

**GRANTSVILLE CITY CORPORATION
GRANTSVILLE, UTAH
BASIC FINANCIAL STATEMENTS**

For The Year Ended June 30, 2012

Together with Independent Auditor's Report

**GRANTSVILLE CITY CORPORATION
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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
Grantsville City Corporation
Grantsville, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2012 on our consideration of the City'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 internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management as was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.



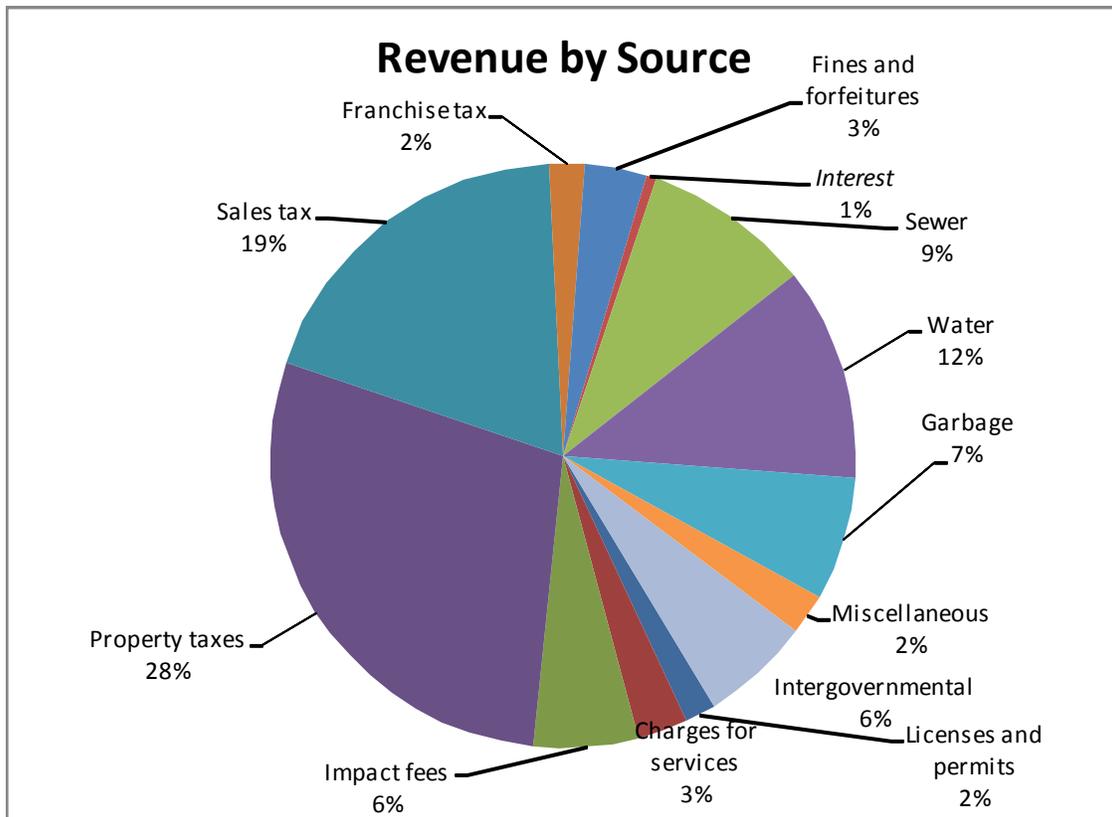
JONES SIMKINS, P.C.
Logan, Utah
December 17, 2012

**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012**

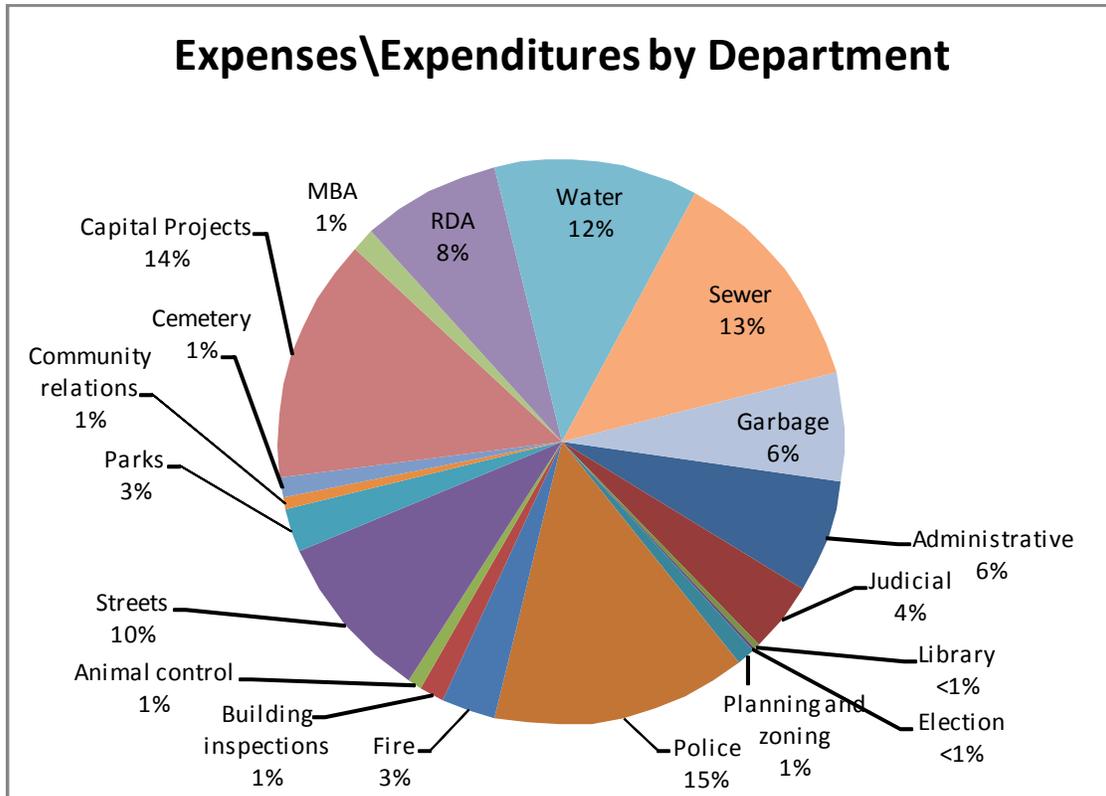
As management of Grantsville City Corporation, we offer readers of the Grantsville City financial statements this narrative overview and analysis of the financial activities of Grantsville City for the fiscal year ended June 30, 2012.

Financial Highlights

- Total net assets increased by \$330,477.
- Total general fund revenues, including taxes, exceeded total general fund expenditures by \$403,714; before transfers.
- Total net assets in the business-type activities decreased by \$27,791.
- Total revenues from all sources were \$7,225,649.
- Actual revenues received in the general fund were \$102,339 less than budgeted while actual expenditures were \$255,053 less than budgeted.
- At the end of the current fiscal year, unrestricted fund balance in the general fund was \$1,354,504 or 33% of budgeted revenue.
- The Sewer enterprise fund posted a change in net assets of (\$200,473). The other two enterprise funds, Water and Garbage, posted a change in net assets of \$159,923 and \$12,759, respectively.



**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**



Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to Grantsville City’s basic financial statements. Grantsville City’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Grantsville City’s finances, in a manner similar to private-sector business. The statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of net assets presents information on all of Grantsville City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Grantsville City is improving or deteriorating.

The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave.).

Both of the government-wide financial statements distinguish functions of Grantsville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended

GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012

to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Grantsville City include general government, public safety, highways and public works, and parks and recreation. The business-type activities of Grantsville City include water, sewer, and garbage utilities.

The government-wide financial statements are found immediately following this discussion and analysis.

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. Grantsville City, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of Grantsville City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental 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 financial 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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Grantsville City maintains four 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, Capital Projects Fund and Redevelopment Agency Fund which are considered to be major funds.

Grantsville City adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general, redevelopment agency, and municipal building authority funds to demonstrate compliance with this budget.

Proprietary funds. Grantsville City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Grantsville City uses enterprise funds to account for its Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund.

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 Utility Fund, Sewer Utility Fund, and Garbage Utility Fund, all of which are considered to be major funds of Grantsville City.

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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Grantsville City, assets exceeded liabilities by \$25,704,540 at the close of the most recent fiscal year.

By far the largest portion of Grantsville City's net assets (58%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Grantsville City uses these capital assets to provide services to citizens; consequently, these assets are not available

**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

for future spending. Although Grantsville 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.

Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,104,540	\$ 4,653,156	\$ 3,958,436	\$ 3,850,231	\$ 10,062,976	\$ 8,503,387
Capital assets	9,498,451	8,695,953	12,831,092	13,351,368	22,329,543	22,047,321
Total assets	<u>15,602,991</u>	<u>13,349,109</u>	<u>16,789,528</u>	<u>17,201,599</u>	<u>32,392,519</u>	<u>30,550,708</u>
Long-term debt outstanding	4,410,000	1,963,000	743,000	955,000	5,153,000	2,918,000
Other liabilities	1,481,043	2,032,429	53,936	226,216	1,534,979	2,258,645
Total liabilities	<u>5,891,043</u>	<u>3,995,429</u>	<u>796,936</u>	<u>1,181,216</u>	<u>6,687,979</u>	<u>5,176,645</u>
Net assets:						
Invested in capital assets, net of debt	6,646,505	6,859,953	12,115,092	12,422,368	18,761,597	19,282,321
Restricted	2,342,789	936,173	2,390,960	2,263,052	4,733,749	3,199,225
Unrestricted (deficit)	<u>722,654</u>	<u>1,557,554</u>	<u>1,486,540</u>	<u>1,334,963</u>	<u>2,209,194</u>	<u>2,892,517</u>
Total net assets	<u>\$ 9,711,948</u>	<u>\$ 9,353,680</u>	<u>\$ 15,992,592</u>	<u>\$ 16,020,383</u>	<u>\$ 25,704,540</u>	<u>\$ 25,374,063</u>

Included in Grantsville City's net assets is \$4,733,749 which represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets \$2,209,194 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Grantsville City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its business-type activities.

There was an increase of \$330,477 in total net assets in the current year. This increase is comprised of a \$358,268 increase in governmental activities and a \$27,791 decrease in business-type activities.

**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 790,716	\$ 842,614	\$ 2,017,000	\$ 1,999,734	\$ 2,807,716	\$ 2,842,348
Operating grants and contributions	433,872	660,570	-	-	433,872	660,570
Capital grants and contributions	130	376	361,275	541,467	361,405	541,843
General revenues:						
Property taxes	2,058,780	2,155,908	-	-	2,058,780	2,155,908
Sales tax	1,383,557	1,321,528	-	-	1,383,557	1,321,528
Franchise tax	139,517	146,127	-	-	139,517	146,127
Unrestricted investment earnings	30,960	13,026	9,842	13,544	40,802	26,570
Total revenues	4,837,532	5,140,149	2,388,117	2,554,745	7,225,649	7,694,894
Program expenses:						
General government	1,018,365	1,011,183	-	-	1,018,365	1,011,183
Public safety	1,641,534	1,545,971	-	-	1,641,534	1,545,971
Highway and public works	767,919	950,058	-	-	767,919	950,058
Parks and recreation	369,655	299,433	-	-	369,655	299,433
Redevelopment	617,567	744,183	-	-	617,567	744,183
Interest on long term debt	64,224	65,746	-	-	64,224	65,746
Water	-	-	906,086	1,010,982	906,086	1,010,982
Sewer	-	-	1,029,688	1,003,405	1,029,688	1,003,405
Garbage	-	-	480,134	453,895	480,134	453,895
Total expenses	4,479,264	4,616,574	2,415,908	2,468,282	6,895,172	7,084,856
Excess (deficiency) before adjustment to beginning net assets	358,268	523,575	(27,791)	86,463	330,477	610,038
Transfers in (out)	-	-	-	-	-	-
Increase (Decrease) in Net Assets	\$ 358,268	\$ 523,575	\$ (27,791)	\$ 86,463	\$ 330,477	\$ 610,038

Governmental activities. Governmental activities increased Grantsville City's net assets by \$358,268. The increase in governmental activities is primarily explained by the following:

- A decrease in expenses in highways and redevelopment combined with an increase in sales tax received.

Business-type activities. Business-type activities decreased Grantsville City's net assets by \$27,791. The increase in business-type activities is primarily due to:

- An increase in changes in net assets by the water and garbage funds of \$159,923 and \$12,759, respectively, offset by a decrease in changes in net assets in the Sewer fund of \$200,473.

**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Grantsville City's governmental funds reported combined ending fund balances of \$4,494,759. Approximately 46% of this total amount, or \$2,055,502, constitutes unrestricted fund balance, which is available for spending at the government's discretion. Nonspendable amounts, consisting of inventory and prepaids, make up 2%, or 96,468, of total fund balance. The remainder of the fund balance, 52% or \$2,342,789, is restricted to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of Grantsville City. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$1,354,504, while total fund balance reached \$2,196,011. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 38% of total general fund expenditures, while total fund balance represents 61% of that amount.

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

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to \$724,612; for the Sewer Utility Fund, unrestricted net assets amounted to \$485,424; and for the Garbage Utility Fund, unrestricted net assets amounted to \$276,504.

General Fund Budgetary Highlights

Actual expenditures in the general fund were \$255,053 less than budgeted expenditures.

Capital Assets and Debt Administration

Capital assets. Grantsville City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$22,329,543 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The total net increase in Grantsville City's investment in capital assets was primarily comprised of construction in progress on the library.

**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 730,332	\$ 730,332	\$ -	\$ -	\$ 730,332	\$ 730,332
Water rights	-	-	723,500	524,000	723,500	524,000
Buildings	2,650,026	2,716,834	291,763	315,617	2,941,789	3,032,451
Utility distribution and collection systems	-	-	11,605,867	12,308,445	11,605,867	12,308,445
Improvements	431,025	460,839	-	-	431,025	460,839
Machinery and equipment	358,800	349,101	209,962	203,306	568,762	552,407
Infrastructure	4,367,000	4,414,763	-	-	4,367,000	4,414,763
Construction in progress	961,268	24,084	-	-	961,268	24,084
	<u>\$ 9,498,451</u>	<u>\$ 8,695,953</u>	<u>\$ 12,831,092</u>	<u>\$ 13,351,368</u>	<u>\$ 22,329,543</u>	<u>\$ 22,047,321</u>

Additional information on Grantsville City's capital assets can be found at Note 6.

Long-term debt. At the end of the current fiscal year, Grantsville City had total bonded debt outstanding of \$5,008,000. All of Grantsville City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Outstanding Debt
Revenue Bonds**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 4,292,000	\$ 1,836,000	\$ 716,000	\$ 929,000	\$ 5,008,000	\$ 2,765,000

Grantsville City's total debt increased by \$2,243,000 (81%) during the current fiscal year, as a result of issuance of a new bond to pay for construction on the library.

Additional information on Grantsville City's long-term debt can be found in Note 8.

Requests for Information

This financial report is designed to provide a general overview of Grantsville City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Finance Director, 429 East Main Street, Grantsville, Utah 84029.

BASIC FINANCIAL STATEMENTS

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,887,881	\$ 1,253,786	\$ 3,141,667
Receivables:			
Accounts, net	-	199,880	199,880
Taxes	1,184,543	-	1,184,543
Grant receivable	11,614	-	11,614
Intergovernmental	70,961	-	70,961
Inventory	81,700	113,810	195,510
Note receivable	82,725	-	82,725
Prepaid items	14,768	-	14,768
Restricted assets:			
Cash and cash equivalents	2,698,936	2,390,960	5,089,896
Capital assets not being depreciated:			
Land	730,332	-	730,332
Construction in progress	961,268	-	961,268
Water rights	-	723,500	723,500
Capital assets, net of accumulated depreciation:			
Buildings	2,650,026	291,763	2,941,789
Utility distribution and collection systems	-	11,605,867	11,605,867
Improvements	431,025	-	431,025
Machinery and equipment	358,800	209,962	568,762
Infrastructure	4,367,000	-	4,367,000
Deferred charges	71,412	-	71,412
Total Assets	\$ 15,602,991	\$ 16,789,528	\$ 32,392,519
Liabilities:			
Accounts payable	\$ 65,204	\$ 42,535	\$ 107,739
Accrued liabilities	73,330	8,600	81,930
Accrued interest payable	31,360	2,801	34,161
Liabilities payable from restricted assets	356,147	-	356,147
Deferred revenue	955,002	-	955,002
Noncurrent liabilities:			
Due within one year	153,000	235,500	388,500
Due in more than one year	4,257,000	507,500	4,764,500
Total Liabilities	5,891,043	796,936	6,687,979
Net Assets:			
Invested in capital assets, net of related debt	6,646,505	12,115,092	18,761,597
Restricted for:			
Roads	317,534	-	317,534
Impact fees	427,505	2,034,699	2,462,204
Debt service	176,443	356,261	532,704
Library construction	1,421,307	-	1,421,307
Unrestricted	722,654	1,486,540	2,209,194
Total Net Assets	9,711,948	15,992,592	25,704,540
Total Liabilities and Net Assets	\$ 15,602,991	\$ 16,789,528	\$ 32,392,519

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Government Activities:							
General government	\$ 1,018,365	\$ 346,138	\$ 15,000	\$ -	\$ (657,227)	\$ -	\$ (657,227)
Public safety	1,641,534	376,329	82,716	-	(1,182,489)	-	(1,182,489)
Highway and public works	767,919	-	336,156	-	(431,763)	-	(431,763)
Parks and recreation	369,655	68,249	-	130	(301,276)	-	(301,276)
Redevelopment	617,567	-	-	-	(617,567)	-	(617,567)
Interest on long-term debt	64,224	-	-	-	(64,224)	-	(64,224)
Total Governmental Activities	4,479,264	790,716	433,872	130	(3,254,546)	-	(3,254,546)
Business-type Activities:							
Water	906,086	855,417	-	204,459	-	153,790	153,790
Sewer	1,029,688	668,690	-	156,816	-	(204,182)	(204,182)
Garbage	480,134	492,893	-	-	-	12,759	12,759
Total Business-type Activities	2,415,908	2,017,000	-	361,275	-	(37,633)	(37,633)
Total Government	\$ 6,895,172	\$ 2,807,716	\$ 433,872	\$ 361,405	(3,254,546)	(37,633)	(3,292,179)
General Revenues:							
Property tax					2,058,780	-	2,058,780
Sales tax					1,383,557	-	1,383,557
Franchise tax					139,517	-	139,517
Unrestricted investment earnings					30,960	9,842	40,802
Total General Revenues and Transfers					3,612,814	9,842	3,622,656
Changes in Net Assets					358,268	(27,791)	330,477
Net Assets, Beginning					9,353,680	16,020,383	25,374,063
Net Assets, Ending					\$ 9,711,948	\$ 15,992,592	\$ 25,704,540

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Capital Projects	Special Revenue		Total Governmental Funds
			Redevelopment Agency	Municipal Building Authority	
Assets:					
Cash and cash equivalents	\$ 1,186,884	\$ 251,000	\$ 441,231	\$ 8,767	\$ 1,887,882
Receivables, net:					
Taxes	1,140,543	-	44,000	-	1,184,543
Grant receivable	11,614	-	-	-	11,614
Intergovernmental	70,961	-	-	-	70,961
Inventories	81,700	-	-	-	81,700
Note receivable	82,725	-	-	-	82,725
Prepaid items	14,768	-	-	-	14,768
Restricted assets:					
Cash and cash equivalents	828,814	1,693,679	-	176,443	2,698,936
Total Assets	\$ 3,418,009	\$ 1,944,679	\$ 485,231	\$ 185,210	\$ 6,033,129
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 65,205	\$ -	\$ -	\$ -	\$ 65,205
Accrued liabilities	73,330	-	-	-	73,330
Liabilities payable from restricted assets	83,775	272,372	-	-	356,147
Deferred revenue	999,688	-	44,000	-	1,043,688
Total Liabilities	1,221,998	272,372	44,000	-	1,538,370
Fund Balances:					
Nonspendable:					
Inventories	81,700	-	-	-	81,700
Prepaid	14,768	-	-	-	14,768
Restricted:					
Roads	317,534	-	-	-	317,534
Impact fees	427,505	-	-	-	427,505
Debt service	-	-	-	176,443	176,443
Library construction	-	1,421,307	-	-	1,421,307
Assigned:					
Cemetery care	97,473	-	-	-	97,473
Municipal Building Authority	-	-	-	8,767	8,767
Redevelopment Agency	-	-	441,231	-	441,231
Capital projects	-	251,000	-	-	251,000
Unassigned:	1,257,031	-	-	-	1,257,031
Total Fund Balances	2,196,011	1,672,307	441,231	185,210	4,494,759
Total Liabilities and Fund Balances	\$ 3,418,009	\$ 1,944,679	\$ 485,231	\$ 185,210	\$ 6,033,129

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

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

Total fund balance - governmental funds	\$	4,494,759
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.		9,498,451
Notes receivable and the accrued interest are not current financial resources and are therefore reported as deferred revenue in the funds.		88,686
Interest expense is not due and payable in the current period and, therefore, is not recorded in the funds.		(31,360)
Deferred financing costs are not recorded in the funds.		71,412
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the funds.		<u>(4,410,000)</u>
Total net assets - governmental activities	\$	<u>9,711,948</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Municipal Building Authority</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 2,842,010	\$ -	\$ 739,844	\$ -	\$ 3,581,854
Licenses and permits	122,854	-	-	-	122,854
Intergovernmental	439,002	-	-	-	439,002
Charges for services	91,212	-	-	108,260	199,472
Impact fees	57,503	-	-	-	57,503
Fines and forfeitures	244,058	-	-	-	244,058
Interest	22,193	6,755	-	1,185	30,133
Miscellaneous	161,829	-	-	-	161,829
Total Revenues	<u>3,980,661</u>	<u>6,755</u>	<u>739,844</u>	<u>109,445</u>	<u>4,836,705</u>
Expenditures:					
Current:					
General government	929,216	-	-	-	929,216
Public safety	1,555,704	-	-	-	1,555,704
Highway and public works	749,318	-	-	-	749,318
Parks and recreation	342,709	-	-	-	342,709
Redevelopment	-	-	617,567	-	617,567
Debt service:					
Principal	-	-	-	44,000	44,000
Interest	-	-	-	64,260	64,260
Capital outlay:					
General government	-	1,085,448	-	-	1,085,448
Total Expenditures	<u>3,576,947</u>	<u>1,085,448</u>	<u>617,567</u>	<u>108,260</u>	<u>5,388,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>403,714</u>	<u>(1,078,693)</u>	<u>122,277</u>	<u>1,185</u>	<u>(551,517)</u>
Other Financing Sources:					
Transfer in (out)	(251,000)	251,000	-	-	-
Lease revenue bonds issued	-	2,500,000	-	-	2,500,000
Total Other Financing Sources	<u>(251,000)</u>	<u>2,751,000</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Net Change in Fund Balances	152,714	1,672,307	122,277	1,185	1,948,483
Fund Balance, Beginning	<u>2,043,297</u>	<u>-</u>	<u>318,954</u>	<u>184,025</u>	<u>2,546,276</u>
Fund Balance, Ending	<u>\$ 2,196,011</u>	<u>\$ 1,672,307</u>	<u>\$ 441,231</u>	<u>\$ 185,210</u>	<u>\$ 4,494,759</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	1,948,483
Governmental funds have reported capital outlays, past and present, 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.		
Capital Outlay		1,185,046
Depreciation Expense		(382,548)
Accrued interest on note receivable is recorded as revenue in the statement of activity but deferred until available in the governmental funds.		
		827
Compensated absences do not require current financial resources and therefore are not recorded as an expenditure in the governmental funds.		
		9,000
Proceeds from bond issuance is recorded as an other financing source in the funds, but the bond issuance creates a long-term liability which is recorded as such in the statement of net assets.		
		(2,500,000)
Bond issuance costs are recorded as an expenditure in the funds when paid. However, the costs represent an asset that is amortized over the life of the bond on the statement of net assets.		
		53,424
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		44,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expense is reported when due and paid.		
		36
Change in net assets of governmental activities	\$	358,268

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,682,576	\$ 2,933,000	\$ 2,842,010	\$ (90,990)
Licenses and permits	163,000	170,000	122,854	(47,146)
Intergovernmental	475,200	467,000	439,002	(27,998)
Charges for services	42,600	64,000	91,212	27,212
Impact fees	-	-	57,503	57,503
Fines and forfeitures	100,000	200,000	244,058	44,058
Interest	-	-	22,193	22,193
Miscellaneous	401,100	249,000	161,829	(87,171)
Total Revenues	<u>3,864,476</u>	<u>4,083,000</u>	<u>3,980,661</u>	<u>(102,339)</u>
Expenditures:				
General government:				
Administrative	488,465	525,000	506,048	18,952
Judicial	197,768	330,000	306,530	23,470
Library	35,249	38,000	30,716	7,284
Election	15,000	9,000	8,543	457
Planning and zoning	83,692	89,000	77,379	11,621
Public safety:				
Police	1,115,037	1,185,000	1,140,892	44,108
Fire	232,186	265,000	239,422	25,578
Building inspections	111,403	120,000	113,592	6,408
Animal control	65,321	75,000	61,798	13,202
Highway and public works:				
Streets	350,797	242,000	196,463	45,537
Class "C" roads	497,600	570,000	552,855	17,145
Parks and recreation:				
Parks	291,150	222,000	200,326	21,674
Community relations	52,500	63,000	52,437	10,563
Cemetery	77,785	99,000	89,946	9,054
Total Expenditures	<u>3,613,953</u>	<u>3,832,000</u>	<u>3,576,947</u>	<u>255,053</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>250,523</u>	<u>251,000</u>	<u>403,714</u>	<u>152,714</u>
Other Financing Sources (Uses):				
Transfers in (out)	(266,523)	(251,000)	(251,000)	-
Total Other Financing Sources	<u>(266,523)</u>	<u>(251,000)</u>	<u>(251,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (16,000)</u>	<u>\$ -</u>	<u>152,714</u>	<u>\$ 152,714</u>
Fund Balance, Beginning			<u>2,043,297</u>	
Fund Balance, Ending			<u>\$ 2,196,011</u>	

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 783,351	\$ 739,844	\$ 739,844	\$ -
Total Revenues	<u>783,351</u>	<u>739,844</u>	<u>739,844</u>	<u>-</u>
Expenditures:				
Redevelopment	744,183	617,567	617,567	-
Total Expenditures	<u>744,183</u>	<u>617,567</u>	<u>617,567</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>39,168</u>	<u>122,277</u>	<u>122,277</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 39,168</u>	<u>\$ 122,277</u>	<u>122,277</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>318,954</u>	
Fund Balance, Ending			<u>\$ 441,231</u>	

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – MUNICIPAL BUILDING AUTHORITY
SPECIAL REVENUE FUND
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 108,000	\$ 108,000	\$ 108,260	\$ 260
Interest	635	635	1,185	550
Total Revenues	<u>108,635</u>	<u>108,635</u>	<u>109,445</u>	<u>810</u>
Expenditures:				
Debt:				
Interest	64,635	64,635	64,260	375
Principal	44,000	44,000	44,000	-
Total Expenditures	<u>108,635</u>	<u>108,635</u>	<u>108,260</u>	<u>375</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,185	<u>\$ 1,185</u>
Fund Balance, Beginning			<u>184,025</u>	
Fund Balance, Ending			<u>\$ 185,210</u>	

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Totals
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 545,084	\$ 442,994	\$ 265,708	\$ 1,253,786
Accounts receivable, net	89,591	63,789	46,500	199,880
Inventory of supplies	113,810	-	-	113,810
Total Current Assets	748,485	506,783	312,208	1,567,476
Noncurrent Assets:				
Restricted cash and cash equivalents	1,243,125	1,147,835	-	2,390,960
Capital assets not being depreciated:				
Water rights	723,500	-	-	723,500
Capital assets, net of accumulated depreciation:				
Utility distribution and collection systems	5,003,558	6,602,309	-	11,605,867
Buildings	14,710	277,053	-	291,763
Equipment	164,062	45,900	-	209,962
Total Noncurrent Assets	7,148,955	8,073,097	-	15,222,052
Total Assets	\$ 7,897,440	\$ 8,579,880	\$ 312,208	\$ 16,789,528

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Totals
Liabilities:				
Current Liabilities:				
Accounts payable	\$ 872	\$ 6,559	\$ 35,104	\$ 42,535
Accrued liabilities	4,200	3,800	600	8,600
Interest payable	2,801	-	-	2,801
Compensated absences	11,000	8,500	-	19,500
Bonds Payable	52,000	164,000	-	216,000
Total Current Liabilities	70,873	182,859	35,704	289,436
Noncurrent Liabilities:				
Compensated absences	5,000	2,500	-	7,500
Bonds Payable	172,000	328,000	-	500,000
Total Noncurrent Liabilities	177,000	330,500	-	507,500
Total Liabilities	247,873	513,359	35,704	796,936
Net Assets:				
Invested in capital assets, net of related debt	5,681,830	6,433,262	-	12,115,092
Restricted for capital projects	1,157,845	876,854	-	2,034,699
Restricted for debt service	85,280	270,981	-	356,261
Unrestricted	724,612	485,424	276,504	1,486,540
Total Net Assets	7,649,567	8,066,521	276,504	15,992,592
Total Liabilities and Net Assets	\$ 7,897,440	\$ 8,579,880	\$ 312,208	\$ 16,789,528

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Totals
Operating Revenues:				
Charges for services	\$ 787,513	\$ 666,053	\$ 492,893	\$ 1,946,459
Connection fees	5,924	-	-	5,924
Other	61,980	2,637	-	64,617
Total Operating Revenues	855,417	668,690	492,893	2,017,000
Operating Expenses:				
Salaries and wages	247,352	225,596	34,924	507,872
Employee benefits	118,459	107,336	15,572	241,367
Professional services	48,593	66,957	-	115,550
Materials and supplies	51,505	58,180	44,086	153,771
Depreciation	330,052	438,652	-	768,704
Utilities	90,904	132,967	-	223,871
Waste collection and disposal	-	-	385,552	385,552
Other operating expenses	2,770	-	-	2,770
Total Operating Expenses	889,635	1,029,688	480,134	2,399,457
Operating Income (Loss)	(34,218)	(360,998)	12,759	(382,457)
Nonoperating Revenues (Expenses):				
Investment earnings	6,133	3,709	-	9,842
Impact fees	204,459	156,816	-	361,275
Interest expense	(16,451)	-	-	(16,451)
Total Nonoperating Revenues (Expenses)	194,141	160,525	-	354,666
Changes in Net Assets	159,923	(200,473)	12,759	(27,791)
Net Assets, Beginning	7,489,644	8,266,994	263,745	16,020,383
Net Assets, Ending	\$ 7,649,567	\$ 8,066,521	\$ 276,504	\$ 15,992,592

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 839,346	\$ 662,568	\$ 489,091	\$ 1,991,005
Payments to suppliers	(337,109)	(315,823)	(453,856)	(1,106,788)
Payments to employees and related benefits	(363,249)	(331,111)	(50,226)	(744,586)
Net cash flows from operating activities	<u>138,988</u>	<u>15,634</u>	<u>(14,991)</u>	<u>139,631</u>
Cash Flows From Capital and Related Financing Activities:				
Impact fees	204,459	156,816	-	361,275
Principal paid on bonds	(49,000)	(164,000)	-	(213,000)
Interest paid	(13,650)	-	-	(13,650)
Purchases of capital assets	(223,964)	(24,464)	-	(248,428)
Net cash flows from capital and related financing activities	<u>(82,155)</u>	<u>(31,648)</u>	<u>-</u>	<u>(113,803)</u>
Cash Flows From Investing Activities:				
Interest on investments	6,133	3,709	-	9,842
Net cash flows from investing activities	<u>6,133</u>	<u>3,709</u>	<u>-</u>	<u>9,842</u>
Net Increase (Decrease) In Cash	62,966	(12,305)	(14,991)	35,670
Cash At Beginning Of Year	1,725,243	1,603,134	280,699	3,609,076
Cash At End Of Year	<u>\$ 1,788,209</u>	<u>\$ 1,590,829</u>	<u>\$ 265,708</u>	<u>\$ 3,644,746</u>
Reconciliation of operating income to net cash flows from operating activities:				
Operating income (loss)	\$ (34,218)	\$ (360,998)	\$ 12,759	\$ (382,457)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation expense	330,052	438,652	-	768,704
(Increase) Decrease in accounts receivables	(16,071)	(6,122)	(3,802)	(25,995)
(Increase) Decrease in inventory	(46,540)	-	-	(46,540)
Increase (Decrease) in accounts payable	(96,797)	(57,719)	(24,218)	(178,734)
Increase (Decrease) in accrued liabilities	1,562	1,821	270	3,653
Increase (Decrease) in compensated absences	1,000	-	-	1,000
Net cash flows from operating activities	<u>\$ 138,988</u>	<u>\$ 15,634</u>	<u>\$ (14,991)</u>	<u>\$ 139,631</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grantsville City Corporation (the City) operates under a council form of government and provides the following services as authorized by its charter: public safety, highways, recreation, water, sewer, and garbage.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds are secured by a lease agreement with the City and have been retired through lease payments from the City. The Municipal Building Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's, the financial data is included in the reporting entity using the blended method.

The City's Redevelopment Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

The City's basic financial statements include all City operations.

Government-Wide and Fund Financial Statements

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

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except for those required to be accounted for in another fund.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by proprietary or special revenue funds).

The Redevelopment Agency accounts for revenues derived from specific taxes which are to finance particular functions of the City.

Municipal Building Authority Special Revenue Fund accounts for the rental revenues from the City Building and the related bond payments.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Sewer Fund accounts for the activities of the City's sewer collection operations.

The Garbage Fund accounts for the activities of the City's solid waste collection of the City.

As a general rule the effect of interfund 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 and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statement –

- (1) Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.
- (4) The City Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved at a public hearing.

Budgeted amounts are as originally adopted, or as amended by the City Council

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalents accounts and the restricted cash and cash equivalents accounts.

Investments

Investments of the City are stated at cost, which approximates fair value.

Inventory

Inventories of the enterprise funds are stated at cost using the first-in-first out method.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Utility distribution and collection systems	10-50
Infrastructure	10-30
Vehicles	5-10
Equipment	3-30

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

All vacation pay and compensation time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

Bond Discounts/Issuance Costs

In the government-wide statements costs of issuing bonds are capitalized and amortized on a straight-line basis over the life of the bonds. During the fiscal year ended June 30, 2012 the amortization expense related to deferred bond financing costs amounted to \$734 in governmental activities of the government-wide financial statements.

Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- (1) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net assets – consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

- (1) Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) Restricted fund balance classification are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the city council, which is government’s highest level of decision making authority.
- (4) Assigned fund balance classification includes amounts that are constrained by the government’s intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the City Finance Director. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

- (5) Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary Fund equity is classified the same as in the government-wide statements.

When committed, assigned, or unassigned resources are available for use, it is the city's policy to use committed resources first, followed by assigned resources, then unassigned resources as they are needed.

Property Taxes

Property taxes attach as an enforceable lien on property as of the first of January. Taxes are levied on October 1 and are due and payable at November 30.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial credit risk – deposits is the risk that in the event of bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government 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 Money Management Council. As of June 30, 2012, \$1,282,967 of the local government's bank balances of \$2,032,967 was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the local government will not be able to recover the value of its investment that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investment include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined by the Act.

As of June 30, 2012, the City’s investments in money market mutual funds were rated Aaa-mf by Standard & Poor’s and AAAM by Moody’s Investor Service. The City’s investments in the State of Utah Public Treasurer’s Investment Fund (PTIF) were unrated.

The City is authorized to invest in the PTIF, an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

For the year ended June 30, 2012, the City had investments of \$6,203,107 with the PTIF, with the fair value of these investments being \$6,265,490. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

All cash and cash equivalent balances estimate their fair value. As of June 30, 2012, the City had the following cash and cash equivalents:

Cash on hand	\$	250
Cash on deposit		2,007,138
Money market mutual funds		21,068
Utah State Treasurer's investment pool account		6,203,107
Total cash and cash equivalents	\$	8,231,563

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment in the Utah Public Treasurer’s Investment Fund has no concentration of credit risk.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2012:

Restricted for bond payments	\$ 532,703
Restricted for Class "C" roads	317,534
Restricted for future construction - library	1,693,679
Restricted revenue for future construction - impact fees	2,462,205
Restricted for performance bonds	78,605
Restricted for court bail held	<u>5,170</u>
Total	<u><u>\$ 5,089,896</u></u>

NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2012 for all funds is \$28,800.

NOTE 5 NOTE RECEIVABLE

The note receivable consists of an amount due from an entity for a land purchase in 2006. The original amount of the note was \$82,725. The note receivable bears interest at 1%, and principal and all accrued interest is due on April 12, 2035. Accrued interest related to the note as of June 30, 2012 is \$5,961.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 730,332	\$ -	\$ -	\$ 730,332
Construction in progress	24,084	937,184	-	961,268
Total capital assets, not being depreciated	<u>754,416</u>	<u>937,184</u>	<u>-</u>	<u>1,691,600</u>
Capital assets, being depreciated:				
Buildings	3,174,499	-	-	3,174,499
Improvements	631,816	5,773	-	637,589
Machinery and equipment	1,499,840	105,928	-	1,605,768
Infrastructure	4,937,796	136,161	-	5,073,957
Total capital assets being depreciated	<u>10,243,951</u>	<u>247,862</u>	<u>-</u>	<u>10,491,813</u>
Less accumulated depreciation for:				
Buildings	457,665	66,808	-	524,473
Improvements	170,977	35,587	-	206,564
Machinery and equipment	1,150,739	96,229	-	1,246,968
Infrastructure	523,033	183,924	-	706,957
Total accumulated depreciation	<u>2,302,414</u>	<u>382,548</u>	<u>-</u>	<u>2,684,962</u>
Total capital assets, being depreciated, net	<u>7,941,537</u>	<u>(134,686)</u>	<u>-</u>	<u>7,806,851</u>
Governmental activities capital assets, net	<u>\$ 8,695,953</u>	<u>\$ 802,498</u>	<u>\$ -</u>	<u>\$ 9,498,451</u>

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Water rights	524,000	199,500	-	723,500
Total capital assets, not being depreciated	<u>524,000</u>	<u>199,500</u>	<u>-</u>	<u>723,500</u>
Capital assets, being depreciated:				
Buildings	786,512	-	-	786,512
Utility distribution and collection systems	19,015,089	-	-	19,015,089
Machinery and equipment	744,180	48,929	16,900	776,209
Total capital assets being depreciated	<u>20,545,781</u>	<u>48,929</u>	<u>16,900</u>	<u>20,577,810</u>
Less accumulated depreciation for:				
Buildings	470,896	23,853	-	494,749
Utility distribution and collection systems	6,706,644	702,578	-	7,409,222
Machinery and equipment	540,874	42,273	16,900	566,247
Total accumulated depreciation	<u>7,718,414</u>	<u>768,704</u>	<u>16,900</u>	<u>8,470,218</u>
Total capital assets, being depreciated, net	<u>12,827,367</u>	<u>(719,775)</u>	<u>-</u>	<u>12,107,592</u>
Business-type activities capital assets, net	<u>\$ 13,351,367</u>	<u>\$ (520,275)</u>	<u>\$ -</u>	<u>\$ 12,831,092</u>

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

Governmental activities:	
General government	\$ 50,202
Public safety	110,929
Highway and public works	190,198
Parks and recreation	31,219
Total depreciation expense - governmental activities	<u>\$ 382,548</u>
Business-type activities:	
Water	\$ 330,052
Sewer	438,652
Total depreciation expense - business-type activities	<u>\$ 768,704</u>

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7 DEFERRED REVENUE

In conjunction with the implementation of GASB pronouncement 33 “Accounting and Financial Reporting for Nonexchange Transactions” the City has accrued a property tax receivable and deferred property tax revenue in the amount of \$919,000.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30. Since the property tax to be levied on October 1, 2012 is not expected to be received within 60 days after year ended June 30, 2012, the City is required to record a receivable and deferred revenue for the estimated amount of the total property tax to be levied on October 1, 2012.

NOTE 8 LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental Activities:					
Revenue bonds					
Library	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -
Fire Station	1,836,000	-	44,000	1,792,000	46,000
Compensated absences	127,000	89,000	98,000	118,000	107,000
Total governmental activity long-term liabilities	\$ 1,963,000	\$ 2,589,000	\$ 142,000	\$ 4,410,000	\$ 153,000
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Business-type Activities:					
Water fund - revenue bonds					
Water Revenue Bond 1998A	\$ 72,000	\$ -	\$ 13,000	\$ 59,000	\$ 14,000
Water Revenue Bond 1998B	201,000	-	36,000	165,000	38,000
Sewer fund - revenue bond					
Sewer Revenue Bond 1995	656,000	-	164,000	492,000	164,000
Compensated absences	26,000	14,200	13,200	27,000	19,500
Total business-type activity long-term liabilities	\$ 955,000	\$ 14,200	\$ 226,200	\$ 743,000	\$ 235,500

Compensated absences in the governmental activities are generally liquidated by the general fund.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

MBA Lease Revenue Bonds, Series 2011

The MBA Lease Revenue Bond, Series 2011 was issued in February 2012 for \$2,500,000. This bond was issued to construct the municipal library. The bond has an interest rate of 2.5 percent and matures in October 2037. The MBA has pledged the base rental as security to the bond.

MBA Lease Revenue Bonds, Series 2006

The MBA Lease Revenue Bond, Series 2006 was issued in May 2006 for \$2,000,000. This bond was issued to construct the municipal fire station. The bond has an interest rate of 3.5 percent and matures in January 2037. The MBA has pledged the base rental as security to the bond.

Water Revenue Bond, Series 1998A

The Water Revenue Bond, Series 1998A was issued in January 1998 for \$184,000. The bond has an interest rate of 5.0 percent and matures in March 2016. The City has pledged the net revenues of the water system as security to the bond.

Water Revenue Bond, Series 1998B

The Water Revenue Bond, Series 1998B was issued in January 1998 for \$514,000. The bond has an interest rate of 5.0 percent and matures in March 2016. The City has pledged the net revenues of the water system as security to the bond.

Sewer Revenue Bond, Series 1995

The Water Revenue Bond, Series 1995 was issued in August 1994 for \$3,278,000. The bond has no interest rate and matures in February 2015. The City has pledged the net revenues of the sewer system as security to the bond.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

The following is a schedule of the future minimum payments for all long term debt:

Fiscal Year Ended June 30	Revenue Bonds									
	Library		Fire Station		Water 1998A		Water 1998B		Sewer 1995	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	\$ -	\$ 46,000	\$ 62,720	\$ 14,000	\$ 2,950	\$ 38,000	\$ 8,250	\$ 164,000	No
2014	73,000	62,500	48,000	61,110	14,000	2,250	40,000	6,350	164,000	Interest
2015	75,000	60,675	49,000	59,430	15,000	1,550	42,000	4,350	164,000	Charged
2016	77,000	58,800	51,000	57,715	16,000	800	45,000	2,250	-	-
2017	79,000	56,875	53,000	55,930	-	-	-	-	-	-
2018	81,000	54,900	55,000	54,075	-	-	-	-	-	-
2019	83,000	52,875	57,000	52,150	-	-	-	-	-	-
2020	85,000	50,800	59,000	50,155	-	-	-	-	-	-
2021	87,000	48,675	61,000	48,090	-	-	-	-	-	-
2022	89,000	46,500	63,000	45,955	-	-	-	-	-	-
2023	91,000	44,275	65,000	43,750	-	-	-	-	-	-
2024	94,000	42,000	67,000	41,475	-	-	-	-	-	-
2025	96,000	39,650	70,000	39,130	-	-	-	-	-	-
2026	98,000	37,250	72,000	36,680	-	-	-	-	-	-
2027	101,000	34,800	75,000	34,160	-	-	-	-	-	-
2028	103,000	32,275	77,000	31,535	-	-	-	-	-	-
2029	106,000	29,700	80,000	28,840	-	-	-	-	-	-
2030	109,000	27,050	83,000	26,040	-	-	-	-	-	-
2031	111,000	24,325	86,000	23,135	-	-	-	-	-	-
2032	114,000	21,550	89,000	20,125	-	-	-	-	-	-
2033	117,000	18,700	92,000	17,010	-	-	-	-	-	-
2034	120,000	15,775	95,000	13,790	-	-	-	-	-	-
2035	123,000	12,775	98,000	10,465	-	-	-	-	-	-
2036	126,000	9,700	102,000	7,035	-	-	-	-	-	-
2037	129,000	6,550	99,000	3,465	-	-	-	-	-	-
2038	133,000	3,225	-	-	-	-	-	-	-	-
	<u>\$ 2,500,000</u>	<u>\$ 892,200</u>	<u>\$ 1,792,000</u>	<u>\$ 923,965</u>	<u>\$ 59,000</u>	<u>\$ 7,550</u>	<u>\$ 165,000</u>	<u>\$ 21,200</u>	<u>\$ 492,000</u>	<u>\$ -</u>
	Interest Rate: 2.50%		Interest Rate: 3.50%		Interest Rate: 5.00%		Interest Rate: 5.00%		Interest Rate: None Charged	

**GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

NOTE 9 PENSION PLAN

Plan Description

Grantsville City Corporation contributes to the Local Government Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. The City additionally contributes to the Public Safety Contributory Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

Funding Policy

The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The contribution rates are as follows:

	Employer Contribution Rate
Contributory System:	
Local Governmental Division Tier 2	10.330%
Noncontributory System:	
Local Governmental Division Tier 1	13.770%
Public Safety System:	
Other Division A contributory Tier 2	17.180%
Other Division A Noncontributory Tier 1	28.820%

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9 PENSION PLAN (Continued)

Contributions to the pension plans are as follow:

<u>System</u>	<u>Year Ended June 30,</u>	<u>Employee paid Contributions</u>	<u>Employer paid for Employee Contribution</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division	2012	\$ -	\$ -	\$ 4,208	\$ 55,446
Noncontributory System:					
Local Governmental Division Tier 1	2012	\$ -	\$ -	\$ 140,772	\$ 1,022,307
	2011	-	-	142,737	1,067,591
	2010	-	-	122,299	1,048,878
Public Safety System:					
Other Division A Contributory	2012	\$ -	\$ -	\$ 1,167	\$ 11,168
Other Division A Noncontributory Tier 1	2012	\$ -	\$ -	\$ 110,982	\$ 450,209
	2011	-	-	110,135	382,147
	2010	-	-	104,513	403,526
Defined Contribution System:					
457 Plan	2012	\$ 6,180	\$ -	\$ -	\$ -
	2011	7,506	-	-	-
	2010	8,559	-	-	-
401(k) Plan	2012	\$ 39,084	\$ 26,140	\$ -	\$ -
	2011	31,152	23,936	-	-
	2010	25,245	36,899	-	-

NOTE 10 REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17B-4-1305(2), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2012:

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2012</u>
Industrial Park	<u>\$ 739,844</u>
TOTAL INCREMENT RECEIVED	<u>\$ 739,844</u>

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount at June 30, 2012, of bonds issued to finance the costs associated with the project area was \$0.

D. The agency expended the following during the year:

	<u>2012</u>
Tax increment payments	<u>\$ 617,567</u>
TOTAL EXPENDITURES	<u>\$ 617,567</u>

**GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

NOTE 11 COMMITMENTS AND CONTINGENCIES

The City believes that possible contingencies (contingencies incurred but not reported) where the loss cannot be reasonably estimated are immaterial to the financial statements of the City. The City had \$1,038,669 in an outstanding construction commitment at June 30, 2012. This commitment pertains to the design and construction of the City's Library project.

NOTE 12 RISK MANAGEMENT

The City, as a provider of municipal services, is exposed to a number of risks. Among these are: police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur. The City has not incurred any claims in excess of its coverage for any of the past three years.

NOTE 13 TRANSFERS

During the year a transfer was made which will not be repaid. This transfer occurred primarily to finance future capital projects needs within the city.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 251,000
Capital Projects	251,000	-
	<u>\$ 251,000</u>	<u>\$ 251,000</u>

SUPPLEMENTAL INFORMATION

GRANTSVILLE CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
– BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Interest	\$ -	\$ 10,519	\$ 6,755	\$ (3,764)
Total Revenues	-	10,519	6,755	(3,764)
Expenditures:				
Current:				
General government	-	813,507	1,085,448	(271,941)
Total Expenditures	-	813,507	1,085,448	(271,941)
Other Financing Sources:				
Transfer in	266,523	251,000	251,000	-
Proceeds from bond issuance	-	2,500,000	2,500,000	-
Total Other Financing Sources	266,523	2,751,000	2,751,000	-
Net Change in Fund Balance	\$ 266,523	\$ 1,948,012	1,672,307	\$ (275,705)
Fund Balance, Beginning			-	
Fund Balance, Ending			\$ 1,672,307	

**GRANTSVILLE CITY CORPORATION
GRANTSVILLE, UTAH**

SUPPLEMENTARY REPORTS

For the Year Ended June 30, 2012

GRANTSVILLE CITY CORPORATION
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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

To the Mayor and City Council
Grantsville City Corporation
Grantsville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as 12-01, which we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated December 17, 2012.

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

This report is intended solely for the information and use of management, the City Council, others within the entity, and State agencies, and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.

Logan, Utah

December 17, 2012

GRANTSVILLE CITY CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

Finding 12-01

Criteria: Internal control standards adopted by the Government Accountability Office (GAO) expect that management or employees, in the normal course of performing their assigned functions, will prevent or detect misstatements in account balances prior to their being reported in the financial statements.

Condition: Controls over financial close and reporting were insufficient to prevent certain misstatements in the presentation of the financial statements. Auditor-proposed adjustments were made to the balances of deferred revenues and associated receivables and net assets/fund balance.

Cause: Insufficient communication concerning redevelopment agency activity and impact fee activity during the year.

Effect: The City's trial balance amounts were adjusted to reflect certain transactions in the redevelopment agency fund and changes in the restricted fund balances with regards to impact fees.

Recommendation: those charged with governance should review the City's internal controls related to Redevelopment Agency transactions and adjusting net assets to reflect impact fee activity for the year and determine where control improvements might be made.

GRANTSVILLE CITY CORPORATION
CORRECTIVE ACTION PLAN
(Client submitted Document)
Year Ended June 30, 2012

Grantsville City Corporation respectfully submits the following response for the finding identified in the June 30, 2012 audit.

Response to finding 12-01

The City will review its internal controls related to Redevelopment Agency transactions and adjusting net assets to reflect impact fee activity for the year and determine where control improvements might be made.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

To the Mayor and City Council
Grantsville City Corporation
Grantsville, Utah

We have audited Grantsville City Corporation, Utah's (the City) compliance with general and major state program compliance requirement described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

Public Debt	B&C Roads
Cash Management	Other General Compliance Issues
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Impact Fees and Other Development Fees
Truth in Taxation and Property	Asset Forfeiture
Tax Limitations	Utah Retirement System
Liquor Law Enforcement	Fund Balance
Justice Courts	

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

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

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

Public Safety Grant (Department of Public Safety)
Park and Ride Grant (Department of Transportation)

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated December 17, 2012.

This report is intended solely for the information and use of the City, Office of the Utah State Auditor, awarding and pass-through entities, and other specified parties, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.



JONES SIMKINS, P.C.

Logan, Utah

December 17, 2012