Public Safety	50	-	-	-	-	-	-	-	-	-
Recreation	22	-	-	-	-	-	-	-	-	-
Assigned to:										
Encumbrances	229	4	2	253	283	696	220	157	237	335
Public Safety	13	8	1	40	40	40	54	49	35	11
Land purchase	-	-	-	1	1	1	1	1	1	1
Unassigned	3,505	2,922	2,415	2,008	2,317	1,799	2,681	1,782	3,018	2,293
Total general fund	<u>\$ 6,724</u>	<u>\$ 5,946</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>

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

Page 1 of 2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other governmental funds										
Non-spendable:										
Inventory	\$ 494	\$ 1,705	\$ 1,705	\$ 1,705	\$ 1,705	\$ 950	\$ 966	\$ 974	\$ 953	\$ 964
Committed for:										
Debt service	-	-	-	237	267	296	326	355	382	408
Assigned to:										
Encumbrances	-	-	-	-	-	216	-	257	431	318
Public safety	24	111	77	44	157	114	199	190	3	4
Capital improvements	-	-	-	19	1,039	1,114	2,119	1,822	611	155
Storm sewer improvements	119	181	235	192	66	30	170	151	369	273
Park improvements	1,088	481	273	169	125	205	258	283	570	563
Cemetery improvements	161	158	150	142	134	127	120	110	103	97
Redevelopment	1,868	1,021	869	535	299	1,014	822	209	356	277
Total other governmental funds	<u>3,754</u>	<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>
Total governmental funds	<u>\$ 10,478</u>	<u>\$ 9,603</u>	<u>\$ 8,569</u>	<u>\$ 7,946</u>	<u>\$ 8,931</u>	<u>\$ 9,219</u>	<u>\$ 9,413</u>	<u>\$ 7,840</u>	<u>\$ 8,075</u>	<u>\$ 7,003</u>

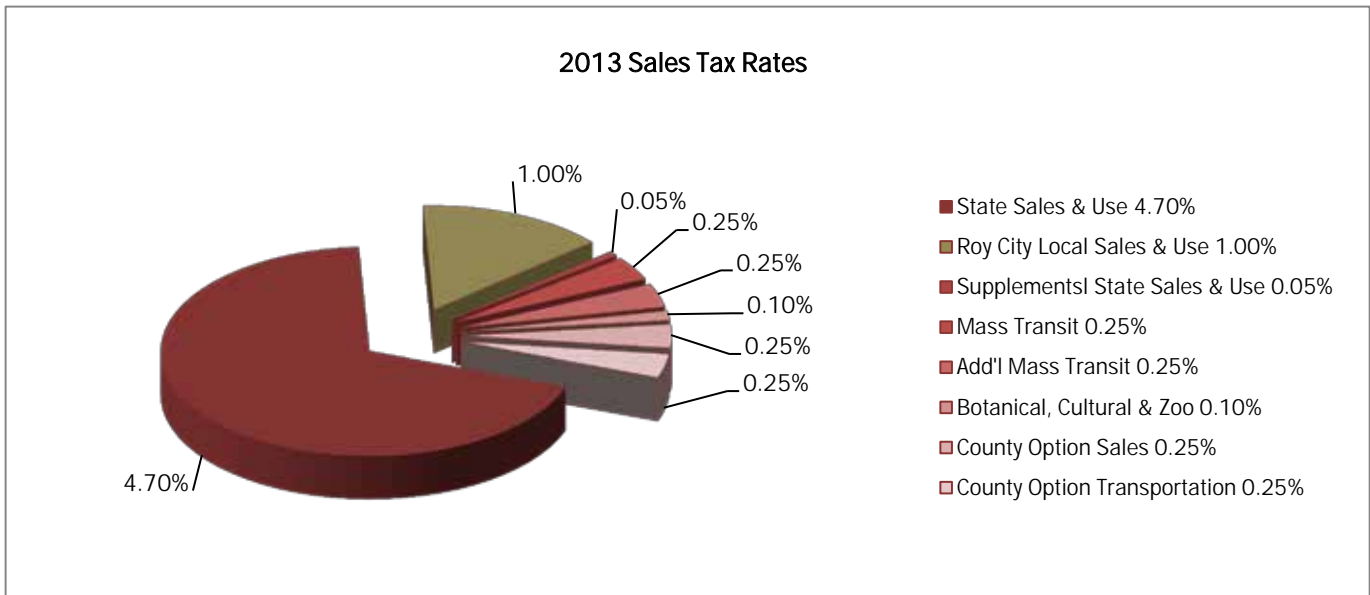
Notes:

In FY 2013, GASB 63 and 65 were implemented and changed the method of amortizing bond issuance costs. The change was retrospectively applied to all periods affected.

In FY 2011, GASB 54 was implemented and changed the method of classifying fund balance. The change was retrospectively applied to all periods affected.

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
2013	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
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%



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							
2013	\$ 309,239	\$ 747,351	\$ 5,207	\$ 29,873	\$ 37,382	\$ 1,091,552	\$ 37,500	\$ 1,129,052	2.389	\$ 1,848,974	61.06%
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%

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

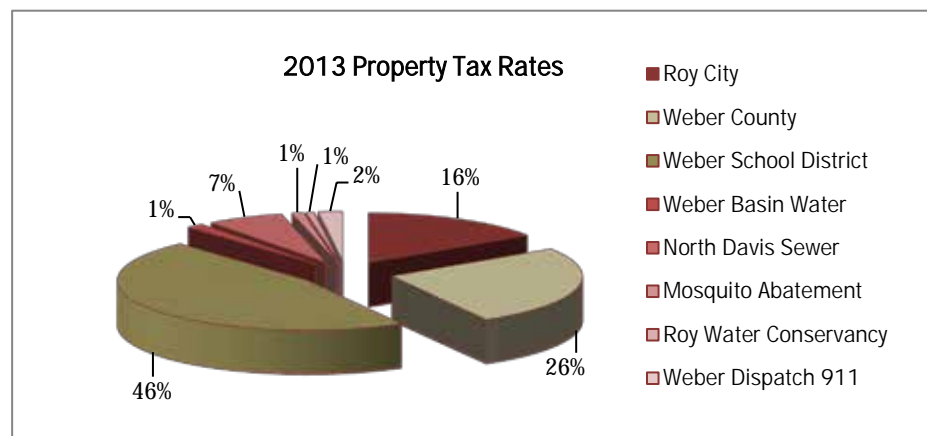
Fiscal Year	Roy City (General)	Weber County (All Components)	Weber School District (All Components)	Weber Basin Water Conservancy (Conservancy)	North Davis Sewer District (All Components)	Mosquito Abatement District (Abatement)	Roy Water Conservancy Subdistrict (Conservancy)	Weber Area Dispatch 911 & Emergency Svcs District (Multiple Svc)	Total Levy for Roy City Residents
2013	2.389	3.966	7.071	0.215	0.993	0.148	0.106	0.316	15.204
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

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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
PACIFICORP	\$ 17,795	1	1.58%	\$ 6,859	4	0.74%
AMERICA FIRST CREDIT UNION	14,011	2	1.24%	-		-
QUESTAR GAS	12,310	3	1.09%	6,493	6	-
ORCHARD COVE LTD	10,958	4	0.97%	8,195	3	0.89%
WINCO FOODS LLC	9,371	5	0.83%	-		-
HARMON CITY INC	5,646	6	0.50%	4,988	10	0.54%
AA ALPINE STORAGE ROY LLC	5,553	7	0.49%	-		-
ROY MARKETPLACE L C	4,931	8	0.44%	-		-
K B FAMILY ROY LLC	4,759	9	0.42%	6,764	5	-
COMCAST OF UTAH INC II	4,437	10	0.39%	-		-
BOYER IOMEGA	-		-	35,415	1	3.83%
ANA EDWARDS LC	-		-	8,797	2	0.95%
ROY CITY CENTRE REALTY LIMITED	-		-	6,301	7	0.68%
BOYDEN B REAZIER FAMILY TRUST	-		-	5,516	8	0.60%
QWEST COMMUNICATIONS	-		-	5,015	9	0.54%
Total taxable value of 10 largest taxpayers	89,771		7.95%	94,343		8.77%
Total taxable value of other taxpayers	1,039,281		92.05%	830,226		91.23%
Total taxable value of all taxpayers	\$ 1,129,052		100.00%	\$ 924,569		100.00%

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)

Tax Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (a)	Total Tax Collections	Percent of Total Tax Collected to Total Levy (a)
General Fund						
2012	\$ 2,604	\$ 2,449	94.05%	\$ 62	\$ 2,511	96.43%
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%
Redevelopment Agency Special Revenue Fund						
2012	\$ 569	\$ 569	100.00%	\$ -	\$ 569	100.00%
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%

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	
2013	\$ 191,895	\$ 864,341	\$ 353	\$ 1,056,589	95	\$ 6,724,364	30	\$ 6,064,301	183	\$ 800,626	\$ 14,936
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

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	Water Revenue Bonds			
2013	\$ -	\$ 565,000	\$ -	\$ -	\$ 6,260,000	\$ 6,825,000	0.71%	\$ 181.50
2012	-	674,000	150,600	-	6,560,000	7,384,600	0.77%	197.48
2011	-	740,000	295,651	-	6,855,000	7,890,651	0.82%	213.93
2010	237,000	830,000	435,357	-	7,140,000	8,642,357	0.90%	238.34
2009	267,000	916,000	569,915	-	7,325,000	9,077,915	0.95%	254.48
2008	296,000	100,000	699,514	-	7,500,000	8,595,514	0.94%	245.25
2007	326,000	-	824,338	-	-	1,150,338	0.13%	32.86
2006	355,000	-	944,562	-	-	1,299,562	0.16%	36.84
2005	382,000	-	-	103,873	-	485,873	0.07%	13.78
2004	408,000	-	-	208,053	-	616,053	0.09%	17.51

Notes:

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

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

Fiscal Year	General Obligation Bonds	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property	Net Bonded Debt per Capita
2013	\$ -	\$ -	\$ -	0.00%	\$ -
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

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, 2013

Governmental Unit	General Bonded Debt Outstanding	Estimated Percentage Applicable to Roy City	Estimated Share of Overlapping Debt
North Davis County Sewer District	\$ 30,150,000	13.79%	\$ 4,157,685
Roy Water Conservancy Subdistrict	1,399,000	100.00%	1,399,000
State of Utah	3,360,901,000	0.56%	18,821,046
Weber Basin Water Conservancy District	23,888,491	3.03%	723,821
Weber County	9,875,000	10.03%	990,463
Weber County School District	102,630,000	14.50%	14,881,350
Overlapping debt			\$ 40,973,365
Roy City bonded debt		100.00%	565,000
Total direct and overlapping general bonded obligation debt			<u>\$ 41,538,365</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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt Limit	\$ 43,662	\$ 44,924	\$ 43,786	\$ 47,250	\$ 46,340	\$ 42,897	\$ 37,463	\$ 36,183	\$ 35,383	\$ 36,499
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 43,662</u>	<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>
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>\$ 1,091,552</u>	
Debt limit (4% of total assessed value)									\$ 43,662	
Debt applicable to limit:										
Total bonded debt								\$ 6,825		
Less:										
Revenue bonds								(6,825)		
Other deductions allowed by law								<u>-</u>		
Total net debt applicable to limit									<u>-</u>	
Legal debt margin									<u>\$ 43,662</u>	

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

ROY CITY CORPORATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2013	37,604	\$ 966,968,727	\$ 25,715	6.6%
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%

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			
		2013		2004	
		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	6
Weber School District	Public Education	3,000 - 3,999	4	3,000 - 3,999	3
Weber State University	Higher Education	2,000 - 2,999	5	3,000 - 3,999	4
Autoliv ASP	Manufacturing	1,000 - 1,999	6	2,000 - 2,999	5
Fresenius USA, Inc.	Manufacturing	1,000 - 1,999	7	1,000 - 1,999	7
Ogden School District	Public Education	1,000 - 1,999	8	1,000 - 1,999	-
State of Utah	State Government	1,000 - 1,999	9	1,000 - 1,999	10
Wal-Mart	Retail Center	1,000 - 1,999	10	1,000 - 1,999	9
Convergys	Call Center	500-999	-	1,000 - 1,999	8

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.

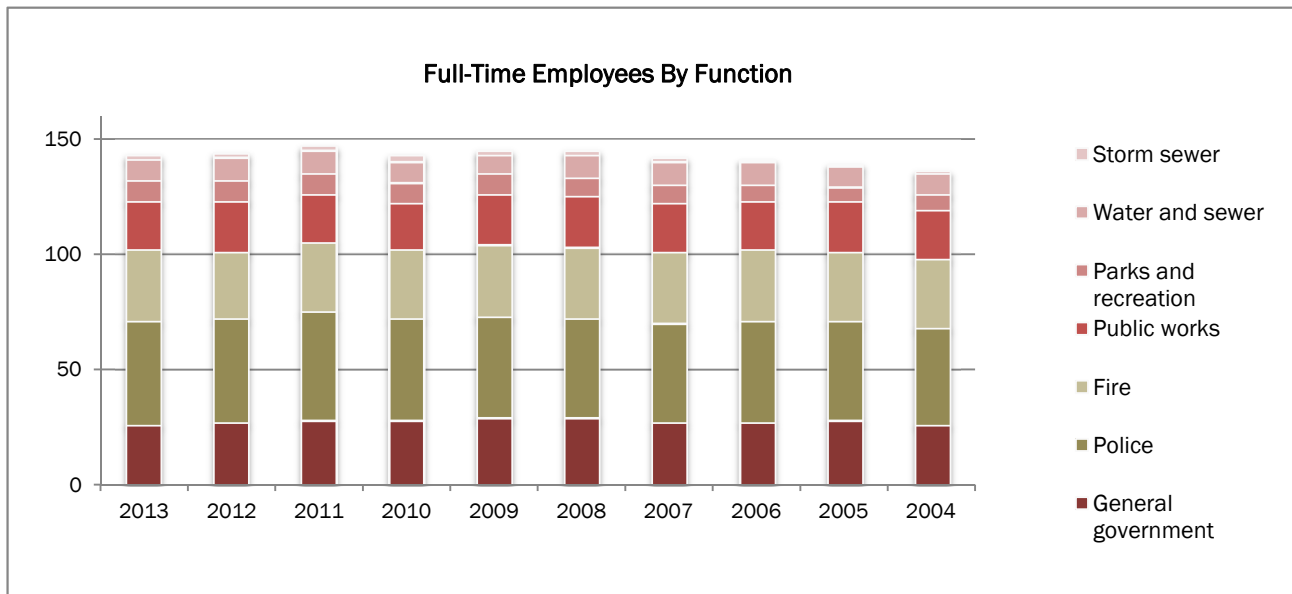
Actual employment numbers are not available to calculate the percentage of total employment by employer.

Sources:

Weber County Comprehensive Annual Financial Report 2012

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

Function	Full-time Employees as of June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	26	27	28	28	29	29	27	27	28	26
Public safety										
Police										
Officers	40	40	42	39	39	38	39	39	37	37
Civilians	5	5	5	5	5	5	4	5	6	5
Fire										
Firefighters and officers	30	28	29	29	30	30	30	30	29	29
Civilians	1	1	1	1	1	1	1	1	1	1
Public works	21	22	21	20	22	22	21	21	22	21
Parks and recreation	9	9	9	9	9	8	8	7	6	7
Water and sewer	9	10	10	9	8	10	10	10	9	9
Storm sewer	2	2	2	3	2	2	2	1	1	1
Total	143	144	147	143	145	145	142	141	139	136



Notes:

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

ROY CITY CORPORATION
OPERATING INDICATORS BY FUNCTION
Last Nine Fiscal Years

Function	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police									
Moving violations	4,663	4,623	4,086	1,864	1,980	2,692	2,509	2,496	2,259
Non-moving violations	3,098	2,870	3,917	3,539	4,002	4,813	4,860	3,619	3,088
DUI violations	179	132	106	85	121	123	103	113	118
Parking violations	435	598	691	272	95	1,096	708	767	1,148
Fire									
Number of calls dispatched - Fire	641	955	701	612	652	617	577	524	456
Number of calls dispatched - Medical	4,283	3,702	3,923	4,196	3,986	3,944	3,814	3,606	3,490
Streets									
Snow removal and sanding:									
Miles	13,802	3,987	9,925	8,504	13,326	19,759	2,728	7,529	4,212
Hours	1,543	506	904	935	1,515	2,692	286	772	569
Asphalt resurfacing (tons)	660	581	747	939	775	1,077	2,420	1,735	2,200
Water									
Service connections	10,698	10,657	10,610	10,565	10,538	10,510	10,490	10,460	10,388
Water main breaks	25	16	28	23	28	17	22	32	15
Average daily consumption (gallons)	2,885,636	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	118,475	120,702	119,648	113,607	72,089	73,944	70,424	75,594	62,954
Complex									
Admissions	25,070	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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	20	22	22	22	22	22	22	25
Motorcycle units	2	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 (miles/units)										
Streets	114	114	114	114	114	113	110	110	110	109
Curb and gutter	207	207	207	207	207	207	213	215	214	212
Sidewalk	196	196	196	196	196	196	181	184	183	182
Streetlights	817	812	806	806	806	806	791	791	791	777
Traffic signals	2	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	10	9	9	9
Park acreage	113	113	113	113	113	113	113	110	110	110
Covered picnic areas	18	18	18	18	18	18	16	14	14	14
Baseball diamonds	13	13	13	13	13	13	13	13	13	13
Soccer fields	17	17	13	13	13	13	13	11	11	11
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	2	1	1	1	1	1	1
Sewer (miles)										
Sanitary sewers	117	117	117	117	117	117	112	112	112	112
Storm sewers	83	83	83	83	83	83	79	79	79	78
Water (miles/units)										
Water lines	153	153	153	153	153	153	151	151	151	150
Fire hydrants	1,363	1,363	1,358	1,345	1,343	1,341	1,305	1,305	1,304	1,282

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, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise Roy City Corporation's basic financial statements, and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roy City Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 auditing procedures disclosed instance of noncompliance, which are described in the accompanying schedule of findings and recommendations as items labeled Findings #1 and #2.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wiggins & Co., PC

November 13, 2013
Ogden, Utah

Independent Auditors' Report On Compliance and
On Internal Controls Over 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 Roy City Corporation's compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Court
- Impact Fees
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Locally Generated Taxes and Fees
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Web Site
- Open Meetings Act

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)

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Roy City Corporation's compliance 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 and the *State of Utah Legal Compliance Audit Guide* 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 City and its major programs occurred. 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.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other General Compliance Areas and Major State Programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instance of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit* Guide and which are described in the accompanying schedule of findings and recommendations as items labeled Findings #1 and #2.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purposed of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct, noncompliance on a timely basis. *A material weaknesses in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and recommendations as items labeled Finding #1 and #2 to be significant deficiencies.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Wiggins & Co., PC

November 13, 2013
Ogden, Utah

ROY CITY CORPORATION
Schedule of Findings and Questioned Costs
June 30, 2013

Budgetary Compliance

Finding #1: The expenditures in the Legislative Department exceeded budgetary appropriations.

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

Response: A land exchange was made between the City, Redevelopment Agency, and the local school district. Because of the timing of the transaction, enough time was not available to advertise and hold a public hearing to adjustment the budget. This resulted in a donation and purchase of land that were not recorded in the budget. The land donation exceeded the value of the land purchase allowing sufficient funds for the transaction.

Finding #2: The expenditures in the Justice Court exceeded budgetary appropriations.

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

Response: Professional and technical services exceeded expectation due to two things. First, witness fees were higher than expected because of the high number of court cases. Second, merchant discounts were greater than anticipated. This was due to the high use of credit cards to pay fines. The on-line court payment system only allows for credit card to be used. In the future, the budget will be increased to allow for higher credit card usage and other court costs. Because total revenues and other financing sources exceeded expenditures in the General Fund, sufficient monies were available to cover the overage.