

# Comprehensive Annual Financial Report

For the Year Ending June 30, 2013

City of Provo, Utah





# Comprehensive Annual Financial Report

City of Provo, Utah

For the Fiscal Year Ended June 30, 2013

Prepared by the Provo City Finance Division

PROVO CITY CORPORATION  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2013

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## LETTER OF TRANSMITTAL

November 12, 2013

To the Honorable Mayor, members of the Municipal Council, and the Citizens of the City of Provo:

State law and local ordinance require 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. In conformance with that requirement, we issue the Comprehensive Annual Financial Report (CAFR) of the City of Provo for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City of Provo. Management assumes full responsibility for the completeness and reliability of all information presented in this report. In order to provide a reasonable basis for making these representations, management of the City of Provo has established an internal control framework—designed to ensure the assets of the government are protected from loss, theft or misuse, and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal, state, and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to the appropriate programs. This internal control structure is subject to periodic evaluation by management.

Hansen, Bradshaw, Malmrose & Erickson, P.C., a firm of licensed certified public accountants selected by the Municipal Council, has audited the City of Provo's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Provo for the fiscal year ended June 30, 2013, represent an accurate portrayal of the City's financial position in all material respects. 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. Hansen, Bradshaw, Malmrose & Erickson, P.C. concluded, based upon the audit, that there is reasonable basis for rendering an unqualified opinion that the City of Provo's financial statements for the fiscal year ended June

30, 2013, were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the City of Provo's financial statements was part of a broader, federally mandated Single Audit Act of 2004 and the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of federal financial assistance, the independent auditors' report on internal controls and compliance with applicable laws and regulations, and a schedule of findings, are available in the City of Provo's separately issued Single Audit Report.

The CAFR is presented in three sections: introductory, financial and statistical.

**PROFILE OF THE GOVERNMENT**

The City of Provo, incorporated in 1851, is located in a metropolitan area that has a dynamic and diverse economy. The government is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Provo currently operates under the mayor-council form of government. Legislative authority is vested in the Municipal Council, which consists of seven members. The legislative branch is responsible, among other things, for passing ordinances, adopting the budget, and giving advice and consent to the appointment of committee members. The Mayor is responsible for establishing and implementing City policies, carrying out the ordinances of the Municipal Council, and overseeing the day-to-day operations of the government. The Council and Mayor are elected on a nonpartisan basis. Five of the Council members are elected from within their respective districts. The Mayor and the two remaining members are elected at large. All elected officials serve staggered four-year terms with four, then three, Council members elected every two years.

The City of Provo provides a full range of services that include public safety, streets, recreational and cultural events, community development and general administrative services. The City of Provo also operates energy, water, waste water, sanitation, and storm drain utilities. A general aviation airport and municipal golf course are also part of the City of Provo. Component units are legally separate entities for which the nature and significance of their relationship with the City of Provo are such that exclusion would cause the financial statements to be misleading or incomplete. Blended component units are included as part of the primary government. Accordingly, Provo City Redevelopment Agency is reported as special revenue funds and the Provo City Storm Water Service District as an enterprise fund.

The City of Provo maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted by the Provo Municipal Council. For the 2013 fiscal year, activities of the general fund, special revenue funds, debt service funds, and capital project funds are included in the annual appropriated budget.

The level of budgetary control, i.e., the level where expenditures cannot legally exceed the appropriated amount, is maintained at the departmental level for the General Fund and at the fund level for all other funds. The City of Provo also maintains an encumbrance accounting system as one method of maintaining budgetary control. Outstanding encumbrances at year-end are evaluated and, if deemed necessary by the City of Provo's management, are carried forward as part of the following year's budget.

As demonstrated by the statements included in the financial section of the report, the City of Provo continues to meet its responsibility for sound financial management.

The Management's Discussion and Analysis (MD&A) section of this report offers a more detailed discussion about the economic condition of the City, fund balance analysis and other management goals and achievements.

## **ECONOMIC CONDITION**

The City has a diverse manufacturing and industrial base. Major industries include retail business, light manufacturing, software development, and a university community. This diversity stabilizes the unemployment rate and offers a broad range of employment opportunities.

The local economy continues to recover from the great recession and continues to outperform the national economy. The local (Provo-Orem) unemployment rate is down versus the prior-year (5.3 vs. 6.0 percent) but still below the national average of 7.6 percent as of June 30, 2013. The preliminary local unemployment rate is 4.9 percent as of August 31, 2013, reflecting the improvement in the local economic environment. The City's General Fund total tax revenue of \$28,282,775 was \$940,517 more than budget and \$1,100,946 or 3.9 percent more than the prior year. Property and vehicle taxes increased by \$573,937 or by 4.0 percent over the prior year. Franchise taxes of \$9,139,437 increased by \$578,087 or by 6.8 percent over the prior year. Sales tax revenue of \$15,461,644 increased by \$551,291 or 3.7 percent versus the prior fiscal year. The City is cautious, but optimistic, that sales tax revenues will continue to improve as the economy improves during the next fiscal year. The City sales tax revenues received during the first two months of the new fiscal year are consistent with this forecast reflecting a combined increase of 10.7 percent on a year-over-year basis for July and August 2013.

The City is closely monitoring the current economic environment. As the City plans for the future, we are being very cautious to align the commitment of City resources with the anticipated revenues for the City. The City undertook an in-depth and detailed budgeting process for fiscal year 2014. A significant level of input was gathered from residents and employees and was carefully considered by the Administration and the City Council when developing and adopting the 2014 budget.

The governmental funds revenues for fiscal year ending June 30, 2013 are \$63,553,290. Tax revenue made up 62.9 percent of the total governmental funds revenue. Tax revenue consists of property, vehicle, sales, and franchise taxes. Intergovernmental transfers accounted for an additional 15.4 percent of the total. The remaining 21.7 percent is composed of charges for

services, licenses and permits, fines and forfeitures, investment earnings, loan repayments/write-offs, lease income and miscellaneous revenues.

While striving to control expenditures, the City is committed to maintaining infrastructure and delivering services at sufficient levels. The City will also continue to work on a variety of economic development projects with the intent of creating jobs and stimulating the economic growth and stability of the City.

## **LONG-TERM FINANCIAL PLANNING**

The City maintains a 5-Year Capital Project/Budget Plan. This plan is updated each year and allows the City to make projections into the future regarding the infrastructure and other long-term capital projects that need to be initiated or completed. This plan helps to prioritize projects, estimate costs, and determine the most advantageous way to fund projects.

The City continues to refine a ten-year budget that examines all revenues and expenses. The focus is to establish a sustainable budget and place more attention on the long-term impact of decisions. The Administration established a Budget Review Committee comprised of two residents, two Council members and two employees. As part of the fiscal 2013-2014 budget process, the Budget Review Committee reviewed all aspects of the budget.

## **MAJOR INITIATIVES**

Economic development in Provo focuses on increasing the prosperity of residents and businesses. This is accomplished by creating an environment where business can thrive and grow at sustainable rates. Three major components to increased prosperity are: facilitate job creation, encourage capital investment to increase the property tax revenue base and seek out new retail products and service offerings.

At the heart of Provo, downtown continues to be a center of activity and change.

The NuSkin Innovation Center was completed and held a ribbon cutting in October of 2013. This new downtown campus is the consolidation of the majority of its employees into one central facility. The new facility is well over 300,000 square feet with new wet labs, offices, conference facility, open gardens and a parking structure.

The Central Bank remodel/expansion is substantially complete.

The Provo City Center Temple, the former LDS tabernacle, continues to make progress with an announced completion of sometime in 2015.

A deal has been negotiated between the RDA and Cowboy Partners for 140+ residential dwelling units on Center Street and 300 West. An additional 40 high-end dwelling units are also under construction at 63 East Center. Both projects will have retail space on the ground level.

A greater emphasis has been placed on redevelopment of existing buildings and the filling of vacant storefronts by providing incentives for investment in downtown. Façade grants, building permit and impact fee credits and property and sales tax rebates are a few of the incentives being offered those who will invest in downtown Provo. Several vacant spaces have been filled adding to the unique boutique retail offering in downtown – Encore and Unhinged are just two of the new retail storefronts in downtown Provo.

The Mountain Vista Business Park is the largest single-owner parcel of land in Provo and will be home to a mixed-use development of light industrial, retail, and office uses. There are now two light industrial tenants in the park, with a third building under construction that will be used as a dentist office. Champion Safe, a home security products manufacturer, recently purchased seven acres of land and should commence construction within the next 12 months. Negotiations are currently underway with a regionally prominent developer to partner with the City to develop the business park, starting with some smaller “spec” space. It is anticipated that rather than sell the land for a one-time cash lump sum, a revenue sharing model be developed to produce a revenue stream over time.

Provo City is consistently recognized in the national media as a desirable place to do business. With a favorable business climate, two major universities in the community and many entrepreneurial minded people, Provo continues to be supportive of early stage and startup businesses. The City is a major player as a sponsor of Camp 4, a co-working business accelerator at the Start Up building. Boom Startup and the BYU Launch Pad both utilized the space this past summer and committed for continued use for their entrepreneurs accelerator programs.

## **SIGNIFICANT EVENTS**

On April 17, 2013, the City made an “epic” announcement regarding the sale of the City-owned fiber network to Google Fiber. The transaction was substantially completed by June 30, 2013. Google fiber will begin offering service to Provo residents during the fall of 2013.

On May 13, 2013 the world-class Provo City Recreation Center facility was opened to the public. The Recreation Center was built with proceeds of a \$39 million general obligation bond that was approved by Provo voters in November 2010. To date, one in every five Provo citizens has purchased a Recreation Center membership.

During 2013, the City implemented a significant City-wide rebranding effort.

The Pioneer Park Splash Pad was completed and opened to the public. The Splash Pad has been a very popular attraction during the warm summer months.

The Central Utah Pipeline Provo Reach 2 Project is a Central Utah Water Conservancy District project which requires significant coordination within the City. The project included the installation of a sixty inch concrete lined welded steel pipe from 450 North & Seven Peaks Boulevard north to 700 North, west along 700 North to 900 East, north along 900 East to North Temple Drive, continuing west on 2200/2230 North to Canyon Road, north on Canyon Road for

approximately three blocks, west to University Avenue and then north on University Avenue to approximately 5700 North. The project also involves utility relocation and reconstruction of the street improvements along the entire corridor. This project completes this pipeline in Provo City streets.

The 2013 Road Rehab Project resurfaced several streets in the City including Canyon Road – 2900 North to Foothill Drive, 1460 North/Grandview Lane from State Street to 2100 West, 900 South from State Street to 700 East, Freedom Boulevard from 300 South to 200 North, 100 North from 500 West to 100 East and other local streets. This project also included the installation of the bicycle facilities on 1460 North and Canyon Road.

The 700 North Reconstruction Project included the reconstruction of the street from Seven Peaks Boulevard to 900 East. The project also included new sidewalk and landscaping along both sides of 700 North.

The Provo Westside Connector Project engineering design is nearing completion. Roadway construction is estimated to begin in February of 2014.

The engineering design for the Lakeview Parkway and Trail Project has been completed and limited property acquisition is ready to begin with available funding. Construction funding for this project has not been identified at this time.

The second phase of the South State Street Safety Improvements Project for the shared pedestrian/bike path was extended from 1120 South to 900 South. This project was constructed in coordination with the Utah Department of Transportation. This project also included the installation of decorative street lighting and a landscaped planter. This project provides for continuous sidewalk from 1860 South to downtown Provo.

The University Avenue Sidewalk Improvement Project included the installation of a six foot concrete sidewalk from approximately 2400 North to 5200 North on the east side of University Avenue.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Provo City Corporation for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award and recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents conforming to program standards. As such, the CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last several years. We believe our current report continues to meet the Certificate of Achievement program requirements, and is being submitted to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the City of Provo, Division of Finance. I would like to express my appreciation to my staff and other personnel from various departments, agencies, and authorities who assisted in its preparation.

Also, I would like to thank the Mayor and the Municipal Council for their interest and support in planning and conducting the financial operations of the City of Provo in a dedicated and responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John D. Borget', is written over a light gray rectangular background.

John D. Borget  
Director of Administrative Services



Government Finance Officers Association

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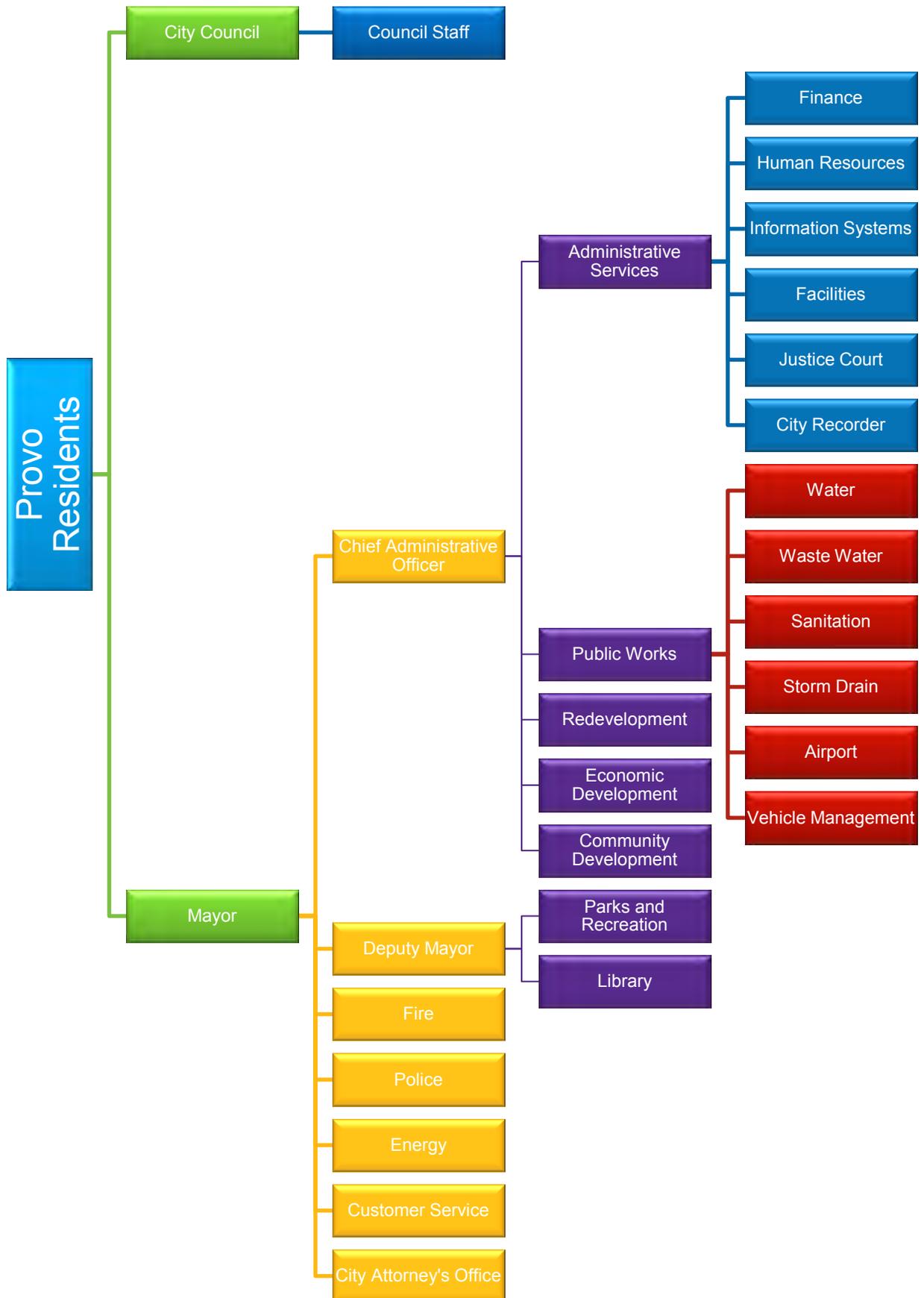
**Provo City Corporation  
Utah**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Provo City Organizational Chart



# Elected and Staff Positions



(Left to right) Gary Garrett, Sterling Beck, Kay Van Buren (Vice Chair), Laura Cabanilla, Hal Miller, Rick Healey, Gary Winterton (Chair)

## Council Members

Gary Winterton (Chair)  
District 1  
Present Term: 2012-2016

Rick Healey  
District 2  
Present Term: 2010-2014

Hal Miller  
District 3  
Present Term: 2012-2016

Kay Van Buren (Vice Chair)  
District 4  
Present Term: 2012-2016

Sterling Beck  
District 5  
Present Term: 2010-2014

Laura Cabanilla  
City-Wide District I  
Present Term: 2010-2014

Gary Garrett  
City Wide District II  
Present Term: 2012-2016

## City Administration

Mayor—John Curtis

Chief Administrative Officer—Wayne Parker

Chief Deputy Mayor's Office—Corey Norman

Chief Deputy Economic Development—Dixon Holmes

City Attorney—Robert West

Police Chief (Interim)—Cliff Argyle

Fire Chief—Gary Jolley

Parks and Recreation—Roger Thomas

Library Services—Gene Nelson

Energy—Travis Ball

Community Development—Gary McGinn

Redevelopment—Paul Glauser

Public Works—David Decker

Administrative Services—John Borget



Mayor John Curtis

Present Term: 2010-2014

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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*Members of the  
American Institute  
of Certified Public  
Accountants*

*Members of the  
Private Company  
Practice Section*

## INDEPENDENT AUDITORS' REPORT

Honorable Members of the City Council and Mayor  
Provo City Corporation, Utah

### *Report on the Financial Statements*

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 Provo City Corporation, Utah ("the City"), 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*

The City's 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 policies used and the reasonableness of significant accounting 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 Provo City Corporation, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund 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 on pages 13-22 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 the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and statistical tables 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.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

November 12, 2013

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

As management of the Provo City Corporation (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2013. The Management’s Discussion and Analysis (MD&A) is designed to provide an overview of the City’s financial activity. It is also intended to assist the reader in focusing on significant financial issues including identifying changes in the City’s financial position (its ability to address the next and subsequent years’ challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. Please read the MD&A in conjunction with the Transmittal Letter and the City’s financial statements.

### **HIGHLIGHTS**

#### **Financial Highlights**

The City’s net position decreased by \$3,451,368. The governmental net position increased by \$9,632,380 and the business-type net position decreased by \$13,083,748.

At the close of the current fiscal year, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$540,117,179. Of this amount, \$98,709,172 (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 (reflected on a current financial resource basis) reported combined ending fund balances of \$36,226,595, a decrease of \$17,823,879 in comparison with the prior year. This decrease is primarily due to the construction costs of the new recreation center.

The General Fund (the primary operating fund), also reflected on a current financial resource basis, reported an increase of \$2,423,081 in fund balance. This change is due to an increase in sales tax revenue and other one-time revenue.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,977,109 (or approx. 20 percent) of 2014 general fund budgeted revenue.

### **USING THIS ANNUAL REPORT**

The financial statements focus on both the City as a whole in the government-wide statements, and on the major individual funds in the fund financial statements. (An explanation of major and nonmajor funds can be found in the note 1 of the financial statements of this report). Both perspectives allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City’s accountability.

## Government-Wide Financial Statements

There are two basic statements in the **government-wide financial statements**: the *statement of net position* and the *statement of activities*. These statements report information about the City as a whole using accounting methods similar to the full accrual method used by private sector companies. These statements also provide both long-term and short-term information about the overall financial status of the City.

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

The **statement of activities** presents information showing how the net position of the government changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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. These changes are presented separately for each of the government's functional activities, (e.g., general government, public safety, and public works).

The government-wide financial statements are divided into two categories: *governmental activities* and *business-type activities*. Most of the basic services of the City are included in the *governmental activities*. This category includes services such as the police, fire, streets, parks divisions and general administration. Sales and use taxes, property taxes, and state and federal grants finance most of these activities. The *business-type activities* are similar to private sector type operations where the City charges fees to customers to cover all or most of the cost of the services provided. These services include the City's water, waste water, airport, sanitation, storm drain, golf course, telecommunications and electric operations. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

## Fund Financial Statements

The **fund financial statements** provide more detailed information about the City's most significant funds, not the City as a whole. 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. Some funds are required by State law or by bond covenants, while other funds are established by the Municipal Council to manage money for a particular purpose. All of the funds of the City can be divided into two categories: *governmental funds* and *proprietary funds*.

There are two basic financial statements presented for **governmental funds**: the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balances*. There is also a *statement of revenues, expenditures, and changes in fund balances – budget to actual* for the general fund and the special revenue funds. Governmental funds are used to account

for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, the *governmental fund financial statements* focus on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. To facilitate the comparison between *governmental funds* and *governmental activities*, both the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balances* provide reconciliation to the *government-wide statements*.

There are three basic financial statements for ***proprietary funds***: *the statement of net position*; *the statement of revenues, expenses, and changes in net position*; and *the statement of cash flows*. The City maintains two types of proprietary funds: *enterprise funds* and *internal service funds*.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. However, they provide more detail and additional information, such as a statement of cash flows.

*Internal Service Funds* are used to report activities that result in the accumulation and allocation of costs of supplies and services provided and used internally among the City's various functions. The City uses internal service funds to account for employee benefits, insurance and claims, customer service, vehicle management and facility services. As mentioned above, internal service funds are included in the governmental activities in the government-wide 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. The notes to the financial statements can be found on pages 38-78 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information, including the combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, can be found on pages 80-108 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis examines the factors that affect the *net position* (Table 1) and the *changes in net position* (Table 2) of both the governmental and the business-type activities.

### **Net Position**

By far the largest portion of the City's total assets (77.9 percent) reflect its investment in capital assets (e.g., infrastructure, land, building, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The net position section shows the amount the City has invested in capital assets, less any related outstanding debt used to acquire those assets. It should be

noted that since the capital assets themselves cannot be used to liquidate these liabilities, the resources needed to repay this debt must be provided from other sources.

**Table 1 - Net Position**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 73,910,658	\$ 93,656,542	\$ 40,592,438	\$ 38,055,225	\$ 114,503,096	\$ 131,711,767
Capital assets	332,957,713	307,391,832	185,672,058	208,958,890	518,629,771	516,350,722
Other assets	<u>24,607,262</u>	<u>24,968,373</u>	<u>8,106,099</u>	<u>8,106,099</u>	<u>32,713,361</u>	<u>33,074,472</u>
Total assets	431,475,633	426,016,747	234,370,595	255,120,214	665,846,228	681,136,961
Deferred outflows of resources	423,580	-	180,995	-	604,575	-
Current liabilities	17,535,166	27,857,828	13,895,769	15,200,853	31,430,935	43,058,681
Long-term liabilities	<u>75,986,578</u>	<u>52,403,110</u>	<u>7,660,117</u>	<u>42,106,618</u>	<u>83,646,695</u>	<u>94,509,728</u>
Total liabilities	93,521,744	80,260,938	21,555,886	57,307,471	115,077,630	137,568,409
Deferred inflows of resources	11,255,994	-	-	-	11,255,994	-
Net position:						
Net investment in capital assets	256,354,045	257,441,544	174,364,832	162,494,671	430,718,877	419,936,215
Restricted	8,575,254	5,669,050	2,113,876	11,549,527	10,689,130	17,218,577
Unrestricted	<u>62,192,176</u>	<u>82,645,210</u>	<u>36,516,996</u>	<u>23,768,545</u>	<u>98,709,172</u>	<u>106,413,755</u>
Total net position	<u>\$ 327,121,475</u>	<u>\$ 345,755,804</u>	<u>\$ 212,995,704</u>	<u>\$ 197,812,743</u>	<u>\$ 540,117,179</u>	<u>\$ 543,568,547</u>

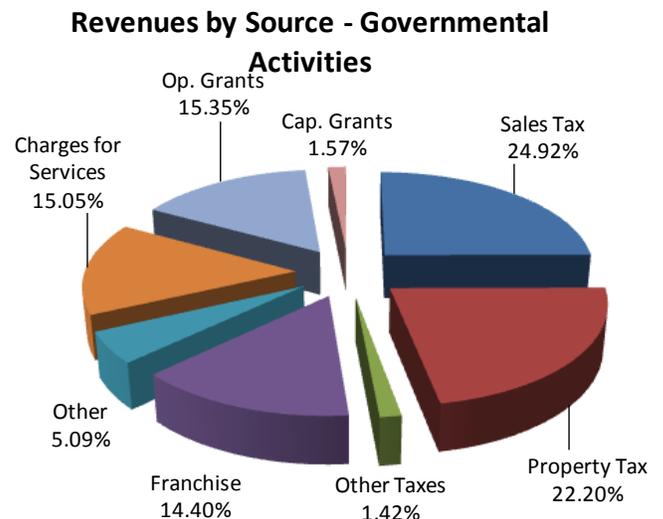
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, (Net investment in capital assets, Restricted and Unrestricted) both for the government as a whole and for its separate governmental and business-type activities.

**Changes in Net Position**

*Governmental Activities*

As shown below in Table 2 – Changes in Net Position, governmental activities increased the City’s net position by \$9,632,380 before the restatement of net position. After the restatement the net position decreased by \$18,634,329. The primary elements of this change are as follows.

In the governmental activities, the Telecommunications Debt Service Fund was transferred to governmental type activities from business type after the sale of telecom to Google Fiber.



In the Parks and Recreation CIP Fund, expenses for the new recreation center are capitalized. Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. The amount that the capital outlays exceeded depreciation in fiscal year 2013 is \$23,531,640.

Sales and use taxes, which increased from the prior year, are the single greatest source of revenue for the City. In the current fiscal year, 24.9 percent of the City's revenues from governmental activities were derived from sales and use tax.

Another 22.2 percent of the City's revenue was derived from property taxes.

**Table 2 - Changes in Net Position**

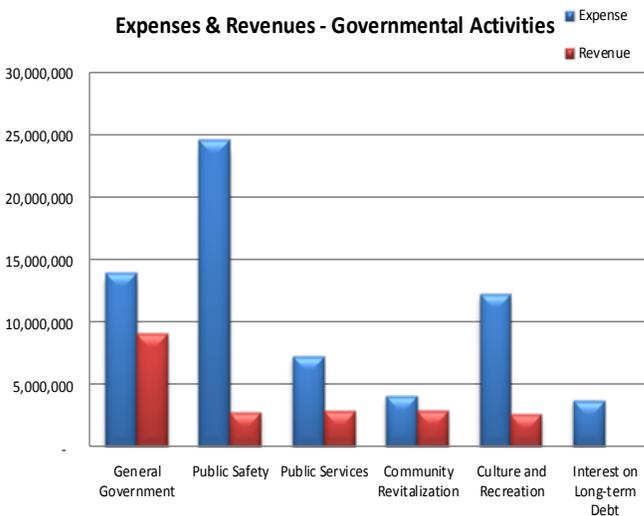
	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 9,546,736	\$ 8,386,234	\$ 85,750,734	\$ 80,201,822	\$ 95,297,470	\$ 88,588,056
Operating grants and contributions	9,739,605	11,801,818	912,985	1,271,091	10,652,590	13,072,909
Capital grants and contributions	996,567	492,655	945,298	-	1,941,865	492,655
<b>General revenues:</b>						
Property taxes	14,089,302	13,537,074			14,089,302	13,537,074
Other taxes	25,852,298	24,514,156	-	126,178	25,852,298	24,640,334
Other	3,226,600	3,821,615	6,700,155	8,735,345	9,926,755	12,556,960
Total revenues	63,451,108	62,553,552	94,309,172	90,334,436	157,760,280	152,887,988
<b>Expenses:</b>						
General government	13,954,338	13,825,444			13,954,338	13,825,444
Public safety	24,565,965	22,673,016			24,565,965	22,673,016
Public services	7,290,403	7,019,330			7,290,403	7,019,330
Community revitalization	4,048,016	2,840,223			4,048,016	2,840,223
Culture and recreation	12,256,143	11,463,920			12,256,143	11,463,920
Interest on long-term debt	3,707,262	2,757,148			3,707,262	2,757,148
Golf course			1,052,088	1,053,754	1,052,088	1,053,754
Water			5,533,038	5,196,862	5,533,038	5,196,862
Sewer			3,446,357	3,379,405	3,446,357	3,379,405
Energy			51,751,914	51,274,077	51,751,914	51,274,077
Airport			2,061,008	1,498,158	2,061,008	1,498,158
Sanitation			3,191,451	3,560,083	3,191,451	3,560,083
Storm drain			1,978,902	2,024,820	1,978,902	2,024,820
Telecommunications			3,888,255	1,888,716	3,888,255	1,888,716
Total expenses	65,822,127	60,579,081	72,903,013	69,875,875	138,725,140	130,454,956
Increase (decrease) in net position before transfers and special item	(2,371,019)	1,974,471	21,406,159	20,458,561	19,035,140	22,433,032
<b>Special Item:</b>						
Loss on sale of Telecom	-	-	(22,486,508)	-	(22,486,508)	-
Transfers	12,003,399	7,317,330	(12,003,399)	(7,317,330)	-	-
Change in net position	9,632,380	9,291,801	(13,083,748)	13,141,231	(3,451,368)	22,433,032
<b>Net position beginning</b>						
As originally stated	345,755,804	330,809,062	197,812,743	190,326,453	543,568,547	521,135,515
Restatement of net position	(28,266,709)	5,654,941	28,266,709	(5,654,941)	-	-
Net position beginning	317,489,095	336,464,003	226,079,452	184,671,512	543,568,547	521,135,515
Net position ending	\$ 327,121,475	\$ 345,755,804	\$ 212,995,704	\$ 197,812,743	\$ 540,117,179	\$ 543,568,547

From the prior fiscal year, the revenue from sales, property and other taxes increased \$1,890,370, or 5 percent. The increase is the result of higher property tax and sales tax revenue.

The General Government category includes expenses for the following departments; Municipal Council, Mayor’s Office, Community Development, Economic Development, Administrative Services, Legal, Information Systems and Non-departmental.

The Public Services category includes Road Projects, Engineering and Streets. The Public Safety category includes Police, Fire, and Emergency Response. The Community Revitalization category includes all fund expenses in the Commercial Rehabilitation, Rental Rehabilitation, Community Development Block Grant, Housing Rehabilitation, Tax Increment, Housing Consortium and the Provo Business Development Fund.

As reported on the statement of activities in the government-wide statements, net cost of services provided by governmental activities totaled \$45,539,219.



Public Safety, which includes fire and police, reports program expenses of \$24,565,965, while program revenues were \$2,779,704. The result is a net cost of services for Public Safety totaling \$21,786,261.

The net amount of revenue and expenses from Public Safety is 48% of the total net cost of services provided by the City for governmental activities.

Transfers between the governmental activities from the business-type

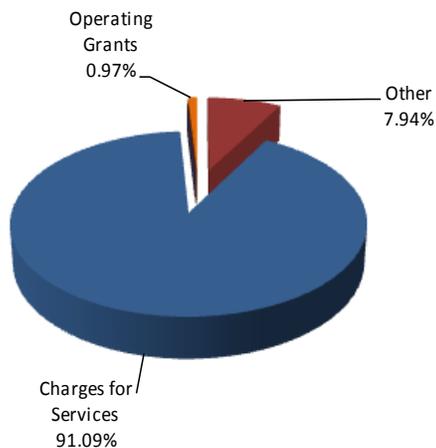
activities totaled \$12,003,399.

***Business-type Activities***

Business-type activities decreased the City’s net position by \$13,083,748, before the restatement of assets to account for the transfer of Telecommunications Debt Service from business type to governmental. Net position after the restatement increased by \$15,182,961. The primary elements of this change, besides the transfer of Telecommunications Debt Service, are as follows.

For the business-type activities, program

**Revenues by Sources - Business-type Activities**



and general revenues were \$21,406,159 greater than expenses (before operating transfers). Transfers of \$12,003,399 and the loss on sale of telecom assets to Google Fiber of \$22,486,508 resulted in the net decrease of \$13,083,748.

For business-type activities, 91.1 percent of the revenue came from charges for services.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City'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 \$36,226,595, a decrease of \$17,823,879 from the prior year. This decrease is primarily due to the construction of the new recreation center. The General Fund's portion of the total fund balance is \$15,193,744, an increase of \$2,423,081, of which \$8,977,109 is unassigned. Housing Consortium's portion of the total fund balance is \$1,019,001, an increase of \$42,751, which is all assigned. Debt Service's portion of the total fund balance is \$2,483,325, an increase of \$2,133,430, which is all assigned. Parks CIP's portion of the total fund balance is \$2,843,135, a decrease of \$21,099,595, which is all restricted. Other governmental funds have the remainder of the total fund balance in the amount of \$14,687,390, a decrease of \$1,321,546, all of which is assigned.

The amounts that are unassigned represent funds not designated for a specific purpose. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending. These amounts represent funds that are already committed to liquidate contracts and purchase orders of the prior period, pay debt, or a variety of other restricted purposes. See governmental fund detail beginning on page 25 of this report.

### **Proprietary Funds**

The City's proprietary fund statements use basically the same accounting methods (full accrual) as those used in the government-wide statements. Because the accounting methods are similar, both statements provide the same types of information. However, the fund financial statements do present more detailed information about individual proprietary funds. See proprietary fund detail beginning on page 31 of this report. The internal service funds primarily benefit the governmental funds. Therefore, the internal service funds revenues that exceed expenses are eliminated in the government-wide statements. The activity of the internal service funds is grouped with the governmental funds on the government wide statements.

The Energy Department generates 72 percent of the Program Revenues (before operating transfers) for business-type activities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets (Table 3) for its governmental and business-type activities as of June 30, 2013 and 2012 amounts to \$518,629,770 and \$516,350,722, respectively, (net of accumulated depreciation). The investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, library collection, roads, highways, sidewalks, bridges and construction in progress.

**Table 3 – Capital Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 167,315,806	\$ 165,887,225	\$ 40,618,753	\$ 41,375,339	\$ 207,934,559	\$ 207,262,564
Land easement	200,983	200,983	-	-	200,983	200,983
Water stock	-	-	2,420,927	2,420,927	2,420,927	2,420,927
Machinery and equipment	11,402,396	9,429,157	8,709,355	10,699,029	20,111,751	20,128,186
Library collection	884,658	907,082	-	-	884,658	907,082
Buildings	32,707,154	34,441,712	25,149,848	27,712,889	57,857,002	62,154,601
Land improvements	9,510,130	8,893,453	15,558,867	16,299,283	25,068,997	25,192,736
Infrastructure	66,945,944	62,767,464	90,286,083	107,390,090	157,232,027	170,157,554
Construction in progress	43,990,642	24,864,756	2,928,224	3,061,333	46,918,866	27,926,089
Total	\$ 332,957,713	\$ 307,391,832	\$ 185,672,058	\$ 208,958,890	\$ 518,629,771	\$ 516,350,722

The total increase in the City's investment in capital assets for the current fiscal year was \$2,279,049 (net of accumulated depreciation). The capital assets in governmental activities increased \$25,565,881 (net of accumulated depreciation). The capital assets in business-type activities decreased \$23,286,832 (net of accumulated depreciation). The increase in total assets in governmental activities is primarily due to the construction of the new recreation center. The decrease in business-type activities is primarily the result of the sale of the Telecommunications Division to Google Fiber.

Additional information on the City's capital assets can be found in Note 4 of this report.

### Long-term Debt

At the end of the 2013 fiscal year, the City had long-term debt (Table 4) totaling \$95,797,305. The bonded debt outstanding was \$86,210,796. Of this amount, \$43,796,135 is general obligation debt backed by the full faith and credit of the government. The remainder of the City's bonded debt, in the amount of \$42,417,361, represents bonds secured solely by specified revenue sources, i.e., revenue bonds. Telecom sales tax revenue bonds were reported in 2012 in business-type, but have been transferred to governmental.

Long-term debt also includes capital leases in the amount of \$1,370,726, notes payable with an ending balance of \$326,674, \$7,346,933 of accrued compensated absences and net OPEB payable of \$539,476.

State statutes limit the amount of general obligation debt a governmental entity may issue up to four percent of its total assessed valuation. The current debt limitation for the City is \$128,433,000, which is significantly in excess of the City's outstanding general obligation debt of \$43,796,135. (See detailed information in Statistical section-Legal Debt Margin). More detailed information regarding long-term debt can be found in Note 7.

**Table 4 – Long-term Debt**

	Totals	
	2013	2012
<b>Governmental:</b>		
General Obligation Bonds	\$ 43,796,135	\$ 45,996,123
Revenue Bonds	31,110,135	1,749,290
Notes Payable	326,674	458,472
Capital Leases	1,370,726	1,746,405
Accrued Compensated Absences	5,700,144	5,139,380
Net OPEB Payable	412,540	816,032
Total governmental	82,716,354	55,905,702
<b>Business-type</b>		
Revenue Bonds	11,307,226	46,464,216
Accrued Compensated Absences	1,646,789	1,757,217
Net OPEB Payable	126,936	298,042
Total Business-type	13,080,951	48,519,475
<b>Total</b>	\$ 95,797,305	\$ 104,425,177

## BUDGETARY HIGHLIGHTS

### General Fund Budgetary Highlights

The following is a brief review of significant budgeting changes from the original to the final budget for the major governmental funds:

- Appropriate \$150,000 in the General Fund for Historic Rehabilitation and Preservation expenditures.
- Appropriate \$400,000 in the General Fund for a Homeland Security grant.
- Appropriate \$166,994 in the General Fund for a city-wide data backup solution.
- Appropriate \$375,000 in the General Fund for an implementation of an ERP system.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

When preparing the City's budget for the 2014 fiscal year, there were several economic factors and trends taken into consideration. Elements of the budget process include projecting inflation, and the impact the national economy has on local economic growth. The state and local economy showed some improvement during the fiscal year ending June 30, 2013. The state and local unemployment rates have remained lower than the national rate.

State and local sales tax revenues have slightly increased when compared to the prior fiscal year. These and other factors were considered in the City's budget for the 2013-2014 fiscal year. As of the date of this report, the fiscal 2014 revenues have been slightly more than budget.

## **REQUESTS FOR INFORMATION**

The financial report is designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Provo City Finance Office, attention Division Director – Finance, 351 West Center Street, Provo, Utah, 84601.

**PROVO CITY CORPORATION**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2013**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash	\$ 17,988,650	\$ 31,829,886	\$ 49,818,536
Restricted cash	25,012,651	2,124,726	27,137,377
Accounts receivable	18,133,263	17,118,390	35,251,653
Inventory	183,871	1,985,869	2,169,740
Prepaid expenses	125,790	-	125,790
Internal balances	12,466,433	(12,466,433)	-
<b>Total Current Assets</b>	<b>73,910,658</b>	<b>40,592,438</b>	<b>114,503,096</b>
Noncurrent Assets:			
Capital Assets:			
Non Depreciable	211,507,431	45,967,904	257,475,335
Depreciable assets (net of depreciation)	121,450,282	139,704,154	261,154,436
<b>Total Capital Assets</b>	<b>332,957,713</b>	<b>185,672,058</b>	<b>518,629,771</b>
Other Assets:			
Notes receivable	15,446,795	-	15,446,795
Investment in joint venture	6,346,147	8,106,099	14,452,246
Other	2,814,320	-	2,814,320
<b>Total Other Assets</b>	<b>24,607,262</b>	<b>8,106,099</b>	<b>32,713,361</b>
<b>Total Noncurrent Assets</b>	<b>357,564,975</b>	<b>193,778,157</b>	<b>551,343,132</b>
<b>Total Assets</b>	<b>431,475,633</b>	<b>234,370,595</b>	<b>665,846,228</b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on refunding	423,580	180,995	604,575
<b>Total Deferred Outflows of Resources</b>	<b>423,580</b>	<b>180,995</b>	<b>604,575</b>
<b>Liabilities and Net Position</b>			
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	3,547,708	1,376,423	4,924,131
Accrued liabilities	2,809,462	5,384,736	8,194,198
Accrued interest payable	1,447,360	48,636	1,495,996
Customer deposits	3,000,862	1,656,878	4,657,740
Unearned revenue	-	8,262	8,262
Accrued compensated absences	1,710,043	492,834	2,202,877
Bonds, loans and leases payable	5,019,731	4,928,000	9,947,731
<b>Total Current Liabilities</b>	<b>17,535,166</b>	<b>13,895,769</b>	<b>31,430,935</b>
Long-term Liabilities:			
Accrued compensated absences	3,990,101	1,153,955	5,144,056
Net OPEB payable	412,540	126,936	539,476
Lease payable	919,382	-	919,382
Notes payable	188,286	-	188,286
Bonds payable	70,476,269	6,379,226	76,855,495
<b>Total Long-term Liabilities</b>	<b>75,986,578</b>	<b>7,660,117</b>	<b>83,646,695</b>
<b>Total Liabilities</b>	<b>93,521,744</b>	<b>21,555,886</b>	<b>115,077,630</b>
<b>Deferred Inflows of Resources</b>			
Deferred property tax revenue	11,255,994	-	11,255,994
<b>Total Deferred Inflows of Resources</b>	<b>11,255,994</b>	<b>-</b>	<b>11,255,994</b>
<b>Net Position</b>			
Net investment in capital assets	256,354,045	174,364,832	430,718,877
Restricted for:			
Capital projects	5,684,916	1,153,066	6,837,982
Debt service	2,890,338	960,810	3,851,148
Unrestricted	62,192,176	36,516,996	98,709,172
<b>Total Net Position</b>	<b>\$ 327,121,475</b>	<b>\$ 212,995,704</b>	<b>\$ 540,117,179</b>

**PROVO CITY CORPORATION**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 13,954,338	\$ 4,530,922	\$ 4,551,762	\$ -	\$ (4,871,654)	\$ -	\$ (4,871,654)
Public safety	24,565,965	1,829,277	950,427	-	(21,786,261)	-	(21,786,261)
Public services	7,290,403	266,274	1,586,732	996,567	(4,440,830)	-	(4,440,830)
Community revitalization	4,048,016	395,934	2,534,228	-	(1,117,854)	-	(1,117,854)
Culture and recreation	12,256,143	2,524,329	116,456	-	(9,615,358)	-	(9,615,358)
Interest on long-term debt	3,707,262	-	-	-	(3,707,262)	-	(3,707,262)
Total governmental activities	<u>65,822,127</u>	<u>9,546,736</u>	<u>9,739,605</u>	<u>996,567</u>	<u>(45,539,219)</u>	<u>-</u>	<u>(45,539,219)</u>
<b>Business-type activities:</b>							
Golf course	1,052,088	556,005	-	-	-	(496,083)	(496,083)
Water	5,533,038	8,537,155	60,747	554,281	-	3,619,145	3,619,145
Sewer	3,446,357	5,549,311	4,099	354,131	-	2,461,184	2,461,184
Energy	51,751,914	62,988,867	17,356	36,886	-	11,291,195	11,291,195
Airport	2,061,008	223,228	611,041	-	-	(1,226,739)	(1,226,739)
Sanitation	3,191,451	4,027,015	-	-	-	835,564	835,564
Storm drain	1,978,902	2,386,427	219,742	-	-	627,267	627,267
Telecommunications	3,888,255	1,482,726	-	-	-	(2,405,529)	(2,405,529)
Total business-type activities	<u>72,903,013</u>	<u>85,750,734</u>	<u>912,985</u>	<u>945,298</u>	<u>-</u>	<u>14,706,004</u>	<u>14,706,004</u>
Total primary government	<u>138,725,140</u>	<u>95,297,470</u>	<u>10,652,590</u>	<u>1,941,865</u>	<u>(45,539,219)</u>	<u>14,706,004</u>	<u>(30,833,215)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property					14,089,302	-	14,089,302
Vehicle					901,678	-	901,678
Sales					15,811,183	-	15,811,183
Franchise					9,139,437	-	9,139,437
Investment earnings					369,740	174,346	544,086
Miscellaneous					2,856,860	6,525,809	9,382,669
Special Item							
Loss on sale of assets					-	(22,486,508)	(22,486,508)
Transfers					12,003,399	(12,003,399)	-
Total general revenues and transfers					<u>55,171,599</u>	<u>(27,789,752)</u>	<u>27,381,847</u>
Change in net position					9,632,380	(13,083,748)	(3,451,368)
Net position-beginning (restated)					317,489,095	226,079,452	543,568,547
Net position-ending					<u>\$ 327,121,475</u>	<u>\$ 212,995,704</u>	<u>\$ 540,117,179</u>

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

See the accompanying independent auditors' report.

PROVO CITY CORPORATION  
Balance sheet  
Governmental Funds  
As of June 30, 2013

	Governmental Fund Types					Total Governmental Funds
	General	Housing Consortium	Debt Service	Parks CIP	Other Governmental Funds	
<b>Assets:</b>						
Cash	\$ 3,710,971	\$ -	\$ 158,381	\$ -	\$ 4,467,081	\$ 8,336,433
Restricted cash	7,334,644	1,001,495	2,422,593	4,203,024	10,050,895	25,012,651
Accounts receivable	9,667,506	23,211	4,720,177	-	3,686,424	18,097,318
Inventory	35,761	-	-	-	-	35,761
Loans receivable	-	11,785,090	-	-	4,366,270	16,151,360
Note receivable	639,000	-	-	-	940,244	1,579,244
Investment in land	-	-	-	-	1,235,076	1,235,076
Due from other funds	4,836,900	-	-	-	-	4,836,900
<b>Total assets</b>	<b>\$ 26,224,782</b>	<b>\$ 12,809,796</b>	<b>\$ 7,301,151</b>	<b>\$ 4,203,024</b>	<b>\$ 24,745,990</b>	<b>\$ 75,284,743</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,203,600	\$ 5,705	\$ -	\$ 1,359,889	\$ 179,974	\$ 2,749,168
Customer deposits	3,000,863	-	-	-	-	3,000,863
Accrued liabilities	965,136	-	-	-	56,099	1,021,235
Due to other funds	619,718	-	419,188	-	1,587,512	2,626,418
<b>Total liabilities</b>	<b>5,789,317</b>	<b>5,705</b>	<b>419,188</b>	<b>1,359,889</b>	<b>1,823,585</b>	<b>9,397,684</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenue	3,940,790	-	4,398,638	-	2,916,566	11,255,994
Deferred unavailable revenue	1,300,931	-	-	-	-	1,300,931
Deferred revenue-loans receivable	-	11,785,090	-	-	5,318,449	17,103,539
<b>Total Deferred Inflows of Resources</b>	<b>5,241,721</b>	<b>11,785,090</b>	<b>4,398,638</b>	<b>-</b>	<b>8,235,015</b>	<b>29,660,464</b>
<b>Fund balances</b>						
<b>Fund Balance:</b>						
Nonspendable	35,761	-	-	-	-	35,761
Restricted	4,045,560	-	-	2,843,135	-	6,888,695
Assigned	2,135,314	1,019,001	2,483,325	-	14,687,390	20,325,030
Unassigned	8,977,109	-	-	-	-	8,977,109
<b>Total fund balances</b>	<b>15,193,744</b>	<b>1,019,001</b>	<b>2,483,325</b>	<b>2,843,135</b>	<b>14,687,390</b>	<b>36,226,595</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,224,782</b>	<b>\$ 12,809,796</b>	<b>\$ 7,301,151</b>	<b>\$ 4,203,024</b>	<b>\$ 24,745,990</b>	<b>\$ 75,284,743</b>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditors' report.

**PROVO CITY CORPORATION**  
**Reconciliation of the Balance Sheets of Governmental Funds**  
**to the Statement of Net Position**  
**As of June 30, 2013**

Total Fund balance	\$ 36,226,595
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund statements.	323,091,405
Note receivable is recorded on the entity-wide statements and not reported on the fund statements.	145,354
Accrued interest is recorded in the entity-wide statements but not reported in the fund statements.	(1,444,675)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	20,898,371
The governmental funds cumulative allocation of the internal service funds net loss based on use of service are included in the entity-wide statements.	11,053,318
Deferred revenue was reported in the funds to offset loan receivables. In the governmental activities, no expense or revenue is recorded when a loan is made or paid off leaving no deferred revenue liability associated with the loan receivable.	17,699,905
Accrued compensated absences are not due and payable in the current period and are not reported in the funds.	(5,358,426)
Net OPEB is reported in the governmental activities and not in the fund statements.	(381,580)
Long-term liabilities, including bonds payable are not due and payable in the current period and are not reported in the funds.	(74,808,792)
Net position of governmental activities	<u>\$ 327,121,475</u>

**PROVO CITY CORPORATION**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2013**

	General	Housing Consortium	Debt Service	Parks CIP	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 29,383,721	\$ -	\$ 5,421,403	\$ -	\$ 5,136,476	\$ 39,941,600
Licenses and permits	1,300,673	-	-	-	-	1,300,673
Intergovernmental	5,796,860	977,001	-	64,125	2,917,463	9,755,449
Charges for services	4,868,771	-	-	90,177	465,707	5,424,655
Fines and forfeitures	1,547,168	-	-	-	-	1,547,168
Impact fees	-	-	-	407,468	287,588	695,056
Interest income	82,601	5,216	39,565	5,413	106,359	239,154
Loan principal repayments	16,017	418,773	-	91,340	186,159	712,289
Loan interest repayments	-	20,116	-	-	11,698	31,814
Lease income	-	-	-	6,714	29,760	36,474
Miscellaneous	3,394,818	-	(1,135,743)	16,502	1,593,381	3,868,958
<b>Total revenues</b>	<u>46,390,629</u>	<u>1,421,106</u>	<u>4,325,225</u>	<u>681,739</u>	<u>10,734,591</u>	<u>63,553,290</u>
<b>Expenditures:</b>						
Current:						
General government	10,498,441	-	1,015	1,669,606	-	12,169,062
Public safety	24,541,081	-	-	-	-	24,541,081
Public services	3,497,077	-	-	-	-	3,497,077
Culture and recreation	6,880,372	-	-	-	5,114,271	11,994,643
Community revitalization	2,891,781	1,378,355	-	-	2,960,960	7,231,096
Total current expenditures	<u>48,308,752</u>	<u>1,378,355</u>	<u>1,015</u>	<u>1,669,606</u>	<u>8,075,231</u>	<u>59,432,959</u>
Debt service:						
Interest expense	735	-	3,436,333	-	87,465	3,524,533
Rent/Lease	10,242	-	-	-	42,164	52,406
Principal on debt	-	-	4,289,260	-	100,000	4,389,260
Interest - interfund	-	-	76,771	-	36,300	113,071
Service fees on debt	-	-	7,750	-	2,500	10,250
Total debt service	<u>10,977</u>	<u>-</u>	<u>7,810,114</u>	<u>-</u>	<u>268,429</u>	<u>8,089,520</u>
Capital outlay:						
Capital outlay	3,711,299	-	-	20,221,016	3,338,275	27,270,590
<b>Total expenditures</b>	<u>52,031,028</u>	<u>1,378,355</u>	<u>7,811,129</u>	<u>21,890,622</u>	<u>11,681,935</u>	<u>94,793,069</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(5,640,399)</u>	<u>42,751</u>	<u>(3,485,904)</u>	<u>(21,208,883)</u>	<u>(947,344)</u>	<u>(31,239,779)</u>
<b>Other financing sources (uses):</b>						
Transfers from other funds	11,696,688	-	3,398,273	109,288	851,538	16,055,787
Transfers to other funds	(3,923,858)	-	(398,244)	-	(1,227,740)	(5,549,842)
Proceeds from land sales	290,650	-	-	-	-	290,650
<b>Total other financing sources (uses)</b>	<u>8,063,480</u>	<u>-</u>	<u>3,000,029</u>	<u>109,288</u>	<u>(376,202)</u>	<u>10,796,595</u>
<b>Net change in fund balances</b>	<u>2,423,081</u>	<u>42,751</u>	<u>(485,875)</u>	<u>(21,099,595)</u>	<u>(1,323,546)</u>	<u>(20,443,184)</u>
<b>Fund balance-beginning (restated)</b>	<u>12,770,663</u>	<u>976,250</u>	<u>2,969,200</u>	<u>23,942,730</u>	<u>16,010,936</u>	<u>56,669,779</u>
<b>Fund balance-ending</b>	<u>\$ 15,193,744</u>	<u>\$ 1,019,001</u>	<u>\$ 2,483,325</u>	<u>\$ 2,843,135</u>	<u>\$ 14,687,390</u>	<u>\$ 36,226,595</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditors' report.

**PROVO 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, 2013**

Net change in fund balances--total governmental funds	\$ (20,443,184)
<p>Amounts reported for the governmental activities in the statements of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	23,531,640
<p>In the Statement of Activities, only the gain on the sale is reported, whereas 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 net cost of the assets sold.</p>	(295,429)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported in the fund statements.</p>	(416,895)
<p>Loans to recipients and principal payments from recipients are recorded as an expenditure and a revenue in the governmental funds. However, in the Statement of Net Position, loans and principal payments are recorded as an increase and a decrease in the loan receivable.</p>	(826,345)
<p>Infrastructure that is contributed from developers is reported as a general revenue in the Statement of Activities, but is not in the fund statements.</p>	996,567
<p>OPEB is recorded in governmental activities and not in the fund statements.</p>	32,307
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceed proceeds.</p>	4,206,532
<p>The governmental funds allocation of the internal service funds net loss is based on use of service included in the entity-wide statements.</p>	2,256,479
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The net revenue (expense) associated with the internal service funds is reported with governmental activities</p>	590,708
<p>Change in net position of governmental activities.</p>	\$ 9,632,380

**PROVO CITY CORPORATION**  
**Budgetary Comparison Statement**  
**General Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 28,443,204	\$ 28,443,204	\$ 29,383,721	\$ 940,517
Licenses and permits	1,424,006	1,424,006	1,300,673	(123,333)
Intergovernmental	5,354,954	5,354,954	5,796,860	441,906
Charges for services	3,973,631	3,973,631	4,868,771	895,140
Fine and forfeitures	1,891,000	1,891,000	1,547,168	(343,832)
Interest income	76,223	76,223	82,601	6,378
Loan principal repayments	-	-	16,017	16,017
Miscellaneous	2,341,429	2,341,429	3,394,818	1,053,389
<b>Total revenues</b>	<u>43,504,447</u>	<u>43,504,447</u>	<u>46,390,629</u>	<u>2,886,182</u>
<b>Expenditures:</b>				
Mayor's Office	1,122,574	1,125,347	1,091,180	34,167
Municipal Council	973,093	853,345	818,868	34,477
Personnel	894,955	875,652	875,327	325
Finance	1,273,323	1,285,077	1,281,455	3,622
Legal	3,554,149	3,513,738	2,556,249	957,489
Community Development	2,086,641	1,970,809	1,946,644	24,165
Economic Development	1,223,875	952,127	945,136	6,991
Information Systems	2,488,182	2,414,702	2,414,702	-
Nondepartmental	1,681,154	1,349,220	1,328,219	21,001
Media Services	155,784	155,122	148,992	6,130
Police	16,155,615	16,333,814	16,022,239	311,575
Fire	8,662,877	8,661,069	8,574,847	86,222
Streets	6,478,641	5,733,018	5,266,130	466,888
Engineering	1,697,148	1,765,054	1,764,306	748
Parks & Recreation	7,457,029	7,110,690	6,996,736	113,954
<b>Total expenditures</b>	<u>55,905,040</u>	<u>54,098,784</u>	<u>52,031,030</u>	<u>2,067,754</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(12,400,593)</u>	<u>(10,594,337)</u>	<u>(5,640,401)</u>	<u>(4,953,936)</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	10,758,056	11,807,056	11,696,688	(110,368)
Transfers to other funds	(3,441,315)	(4,183,311)	(3,923,858)	259,453
Proceeds from land sales	-	-	290,650	290,650
<b>Total other financing sources (uses)</b>	<u>7,316,741</u>	<u>7,623,745</u>	<u>8,063,480</u>	<u>439,735</u>
<b>Net change in fund balance</b>	<u>\$ (5,083,852)</u>	<u>\$ (2,970,592)</u>	2,423,081	<u>\$ 5,393,673</u>
<b>Fund balance at beginning of year</b>			<u>12,770,663</u>	
<b>Fund balance at end of year</b>			<u>\$ 15,193,744</u>	

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditors' report.

**PROVO CITY CORPORATION**  
**Budgetary Comparison Statement**  
**Housing Consortium Fund**  
**For the year ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 2,958,469	\$ 658,152	\$ 977,001	\$ 318,849
Charges for services	783,894	-	-	-
Interest income	5,000	5,000	5,216	216
Loan principal repayments	790,203	790,203	418,773	(371,430)
Loan interest repayments	-	-	20,116	20,116
<b>Total revenues</b>	<u>4,537,566</u>	<u>1,453,355</u>	<u>1,421,106</u>	<u>(32,249)</u>
<b>Expenditures:</b>				
Current				
Operating Expenditures	4,462,566	1,378,355	1,378,355	-
<b>Total expenditures</b>	<u>4,462,566</u>	<u>1,378,355</u>	<u>1,378,355</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>75,000</u>	<u>75,000</u>	<u>42,751</u>	<u>(32,249)</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	<u>(75,000)</u>	<u>(75,000)</u>	-	75,000
<b>Total other financing sources (uses)</b>	<u>(75,000)</u>	<u>(75,000)</u>	-	75,000
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	42,751	<u>\$ 42,751</u>
<b>Fund balance at beginning of year</b>			<u>976,250</u>	
<b>Fund balance at end of year</b>			<u>\$ 1,019,001</u>	

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditors' report.

**PROVO CITY CORPORATION**  
**Statement of Net Position**  
**Proprietary Funds**  
**As of June 30, 2013**

**Business-type Activities-Enterprise Funds**

	Golf Course	Water	Waste-Water	Energy	Airport	Sanitation	Storm Drain	Telecom	Total	Governmental Activities-Internal Service Funds
<b>Assets</b>										
<b>Current Assets:</b>										
Cash	\$ 46,246	\$ 3,910,630	\$ 6,063,890	\$ 17,552,890	\$ -	\$ 2,049,793	\$ 2,206,437	\$ -	\$ 31,829,886	\$ 9,652,217
Restricted cash	-	212,670	1,079,541	758,990	-	-	73,525	-	2,124,726	-
Accounts receivable	-	1,667,823	630,886	9,736,343	334,961	526,688	4,221,689	-	17,118,390	16,381
Inventory	-	1,117,208	-	868,661	-	-	-	-	1,985,869	148,110
<b>Total Current Assets</b>	<b>46,246</b>	<b>6,908,331</b>	<b>7,774,317</b>	<b>28,916,884</b>	<b>334,961</b>	<b>2,576,481</b>	<b>6,501,651</b>	<b>-</b>	<b>53,058,871</b>	<b>9,816,708</b>
<b>Noncurrent Assets:</b>										
Capital Assets:										
Non Depreciable	25,101,929	6,662,956	623,720	3,784,345	7,848,491	138,196	1,808,267	-	45,967,904	-
Depreciable assets	2,407,347	35,586,818	21,360,658	47,723,870	17,553,999	11,587	15,059,875	-	139,704,154	9,866,309
Net Capital Assets	27,509,276	42,249,774	21,984,378	51,508,215	25,402,490	149,783	16,868,142	-	185,672,058	9,866,309
Due from other funds	-	-	-	1,612,957	-	113,221	-	-	1,726,178	3,203,003
Equity in Joint Venture	-	-	-	-	-	8,106,099	-	-	8,106,099	-
<b>Total Noncurrent Assets</b>	<b>27,509,276</b>	<b>42,249,774</b>	<b>21,984,378</b>	<b>53,121,172</b>	<b>25,402,490</b>	<b>8,369,103</b>	<b>16,868,142</b>	<b>-</b>	<b>195,504,335</b>	<b>13,069,312</b>
<b>Total Assets</b>	<b>27,555,522</b>	<b>49,158,105</b>	<b>29,758,695</b>	<b>82,038,056</b>	<b>25,737,451</b>	<b>10,945,584</b>	<b>23,369,793</b>	<b>-</b>	<b>248,563,206</b>	<b>22,886,020</b>
<b>Deferred Outflows of Resources</b>										
Deferred loss on refunding	-	-	-	111,373	-	-	69,621	-	180,994	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,373</b>	<b>-</b>	<b>-</b>	<b>69,621</b>	<b>-</b>	<b>180,994</b>	<b>-</b>

Note: This statement is continued on the next page.

**PROVO CITY CORPORATION**  
**Statement of Net Position**  
**Proprietary Funds**  
**As of June 30, 2013**

**Business-type Activities-Enterprise Funds**

	Golf Course	Water	Waste-Water	Energy	Airport	Sanitation	Storm Drain	Telecom	Total	Governmental Activities-Internal Service Funds
<b>Liabilities &amp; Net Position</b>										
<b>Liabilities:</b>										
Accounts payable	30,338	268,007	268,334	639,705	39,269	109,041	21,727	-	1,376,421	790,351
Accrued liabilities	8,568	37,192	24,765	5,282,911	13,369	13,604	12,589	-	5,392,998	1,788,227
Due to other funds	-	-	-	-	158,520	-	3,906,755	-	4,065,275	-
Customer deposits	100	165,510	19,611	1,470,397	1,260	-	-	-	1,656,878	-
Accrued interest payable	-	2,210	-	25,575	-	-	20,851	-	48,636	2,686
Accrued compensated absences	7,061	110,116	74,086	222,785	15,709	31,815	31,262	-	492,834	102,515
Bonds, leases and loans payable	-	208,000	-	4,185,000	-	-	535,000	-	4,928,000	344,893
<b>Total Current Liabilities</b>	<b>46,067</b>	<b>791,035</b>	<b>386,796</b>	<b>11,826,373</b>	<b>228,127</b>	<b>154,460</b>	<b>4,528,184</b>	<b>-</b>	<b>17,961,042</b>	<b>3,028,672</b>
<b>Long-term Liabilities</b>										
Due to other funds	-	-	-	-	773,134	-	-	-	773,134	2,301,253
Accrued compensated absences	20,487	256,939	172,865	519,835	36,654	74,231	72,944	-	1,153,955	239,203
Net OPEB payable	2,322	27,864	19,350	59,598	2,322	8,514	6,966	-	126,936	30,960
Notes payable	-	-	-	-	-	-	-	-	-	326,674
Lease payable	-	-	-	-	-	-	-	-	-	699,729
Bonds payable	-	-	-	31,896	-	-	6,277,707	-	6,198,230	-
<b>Total Long-term Liabilities</b>	<b>22,809</b>	<b>284,803</b>	<b>192,215</b>	<b>611,329</b>	<b>812,110</b>	<b>82,745</b>	<b>6,357,617</b>	<b>-</b>	<b>8,252,255</b>	<b>3,597,819</b>
<b>Total Liabilities</b>	<b>68,876</b>	<b>1,075,838</b>	<b>579,011</b>	<b>12,437,702</b>	<b>1,040,237</b>	<b>237,205</b>	<b>10,885,801</b>	<b>-</b>	<b>26,213,297</b>	<b>6,626,491</b>
<b>Net Position</b>										
Net investment in capital assets	27,509,276	42,041,774	21,984,378	47,291,319	25,402,490	149,783	10,055,435	-	174,545,828	8,495,013
Restricted for:										
Capital projects	-	-	1,079,541	-	-	-	73,245	-	1,152,786	-
Debt service	-	212,670	-	748,140	-	-	-	-	960,810	-
Unrestricted	(22,631)	5,827,824	6,115,765	21,602,645	(705,275)	10,558,597	2,424,932	-	45,690,483	7,764,516
<b>Total Net Position</b>	<b>\$ 27,486,645</b>	<b>\$ 48,082,268</b>	<b>\$ 29,179,684</b>	<b>\$ 69,642,104</b>	<b>\$ 24,697,215</b>	<b>\$ 10,708,380</b>	<b>\$ 12,553,612</b>	<b>\$ -</b>	<b>\$ 222,349,907</b>	<b>\$ 16,259,529</b>

Net position (proprietary funds)

\$222,349,907

Amounts reported for business activities in the statement of net position are different because:

Internal service funds are used by management to charge the cost of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The net revenue (expense) associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.

( 9,354,203)

Net position (proprietary funds/entity-wide)

\$212,995,704

The notes to the financial statements are an integral part of this statement. See the accompanying independent auditors' report.

**PROVO CITY CORPORATION**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

		<b>Business-type Activities-Enterprise Funds</b>								Governmental Activities Internal Service Funds	
		Golf Course	Water	Waste- Water	Energy	Airport	Sanitation	Storm Drain	Telecom	Total	
<b>Operating Revenues:</b>											
	Charges for services	\$ 544,417	\$ 8,746,450	\$ 5,309,513	\$ 64,763,595	\$ -	\$ 4,076,625	\$ 2,301,596	\$ -	\$ 85,742,196	\$ 9,479,357
	Fees & rentals	-	-	-	-	223,228	-	-	-	223,228	-
	Lease income	11,588	-	9,720	93,514	-	-	-	1,482,726	1,597,548	-
	State tax reimbursement	-	-	-	-	26,061	-	-	-	26,061	-
	Miscellaneous	72,438	81,247	2,198	6,387,187	131,260	250,328	93,578	(492,848)	6,525,388	5,413,990
	<b>Total operating revenues</b>	<b>628,443</b>	<b>8,827,697</b>	<b>5,321,431</b>	<b>71,244,296</b>	<b>380,549</b>	<b>4,326,953</b>	<b>2,395,174</b>	<b>989,877</b>	<b>94,114,421</b>	<b>14,893,347</b>
<b>Operating expenses:</b>											
	Salaries and wages	222,569	1,631,011	1,103,032	2,855,275	204,384	610,986	465,409	125,199	7,217,864	2,085,327
	Employee benefits	101,313	851,623	628,752	1,617,120	95,543	325,929	247,540	47,051	3,914,872	978,215
	Operating expenses	507,722	3,302,298	1,781,051	45,517,079	450,136	2,352,820	489,263	1,196,791	55,597,161	7,243,531
	Depreciation	300,122	979,352	694,661	2,185,008	986,644	966	543,958	2,519,213	8,209,925	2,115,158
	<b>Total operating expenses</b>	<b>1,131,726</b>	<b>6,764,284</b>	<b>4,207,496</b>	<b>52,174,482</b>	<b>1,736,707</b>	<b>3,290,701</b>	<b>1,746,170</b>	<b>3,888,255</b>	<b>74,939,822</b>	<b>12,422,231</b>
	<b>Operating income (loss)</b>	<b>(503,283)</b>	<b>2,063,413</b>	<b>1,113,935</b>	<b>19,069,814</b>	<b>(1,356,158)</b>	<b>1,036,252</b>	<b>649,004</b>	<b>(2,898,378)</b>	<b>19,174,599</b>	<b>2,471,116</b>
<b>Nonoperating revenues (expenses)</b>											
	Impact fees	-	147,728	245,935	613,873	-	-	142,400	-	1,149,936	-
	Federal grants	-	60,747	4,099	17,355	560,807	-	219,742	-	862,750	-
	State grant	-	-	-	-	24,173	-	-	-	24,173	-
	Interest income	57	24,369	40,553	157,641	1,245	17,466	40,801	(208)	281,924	248,313
	Interest expense	-	15,201	-	(463,272)	(7,371)	-	(284,428)	-	(739,870)	(44,433)
	Gain (loss) on disp. of assets	-	(55,893)	(35,651)	(85,476)	(431,325)	16,554	-	-	(591,791)	210
	<b>Total nonoperating revenues (expenses)</b>	<b>57</b>	<b>192,152</b>	<b>254,936</b>	<b>240,121</b>	<b>147,529</b>	<b>34,020</b>	<b>118,515</b>	<b>(208)</b>	<b>987,122</b>	<b>204,090</b>
	<b>Income (loss) before contributions and transfers</b>	<b>(503,226)</b>	<b>2,255,565</b>	<b>1,368,871</b>	<b>19,309,935</b>	<b>(1,208,629)</b>	<b>1,070,272</b>	<b>767,519</b>	<b>(2,898,585)</b>	<b>20,161,721</b>	<b>2,675,206</b>

Note: This statement is continued on the next page.

**PROVO CITY CORPORATION**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

**Business-type Activities-Enterprise Funds**

	Golf Course	Water	Waste-Water	Energy	Airport	Sanitation	Storm Drain	Telecom	Total	Governmental Activities Internal Service Funds
Special item (Loss on sale of assets)	-	-	-	-	-	-	-	(22,486,508)	(22,486,508)	-
Capital contributions	-	554,281	354,131	36,886	-	-	-	-	945,298	-
Transfers in	215,443	2,255,516	-	4,792,538	576,763	150,000	189,600	-	8,179,860	736,055
Transfers out	-	(2,795,575)	(1,084,651)	(15,509,156)	-	(562,093)	(231,359)	-	(20,182,834)	(190,664)
<b>Change in Net Position</b>	<u>(287,783)</u>	<u>2,269,787</u>	<u>638,351</u>	<u>8,630,203</u>	<u>(631,866)</u>	<u>658,179</u>	<u>725,760</u>	<u>(25,385,093)</u>	<u>(13,382,463)</u>	<u>3,220,598</u>
<b>Net Position- beginning (restated)</b>	<u>27,774,428</u>	<u>45,812,480</u>	<u>28,541,335</u>	<u>61,011,903</u>	<u>25,329,079</u>	<u>10,050,202</u>	<u>11,827,852</u>	<u>25,385,093</u>	<u>206,956,957</u>	<u>13,038,931</u>
<b>Net Position - ending</b>	<u>\$ 27,486,645</u>	<u>\$ 48,082,267</u>	<u>\$ 29,179,685</u>	<u>\$ 69,642,106</u>	<u>\$ 24,697,213</u>	<u>\$ 10,708,380</u>	<u>\$ 12,553,612</u>	<u>\$ -</u>	<u>\$ 222,349,907</u>	<u>\$ 16,259,529</u>

Change in net position (proprietary funds)

(13,382,463)

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

Internal service funds are used by management to charge the costs of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The net revenue (expense) associated with the internal service funds was allocated based on use of service to the individual funds in the statement of activities.

298,715

Change in net position (statement of activities)

(13,083,748)

The notes to the financial statements are an integral part of this statement. See the accompanying independent auditors' report.

**PROVO CITY CORPORATION**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

**Business-type Activities/Enterprise Funds**

	Golf Course	Water	Waste- water	Energy	Airport	Sanitation	Storm Drain	Telecom	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities:										
Receipts from customers and users	\$ 628,443	\$ 8,870,070	\$ 5,409,615	\$ 71,713,217	\$ 427,838	\$ 4,356,487	\$ (1,533,620)	\$ 989,877	\$ 90,861,927	\$ 14,878,619
Payments to suppliers	(491,999)	(3,387,012)	(1,572,000)	(45,204,039)	(429,058)	(2,356,832)	(614,003)	(1,285,083)	(55,340,026)	(6,428,300)
Payments to employees	(334,377)	(2,454,595)	(1,752,332)	(4,674,909)	(296,933)	(965,385)	(781,692)	(174,527)	(11,434,750)	(2,778,013)
Payments for claims	-	-	-	-	-	-	-	-	-	(282,186)
Net cash provided (used) by operating activities	<u>(197,933)</u>	<u>3,028,463</u>	<u>2,085,283</u>	<u>21,834,269</u>	<u>(298,153)</u>	<u>1,034,270</u>	<u>(2,929,315)</u>	<u>(469,733)</u>	<u>24,087,151</u>	<u>5,390,120</u>
Cash flows from noncapital financing activities:										
Loans due from other funds	-	-	-	313,346	-	34,204	-	-	347,550	709,086
Loans due to other funds	-	-	-	-	(367,635)	-	2,947,672	-	2,580,037	(462,419)
Impact fees	-	147,728	245,935	613,873	-	-	142,400	-	1,149,936	-
Federal and state grants	-	60,747	4,099	17,355	584,980	-	219,742	-	886,923	-
Transfers from other funds	215,443	2,255,516	-	4,792,538	576,763	150,000	189,600	-	8,179,860	736,055
Transfers to other funds	-	(2,795,575)	(1,084,651)	(15,509,159)	-	(562,093)	(231,359)	(2,618,440)	(22,801,277)	(190,664)
Net cash provided (used) by noncapital financing activities	<u>215,443</u>	<u>(331,584)</u>	<u>(834,617)</u>	<u>(9,772,047)</u>	<u>794,108</u>	<u>(377,889)</u>	<u>3,268,055</u>	<u>(2,618,440)</u>	<u>(9,656,971)</u>	<u>792,058</u>
Cash flows from capital and related financing activities:										
Payments for capital acquisitions	-	(1,027,922)	(421,207)	(3,877,359)	(489,829)	16,554	(1,170,854)	-	(6,970,617)	(5,419,792)
Proceeds from sale of capital assets	-	-	-	(85,476)	-	-	-	-	(85,476)	1,381,868
Payments on notes receivable	-	-	-	805,000	-	-	(834)	-	804,166	-
Principal paid on bonds payable	-	(200,000)	-	(3,855,125)	-	-	(495,739)	-	(4,550,864)	(403,218)
Interest paid on bonds payable	-	10,941	-	(491,915)	-	-	(284,428)	-	(765,402)	(91,800)
Interest paid on notes & lease payable	-	-	-	-	(7,371)	-	-	-	(7,371)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,216,981)</u>	<u>(421,207)</u>	<u>(7,504,875)</u>	<u>(497,200)</u>	<u>16,554</u>	<u>(1,951,855)</u>	<u>-</u>	<u>(11,575,564)</u>	<u>(4,532,942)</u>
Cash flows from investing activities:										
Receipts of interest	57	24,369	40,553	157,641	1,245	17,466	40,801	(208)	281,924	248,314
Net cash provided by investing activities	<u>57</u>	<u>24,369</u>	<u>40,553</u>	<u>157,641</u>	<u>1,245</u>	<u>17,466</u>	<u>40,801</u>	<u>(208)</u>	<u>281,924</u>	<u>248,314</u>
Net increase (decrease) in cash	17,567	1,504,267	870,012	4,714,988	-	690,401	(1,572,314)	(3,088,381)	3,136,540	1,897,550
Cash at beginning of year	28,679	2,619,033	6,273,419	13,596,892	-	1,359,392	3,852,276	3,088,381	30,818,072	7,754,667
Cash at end of year	<u>\$ 46,246</u>	<u>\$ 4,123,300</u>	<u>\$ 7,143,431</u>	<u>\$ 18,311,880</u>	<u>\$ -</u>	<u>\$ 2,049,793</u>	<u>\$ 2,279,962</u>	<u>\$ -</u>	<u>\$ 33,954,612</u>	<u>\$ 9,652,217</u>
Cash at end of year consists of:										
Cash	\$ 46,246	\$ 3,910,630	\$ 6,063,890	\$ 17,552,890	\$ -	\$ 2,049,793	\$ 2,206,437	\$ -	\$ 31,829,886	\$ 9,652,217
Restricted cash	-	212,670	1,079,541	758,990	-	-	73,525	-	2,124,726	-
Total Cash	<u>\$ 46,246</u>	<u>\$ 4,123,300</u>	<u>\$ 7,143,431</u>	<u>\$ 18,311,880</u>	<u>\$ -</u>	<u>\$ 2,049,793</u>	<u>\$ 2,279,962</u>	<u>\$ -</u>	<u>\$ 33,954,612</u>	<u>\$ 9,652,217</u>

Note: This statement is continued on the following page.

**PROVO CITY CORPORATION**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

**Business-type Activities/Enterprise Funds**

	Golf Course	Water	Waste- water	Energy	Airport	Sanitation	Storm Drain	Telecom	Total	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	\$ (503,283)	\$ 2,063,413	\$ 1,113,935	\$ 19,069,814	\$ (1,356,158)	\$ 1,036,252	\$ 649,004	\$ (2,898,378)	\$ 19,174,599	\$ 2,471,116
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation	300,122	979,352	694,661	2,185,008	986,644	966	543,958	2,519,213	8,209,924	2,115,158
Changes in assets and liabilities:										
Decrease (increase) in accounts receivable	-	8,028	88,184	560,271	47,289	29,534	(3,928,794)	-	(3,195,488)	(14,728)
Decrease (increase) in inventory	-	(39,624)	-	(103,680)	-	-	-	-	(143,304)	2,553
Increase (decrease) in accounts payable	15,722	(45,090)	209,051	416,720	21,078	(4,012)	(124,740)	(88,291)	400,438	530,492
Increase (decrease) in accrued liabilities	1,791	2,151	(404)	(11,109)	8,294	(18,433)	(492)	(2,277)	(20,479)	103,231
Increase (decrease) in customer deposits	-	34,345	-	(91,350)	-	-	-	-	(57,005)	-
Increase (decrease) in accrued compensated absences	(12,285)	25,888	(20,144)	(191,405)	(5,300)	(10,037)	(68,251)	-	(281,534)	182,298
Net cash provided (used) by operating activities	<u>\$ (197,933)</u>	<u>\$ 3,028,463</u>	<u>\$ 2,085,283</u>	<u>\$ 21,834,269</u>	<u>\$ (298,153)</u>	<u>\$ 1,034,270</u>	<u>\$ (2,929,315)</u>	<u>\$ (469,733)</u>	<u>\$ 24,087,151</u>	<u>\$ 5,390,120</u>

The notes to the financial statements are an integral part of this statement.  
See the accompanying independent auditors' report.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

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**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Provo City Corporation (City) was incorporated on February 6<sup>th</sup> of 1851, and is a political subdivision of the State of Utah. The City is governed by an elected mayor and seven elected council members. The City provides services to residents and businesses in a multitude of areas including police and fire protection, parks and recreation, economic development, planning and zoning, water, sewer treatment, airport, golf course, energy and general administrative services.

As required by generally accepted accounting principles, this report presents the financial information of both Provo City Corporation (the primary government) and its component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability has been set forth in the Governmental Accounting Standards Board's (GASB) Statement No. 61. These criteria include (1) substantively the same governing body, (2) the primary government and the component unit have a financial benefit or burden relationship, or (3) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

***Blended Component Units***

Blended component units are entities which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provide services almost entirely to the City. They are reported as funds of the City. These are organizations for which the City is financially accountable, and the relationship with the City is significant enough that exclusions would possibly lead to misleading or incomplete Financial Statements. To obtain separate individual component unit financial statements, please send the request to Provo City, c/o Finance Department, PO Box 1849, Provo, UT 84603-1849.

Included in this report are the following blended component units.

The **Provo City Redevelopment Agency** was established to administer and disburse funds which are received through the federal office of Housing and Urban Development. The board of directors consists of the serving members of the City's municipal council. The bond issuance authorizations are approved by the City's municipal council, and the legal liability for those bonds remains with the City. The Agency is reported as a special revenue fund.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

The **Provo City Storm Water Service District** serves all the citizens of the government and is governed by a board of directors consisting of the City's municipal council. The rates for user charges and bond issuance authorizations are approved by the City's municipal council, and legal liability remains with the City. The District is reported as an enterprise fund.

***Related Organizations***

A related organization is an organization for which the City is not financially accountable (because it does not have a financial benefit relationship) even though the City appoints a voting majority of the organization's governing board.

Related organizations include the following.

**The Provo City Housing Authority** Board of Directors is selected by the City's municipal council from a list of qualified applicants. The Board of Directors controls personnel, management, finances and budget.

The **Provo Foundation** was created April 17, 1984, by Provo City to provide for the receipt of gifts to the City and was incorporated October 10, 1987. It has received a tax exempt status under section 501 (a) as an organization described in section 501 (c) (3) of the Internal Revenue Code. The Board of Trustees is appointed by the City's municipal council and consists of the Mayor, Council Chairperson, and prominent individuals in the community. The services provided by the Foundation are almost entirely related to the Citizens of Provo.

**The Metropolitan Water District of Provo** Board of Directors is selected by the City's municipal council from a list of qualified applicants. The Board of Directors controls the personnel, management, finances and budget. The Metropolitan Water District of Provo was created under UCA section 17A-2-800. Because the majority of the board is appointed, it is treated as a related organization, not as a component unit.

**B. Financial statement presentation, measurement focus and basis of accounting**

***Basis of Presentation***

**Government-wide Financial Statements**

The government-wide financial statements, i.e., the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

and its component units. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are amounts that are reasonably equivalent in value to the interfund services provided and other charges between the government's enterprise fund functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of net position presents information on all of the City's assets and liabilities, and the difference between the two is reported as net position. 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.

Indirect costs in the governmental activities that are not associated directly with a function or program in the City are included in the general government activities in the entity-wide statements.

**Fund Financial Statements**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are organized into two major categories: governmental and proprietary. Separate financial statements are provided for each of these categories. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating (general) fund of the City or meets the following criteria:

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenue or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As per the above criteria, the City's general fund, housing consortium fund, parks capital improvement fund and debt service fund are major funds. The City may also report other individual governmental funds as major funds if they are determined to be of particular importance to financial statement users. All other governmental funds are non-major.

The following is a classification of the City's individual funds.

Governmental Fund Types

*The General Fund* is the primary fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

*Special revenue funds* are used by the City to account for revenues derived from specific taxes, licenses and intergovernmental grants which are designated to finance particular functions or activities of the City. One of our special revenue funds, the housing consortium fund, is a major fund. This fund distributes federal dollars to provide affordable housing by providing down payment assistance, rehabilitation of homes, and new construction.

*Debt service funds* are used to account for the accumulation of resources for the payment of general obligation bonds and for the accumulation of special assessments for the payment of special improvement bonds.

*Capital project funds* are used to account for resources designated to construct governmental capital assets which may require more than one fiscal year for completion. The parks capital improvement fund is used primarily for the construction of a new recreation center in Provo.

Proprietary Fund Types

*Enterprise funds* are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that (1) the costs of providing goods or services to the general public on a continuing basis be financed or

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

recovered primarily through user charges or, (2) the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The existing enterprise funds account for construction; operation; maintenance; related debt; and property, plant and equipment within each fund. The City-owned airport, energy utility, golf course, sanitation, storm drain, water utility, and wastewater utility are classified as major funds.

*Internal service funds* are used to account for the financing of services provided by one department to other departments within the City. The City maintains internal service funds for employee benefits, insurance/claims, fleet management, telecom, customer service, computer replacement and facility maintenance.

***Measurement Focus and Basis of Accounting***

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements and the fund financial statements for proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Major revenues susceptible to accrual are property tax, sales tax, franchise, interest, grant receivables and utility receivables.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements, other than proprietary funds, 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. Measurable means knowing or being able to reasonably estimate the amount. 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 City considers revenues, such as property tax, sales tax, franchise fees, interest and receivables, to be available if they are collected within 60 days of the end of the current fiscal period.

As under accrual accounting, expenditures, including capital outlay, generally are recorded when a liability is incurred. Expenditures related to principal and interest on general long-term

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

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

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

**C. Reconciliation of Government-wide and Fund Financial Statements**

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be reconciliation between the two statements to explain the differences. Reconciliation is included as part of the fund financial statements (see pages 26, 28).

**D. Cash and Investments**

Cash includes amounts in demand deposits, sweep accounts, escrows with trustees, and the State Treasurer's investment pool, as well as short-term investments with maturities of three months or less (cash equivalents) such as money market accounts and certificates of deposit.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Investments are stated at fair value. Deposits and investments appear as cash, restricted cash and restricted assets on the balance sheets.

**E. Interfund Transactions**

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

When an internal service fund provides goods or services to another fund, redundancy is inherent because expenditures/expenses are reported in both the fund providing and the fund receiving the goods or services. Since internal service funds primarily benefit governmental funds, they are included in the governmental activities in the entity-wide statements. The basic assumption for internal service funds is that they operate on a breakeven basis. Accordingly, any net profit or loss has been allocated to the functions that benefited from the goods or services provided based on proportionate benefit. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

**F. Inventories**

Inventories of supplies for the proprietary fund types are stated at cost and are accounted for on a current cost basis. Inventory items within the proprietary funds are considered expenses when used (consumption method). Inventory items in the governmental funds are considered expenditures when purchased (purchase method).

**G. Prepaid Items**

Any payments made to vendors on or before June 30, 2013, for services performed or received after that date are recorded as prepaid items.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**H. Restricted Assets**

Net position is reported as restricted on the entity-wide statements when constraints placed on net position use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or, (b) imposed by law through constitutional provisions or enabling legislation. As an example, certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

On the fund financial statements, cash is often restricted to a particular use due to statutory or budgetary requirements and is classified as "restricted cash" on the balance sheet.

**I. 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. In the government-wide financial statements and in the fund financial statements for proprietary funds, capital asset expenditures are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, bridges, sidewalks, and similar items.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. The GASB statement No. 34 requires a capitalization of infrastructure, but permitted an optional four-year delay for implementation of the infrastructure capitalization. The implementation of this portion of GASB No. 34 was not delayed for the majority of the City's assets. Most of the City's assets (with acquisition dates as far back as June 30, 1980) were valued at actual historical cost (when available) or estimated historical cost and capitalized in the 2002 fiscal year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset 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 in business-type activities is included as part of the capitalized value of the assets constructed.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

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

<u>Assets</u>	<u>Years</u>
Bridges	60
Sidewalks	50
Water & Sewer Lines	75
Buildings (new)	40
Buildings (used)	30
Traffic Signals	30
Roads	20
Building Improvements	20
Storm Drain Infrastructure	30-40
Land Improvements	20
Fire Trucks	10
Communication Lines and Equipment	7
Machinery and Equipment	7
Heavy Duty Equipment	10-40
Library Books	6
Furniture	5
Vehicles	5
Office Equipment	5
Computer Equipment	3-5
Computer Software	3
Garbage Trucks	7
Ambulance	5

**J. Compensated Absences**

City policy provides for employees to be paid 100 percent of the unused portion of vacation leave and 25 percent of the unused portion of sick leave (except employees with 20 years or more of full-time service receive 50 percent), when they retire or terminate employment. In the entity-wide statements and the proprietary funds, a provision has been made to account for all of the earned, unused vacation leave and sick pay that would be paid to an employee if he or she were to leave the City on June 30, 2013. The number of years of service determines whether the employee will receive 25 percent or 50 percent of unused sick pay balance. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**K. Deferred Inflows and Outflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time.

Governmental funds report revenue that is unavailable as deferred inflows of resources, which primarily includes unavailable revenue from property taxes and loans receivable. These amounts are deferred and recognized as revenue in the period that the amounts become available.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

**L. Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, bonds payable and capital leases.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and the payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**M. Fund Equity**

In the fund financial statements, governmental funds report fund balance as restricted for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assigned fund balances represent tentative management plans that are subject to change. Unassigned fund balances are available for appropriation by the City's governing council. The GASB issued statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how governmental fund balance was being reported. Statement 54 requires governments to disclose additional detail regarding the purposes of restrictions, commitments, and assignments, if the required level of detail is not met through display on the face of the balance sheet. For more information, refer to Note 13.

**N. Bond Discounts/Issuance Costs**

In the government-wide statements, bond discounts/premiums are deferred and amortized over the life of the bonds. Bond issuance costs are reported as an expense of the current period. Refundings of debt result in deferred gains or losses and are reported as deferred inflows and outflows of resources.

For governmental fund types in the fund financial statements, the bond discounts/premiums, along with all debt issuance costs, are reported as debt service expenditures.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**O. Estimates**

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

**P. Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

**Q. New Pronouncements**

The Governmental Accounting Standards Board issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." Although not required to do so, the City has elected to early adopt Statement No. 65 by the Board, "Items Previously Reported as Assets and Liabilities." The implementation of these statements has resulted in changes to the financial statement previously referred to as the Statement of Net Assets, to the Statement of Net Position, the reclassification of certain asset and liability balances as deferred outflows and inflows, and the elimination of deferred bond issuance costs.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City maintains detailed accounting records for individual funds, and it also maintains a cash and investment pool that is available for use by all funds, thereby maximizing the interest earnings for all funds. Each fund type's portion of this pool is included in the statement of net position as "Cash" and "Restricted Cash." Also included are deposits and investments held by the Trustees on various bond issues. The basis of investments is cost. Deposits and investments are not required to be collateralized by state statute.

There are no restrictions or material differences in the types of investments that can be made for different funds, fund types or component units, provided such investments meet the requirements of the Utah Money Management Act. According to the general indenture instructions for all outstanding bond issues, bond proceeds may be invested and reinvested in investment securities that mature no later than the date on which the monies on deposit therein will be needed for the purposes of such funds. Investments of monies in Debt Service Reserve Accounts must mature no later than five years from the date of such investments.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 2- DEPOSITS AND INVESTMENTS (continued)**

**A. Custodial Credit Risk**

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the local government's deposits may not be recovered. The City 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 requirement of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2013, \$4,883,098 of the City's bank balance of \$5,133,098 was uninsured and uncollateralized.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer 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. The city's fair value of its position in the pool is the same as the value of the pool shares.

For the year ended June 30, 2013, the City had investments of \$72,212,591 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**C. Interest Rate Risk**

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 following Provo City Investment Policy and adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the portion of availability of the funds to be invested.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 3 - RECEIVABLES**

Accounts receivable are recorded in the general, special revenue, capital projects and enterprise funds. Customer Service provides the billing service for all utility funds operated by Provo City. This includes Energy, Water, Waste Water, Sanitation and Storm Drain. Each fund reports its own receivables and its pro-rata share of uncollectible accounts receivable. Adjustments to allowance for doubtful accounts increase or decrease the related revenue accounts.

Accounts receivable and the associated allowances for uncollectible accounts, at June 30, 2013, consist of the following:

**Governmental Funds**

	General	Housing Consortium	Debt Service	Nonmajor Funds	Total
Receivables	\$ 11,133,849	\$ 11,808,301	\$ 4,720,177	\$ 8,992,938	\$ 36,655,265
Less: allowance for Uncollectibles	(827,343)				(827,343)
Net total receivables	<u>\$ 10,306,506</u>	<u>\$ 11,808,301</u>	<u>\$ 4,720,177</u>	<u>\$ 8,992,938</u>	<u>\$ 35,827,922</u>
Increase (decrease) Revenue related to uncollectibles	\$ 15,811	\$ -	\$ -	\$ -	\$ 15,811

**Proprietary Funds**

	Waste Water	Water	Energy	Airport	Sanitation	Drain	Storm Total	Internal Service Fund
Receivables	\$ 735,354	\$ 1,690,903	\$ 9,888,857	\$ 334,961	\$ 535,456	\$ 4,226,427	\$ 17,411,958	\$ 16,381
Less: allowance for Uncollectibles	(104,468)	(23,080)	(152,514)		(8,768)	(4,738)	(293,568)	-
Net total receivables	<u>\$ 630,886</u>	<u>\$ 1,667,823</u>	<u>\$ 9,736,343</u>	<u>\$ 334,961</u>	<u>\$ 526,688</u>	<u>\$ 4,221,689</u>	<u>\$ 17,118,390</u>	<u>\$ 16,381</u>
Increase (decrease) Revenue related to Uncollectibles	\$ 778	\$ (519)	\$ 102	\$ -	\$ (335)	\$ (21)	\$ 5	\$ -

Property taxes are levied on January 1, giving the City legal claim on that date. The taxes are due on November 1 and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as unearned revenue.

Property taxes that were levied on January 1 of 2013 and are due in November of 2013 are budgeted for the 2014 fiscal year. Even though they are intended to fund the 2014 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue.

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. Only the portion of special assessments receivable due within the current fiscal period is considered as susceptible to accrual as revenue of the current period.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 3 – RECEIVABLES (continued)**

All other revenue items are considered to be measurable and available only when cash is received by the City. The revenue recognized on these receivables is deferred until the cash is collected in the governmental fund statements.

The City has several lending programs intended to revitalize neighborhoods and business districts. These programs are funded through state and federal grants. The loans to citizens and businesses represent the majority of the notes receivable balance on the financial statements.

Loans receivable and the associated allowances for uncollectible accounts, at June 30, 2013, consist of the following:

	<u>Governmental Activities</u>
Business & citizen assistance loans	\$ 16,151,360
Less: allowance for Uncollectibles	<u>(704,565)</u>
Net total notes receivable	<u>\$ 15,446,795</u>

Governmental funds report revenue in connection with receivable for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable) as deferred inflows of resources. At the end of June 30, 2013, the various components of deferred inflows of resources in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>
Property tax receivable (general fund)	\$ 3,940,790
Property tax receivable (library fund)	2,916,566
Property taxes (debt service fund)	4,398,638
Ambulance Billing	384,706
Central Billing	179,342
Special Improvement Assessment Billing	97,883
Notes Receivable	<u>17,742,539</u>
	<u>\$ 29,660,464</u>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

The following table delineates the capital asset reclassifications as well as the normal capital asset activity for the year ended June 30, 2013:

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

	Beginning Balance	Transfer and reclasses	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 165,887,225	\$ 954,711	\$ 996,567	\$ (522,696)	\$ 167,315,806
Land Easement	200,983				200,983
Construction in progress	24,864,756		24,377,286	(5,251,400)	43,990,642
	<u>190,952,964</u>	<u>954,711</u>	<u>25,373,853</u>	<u>(5,774,096)</u>	<u>211,507,431</u>
Capital assets being depreciated:					
Machinery and equipment	34,840,183	790,519	4,816,137	(2,613,602)	37,833,236
Library collection	5,547,777		334,911	(195,487)	5,687,200
Buildings	66,106,841		398,064	(3,838,883)	62,666,022
Land improvements	11,424,063		1,243,576	(92,827)	12,574,813
Infrastructure:					
Trails	911,617				911,617
Traffic signals	6,427,181			(267,198)	6,159,983
Fiber optic	961,266				961,266
Noise wall	127,160				127,160
Bridges	13,663,544				13,663,544
Roads	94,912,959		8,111,281		103,024,240
Sidewalks	24,777,258		22,388		24,799,646
Total	<u>259,699,849</u>	<u>790,519</u>	<u>14,926,356</u>	<u>(7,007,997)</u>	<u>268,408,728</u>
Less accumulated depreciation for:					
Machinery and equipment	(25,411,026)	(531,030)	(2,518,010)	2,029,225	(26,430,840)
Library collection	(4,640,695)		(357,335)	195,487	(4,802,542)
Buildings	(31,665,129)		(1,620,585)	3,326,846	(29,958,868)
Land improvements	(2,530,610)		(571,203)	37,131	(3,064,683)
Infrastructure:					
Trails	(435,156)		(45,581)		(480,737)
Traffic signals	(2,598,225)		(216,364)	123,950	(2,690,639)
Noise Wall	(50,864)		(6,358)		(57,222)
Fiber Optic	(549,295)		(137,324)		(686,619)
Bridges	(3,499,970)		(228,296)		(3,728,266)
Roads	(61,351,504)		(2,682,645)		(64,034,149)
Sidewalks	(10,528,507)		(495,374)		(11,023,881)
Total	<u>(143,260,981)</u>	<u>(531,030)</u>	<u>(8,879,074)</u>	<u>5,712,639</u>	<u>(146,958,446)</u>
Total capital assets, being depreciated, net	<u>116,438,868</u>	<u>259,489</u>	<u>6,047,282</u>	<u>(1,295,358)</u>	<u>121,450,282</u>
Governmental activities capital assets, net	<u>\$ 307,391,832</u>	<u>\$ 1,214,200</u>	<u>\$ 31,421,134</u>	<u>\$ (7,069,453)</u>	<u>\$ 332,957,713</u>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS (continued)**

Capital asset activity for the year ended June 30, 2013, continued:

	Beginning Balance	Transfers and reclasses	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 3,061,333		\$ 931,955	\$ (1,065,065)	\$ 2,928,224
Water Stock	2,420,927				2,420,927
Land	41,375,339	(954,711)	209,793	(11,669)	40,618,753
Total	46,857,599	(954,711)	1,141,749	(1,076,734)	45,967,904
Capital assets being depreciated:					
Machinery and equipment	17,926,028	(790,519)	878,027	(2,193,326)	15,820,210
Buildings & Building Improvements	100,765,412		253,272	(2,203,204)	98,815,480
Land improvements	39,577,845		386,920		39,964,765
Infrastructure:					
Storm Drain	28,852,777		1,275,017		30,127,794
Water Lines	44,625,603		817,327	(83,465)	45,359,466
Sewer Lines	23,023,767		354,131	(48,106)	23,329,791
Telecom	21,542,000			(21,542,000)	0
Energy	55,145,674		4,817,776	(344,857)	59,618,593
Total	331,459,106	(790,519)	8,782,471	(26,414,959)	313,036,099
Less accumulated depreciation for:					
Machinery and equipment	(7,226,999)	531,030	(1,569,883)	1,154,996	(7,110,855)
Buildings	(73,052,523)		(1,278,787)	665,678	(73,665,632)
Land improvements	(23,278,562)		(1,127,336)		(24,405,898)
Infrastructure:					
Storm drain	(14,582,167)		(541,201)		(15,123,368)
Water lines	(17,843,887)		(465,103)	37,248	(18,271,742)
Sewer lines	(10,767,375)		(219,528)	22,555	(10,964,348)
Telcom	0		(1,594,257)	1,594,257	0
Energy	(22,606,302)		(1,413,831)	230,030	(23,790,103)
Total	(169,357,815)	531,030	(8,209,925)	3,704,765	(173,331,946)
Total capital assets, being depreciated, net	162,101,290	(259,489)	572,546	(22,710,194)	139,704,154
Business-type activities capital assets, net	\$ 208,958,890	\$ (1,214,200)	\$ 1,714,294	\$ (23,786,928)	\$ 185,672,058

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

Governmental activities:	
General government	\$ 6,119,228
Public safety	417,898
Public services	614,385
Community revitalization	353,681
Culture and recreation	1,373,883
Total depreciation expense - governmental activities	<u>\$ 8,879,074</u>
Business-type activities	
Golf Course	\$ 300,122
Water	979,352
Sewer	694,661
Energy	2,185,010
Airport	986,644
Sanitation	966
Storm drain	543,958
Telecom	2,519,213
Total depreciation expense - business-type activities	<u>\$ 8,209,925</u>

The total interest capitalized during the current fiscal year was \$138,102.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 5- RISK MANAGEMENT**

The City participates in the Utah State workers compensation program. Premiums paid in fiscal year ending June 30, 2013, from the Employees Benefits Fund were \$301,025, an increase of \$70,178 from the prior year.

Cash transfers were made into the employee benefits fund by all other funds and are available to pay the premiums. The interfund transfers are based primarily upon the individual funds' claims experience and are included as an employee benefit under personnel expenses.

As of June 15, 2009 a commercial insurance carrier is responsible for the portion of a claim that exceeds \$500,000 and to a limit of \$10 million per occurrence. No settlements/claims exceeded the limit available in each of the past three years.

The following schedule is a reconciliation of the changes in the aggregate claims liability for the City from the prior fiscal year to the current fiscal year:

<u>Aggregate Claims Liability</u>	<u>Beginning Balance</u>	<u>Claims Accrued</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2013	\$300,000	\$282,186	(\$282,186)	\$300,000
2012	\$300,000	\$187,208	(\$187,208)	\$300,000

**NOTE 6- CAPITAL LEASES**

The City has entered into lease agreements, as lessee, for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. In 2013 Provo City refinanced the leases for the fire trucks and ambulances to take advantage of a more favorable interest rate.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Original Principal</u>	<u>Interest Rates</u>
Ambulances/Fire Trucks (Refinanced)	\$1,044,622	0.96%
Spillman Software	\$542,720	2.08%

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 6 - CAPITAL LEASES (continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Governmental activities

Lease payment

	Totals
2014	\$ 467,352
2015	467,352
2016	467,352
Total minimum lease payments	1,402,056
Less amount representing interest	(31,330)
Present Value of minimum lease payments	1,370,726
Amount due within one year	451,344
Amount due after one year	\$ 919,382

**NOTE 7- LONG-TERM DEBT**

*General Obligation Bonds*

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

There were no bonds issued or refinanced during Fiscal Year 2013. Current total general obligation bonds have been issued for governmental activities in the amount of \$54,320,000.

*Revenue Bonds*

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$43,529,000 for business-type activities and \$41,600,000 for governmental activities.

*Notes Payable*

The City entered into an agreement on August 21, 2007 with the Provo Foundation to borrow \$1,000,000 to purchase property adjacent to the airport for future airport expansion. The City issued a note to the Foundation for \$1,000,000.

*Conduit Debt*

In April of 2007, \$10,750,000 of Education bonds were issued in the name of the City to construct a new education facility located in Provo. The borrower is the Provo Freedom Academy. The outstanding balance on June 30, 2013 is \$10,010,000.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 7- LONG-TERM DEBT (continued)**

In October of 2009, \$9,000,000 of Industrial Development Revenue bonds were issued in the name of the City to construct a new manufacturing facility located in Provo. The borrower is Action Commercial Park, LLC. The outstanding balance on June 30, 2013 is \$7,981,690.

In October of 2011, authorization was given by the City council to provide a conduit revenue bond issuance in the amount of \$2,200,000 to the Friends of the Coalition Project to refinance the costs of acquiring and constructing the Food and Care Coalition building. The outstanding balance on June 30, 2013 is \$2,125,000.

The bonds are special limited obligations of the City payable solely from the trust estate established under indenture. The bonds do not and shall not represent, constitute or give rise to a general obligation or liability of the City or a charge against the general credit or taxing power of the City, the State of Utah, or any political subdivision thereof.

Principal and interest requirements to retire the City's long-term obligations are as follows:

Governmental activities

	G.O. Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 2,665,000	\$ 1,733,638	\$ 1,765,000	\$ 1,639,705
2015	2,765,000	1,660,388	1,860,000	1,556,706
2016	1,610,000	1,584,350	1,955,000	1,466,954
2017	1,640,000	1,552,150	1,960,000	1,370,795
2018	1,680,000	1,511,150	2,055,000	1,272,463
2019-2023	9,495,000	6,471,650	12,185,000	4,593,595
2024-2028	11,660,000	4,309,363	9,470,000	1,046,482
2029-2032	11,335,000	1,437,050	-	-
	<u>\$ 42,850,000</u>	<u>\$ 20,259,738</u>	<u>\$ 31,250,000</u>	<u>\$ 12,946,700</u>

Principal and interest requirements to retire the City's long term obligations continued:

	Notes Payable		Total	
	Principal	Interest	Principal	Interest
2014	138,388	16,334	4,568,388	3,389,677
2015	145,307	9,415	4,770,307	3,226,509
2016	42,979	2,148	3,607,979	3,053,452
2017	-	-	3,600,000	2,922,945
2018	-	-	3,735,000	2,783,613
2018-2022	-	-	21,680,000	11,065,245
2023-2027	-	-	21,130,000	5,355,845
2028-2032	-	-	11,335,000	1,437,050
	<u>\$ 326,674</u>	<u>\$ 27,897</u>	<u>\$74,426,674</u>	<u>\$ 33,234,335</u>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 7- LONG-TERM DEBT (continued)**

Current Portion	
Bonds	\$ 4,430,000
Notes	138,388
Leases	451,344
Total Current portion	<u>5,019,732</u>
Long-term Portion	
Bonds	69,670,000
Notes	188,286
Leases	919,382
Total Long-term portion	<u>70,777,668</u>
Grand Total	75,797,400
Unamortized amounts-premium (discount)	382,689
Less Leases	<u>1,370,726</u>
Grand Total	<u>\$ 74,809,363</u>

Business-type activities

	Revenue bond	
	Principal	Interest
2014	\$ 4,928,000	\$ 471,536
2015	545,000	251,739
2016	560,000	239,476
2017	575,000	222,676
2018	595,000	205,426
2019-2023	3,240,000	656,951
2024	710,000	35,500
	<u>\$ 11,153,000</u>	<u>\$ 2,083,304</u>

Current Portion	
Bonds	\$ 4,928,000
Long-term Portion	<u>6,225,000</u>
Grand Total	<u>11,153,000</u>
Unamortized amounts-premium (discount)	<u>154,226</u>
Grand Total	<u>\$ 11,307,226</u>

The following is a schedule of bonds that were issued by the City and later refunded because lower interest rates were available:

Refunded Long-term Debt

	Original Issue Date	Original Issue Amount	Unpaid Balance June 30, 2013	Final Date of Maturity	Refunding Bonds
1980 A Series Energy Revenue Bonds	12/01/8	\$22,400,000	\$4,388,300	04/01/15	1985 A Series

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 7- LONG-TERM DEBT (continued)**

Long-term debt activity for the year ended June 30, 2013, was as follows:

	Balance			Balance		Amount Due
	June 30, 2012	Increases	(Decreases)	June 30, 2013	2014	
<b>Governmental activities</b>						
Bonds Payable:						
General obligation bonds						
G.O. 2006 Road Bonds (9.14 - 3.78)	\$ 3,425,000	\$ -	\$ (1,100,000)	\$ 2,325,000	\$	1,140,000
G.O. 2006 Road Bonds unamortized	17,990	-	7,258	25,248		-
G.O. 2011 Rec Center Bond	39,000,000	-	-	39,000,000		-
G.O. 2011 Rec Center unamortized	481,973	407,074	-	889,047		-
G.O. Series 2010A Library	3,025,000	-	(1,500,000)	1,525,000		1,525,000
G.O. Series 2010A Library unamortized	46,158	-	(14,318)	31,840		-
Telecom 2004 Sales Tax Bonds (2.54-5.42%)	0	31,150,000	(1,585,000)	29,565,000		1,660,000
Telecom 2004 Sales Tax Bonds unamortized	0	(362,876)	223,011	(139,865)		-
2006 increment bond	1,785,000	-	(100,000)	1,685,000		105,000
2006 increment bond unamortized	(35,710)	35,710	-	-		-
Total Governmental Fund Bonds	<u>47,745,411</u>	<u>31,229,908</u>	<u>(4,069,049)</u>	<u>74,906,270</u>		<u>4,430,000</u>
Notes Payable:						
Note Payable Library Legacy Foundation	458,472	-	(131,798)	326,674		138,388
Total Notes Payable	<u>458,472</u>	<u>-</u>	<u>(131,798)</u>	<u>326,674</u>		<u>138,388</u>
Capital Leases	1,746,405	1,044,622	(1,420,301)	1,370,726		451,344
Accrued Compensated Absences	5,139,380	817,733	(256,969)	5,700,144		1,710,043
<b>Total Governmental activity</b>						
<b>Long-term liabilities</b>	<u>\$ 55,089,668</u>	<u>\$ 33,092,263</u>	<u>\$ (5,878,117)</u>	<u>\$ 82,303,812</u>	<u>\$</u>	<u>6,729,775</u>
<b>Business-type activities</b>						
Revenue Bonds:						
2002 Series A Bonds (5.97-6.22%)	\$ 5,025,000	\$ -	\$ (2,535,000)	\$ 2,490,000	\$	2,490,000
Less Deferred Issuance Costs	(88,231)	-	88,231	-		-
2002 unamortized	(152,269)	-	152,269	-		-
2003 Series A Energy Bonds (3.0-5.25)	3,175,000	-	(1,480,000)	1,695,000		1,695,000
2003 unamortized	70,767	-	30,751	101,518		-
2003 Series A Water Bonds (2.0-4.25%)	408,000	-	(200,000)	208,000		208,000
Telecom 2004 Sales Tax Bonds (2.54-5.42%)	31,150,000	-	(31,150,000)	-		-
2004 unamortized	(362,876)	-	362,876	-		-
Stormwater 2010A Refunding Bonds (2.0-3.0%)	3,435,000	-	(525,000)	2,910,000		535,000
2010 unamortized	(9,201)	-	70,215	61,014		-
Stormwater 2010B Taxable BAB (4.38-5.0%)	3,850,000	-	-	3,850,000		-
2010 unamortized	(36,973)	-	28,667	(8,307)		-
Total Business-type Bonds	<u>46,464,217</u>	<u>-</u>	<u>(35,156,992)</u>	<u>11,307,226</u>		<u>4,928,000</u>
Accrued Compensated Absences	1,757,217	152,075	(262,503)	1,646,789		492,834
<b>Total Business-type</b>						
<b>Long-term liabilities</b>	<u>\$ 48,221,436</u>	<u>\$ 152,075</u>	<u>\$ (35,419,495)</u>	<u>\$ 12,954,015</u>	<u>\$</u>	<u>5,420,834</u>

<sup>1</sup> Telecom 2004 Sales Tax Bonds were transferred to Governmental Activities Fiscal Year 2013 following the sale of Telecom to Google.

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, \$341,718 of internal service funds compensated absences and \$1,044,622 of internal service funds capital leases were included in the above amounts. Also, governmental activities, claims and judgments and compensated absences have generally been liquidated by the general fund in prior years.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 8 - INTERFUND ASSETS AND LIABILITIES**

Interfund assets and liabilities are the result of short-term year-end transactions, or long-term interfund loans. All long-term interfund loans are approved by the governing body and a clear repayment schedule has been established with a competitive interest rate.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Payable Fund</u>	<u>Receivable Fund</u>	
<u>Governmental Funds</u>			<u>Governmental Funds</u>		
General	C.D.B.G	\$ 352,436	General	Capital Resources	\$ 619,718
General	Debit Service	419,188			
General	Airport CIP	111,923			
General	Airport	46,598			
General	Storm Drain	3,906,755			
<b>Total Due General Fund</b>		<b>\$ 4,836,900</b>	<b>Total Payable by General Fund</b>		<b>\$ 619,718</b>

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Payable Fund</u>	<u>Receivable Fund</u>	
<u>Other Governmental Funds</u>			<u>Other Governmental Funds</u>		
none			New Development	Capital Resources	\$ 1,235,076
			C.D.B.G.	General Fund	352,436
			Debt Service	General Fund	419,188
<b>Total Receivable other Gov. funds</b>		<b>\$ -</b>	<b>Total Payable by other Gov. Funds</b>		<b>\$ 2,006,700</b>
<b>Total Due Governmental Funds</b>		<b>\$ 4,836,900</b>	<b>Total Payable Due by Governmental Funds</b>		<b>\$ 2,626,418</b>

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Payable Fund</u>	<u>Receivable Fund</u>	
<u>Internal Service Funds</u>			<u>Internal Service Funds</u>		
Capital Resources	General Fund	\$ 619,718	Capital Resources	Sanitation CIP	\$ 113,221
Capital Resources	New Development	1,235,076	Capital Resources	Energy	1,612,957
Capital Resources	Airport CIP	773,134	Capital Resources	Vehicle Capital Reserve	575,075
Vehicle Capital Reserve	Capital Resources	575,075			
<b>Total due Internal Service Funds</b>		<b>\$ 3,203,003</b>	<b>Total Payable by Internal Service Funds</b>		<b>\$ 2,301,253</b>

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Payable Fund</u>	<u>Receivable Fund</u>	
<u>Enterprise Funds</u>			<u>Enterprise Funds</u>		
Energy	Capital Resource	\$ 1,612,957	Airport	General Fund	\$ 46,598
Sanitation CIP	Capital Resource	113,221	Airport CIP	General Fund	111,923
			Airport CIP	Capital Resources	773,134
			Storm Drain	General Fund	3,906,755
<b>Total Due Enterprise Funds</b>		<b>\$ 1,726,178</b>	<b>Total Payable by Enterprise Funds</b>		<b>\$ 4,838,410</b>
<b>Total Receivable from other Funds</b>		<b>\$ 9,766,081</b>	<b>Total Payable to other Funds</b>		<b>\$ 9,766,081</b>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 8 - INTERFUND ASSETS AND LIABILITIES (continued)**

**Transfers to/From other Funds**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Transfer from</u>	<u>Transfer to</u>
<b><u>Governmental Funds</u></b>		<b><u>Governmental Funds</u></b>	
General Fund	Debit Service           \$       85,690	General	Airport                               \$   244,209
General Fund	Justice Court           540,515	General	Airport CIP                         20,000
General Fund	Water                     907,293	General	Arts Council                       249,198
General Fund	Wastewater             530,973	General	B & C Roads                       1,302,867
General Fund	Energy                   6,486,740	General	Customer Service                152,300
General Fund	Sanitation              410,121	General	Golf Course                       167,832
General Fund	Storm Drain             230,176	General	Golf Course CIP                  47,611
Media Services	General Fund           153,313	General	General CIP                       450,600
B & C Road	General Fund           1,302,867	General	Vehicle Capital Reserve        406,675
B & C Road	Engineering CIP Fund   350,000	General	Media Services                  153,313
B & C Road	Economic Comm Inves   699,000	General	Parks CIP                         69,288
		General	Winterfest                       13,000
		General	Debit Service                   106,450
		Justice Court	General Fund                    540,516
<b>Total transferred to General Fund</b>	<b>\$   11,696,688</b>	<b>Total transferred from General Fund</b>	<b>\$   3,923,858</b>

<u>Transfer to</u>	<u>Transfer from</u>	<u>Transfer from</u>	<u>Transfer To</u>
<b><u>Other Governmental Funds</u></b>		<b><u>Other Governmental Funds</u></b>	
Arts Council	General Fund           \$       249,198	Arts Ctr Perform Fund	Arts Council                       \$       8,740
Arts Council	Arts Ctr Perform Fund   8,740	Business Dev. Corp. of Provo	Commercial Rehab               60,000
Commerical Rehab	Business Dev. Corp     60,000	Engineering CIP	B & C Roads                       350,000
Commerical Rehab	Housing Rehabilitator   70,000	Cemetery Perpetuity	Parks CIP                         40,000
General CIP	General Fund           450,600	CNRCC	C.D.B.G
Parks CIP	General Fund           69,288	CNRCC	Housing Rehabilitation
Parks CIP	Cemetery Perpetuity    40,000	Debt Service	General Fund                       85,690
Winterfest	General Fund           13,000	Debt Service	Airport CIP                       312,554
Debt Service	Energy                  3,291,823	Economic Community Invest	B & C Roads                       699,000
Debt Service	General Fund           106,450	Housing Rehabilitation	Commercial Rehab               70,000
		Housing Rehabilitation	C.D.B.G
		Mountain Vista	Engineering CIP
		Mountain Vista	General Fund
<b>Total transferred to Other Gov. Funds</b>	<b>4,359,099</b>	<b>Total transferred from Other Gov. Funds</b>	<b>1,625,984</b>

<b>Total transferred to Governmental Funds</b>	<b>\$   16,055,787</b>	<b>Total transferred from Governmental Funds</b>	<b>\$   5,549,842</b>
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**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 8 - INTERFUND ASSETS AND LIABILITIES (continued)**

<u>Transfer To</u>	<u>Transfer From</u>		<u>Transfer from</u>	<u>Transfer To</u>	
<b><u>Internal Service Funds</u></b>					
Customer Service	General Fund	\$ 152,300	Computer Lease Bank	General Fund	\$ 168,152
Customer Service	Energy	152,860	Customer Service	Vehicle Capital reserve	20,826
Vehicle Capital Reserve	General Fund	406,675	Customer Service	General Fund	1,370
Vehicle Capital Reserve	Energy CIP	3,394	Employee Benefits	General Fund	316
Vehicle Capital Reserve	Customer Service	20,826			
<b>Total transferred to Internal Service Funds</b>		<b>\$ 736,055</b>	<b>Total transferred from Internal Service Funds</b>		<b>\$ 190,664</b>

<u>Transfers to</u>	<u>Transfers from</u>		<u>Transfers from</u>	<u>Transfers to</u>	
<b><u>Enterprise Funds</u></b>					
Airport	General Fund	\$ 244,209	Energy	General Fund	\$ 6,486,740
Airport CIP	General Fund	20,000	Energy	Debt Service	3,291,823
Airport CIP	Debt Service	312,554	Energy	Energy CIP	4,619,630
Energy	Parks CIP	172,907	Energy	General Fund	954,711
Energy CIP	Energy	4,619,630	Energy	Customer Service	152,860
Golf Course	General Fund	167,832	Energy CIP	Vehicle Capital Reserve	3,394
Golf Course Cap Improv	General Fund	47,611	Sanitation	General Fund	410,121
Sanitation CIP	Sanitation	150,000	Sanitation	Sanitation CIP	150,000
Storm Drain	Water	189,600	Sanitation	Water	1,973
Water	Wastewater	553,678	Storm Drain	General Fund	230,176
Water	Sanitation	1,973	Storm Drain	Water	1,184
Water	Storm Drain	1,184	Wastewater	General Fund	530,973
Water CIP	Water	1,698,682	Wastewater	Water	553,678
			Water	Storm Drain	189,600
			Water	General Fund	907,293
			Water	Water CIP	1,698,682
<b>Total transferred to Enterprise Funds</b>		<b>\$ 8,179,860</b>	<b>Total transferred from Enterprise Funds</b>		<b>\$ 20,182,834</b>

\*\*Note: The transfer amounts can be found in the other financing sources (uses) section of the statement of revenues, expenditures and changes in fund balance for all funds.

Transfers between the business-type activities and the governmental activities totaled \$12,003,399 per the statement of activities. The majority of the transfers were to governmental funds for administrative services they provide to the business-type funds and for capital outlay in the governmental funds that benefit the City.

In the fund statements, there is a difference in interfund transfers of \$951,638. This relates to transfers of assets to the General Fund from internal service funds, Energy to the General Fund and Parks CIP to Energy.

<b>Total transfers to all Funds</b>	\$ 24,971,702
<b>Total transfers from all Funds</b>	25,923,340
	<u>\$ (951,638)</u>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 9 - CONTINGENT LIABILITIES**

The City is involved in litigation arising from the normal course of business activity. It is not possible to determine the ultimate liability, if any, in these matters. The opinion of management is that such litigation will have no material effect on the financial statements of the City.

The City has an insurance policy for public liability and property damage with various deductibles. A separate fund has been established for the purpose of pooling the financial resources of the City and paying the deductible for claims.

The City purchased 66.05 percent of the energy sold by Utah Municipal Power Agency (UMPA) to its member cities. The City is obligated to pay a proportionate share of all operating, maintenance, debt service and any other costs incurred by UMPA based on the City's energy purchases.

The City participates in Federal Grant programs that are audited in accordance with the provisions of the Single Audit Act of 2004 and the Office of Management and Budget Circular A-133. These grants are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, will be immaterial.

As of June 30, 2013, the City was involved in litigation dealing with seven liability cases. It is the opinion of the City's legal department that the estimated liability is \$300,000 if damages are awarded on the remaining cases.

**NOTE 10- JOINT VENTURES**

**The Utah Municipal Power Agency (UMPA)** was created jointly as a separate legal entity and political subdivision of the State of Utah by an agreement dated September 17, 1980, pursuant to the provisions of the Utah Interlocal Cooperation Act. UMPA's membership consists of six municipalities. UMPA's purposes include planning, financing, development, acquisition, construction, improvement, betterment, operation or maintenance of projects for the generation, transmission and distribution of electric energy for the benefit of the member municipalities. The City purchased 66.05 percent of the energy sales of the Agency to member cities in the current fiscal year and 60.74 percent of all energy sales of the Agency. UMPA billed Provo City \$43,662,755 for energy.

Provo City billed UMPA \$3,403,699 for maintenance costs, as stipulated in the purchased power agreement between Provo City and UMPA. UMPA has issued revenue bonds to purchase an interest in various electrical generation facilities to provide power to its members.

Under the terms of the S-1 Power Sales Agreement, the members are obligated to pay their proportionate share, based on energy purchases, of all operation and maintenance expenses and debt

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 10 - JOINT VENTURES (continued)**

service on the revenue bonds incurred by UMPA. Furthermore, they are obligated to purchase all of their energy needs from the Agency.

UMPA is governed by a six member board composed of the Mayor of each city. Despite the imbalance in proportionate share of energy consumption, a majority vote is needed to approve any significant activity. Below is a summary of the financial position of UMPA:

UMPA

At June 30, 2013

Total assets	\$49,550,362
Total liabilities	<u>(49,547,012)</u>
Total fund equity	<u><u>\$3,350</u></u>

For the year ended June 30, 2013

Total operating revenue	\$71,881,005
Total operating expenses	(66,087,280)
Deferred credit adjustment	(4,976,922)
Nonoperating revenue and expense	<u>(816,803)</u>
Net income (loss)	<u><u>\$0</u></u>

Complete financial statements for the agency may be obtained at Utah Municipal Power Agency, 40 South Main, Spanish Fork, UT 84660.

**The South Utah Valley Solid Waste District (the District)** was created May 11, 1989, for the purpose of building and operating a landfill and transfer station. The District's membership consists of seven municipalities. The City made an initial investment of \$4,651,000, or 54 percent of the costs, to construct the facilities.

Participants and their percentage shares:

Springville City	15.00%
Provo City	69.75%
Spanish Fork City	11.75%
Mapleton City	2.00%
Salem City	1.50%
Woodland Hills	0.00%
Goshen Town	<u>0.00%</u>
	<u>100.00%</u>

A seven-member board composed of the Mayor of each city governs the District. A voting majority of Provo City and at least one other board member or a voting majority of all board members excluding Provo City is needed to approve any significant activity. The City paid the District \$890,562 for user fees for the fiscal year ended June 30, 2013.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
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**NOTE 10 - JOINT VENTURES (continued)**

Below is a summary of the financial position of the District as of June 30, 2013:

At June 30, 2013

Total assets	\$18,948,824
Total liabilities	<u>(7,356,963)</u>
Total net position	<u><u>\$11,591,861</u></u>

For the year ended June 30, 2013

Total operating revenue	\$5,196,292
Total operating expenses	(5,837,787)
Nonoperating revenue and expense	121,939
Restatement of net position	<u>489,769</u>
Change in net position	<u><u>(\$29,787)</u></u>

The City is currently showing an investment in this joint venture in the amount of \$8,106,099.

Complete financial statements for the District may be obtained at South Utah Valley Solid Waste District, 2450 West 400 South, Springville, UT 84663.

**The Provo City/Utah County Ice Sheet Authority** was created March 19, 1996, as a joint venture between Provo City and Utah County for the purpose of financing, constructing, maintaining and operating an Olympic ice sheet to be constructed at the Seven Peaks property in Provo, Utah. The Ice Sheet Authority has entered into a Development Agreement with Seven Peaks under which Seven Peaks has designed and constructed the Ice Sheet under the direction and control of the Ice Sheet Authority.

The Ice Sheet Authority is governed by a six member board. Three members are from the Board of County Commissioners of Utah County, three members are the Provo City Mayor, a member of the City Council and a person appointed by the Mayor. Board decisions are made by a majority of the members of a quorum of the Board of Directors.

The Ice Sheet Authority and the Salt Lake Organizing Committee (SLOC) for the Olympic Winter Games of 2002 entered into an Ice Sheet Use Agreement. Under this agreement, the Ice Sheet Authority agreed to make the ice sheet available for the exclusive use of the SLOC in connection with the Winter Olympics of 2002 and related events preceding and occurring after the Winter Olympics of 2002.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 10 - JOINT VENTURES (continued)**

The City and the County agreed on a financing plan under which the Building Authority of Provo City issued lease revenue bonds secured by (1) rental revenues derived under a Lease Agreement by and between the Building Authority, as lessor, and the City, as lessee, (2) rental revenues derived under a Sublease Agreement by and between the City, as sublessor, and the County, as sublessee, (3) an assignment of the Lease and Sublease from the City and the County to the Ice Sheet Authority, (4) an assignment of the pledge to the Building Authority of any revenues received by the Ice Sheet Authority from Seven Peaks under the Lease and Management Agreement, and (5) a pledge of revenues to be received by the Ice Sheet Authority from SLOC under the Ice Sheet Agreement for the use of the Ice Sheet by SLOC.

Below is a summary of the financial position of the Ice Sheet Authority:

At June 30, 2013

Total assets	\$12,692,771
Total liabilities	(92,295)
Total net position	<u><u>\$12,600,476</u></u>

For the year ended June 30, 2013

Total operating revenue	\$830,600
Total operating expenses	(1,418,285)
Nonoperating revenue	393,253
and expense	
Change in net position	<u><u>(\$194,432)</u></u>

In fiscal 2013, the City made an entry of (\$74,695) to account for the city's portion of the net gain/(loss). The City is currently showing an investment in this joint venture in the amount of \$6,346,147.

Complete financial statements for the Authority may be obtained at Provo City/Utah County Ice Sheet Authority, C/O Provo City Finance Department, 351 West Center St., PO Box 1849, Provo, UT 84603.

**The South Utah Valley Animal Services Special Services District (the District)** is a political subdivision of the State of Utah organized June 2003 for the purpose of animal control and animal shelter services to the residents of Southern Utah County, Utah. The District's membership consists of nine municipalities and Utah County. The City made an initial investment of \$20,888 or 42 percent of the startup costs, to operate the facility.

An eleven-member board governs the District. Each city included within the boundaries of the District may appoint a member to the board. Each member of the board has one vote. A

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
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**NOTE 10 - JOINT VENTURES (continued)**

majority vote of the members present is necessary to approve any agenda item before the board  
The City paid the District \$66,375 for operating costs in fiscal 2013.

Below is a summary of the financial position of the District:

At June 30, 2013

Total assets	\$251,241
Total liabilities	(38,221)
Total net position	<u>\$213,020</u>

For the year ended June 30, 2013

Total operating revenue	\$396,144
Total operating expenses	(449,941)
Nonoperating revenue and expense	1,468
Change in net position	<u>(\$52,329)</u>

Complete financial statements for the District may be obtained at South Utah Valley Animal Services Special Service District, 582 West 3000 North, Spanish Fork, UT 84660.

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*Plan Description.* In addition to the pension benefits described in Note 12, the City provides post-retirement health care and life insurance benefits in accordance with City policy, to all employees who retire from the City upon completing the requirements for the retirement plan participated in as detailed in Note 12. Currently there are 103 retirees who meet those requirements. The City pays the retirees' health care and life insurance premiums on a pay-as-you-go basis. The spouse is required to pay the entire premium. Terminated employees under the COBRA Act are allowed to purchase the same insurance policy at their own expense for a period of 18 months. The City paid \$1,508,183 in premiums for retirees during the fiscal year ended June 30, 2013.

The GASB has issued statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which establishes accounting standards for reporting other OPEB. Statement 45, which is effective for the City for year ended June 30, 2008, requires the City to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

The City provides an OPEB, a single employer defined benefit healthcare plan according to Provo City Personnel Policy #22. Only City employees hired before July 1, 1987, are eligible

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
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**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**(continued)**

to receive post-employment health and life insurance benefits from the OPEB Plan. The City does not prepare separate financial statements for the OPEB plan.

*Funding Policy.* Full-time regular employees who commenced full time employment with the City before July 1, 1987, may continue to participate in the City medical insurance program after retirement, according to the terms of the current medical insurance program and State Retirement regulations, for themselves and their dependents, by paying the same amount as if they were not retired. Full-time regular employees who commenced full time employment with the City after July 1, 1987, may continue to participate in the City medical insurance program after retirement for themselves and their dependents by paying the full premium cost according to the terms of that current program and the State Retirement regulations. Retired employees who maintain continuous coverage may do so until they reach the age 65 or are eligible for Medicare, whichever comes first. Retired employees who drop medical coverage participation may not be reinstated.

Spouses of retirees hired as full-time employees before July 1, 1987, who are under the age 65, may continue health insurance coverage once their retired spouse has reached age 65 by paying the full premium cost according to the terms of the current City medical insurance program. The spouse must apply for such coverage at the time the retired employee reaches age 65. The spouse may retain such coverage until he/she is age 65 or is eligible for Medicare.

If a Provo City employee hired as a full-time employee before July 1, 1987, dies while still in active service with the City, or after retirement, the spouse under age 65 and eligible dependents may continue medical insurance coverage under the terms of the current program until age 65 so long as he/she does not qualify for coverage with another employer. Provo City will pay a contribution of fifty percent (50%) of the premium for single or family coverage according to the terms of the program currently offered until the spouse reaches age 65, is covered by another employer, or is eligible for Medicare.

If an active employee hired as a full-time employee before July 1, 1987, terminates from Provo City employment with a certified medical disability retirement resulting from a job related injury or illness, the employee may continue coverage under the City medical insurance program currently offered for himself/herself and all eligible dependents. In such cases, the retiree on disability will pay the same amount as if they were an active full-time employee according to the terms of that current program to age 65, so long as the retiree on disability does not qualify for coverage with another employer or is eligible for Medicare.

Full-time regular employees who commenced full time employment with the City after July 1, 1987, and are terminating with a certified medical disability retirement resulting from a job related injury may continue to participate in the City medical insurance program after their

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**(continued)**

disability retirement. In such cases, the retiree on disability will pay the full premium cost according to the terms of that current program to age 65. Employees on disability retirement who drop insurance coverage participation may not be reinstated.

Spouses of retirees on disability hired before July 1, 1987, who are under age 65, may continue health insurance coverage once their spouse on disability has reached age 65 by paying the full premium cost according to the terms of the current City medical insurance program. The spouse must apply for such coverage at the time the retired employee on disability reaches age 65. The spouse may retain such coverage until he/she is age 65 or is eligible for Medicare. If the disabled retiree, who was hired as a full-time employee before July 1, 1987, dies before age 65, the spouse under age 65 and eligible dependents may continue coverage under the City medical insurance program according to the terms of that current program until the spouse reaches age 65, qualifies for coverage with another employer, or becomes eligible for Medicare. Provo City will pay a contribution of fifty percent (50%) of the premium for single or family coverage according to the terms of the program currently offered until the spouse reaches age 65 or is covered by another employer or is eligible for Medicare.

As of July 1, 2011, the date of the latest actuarial valuation, approximately 512 active employees (52 Pre-07/01/87 and 460 Post-07/01/87) and 103 inactive (retired) employees are receiving health insurance benefits from the City.

*Annual OPEB cost and Net OPEB obligation.* The end of the year net OPEB obligation is determined as follows:

Annual Required Contribution (ARC)	\$ 1,828,047
Interest on Net OPEB Obligation	44,754
Adjustment to the ARC	<u>(68,865)</u>
Annual Pension Cost (APC)	1,803,936
Contributions Made	<u>(2,380,994)</u>
Increase (Decrease) in Net OPEB Obligation	(577,058)
Net OPEB Obligation, Beginning of Year	<u>1,118,856</u>
Net OPEB Obligation, End of Year	<u><u>\$ 541,798</u></u>

The following is a three-year summary of Provo City's Net OPEB obligation:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2013	\$ 1,803,936	131.99%	\$ 541,798
2012	1,818,866	110.20%	1,118,856
2011	1,793,578	92.00%	1,403,810

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**  
**(continued)**

*Funded status and funding progress.* As of July 1, 2011, the actuarial accrued liability (AAL) for benefits was \$24.67 million. The City of Provo has not set aside assets at this time; therefore, the unfunded actuarial accrued liability is equal to the actuarial accrued liability.

Actuarial Accrued Liability (AAL)	24,669,989
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	24,669,989
Funded ratio	0%
Covered payroll (annual payroll of active employees covered by the plan)	36,062,786
UAAL as percentage of covered payroll	68.41%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

*Actuarial methods and assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of events far in the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. In the July 1, 2011 actuarial valuation the following assumptions were made:

Actuarial Assumptions	
Actuarial cost method	Full eligibility age
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Inflation rate	2.75%
Asset valuation method	N/A <sup>*</sup>
Interest rate	4.00%
Projected health insurance cost increases	7.3% for FY12-13 6.3% for FY13-14 grading to 4.6% for FY83 and beyond
Projected dental cost increases	5.0% for FY11-74 5.0% for FY74-75 grading to 4.6% for FY83 and beyond

<sup>\*</sup> The City has no actuarial value of assets due to the City's pay-as-you-go accounting.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 12 - RETIREMENT PLANS**

*Plan Description.* The City participates in the Utah Retirement Systems (URS). The URS administers the following separate retirement systems in which the City participates: the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System, and the Firefighters' Retirement System, (collectively, hereafter, known as the Systems), all of which are cost-sharing multiple employer defined benefit pension plans. The 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 the State Legislature.

Beginning July 1, 2011, the URS also created a Tier 2 plan within the Systems. All new employees hired on or after July 1, 2011 are automatically placed on the Tier 2 plan. Within the Tier 2 plan, employees have two options; one is the Hybrid Retirement System, which combines a pension and 401(k) plan. The other option is the Defined Contribution plan, which is 401(k) only. All contributions were equal to the required contribution for all plans within the Systems.

The Systems have been established and are governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended, which also establishes 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 Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

A brief summary of eligibility and benefits is as follows:

	<u>Contributory System</u>	<u>Noncontributory System</u>	<u>Public Safety &amp; Firefighters Systems</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighters System</u>
Required Service Years	30 years any age	30 years any age	20 years any age	35 years any age	25 years any age
Eligible for Benefit Age	20 years age 60	25 years any age	10 years age 60	20 years age 60	20 years age 60
	10 years age 62	20 years age 62	4 years age 65	10 years age 62	10 years age 62
	4 years age 65	10 years age 62		4 years age 65	4 years age 65
		4 years age 65			

*Funding Policy.* The required contribution rates in effect from July 1, 2012, through June 30, 2013, are as follows, figured on the covered salary for the eligible employees:

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 12 - RETIREMENT PLANS (continued)**

	Contribution Rates		Tier 2 Contribution Rates
	Employee Paid	Employer Paid	Employer Paid
Contributory	6%	12.03%	12.74%
Noncontributory	N/A	16.04%	N/A
Public Safety	N/A	38.54%	27.08%
Firefighters	N/A	18.79%	11.1%

The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. The City's contributions for the current year and each of the two preceding years are as follows:

System	Year Ended June 30	Employee Paid	Employer Paid for Employee	Employer
Contributory System Tier 1&2	2013	\$0	\$63,034	\$274,063
	2012	0	75,764	173,993
	2011	19,401	63,155	128,786
Noncontributory System	2013	N/A	N/A	3,059,252
	2012	N/A	N/A	2,547,777
	2011	N/A	N/A	2,455,929
Firefighters System Tier 1&2	2013	N/A	710,094	104,641
	2012	N/A	699,172	317
	2011	N/A	636,021	0
Public Safety System	2013	N/A	N/A	2,097,522
	2012	N/A	N/A	1,708,448
	2011	N/A	N/A	1,594,225

The contributions were equal to the required contributions for each year.

***Defined Contribution Plans***

The City participates in a 401(k) plan managed by the URS. All full-time regular municipal employees are eligible to participate in this plan. The City provides a match to all employees 401(k), not to exceed 2% of an employee's annual salary. With the addition of the new Tier 2 program within the URS, employees enrolled in either the Defined Benefit Hybrid system or the Defined Contribution system have contributions made to their 401(k). The following table summarizes 401(k) contributions for each of the Systems:

	Hybrid System	Defined Contribution
Public Employees	2.41%	10.00%
Public Safety	1.55%	12.00%
Firefighters	1.55%	12.00%

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 12 - RETIREMENT PLANS (continued)**

The City's contributions to the 401(k) plan are made to provide parity in the City's contribution rate to the different systems in which its employees participate. City ordinance gives some employees the option to have the City contribute to the 401(k) plan in lieu of other defined benefit plans. The City contributed a total of \$591,016 to the plan during the fiscal year ended June 30, 2013.

**NOTE 13 - RESTRICTIONS ON FUND BALANCES AND NET POSITION**

**General Fund and Debt Service Funds**

State statutes allow the use of accumulated fund balance of the General Fund for the following: (1) to finance operations from the beginning of a fiscal year until revenue is collected, (2) to meet emergency expenditures resulting from natural disasters, and (3) to cover unanticipated deficits in future years. Also, the Class "C" Road Grant monies are designated for certain road uses by Utah State law. Unexpended 2013 grant money is accounted for in the General Fund. Any fund balance in the Debt Service funds after retirement of all general long-term debt must be transferred to the General Fund.

**Restricted Net Position**

In the government-wide financial statements, GASB No. 34 requires the City to separately report certain restricted assets, revenues, and balances. Net position should be reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislations.

The restricted net position for the City is as follows:

**Restricted Net Position**

	<u>Governmental Activities</u>	<u>Business type Activities</u>
<b>Restricted for capital projects</b>		
Capital projects	\$ 5,684,916	\$ 1,153,066
<b>Restricted for debt service</b>		
Debt service reserve	1,277,131	-
Energy 2002 Bonds	-	446,444
Energy 2003 A Bond	-	301,696
Water 2003 Bond	-	212,670
Telecommunications Bonds	<u>1,613,207</u>	<u>-</u>
Total restricted for debt service	<u>2,890,338</u>	<u>960,810</u>
Total restricted net position	<u>\$ 8,575,254</u>	<u>\$ 2,113,876</u>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 13 - RESTRICTIONS ON FUND BALANCES AND NET POSITION**  
**(continued)**

GASB statement 54 requires governments to consistently report fund balances. Fund balance will be displayed in the following classifications:

*Nonspendable*—amounts that are not in a spendable form (such as inventory) or required to be maintained intact

*Restricted*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, etc.) by enabling legislation. The City recognizes expenses for restricted amounts when the expenses occur, as instructed by GAAP.

*Assigned*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body. The City recognizes expenses for assigned amounts when the expenses occur.

*Unassigned*—amounts that are available for any purpose; the general fund reports all positive unassigned fund balance. Unassigned also can include deficit fund balances in other governmental funds. The City recognizes expenses for unassigned amounts when the expenses occur.

City financial policies state that when restricted and unrestricted resources are available for use for the same purpose, restricted resources are used before unrestricted resources. Unrestricted resources consist of assigned and unassigned. When assigned and unassigned resources are available for use for the same purpose, assigned will be used before unassigned.

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**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 13 - RESTRICTIONS ON FUND BALANCES AND NET POSITION**  
**(continued)**

The City's governmental fund balances are reported below using the classifications given in the GASB statement.

	General	Housing Consortium	Debt Service	Parks CIP	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 35,761				\$ -	\$ 35,761
Restricted for:						
Emergency Response	370,757					370,757
Road Projects	3,674,803					3,674,803
Capital Improvements				\$ 2,843,135		2,843,135
Assigned:						
Council	93,494					93,494
Finance	7,161					7,161
Information Systems	196,756					196,756
Human Resources	27,652					27,652
Attorney's Office	38,686					38,686
Community Development	244,232					244,232
Economic Development	550,156					550,156
General Services	204,521					204,521
Mayor's Office	17,098					17,098
Parks	350,566					350,566
Police	215,639					215,639
Engineering	156,638					156,638
Fire	32,715					32,715
Housing		\$ 1,019,001				1,019,001
Capital Improvements					5,176,165	5,176,165
Library					4,350,938	4,350,938
Arts Council					97,857	97,857
Winterfest					17,351	17,351
Commercial Rehab					94,884	94,884
Business Development					289,114	289,114
Rental Rehab					355,909	355,909
CDBG					10,040	10,040
Housing Rehab					97,566	97,566
Tax Increment					3,634,878	3,634,878
Homebuyer Assistance					49,257	49,257
Special Purpose Grants					104,258	104,258
CNRCC					161,694	161,694
Homeless Prevention					270	270
Debt Services			\$ 2,483,325			2,483,325
New Development					247,209	247,209
Unassigned						
General	8,977,109	-	-	-	-	8,977,109
	<u>\$ 15,193,744</u>	<u>\$ 1,019,001</u>	<u>\$ 2,483,325</u>	<u>\$ 2,843,135</u>	<u>\$ 14,687,390</u>	<u>\$ 36,226,595</u>

**NOTE 14 - MAJOR UTILITY CUSTOMER**

The City, through its Energy Fund and Water Fund, delivers power and water to a major customer. The gross sales to this customer approximate 13.7 percent of the gross energy dollar sales and 3.3 percent of gross water dollar sales.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 15 - REDEVELOPMENT AGENCY**

During fiscal year 2013, the Redevelopment Agency of Provo City collected tax increment funds of \$1,711,615 for the Central Business District Project, Project Area Number 4, and the South University Avenue Project. This included \$219,987 of “additional” tax increment funds for a cultural arts facility, i.e., the City’s downtown performing arts center project. The Redevelopment Agency did not pay tax increment funds to any taxing agencies for projects during fiscal year 2013.

The following is a list of outstanding principal amounts of bonds or other contractual commitments associated with projects:

Tax Increment Series 2005 Revenue Bonds ("additional" Increment-performing arts center)	\$ 1,685,000
Contract Balances	
Dillards Department Stores	1,047,308
Provo Towne Center Mall	10,795,672
Total Contract Balances	\$ 11,842,980

The Redevelopment Agency’s obligation on the Provo Towne Center Mall includes accrual of eight percent annual interest on the remaining balance, calculated from May 15, 1997. The balance shown is after the fiscal year 2013 payment and includes accrued interest. Tax increment proceeds will be applied to interest owed first.

The Redevelopment Agency had \$3,000 in administrative expenditures for tax increment projects during the fiscal year.

**NOTE 16 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***

The general, special revenue, debt service and capital improvement funds’ budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the department level for the General fund and the fund level for all other funds.

Annual budgets for all funds for the fiscal year commencing July 1 are legally adopted by resolution of the Provo City Council on or before June 22 and after public hearings. The operating budget includes proposed expenditures and revenue sources. Amendments to the annual budget are made throughout the fiscal year by resolution of the Provo Municipal Council after a public hearing.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 16 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**  
**(continued)**

Budgetary control is maintained at the department level for the General Fund and at the fund level for all other funds. The Department Head may transfer from one category to another upon review and approval of the Budget Officer. Budgets cannot be transferred between funds without Municipal Council approval.

Encumbrance accounting is used by the City to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end. Encumbered amounts carry over to the subsequent year. The budget in all funds is reduced at year-end by the amount of the reserve for encumbrances and is added to the ensuing year with administrative approval.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the reappropriation of year-end encumbrances.

Capital project funds are budgeted on a project basis. However, unused appropriations are transferred forward into the new fiscal year as approved by the Municipal Council in the original budget.

**NOTE 17 - RECONCILIATION OF GOVERNMENTAL FUNDS TO**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

When comparing the capital assets reported on the statement of net position for governmental funds with the amount reported on the reconciliation between the fund statements and the statement of net position, there is a difference. The reason the numbers are not the same is because the statement of net position includes the capital assets of the internal service funds because they primarily benefit governmental funds. The same is true with long-term liabilities. In the reconciliation, the net positions of the internal service funds are reported on one line to explain the difference. The following is a schedule that shows the balances in governmental funds and internal service funds for capital assets and liabilities.

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 17 – RECONCILIATION OF GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

	Governmental Funds	Reported in Fund statements	Internal service Funds	Governmental Activities
<b>Statement of Net Position:</b>				
Capital assets	\$ 449,192,969	\$ -	\$ 30,723,190	\$ 479,916,159
Accumulated depreciation	(126,101,564)	-	(20,856,881)	(146,958,446)
Net	\$ 323,091,405 *	\$ -	\$ 9,866,309	\$ 332,957,713 **
Accrued compensated absences (includes current portion)	\$ 5,358,426 *	\$ -	\$ 341,718	\$ 5,700,144 **
Net OPEB payable	381,580 *	-	30,960	412,540 **
Bonds payable	74,906,270	-	-	74,906,270
Notes payable	-	-	326,674	326,674
Loans payable	-	-	-	-
Leases payable	326,103	-	1,044,623	1,370,726
Long-term liabilities (includes current portion)	\$ 75,232,373 *	\$ -	\$ 1,371,297	\$ 76,603,670 **
<b>Statement of Activities:</b>				
Capital outlay	\$ 26,320,979	\$ -	\$ 3,974,577	\$ 30,295,556
Depreciation	(4,648,758)	-	(2,115,158)	(6,763,916)
Net	\$ 21,672,221 ***	\$ -	\$ 1,859,419	\$ 23,531,640

\*Reported on reconciliation of the balance sheet for governmental funds to Statement of Net Position.

\*\*Reported on the Statement of Net Position in the governmental funds column.

\*\*\*Reported on reconciliation of the statement of revenues, expenditures and changes in fund balance to the Statement of Activities.

**NOTE 18 - INTEREST EXPENSE**

The following is a schedule that shows the amount of interest that was paid during the year, accrued at the end of the year and the total interest capitalized and total charged to expense:

	Beginning Accrued	Incurred	Expensed	Capitalized	Ending Accrued
Governmental funds*	\$ 1,497,103	\$ (3,530,647)	\$ 3,478,223	\$ -	\$ 1,444,679
Internal service funds	50,053	(94,734)	47,367	-	2,686
Enterprise funds*	82,370	(719,623)	547,782	138,102	48,631
Total	<u>\$ 1,629,526</u>	<u>\$ (4,345,004)</u>	<u>\$ 4,073,372</u>	<u>\$ 138,102</u>	<u>\$ 1,495,996</u>

**PROVO CITY CORPORATION**  
**Notes to the Financial Statements**  
**JUNE 30, 2013**

**NOTE 19 - FIBER OPTIC NETWORK**

On April 17, 2013, the City announced its intention to sell its fiber optic network in Provo to Google Fiber Utah, LLC. The sale of the fiber optic network was substantially completed by June 30, 2013.

The City agreed to sell the fiber network for \$1.00 plus a commitment from Google Fiber to significantly upgrade the network to provide Internet speeds of up to one gigabit per second as well as high-definition video options. In connection with the sale, Google Fiber has announced its intent to offer a free basic Internet option to almost all Provo residents for up to seven years. All Google Fiber service options require a one-time \$30 construction fee.

Prior to the sale of the fiber optic network to Google Fiber, the net carrying value of the fiber optic network was \$22,486,508. Following the sale of the network to Google Fiber, net assets as of June 30, 2013 were decreased by \$22,486,508 for business-type activities reflecting the disposition of the fiber network assets.

The City believes the future benefits from the sale of the fiber network in Provo to Google Fiber far exceed the carrying value of the network.

**Provo City  
Other Postemployment Benefits Plan  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded actuarial accrued liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as percentage of covered payroll
July 1, 2011	\$ 24,669,989	\$ -	\$ 24,669,989	0%	\$ 36,062,786	68.41%
July 1, 2009	23,544,086	-	23,544,086	0%	34,393,627	68.45%
July 1, 2007	28,064,036	-	28,064,036	0%	35,496,947	79.06%

**PROVO CITY CORPOATION**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**As of June 30, 2013**

	<b>Special Revenue</b>											
	Library	Arts Council	Winterfest	Commercial Rehab	Business Development Loans	Rental Rehab	C.D.B.G.	Housing Rehab	Tax Increment	Homebuyer Assistance Revolving	Special Purpose Grants	New Development
<b>Assets</b>												
Cash	\$ 4,200,579	\$ 91,388	\$ 17,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100
Restricted cash	-	-	-	129,295	289,216	355,909	-	97,566	3,645,905	49,257	104,258	255,127
Accounts receivable	3,126,079	28,158	-	-	-	-	450,576	-	483	-	-	-
Loans receivable	-	-	-	45,080	145,361	542,598	-	142,330	-	644,192	831,731	-
Note receivable	-	-	-	-	-	-	-	-	-	-	-	-
Investment in land	-	-	-	-	-	-	-	-	-	-	-	1,235,076
<b>Total Assets</b>	<b>\$ 7,326,658</b>	<b>\$ 119,546</b>	<b>\$ 17,351</b>	<b>\$ 174,375</b>	<b>\$ 434,577</b>	<b>\$ 898,507</b>	<b>\$ 450,576</b>	<b>\$ 239,896</b>	<b>\$ 3,646,388</b>	<b>\$ 693,449</b>	<b>\$ 935,989</b>	<b>\$ 1,490,303</b>
<b>Liabilities, Deferred Inflows &amp; Fund Balance</b>												
<b>Liabilities:</b>												
Accounts payable	\$ 19,938	\$ 14,210	\$ -	\$ 34,411	\$ 102	\$ -	\$ 88,100	\$ -	\$ 2,106	\$ -	\$ -	\$ 8,018
Accrued liabilities	39,216	7,479	-	-	-	-	-	-	9,404	-	-	-
Due to other funds	-	-	-	-	-	-	352,436	-	-	-	-	1,235,076
<b>Total Liabilities</b>	<b>59,154</b>	<b>21,689</b>	<b>-</b>	<b>34,411</b>	<b>102</b>	<b>-</b>	<b>440,536</b>	<b>-</b>	<b>11,510</b>	<b>-</b>	<b>-</b>	<b>1,243,094</b>
<b>Deferred Inflows of Resources</b>												
Deferred property tax revenue	2,916,566	-	-	-	-	-	-	-	-	-	-	-
Deferred unavailable revenue-loans receivable	-	-	-	45,080	145,361	542,598	-	142,330	-	644,192	831,731	-
<b>Total Deferred Inflows of Resources</b>	<b>2,916,566</b>	<b>-</b>	<b>-</b>	<b>45,080</b>	<b>145,361</b>	<b>542,598</b>	<b>-</b>	<b>142,330</b>	<b>-</b>	<b>644,192</b>	<b>831,731</b>	<b>-</b>
<b>Fund Balance</b>												
Assigned	4,350,938	97,857	17,351	94,884	289,114	355,909	10,040	97,566	3,634,878	49,257	104,258	247,209
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>4,350,938</b>	<b>97,857</b>	<b>17,351</b>	<b>94,884</b>	<b>289,114</b>	<b>355,909</b>	<b>10,040</b>	<b>97,566</b>	<b>3,634,878</b>	<b>49,257</b>	<b>104,258</b>	<b>247,209</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balance</b>	<b>\$ 7,326,658</b>	<b>\$ 119,546</b>	<b>\$ 17,351</b>	<b>\$ 174,375</b>	<b>\$ 434,577</b>	<b>\$ 898,507</b>	<b>\$ 450,576</b>	<b>\$ 239,896</b>	<b>\$ 3,646,388</b>	<b>\$ 693,449</b>	<b>\$ 935,989</b>	<b>\$ 1,490,303</b>

**PROVO CITY CORPOATION**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**As of June 30, 2013**

	Special Revenue				Capital Projects				Total Other Governmental Funds
	C.N.R.C.C.	Homeless Prevention	Boulders Grant	Economic/ Community Investment	General CIP	Engineering CIP	Mountain Vista	Economic Development	
<b>Assets</b>									
Cash	\$ -	\$ 270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,393	\$ 4,467,081
Restricted cash	161,694	-	-	-	981,487	3,978,922	2,259	-	10,050,895
Accounts receivable	-	-	-	-	-	60,968	-	20,160	3,686,424
Loans receivable	2,014,978	-	-	-	-	-	-	-	4,366,270
Note receivable	-	-	-	-	-	-	940,244	-	940,244
Investment in land	-	-	-	-	-	-	-	-	1,235,076
<b>Total Assets</b>	<b>\$ 2,176,672</b>	<b>\$ 270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 981,487</b>	<b>\$ 4,039,890</b>	<b>\$ 942,503</b>	<b>\$ 177,553</b>	<b>\$ 24,745,990</b>
<b>Liabilities, Deferred Inflows &amp; Fund Balance</b>									
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,500	\$ 10,589	\$ -	\$ -	\$ 179,974
Accrued liabilities	-	-	-	-	-	-	-	-	56,099
Due to other funds	-	-	-	-	-	-	-	-	1,587,512
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>10,589</b>	<b>-</b>	<b>-</b>	<b>1,823,585</b>
<b>Deferred Inflows of Resources</b>									
Deferred property tax revenue	-	-	-	-	-	-	-	-	2,916,566
Deferred unavailable revenue-loans receivable	2,014,978	-	-	-	-	11,935	940,244	-	5,318,449
<b>Total Deferred Inflows of Resources</b>	<b>2,014,978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,935</b>	<b>940,244</b>	<b>-</b>	<b>8,235,015</b>
<b>Fund Balance</b>									
Assigned	161,694	270	-	-	978,987	4,017,366	2,259	177,553	14,687,390
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>161,694</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>978,987</b>	<b>4,017,366</b>	<b>2,259</b>	<b>177,553</b>	<b>14,687,390</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balance</b>	<b>\$ 2,176,672</b>	<b>\$ 270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 981,487</b>	<b>\$ 4,039,890</b>	<b>\$ 942,503</b>	<b>\$ 177,553</b>	<b>\$ 24,745,990</b>

**PROVO CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the year ended June 30, 2013**

	<b>Special Revenue</b>							
	Library	Arts Council	Winterfest	Commercial Rehab	Business Development Loans	Rental Rehab	C.D.B.G.	Housing Rehab
<b>Revenues:</b>								
Taxes	\$ 3,424,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	33,080	-	-	-	-	-	1,491,817	68
Charges for services	302,189	-	-	-	-	-	-	-
Interest income	37,237	867	133	498	1,735	1,990	30	1,133
Loan principal repayments	-	-	-	-	73,371	43,987	-	-
Loan interest repayments	-	-	-	-	10,768	-	-	-
Lease income	-	-	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Miscellaneous	16,257	705,097	18,567	-	-	-	-	-
<b>Total revenues</b>	<b>3,813,624</b>	<b>705,964</b>	<b>18,700</b>	<b>498</b>	<b>85,874</b>	<b>45,977</b>	<b>1,491,847</b>	<b>1,201</b>
<b>Expenditures:</b>								
Current:								
Culture and recreation	4,008,631	1,067,640	38,000	-	-	-	-	-
Community revitalization	-	-	-	91,600	36,099	580	1,492,196	1,611
<b>Total current expenditures</b>	<b>4,008,631</b>	<b>1,067,640</b>	<b>38,000</b>	<b>91,600</b>	<b>36,099</b>	<b>580</b>	<b>1,492,196</b>	<b>1,611</b>
Debt service:								
Interest expense	-	-	-	-	-	-	-	-
Rent/Lease	6,206	3,060	-	-	-	-	-	-
Principal on debt	-	-	-	-	-	-	-	-
Interest - interfund	-	-	-	-	-	-	-	-
Service fees on debt	-	-	-	-	-	-	-	-
<b>Total debt service</b>	<b>6,206</b>	<b>3,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital outlay:								
Capital outlay	-	8,740	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,014,837</b>	<b>1,079,440</b>	<b>38,000</b>	<b>91,600</b>	<b>36,099</b>	<b>580</b>	<b>1,492,196</b>	<b>1,611</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(201,213)</b>	<b>(373,476)</b>	<b>(19,300)</b>	<b>(91,102)</b>	<b>49,775</b>	<b>45,397</b>	<b>(349)</b>	<b>(410)</b>
<b>Other financing sources (uses):</b>								
Transfers from other funds	-	257,938	13,000	130,000	-	-	-	-
Transfers to other funds	-	(8,740)	-	-	(60,000)	-	-	(70,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>249,198</b>	<b>13,000</b>	<b>130,000</b>	<b>(60,000)</b>	<b>-</b>	<b>-</b>	<b>(70,000)</b>
<b>Net change in fund balance</b>	<b>(201,212)</b>	<b>(124,278)</b>	<b>(6,300)</b>	<b>38,898</b>	<b>(10,225)</b>	<b>45,397</b>	<b>(349)</b>	<b>(70,410)</b>
<b>Fund balance--beginning</b>	<b>4,552,150</b>	<b>222,135</b>	<b>23,651</b>	<b>55,986</b>	<b>299,339</b>	<b>310,512</b>	<b>10,389</b>	<b>167,976</b>
<b>Fund balance--ending</b>	<b>\$ 4,350,938</b>	<b>\$ 97,857</b>	<b>\$ 17,351</b>	<b>\$ 94,884</b>	<b>\$ 289,114</b>	<b>\$ 355,909</b>	<b>\$ 10,040</b>	<b>\$ 97,566</b>

**PROVO CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the year ended June 30, 2013**

	<b>Special Revenue</b>							
	Tax Increment	Homebuyer Assistance Revolving	Special Purpose Grants	New Development	C.N.R.C.C.	Homeless Prevention	Boulders Grant	Economic/ Community Investment
<b>Revenues:</b>								
Taxes	\$ 1,711,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	65,025	-
Charges for services	-	-	-	-	45,460	-	-	-
Interest income	23,445	176	575	1,040	865	-	-	2,251
Loan principal repayments	-	46,704	22,098	-	-	-	-	-
Loan interest repayments	-	377	552	-	-	-	-	-
Lease income	-	-	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-
Miscellaneous	1,485	-	-	355,255	-	-	-	-
<b>Total revenues</b>	<b>1,736,545</b>	<b>47,257</b>	<b>23,225</b>	<b>356,295</b>	<b>46,325</b>	<b>-</b>	<b>65,025</b>	<b>2,251</b>
<b>Expenditures:</b>								
Current:								
Culture and recreation	-	-	-	-	-	-	-	-
Community revitalization	1,033,648	224	-	235,345	8,235	-	61,425	-
<b>Total current expenditures</b>	<b>1,033,648</b>	<b>224</b>	<b>-</b>	<b>235,345</b>	<b>8,235</b>	<b>-</b>	<b>61,425</b>	<b>-</b>
Debt service:								
Interest expense	87,465	-	-	-	-	-	-	-
Rent/Lease	20,000	-	-	4,689	-	-	3,600	-
Principal on debt	100,000	-	-	-	-	-	-	-
Interest - interfund	-	-	-	36,300	-	-	-	-
Service fees on debt	2,500	-	-	-	-	-	-	-
<b>Total debt service</b>	<b>209,965</b>	<b>-</b>	<b>-</b>	<b>40,989</b>	<b>-</b>	<b>-</b>	<b>3,600</b>	<b>-</b>
Capital outlay:								
Capital outlay	6,166	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,249,779</b>	<b>224</b>	<b>-</b>	<b>276,334</b>	<b>8,235</b>	<b>-</b>	<b>65,025</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>486,766</b>	<b>47,033</b>	<b>23,225</b>	<b>79,961</b>	<b>38,090</b>	<b>-</b>	<b>-</b>	<b>2,251</b>
<b>Other financing sources (uses):</b>								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	(699,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(699,000)</b>
<b>Net change in fund balance</b>	<b>486,766</b>	<b>47,033</b>	<b>23,225</b>	<b>79,961</b>	<b>38,090</b>	<b>-</b>	<b>-</b>	<b>(696,749)</b>
<b>Fund balance--beginning</b>	<b>3,148,112</b>	<b>2,224</b>	<b>81,033</b>	<b>167,248</b>	<b>123,604</b>	<b>270</b>	<b>-</b>	<b>696,749</b>
<b>Fund balance--ending</b>	<b>\$ 3,634,878</b>	<b>\$ 49,257</b>	<b>\$ 104,258</b>	<b>\$ 247,209</b>	<b>\$ 161,694</b>	<b>\$ 270</b>	<b>\$ -</b>	<b>\$ -</b>

**PROVO CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the year ended June 30, 2013**

**Capital Projects**

	General CIP	Engineering CIP	Mountain Vista	Economic Development	Total Other Governmental Funds
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 5,136,476
Intergovernmental	-	1,327,473	-	-	2,917,463
Charges for services	107,577	10,481	-	-	465,707
Interest income	3,757	28,704	-	1,923	106,359
Loan principal repayments	-	-	-	-	186,159
Loan interest repayments	-	-	-	-	11,698
Lease income	-	-	-	29,760	29,760
Impact fees	-	287,588	-	-	287,588
Miscellaneous	-	496,720	-	-	1,593,381
<b>Total revenues</b>	<u>111,334</u>	<u>2,150,966</u>	<u>-</u>	<u>31,683</u>	<u>10,734,591</u>
<b>Expenditures:</b>					
Current:					
Culture and recreation	-	-	-	-	5,114,271
Community revitalization	-	-	-	-	2,960,960
<b>Total current expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,075,231</u>
Debt service:					
Interest expense	-	-	-	-	87,465
Rent/Lease	-	-	-	4,608	42,164
Principal on debt	-	-	-	-	100,000
Interest - interfund	-	-	-	-	36,300
Service fees on debt	-	-	-	-	2,500
<b>Total debt service</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,608</u>	<u>268,429</u>
Capital outlay:					
Capital outlay	91,755	3,231,406	-	208	3,338,275
<b>Total expenditures</b>	<u>91,755</u>	<u>3,231,406</u>	<u>-</u>	<u>4,816</u>	<u>11,681,935</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>19,579</u>	<u>(1,080,440)</u>	<u>-</u>	<u>26,867</u>	<u>(947,344)</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	450,600	-	-	-	851,538
Transfers to other funds	(40,000)	(350,000)	-	-	(1,227,740)
<b>Total other financing sources (uses)</b>	<u>410,600</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>(376,202)</u>
<b>Net change in fund balance</b>	<u>430,179</u>	<u>(1,430,440)</u>	<u>-</u>	<u>26,867</u>	<u>(1,323,546)</u>
<b>Fund balance--beginning</b>	<u>548,808</u>	<u>5,447,806</u>	<u>2,259</u>	<u>150,686</u>	<u>16,010,936</u>
<b>Fund balance--ending</b>	<u>\$ 978,987</u>	<u>\$ 4,017,366</u>	<u>\$ 2,259</u>	<u>\$ 177,553</u>	<u>\$ 14,687,390</u>

**PROVO CITY CORPORATION**  
**Library Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Property taxes	\$ 3,191,327	\$ 3,039,622	\$ 151,705
Vehicle taxes	233,535	365,000	(131,465)
Federal grant	7,456	-	7,456
State grant	25,624	1,000	24,624
Charge for services	302,189	315,000	(12,811)
Interest income	37,238	30,000	7,238
Miscellaneous	16,256	7,500	8,756
<b>Total revenues</b>	<u>3,813,625</u>	<u>3,758,122</u>	<u>55,503</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	1,725,423	1,768,449	43,026
Employee benefits	671,283	669,897	(1,386)
Operating expenses	1,611,924	1,638,731	26,807
Total current expenditures	<u>4,008,630</u>	<u>4,077,077</u>	<u>68,447</u>
Debt service:			
Rent/Lease	6,207	7,000	793
Total debt service	<u>6,207</u>	<u>7,000</u>	<u>793</u>
Capital outlay:			
Capital outlay	-	12,735	12,735
<b>Total expenditures</b>	<u>4,014,837</u>	<u>4,096,812</u>	<u>81,975</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(201,212)</u>	<u>(338,690)</u>	<u>137,478</u>
<b>Net change in fund balance</b>	<u>(201,212)</u>	<u>(338,690)</u>	<u>137,478</u>
<b>Fund balance at beginning of year</b>	<u>4,552,150</u>		
<b>Fund balance at end of year</b>	<u>\$ 4,350,938</u>		

**PROVO CITY CORPORATION**  
**Arts Council Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 867	\$ 2,000	\$ (1,133)
Miscellaneous	705,097	682,742	22,355
<b>Total revenues</b>	<u>705,964</u>	<u>684,742</u>	<u>21,222</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	377,243	373,946	(3,297)
Employee benefits	151,926	157,421	5,495
Operating expenses	538,472	542,732	4,260
Total current expenditures	<u>1,067,641</u>	<u>1,074,099</u>	<u>6,458</u>
Debt service:			
Rent/Lease	3,059	2,000	(1,059)
Total debt service	<u>3,059</u>	<u>2,000</u>	<u>(1,059)</u>
Capital outlay:			
Capital outlay	8,740	8,740	-
<b>Total expenditures</b>	<u>1,079,440</u>	<u>1,084,839</u>	<u>5,399</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(373,476)</u>	<u>(400,097)</u>	<u>26,621</u>
<b>Other financing sources (uses):</b>			
Transfer from general fund	249,198	249,198	-
Transfer from Performance Fund	8,740	-	8,740
Transfer to arts council	(8,740)	(8,740)	-
<b>Total other financing sources (uses):</b>	<u>249,198</u>	<u>240,458</u>	<u>8,740</u>
<b>Net change in fund balance</b>	(124,278)	<u>\$ (159,639)</u>	<u>\$ 35,361</u>
<b>Fund balance at beginning of year</b>	<u>222,135</u>		
<b>Fund balance at end of year</b>	<u>\$ 97,857</u>		

**PROVO CITY CORPORATION**  
**Winterfest Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 132	\$ -	\$ 132
Miscellaneous	18,567	25,000	(6,433)
<b>Total revenues</b>	<u>18,699</u>	<u>25,000</u>	<u>(6,301)</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	37,999	38,000	1
Total current expenditures	37,999	38,000	1
<b>Total expenditures</b>	<u>37,999</u>	<u>38,000</u>	<u>1</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(19,300)</u>	<u>(13,000)</u>	<u>(6,300)</u>
<b>Other financing sources (uses):</b>			
Transfer from general fund	13,000	13,000	-
<b>Total other financing sources (uses):</b>	<u>13,000</u>	<u>13,000</u>	<u>-</u>
<b>Net change in fund balance</b>	(6,300)	<u>\$ -</u>	<u>\$ (6,300)</u>
<b>Fund balance at beginning of year</b>	<u>23,651</u>		
<b>Fund balance at end of year</b>	<u>\$ 17,351</u>		

**PROVO CITY CORPORATION**  
**Commercial Rehab Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 498	\$ 250	\$ 248
<b>Total revenues</b>	<u>498</u>	<u>250</u>	<u>248</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	20,000	16,008	(3,992)
Employee benefits	-	3,992	3,992
Operating expenses	<u>71,600</u>	<u>71,737</u>	<u>137</u>
Total current expenditures	91,600	91,737	137
Capital outlay:			
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>91,600</u>	<u>91,737</u>	<u>137</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(91,102)</u>	<u>(91,487)</u>	<u>385</u>
<b>Other financing sources (uses):</b>			
Transfer from Small Business	60,000	60,000	-
Transfer from housing rehab	<u>70,000</u>	<u>70,000</u>	<u>-</u>
<b>Total other financing sources (uses):</b>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
<b>Net change in fund balance</b>	38,898	<u>\$ 38,513</u>	<u>\$ 385</u>
<b>Fund balance at beginning of year</b>	<u>55,986</u>		
<b>Fund balance at end of year</b>	<u>\$ 94,884</u>		

**PROVO CITY CORPORATION**  
**Business Dev. Corp. of Provo Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 1,735	\$ 3,000	\$ (1,265)
Principal payments	73,371	150,000	(76,629)
Interest payments	10,768	25,000	(14,232)
<b>Total revenues</b>	<u>85,874</u>	<u>178,000</u>	<u>(92,126)</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	2,544	3,520	976
Employee benefits	976	-	(976)
Operating expenses	32,579	32,579	-
Total current expenditures	<u>36,099</u>	<u>36,099</u>	<u>-</u>
<b>Total expenditures</b>	<u>36,099</u>	<u>36,099</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>49,775</u>	<u>141,901</u>	<u>(92,126)</u>
<b>Other financing sources (uses):</b>			
Transfer to commercial rehab	(60,000)	(60,000)	-
<b>Total other financing sources (uses):</b>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(10,225)	<u>\$ 81,901</u>	<u>\$ (92,126)</u>
<b>Fund balance at beginning of year</b>	<u>299,339</u>		
<b>Fund balance at end of year</b>	<u>\$ 289,114</u>		

**PROVO CITY CORPORATION**  
**Rental Rehab Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 1,990	\$ 3,000	\$ (1,010)
Principal payments	43,987	-	43,987
<b>Total revenues</b>	<u>45,977</u>	<u>3,000</u>	<u>42,977</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	580	1,000	420
Total current expenditures	<u>580</u>	<u>1,000</u>	<u>420</u>
<b>Total expenditures</b>	<u>580</u>	<u>1,000</u>	<u>420</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>45,397</u>	<u>2,000</u>	<u>43,397</u>
<b>Net change in fund balance</b>	45,397	<u>\$ 2,000</u>	<u>\$ 43,397</u>
<b>Fund balance at beginning of year</b>	<u>310,512</u>		
<b>Fund balance at end of year</b>	<u>\$ 355,909</u>		

**PROVO CITY CORPORATION**  
**C.D.B.G. Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Federal grant	\$ 1,491,817	\$ 1,533,248	\$ (41,431)
Interest income	31	-	31
<b>Total revenues</b>	<u>1,491,848</u>	<u>1,533,248</u>	<u>(41,400)</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	201,391	314,185	112,794
Employee benefits	191,663	186,085	(5,578)
Operating expenses	1,099,142	1,120,816	21,674
Total current expenditures	<u>1,492,196</u>	<u>1,621,086</u>	<u>128,890</u>
Debt service:			
Rent/Lease	-	28,000	28,000
Total debt service	<u>-</u>	<u>28,000</u>	<u>28,000</u>
<b>Total expenditures</b>	<u>1,492,196</u>	<u>1,649,086</u>	<u>156,890</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(348)</u>	<u>(115,838)</u>	<u>115,490</u>
<b>Net change in fund balance</b>	(348)	<u>\$ (115,838)</u>	<u>\$ 115,490</u>
<b>Fund balance at beginning of year</b>	<u>10,388</u>		
<b>Fund balance at end of year</b>	<u>\$ 10,040</u>		

**PROVO CITY CORPORATION**  
**Tax Increment Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Property taxes	\$ 1,711,615	\$ 1,562,000	\$ 149,615
Interest income	23,445	15,000	8,445
Principal payments	-	5,000	(5,000)
Interest payments	-	250	(250)
Miscellaneous	1,485	-	1,485
<b>Total revenues</b>	<u>1,736,545</u>	<u>1,582,250</u>	<u>154,295</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	66,971	67,606	635
Employee benefits	32,012	31,377	(635)
Operating expenses	934,665	937,165	2,500
Total current expenditures	<u>1,033,648</u>	<u>1,036,148</u>	<u>2,500</u>
Debt service:			
Rent/Lease	20,000	20,000	-
Principal on debt	100,000	100,000	-
Interest on debt	87,465	87,465	-
Service fees on debt	2,500	-	(2,500)
Total debt service	<u>209,965</u>	<u>207,465</u>	<u>(2,500)</u>
Capital outlay:			
Capital outlay	6,166	6,166	-
<b>Total expenditures</b>	<u>1,249,779</u>	<u>1,249,779</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>486,766</u>	<u>332,471</u>	<u>154,295</u>
<b>Net change in fund balance</b>	486,766	<u>\$ 332,471</u>	<u>\$ 154,295</u>
<b>Fund balance at beginning of year</b>	<u>3,148,112</u>		
<b>Fund balance at end of year</b>	<u>\$ 3,634,878</u>		

**PROVO CITY CORPORATION**  
**Housing Rehabilitation Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Federal grant	\$ 68	\$ -	\$ 68
Interest income	1,133	1,000	133
<b>Total revenues</b>	<u>1,201</u>	<u>1,000</u>	<u>201</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	1,611	94,198	92,587
Total current expenditures	<u>1,611</u>	<u>94,198</u>	<u>92,587</u>
<b>Total expenditures</b>	<u>1,611</u>	<u>94,198</u>	<u>92,587</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(410)</u>	<u>(93,198)</u>	<u>92,788</u>
<b>Other financing sources (uses):</b>			
Transfer to commercial rehab	(70,000)	(70,000)	-
<b>Total other financing sources (uses):</b>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(70,410)	<u>\$ (163,198)</u>	<u>\$ 92,788</u>
<b>Fund balance at beginning of year</b>	<u>167,976</u>		
<b>Fund balance at end of year</b>	<u>\$ 97,566</u>		

**PROVO CITY CORPORATION**  
**CNRCC Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Charge for services	45,460	30,000	15,460
Interest income	865	-	865
<b>Total revenues</b>	<u>46,325</u>	<u>30,000</u>	<u>16,325</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	8,235	8,235	-
Total current expenditures	<u>8,235</u>	<u>8,235</u>	<u>-</u>
<b>Total expenditures</b>	<u>8,235</u>	<u>8,235</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>38,090</u>	<u>21,765</u>	<u>16,325</u>
<b>Net change in fund balance</b>	38,090	<u>\$ 21,765</u>	<u>\$ 16,325</u>
<b>Fund balance at beginning of year</b>	<u>123,604</u>		
<b>Fund balance at end of year</b>	<u>\$ 161,694</u>		

**PROVO CITY CORPORATION**  
**New Development Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 1,040	\$ 4,000	\$ (2,960)
Miscellaneous	355,255	200,000	155,255
<b>Total revenues</b>	<u>356,295</u>	<u>204,000</u>	<u>152,295</u>
<b>Expenditures:</b>			
Current:			
Salaries and wages	7,574	7,061	(513)
Employee benefits	2,526	3,039	513
Operating expenses	<u>225,245</u>	<u>225,245</u>	<u>-</u>
Total current expenditures	235,345	235,345	-
Debt service:			
Rent/Lease	4,689	4,689	-
Interest - interfund	<u>36,300</u>	<u>36,300</u>	<u>-</u>
Total debt service	40,989	40,989	-
<b>Total expenditures</b>	<u>276,334</u>	<u>276,334</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>79,961</u>	<u>(72,334)</u>	<u>152,295</u>
<b>Net change in fund balance</b>	79,961	<u>\$ (72,334)</u>	<u>\$ 152,295</u>
<b>Fund balance at beginning of year</b>	<u>167,248</u>		
<b>Fund balance at end of year</b>	<u>\$ 247,209</u>		

**PROVO CITY CORPORATION**  
**Homebuyer Assistance Revolving Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 176	\$ 250	\$ (74)
Principal payments	46,704	-	46,704
Interest payments	377	-	377
<b>Total revenues</b>	<u>47,257</u>	<u>250</u>	<u>47,007</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	224	250	26
Total current expenditures	224	250	26
<b>Total expenditures</b>	<u>224</u>	<u>250</u>	<u>26</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>47,033</u>	<u>-</u>	<u>47,033</u>
<b>Net change in fund balance</b>	47,033	<u>\$ -</u>	<u>\$ 47,033</u>
<b>Fund balance at beginning of year</b>	<u>2,224</u>		
<b>Fund balance at end of year</b>	<u>\$ 49,257</u>		

**PROVO CITY CORPORATION**  
**Special Purpose Grants Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 575	\$ -	\$ 575
Principal payments	22,098	-	22,098
Interest payments	552	-	552
<b>Total revenues</b>	<u>23,225</u>	<u>-</u>	<u>23,225</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	-	25	25
Total current expenditures	-	25	25
<b>Total expenditures</b>	<u>-</u>	<u>25</u>	<u>25</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>23,225</u>	<u>(25)</u>	<u>23,250</u>
<b>Net change in fund balance</b>	23,225	<u>\$ (25)</u>	<u>\$ 23,250</u>
<b>Fund balance at beginning of year</b>	<u>81,033</u>		
<b>Fund balance at end of year</b>	<u>\$ 104,258</u>		

**PROVO CITY CORPORATION**  
**Boulder's Grant Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Federal grant	\$ 65,025	\$ -	\$ 65,025
<b>Total revenues</b>	<u>65,025</u>	<u>-</u>	<u>65,025</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	61,424	65,025	3,601
Total current expenditures	<u>61,424</u>	<u>65,025</u>	<u>3,601</u>
Debt service:			
Rent/Lease	3,601	-	(3,601)
Total debt service	<u>3,601</u>	<u>-</u>	<u>(3,601)</u>
<b>Total expenditures</b>	<u>65,025</u>	<u>65,025</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(65,025)</u>	<u>65,025</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>\$ (65,025)</u>	<u>\$ 65,025</u>
<b>Fund balance at beginning of year</b>	<u>-</u>		
<b>Fund balance at end of year</b>	<u>\$ -</u>		

**PROVO CITY CORPORATION**  
**Debt Service Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Property taxes	\$ 4,872,336	\$ 4,654,888	\$ 217,448
Vehicle taxes	352,431	250,000	102,431
Interest income	39,565	1,750	37,815
Miscellaneous	(939,107)	300,000	(1,239,107)
<b>Total revenues</b>	<u>4,325,225</u>	<u>5,206,638</u>	<u>(881,413)</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	1,015	6,500	5,485
Total current expenditures	<u>1,015</u>	<u>6,500</u>	<u>5,485</u>
Debt service:			
Principal on debt	4,289,260	4,291,450	2,190
Interest on debt	3,436,333	3,434,146	(2,187)
Interest - interfund	76,771	77,506	735
Service fees on debt	7,750	24,375	16,625
Total debt service	<u>7,810,114</u>	<u>7,827,477</u>	<u>17,363</u>
<b>Total expenditures</b>	<u>7,811,129</u>	<u>7,833,977</u>	<u>22,848</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,485,904)</u>	<u>(2,627,339)</u>	<u>(858,565)</u>
<b>Other financing sources (uses):</b>			
Transfer from general fund	106,450	-	106,450
Transfer from energy	3,291,823	3,216,000	75,823
Transfer to general fund	(85,690)	(85,690)	-
Transfer to airport cip	(312,554)	(312,554)	-
<b>Total other financing sources (uses):</b>	<u>3,000,029</u>	<u>2,817,756</u>	<u>182,273</u>
<b>Net change in fund balance</b>	(485,875)	<u>\$ 190,417</u>	<u>\$ (676,292)</u>
<b>Fund balance at beginning of year</b>	<u>2,969,200</u>		
<b>Fund balance at end of year</b>	<u>\$ 2,483,325</u>		

**PROVO CITY CORPORATION**  
**Engineering CIP Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Federal grant	\$ 836,205	\$ -	\$ 836,205
Impact fees	287,588	-	287,588
Charge for services	10,481	-	10,481
Interest income	28,703	-	28,703
Miscellaneous	496,720	-	496,720
<b>Total revenues</b>	<u>1,659,697</u>	<u>-</u>	<u>1,659,697</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	2,740,137	3,723,297	983,160
Total current expenditures	<u>2,740,137</u>	<u>3,723,297</u>	<u>983,160</u>
<b>Total expenditures</b>	<u>2,740,137</u>	<u>3,723,297</u>	<u>983,160</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,080,440)</u>	<u>(3,723,297)</u>	<u>2,642,857</u>
<b>Other financing sources (uses):</b>			
Transfer to road cip	(350,000)	(350,000)	-
<b>Total other financing sources (uses):</b>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(1,430,440)	<u>\$ (4,073,297)</u>	<u>\$ 2,642,857</u>
<b>Fund balance at beginning of year</b>	<u>5,447,806</u>		
<b>Fund balance at end of year</b>	<u>\$ 4,017,366</u>		

**PROVO CITY CORPORATION**  
**Parks & Recreation CIP Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
State grant	\$ 64,125	\$ 66,849	\$ (2,724)
Impact fees	407,468	300,000	107,468
Charge for services	90,177	60,000	30,177
Interest income	5,413	-	5,413
Recreation Bond interest	91,340	-	91,340
Lease income	6,714	-	6,714
Miscellaneous	16,502	-	16,502
<b>Total revenues</b>	<u>681,739</u>	<u>426,849</u>	<u>254,890</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	1,669,606	21,890,622	20,221,016
Total current expenditures	<u>1,669,606</u>	<u>21,890,622</u>	<u>20,221,016</u>
Capital outlay:			
Capital outlay	20,221,016	-	(20,221,016)
<b>Total expenditures</b>	<u>21,890,622</u>	<u>21,890,622</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(21,208,883)</u>	<u>(21,463,773)</u>	<u>254,890</u>
<b>Other financing sources (uses):</b>			
Transfer from general fund	69,288	69,288	-
Transfer from cem cip	40,000	40,000	-
<b>Total other financing sources (uses):</b>	<u>109,288</u>	<u>109,288</u>	<u>-</u>
<b>Net change in fund balance</b>	(21,099,595)	<u>\$ (21,354,485)</u>	<u>\$ 254,890</u>
<b>Fund balance at beginning of year</b>	<u>23,942,730</u>		
<b>Fund balance at end of year</b>	<u>\$ 2,843,135</u>		

**PROVO CITY CORPORATION**  
**Economic/Community Investment Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 2,251	\$ -	\$ 2,251
<b>Total revenues</b>	<u>2,251</u>	<u>-</u>	<u>2,251</u>
<b>Expenditures:</b>			
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,251</u>	<u>-</u>	<u>2,251</u>
<b>Other financing sources (uses):</b>			
Transfer to road cip	(699,000)	(699,000)	-
<b>Total other financing sources (uses):</b>	<u>(699,000)</u>	<u>(699,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	(696,749)	<u>\$ (699,000)</u>	<u>\$ 2,251</u>
<b>Fund balance at beginning of year</b>	<u>696,749</u>		
<b>Fund balance at end of year</b>	<u>\$ -</u>		

**PROVO CITY CORPORATION**  
**Economic Development Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Interest income	\$ 1,923	\$ -	\$ 1,923
Lease income	29,760	-	29,760
<b>Total revenues</b>	<u>31,683</u>	<u>-</u>	<u>31,683</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	208	208	-
Total current expenditures	<u>208</u>	<u>208</u>	<u>-</u>
Debt service:			
Rent/Lease	4,608	4,608	-
Total debt service	<u>4,608</u>	<u>4,608</u>	<u>-</u>
<b>Total expenditures</b>	<u>4,816</u>	<u>4,816</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>26,867</u>	<u>(4,816)</u>	<u>31,683</u>
<b>Net change in fund balance</b>	26,867	<u>\$ (4,816)</u>	<u>\$ 31,683</u>
<b>Fund balance at beginning of year</b>	<u>150,686</u>		
<b>Fund balance at end of year</b>	<u>\$ 177,553</u>		

**PROVO CITY CORPORATION**  
**General CIP Fund**  
**Comparative Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget & Actual**  
**For the year ended June 30, 2013**

	Actual	Budget	Variance
<b>Revenues:</b>			
Charge for services	\$ 107,577	\$ -	\$ 107,577
Interest income	3,757	-	3,757
<b>Total revenues</b>	<u>111,334</u>	<u>-</u>	<u>111,334</u>
<b>Expenditures:</b>			
Current:			
Operating expenses	16,755	93,399	76,644
Total current expenditures	<u>16,755</u>	<u>93,399</u>	<u>76,644</u>
Capital outlay:			
Capital outlay	75,000	-	(75,000)
<b>Total expenditures</b>	<u>91,755</u>	<u>93,399</u>	<u>1,644</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>19,579</u>	<u>(93,399)</u>	<u>112,978</u>
<b>Other financing sources (uses):</b>			
Transfer from general fund	450,600	450,600	-
Transfer out - P&R cip	(40,000)	(40,000)	-
<b>Total other financing sources (uses):</b>	<u>410,600</u>	<u>410,600</u>	<u>-</u>
<b>Net change in fund balance</b>	430,179	<u>\$ 317,201</u>	<u>\$ 112,978</u>
<b>Fund balance at beginning of year</b>	<u>548,808</u>		
<b>Fund balance at end of year</b>	<u>\$ 978,987</u>		

**PROVO CITY CORPORATION**  
**Statement of Net Position**  
**Internal Service Funds**  
**As of June 30, 2013**

	Customer Service	Employee Benefits	Insurance/Claims	Vehicle Management	Computer Lease	Capital Resource	Facility Services	Telecom	Total Internal Service Funds
<b>Assets</b>									
Current Assets:									
Cash	\$ 263,315	\$ 2,264,889	\$ 2,241,085	\$ 2,235,695	\$ 556,835	\$ -	\$ 161,227	\$ 1,929,170	\$ 9,652,217
Accounts receivable	-	4,480	-	1,902	-	-	-	10,000	16,381
Inventory	-	-	-	113,193	-	-	34,917	-	148,110
<b>Total Current Assets</b>	<b>263,315</b>	<b>2,269,369</b>	<b>2,241,085</b>	<b>2,350,790</b>	<b>556,835</b>	<b>-</b>	<b>196,144</b>	<b>1,939,170</b>	<b>9,816,708</b>
Capital Assets									
Depreciable assets	367,069	9,850	-	9,259,234	-	-	123,527	106,629	9,866,309
<b>Net Capital Assets</b>	<b>367,069</b>	<b>9,850</b>	<b>-</b>	<b>9,259,234</b>	<b>-</b>	<b>-</b>	<b>123,527</b>	<b>106,629</b>	<b>9,866,309</b>
Other Assets:									
Due from other funds	-	-	-	575,076	-	2,627,927	-	-	3,203,003
<b>Total Other Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>575,076</b>	<b>-</b>	<b>2,627,927</b>	<b>-</b>	<b>-</b>	<b>3,203,003</b>
<b>Total Assets</b>	<b>\$ 630,384</b>	<b>\$ 2,279,219</b>	<b>\$ 2,241,085</b>	<b>\$ 12,185,100</b>	<b>\$ 556,835</b>	<b>\$ 2,627,927</b>	<b>\$ 319,671</b>	<b>\$ 2,045,799</b>	<b>\$ 22,886,020</b>
<b>Liabilities &amp; Net Position</b>									
<b>Liabilities:</b>									
Current Liabilities									
Accounts payable	\$ 87,096	\$ 12,502	\$ 13,319	\$ 196,077	\$ 165,902	\$ -	\$ 25,467	\$ 289,988	\$ 790,351
Accrued liabilities	27,620	1,444,289	299,348	7,643	-	-	6,931	2,396	1,788,227
Accrued interest payable	-	-	-	2,686	-	-	-	-	2,686
Due within one year:									
Bonds, leases and loans payable	-	-	-	344,893	-	-	-	-	344,893
Current portion accrued compensated absences	52,649	-	-	34,758	-	-	15,108	-	102,515
<b>Total Current Liabilities</b>	<b>167,365</b>	<b>1,456,791</b>	<b>312,667</b>	<b>586,057</b>	<b>165,902</b>	<b>-</b>	<b>47,506</b>	<b>292,384</b>	<b>3,028,672</b>
Noncurrent Liabilities									
Due to other funds	-	-	-	-	-	2,301,253	-	-	2,301,253
Accrued compensated absences	122,847	-	-	81,103	-	-	35,253	-	239,203
Net OPEB payable	16,254	-	-	6,966	-	-	7,740	-	30,960
Notes payable	-	-	-	-	-	326,674	-	-	326,674
Lease payable	-	-	-	699,729	-	-	-	-	699,729
<b>Total Noncurrent Liabilities</b>	<b>139,101</b>	<b>-</b>	<b>-</b>	<b>787,798</b>	<b>-</b>	<b>2,627,927</b>	<b>42,993</b>	<b>-</b>	<b>3,597,819</b>
<b>Total Liabilities</b>	<b>306,466</b>	<b>1,456,791</b>	<b>312,667</b>	<b>1,373,855</b>	<b>165,902</b>	<b>2,627,927</b>	<b>90,499</b>	<b>292,384</b>	<b>6,626,491</b>
<b>Net Position</b>									
Net investment in capital assets	40,395	9,850	-	8,214,612	-	-	123,527	106,629	8,495,013
Unrestricted	283,523	812,578	1,928,418	2,596,633	390,933	-	105,645	1,646,786	7,764,516
<b>Total Net Position</b>	<b>323,918</b>	<b>822,428</b>	<b>1,928,418</b>	<b>10,811,245</b>	<b>390,933</b>	<b>-</b>	<b>229,172</b>	<b>1,753,415</b>	<b>16,259,529</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 630,384</b>	<b>\$ 2,279,219</b>	<b>\$ 2,241,085</b>	<b>\$ 12,185,100</b>	<b>\$ 556,835</b>	<b>\$ 2,627,927</b>	<b>\$ 319,671</b>	<b>\$ 2,045,799</b>	<b>\$ 22,886,020</b>

**PROVO CITY CORPORATION**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Internal Service Funds**  
**For the year ended June 30, 2013**

	Customer Services	Employee Benefits	Insurance/ Claims	Vehicle Management	Computer Lease	Capital Resource	Facility Services	Telecom	Total Internal Service Funds
<b>Operating Revenues:</b>									
Charges for services	\$ -	\$ 2,311,436	\$ 936,561	\$ 5,720,322	\$ -	\$ -	\$ 511,038	\$ -	\$ 9,479,357
Miscellaneous	2,561,970	(6,308)	-	16,477	543,233	-	252,822	2,045,799	5,413,990
<b>Total operating revenues</b>	<u>2,561,970</u>	<u>2,305,128</u>	<u>936,561</u>	<u>5,736,799</u>	<u>543,233</u>	<u>-</u>	<u>763,860</u>	<u>2,045,799</u>	<u>14,893,348</u>
<b>Operating expenses:</b>									
Salaries and wages	1,321,530	47,000	43,346	388,791	-	-	284,660	-	2,085,327
Employee benefits	594,671	-	20,740	199,331	-	-	163,473	-	978,215
Operating expenses	747,446	2,270,732	900,785	2,256,413	219,072	166,750	389,949	292,384	7,243,531
Depreciation	39,687	-	-	2,064,622	-	-	10,849	-	2,115,158
<b>Total operating expenses</b>	<u>2,703,334</u>	<u>2,317,732</u>	<u>964,871</u>	<u>4,909,157</u>	<u>219,072</u>	<u>166,750</u>	<u>848,931</u>	<u>292,384</u>	<u>12,422,231</u>
<b>Operating income (loss)</b>	<u>(141,364)</u>	<u>(12,604)</u>	<u>(28,310)</u>	<u>827,642</u>	<u>324,161</u>	<u>(166,750)</u>	<u>(85,071)</u>	<u>1,753,415</u>	<u>2,471,117</u>
<b>Nonoperating revenues (expenses)</b>									
Interest income	-	12,318	12,789	53,046	2,071	166,750	1,340	-	248,313
Interest on debt	-	-	-	(44,433)	-	-	-	-	(44,433)
Gain (loss) on disp. of assets	-	-	-	4,207	-	-	(3,997)	-	210
<b>Total nonoperating revenues (expenses)</b>	<u>-</u>	<u>12,318</u>	<u>12,789</u>	<u>12,820</u>	<u>2,071</u>	<u>166,750</u>	<u>(2,657)</u>	<u>-</u>	<u>204,090</u>
<b>Income (loss) before transfers</b>	<u>(141,364)</u>	<u>(286)</u>	<u>(15,521)</u>	<u>840,462</u>	<u>326,232</u>	<u>-</u>	<u>(87,728)</u>	<u>1,753,415</u>	<u>2,675,207</u>
<b>Transfers</b>									
Transfers from other funds	305,160	-	-	430,895	-	-	-	-	736,055
Transfers to other funds	(22,196)	(316)	-	-	(168,152)	-	-	-	(190,664)
<b>Total transfers</b>	<u>282,964</u>	<u>(316)</u>	<u>-</u>	<u>430,895</u>	<u>(168,152)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,391</u>
<b>Change in net position</b>	<u>141,600</u>	<u>(602)</u>	<u>(15,521)</u>	<u>1,271,357</u>	<u>158,080</u>	<u>-</u>	<u>(87,728)</u>	<u>1,753,415</u>	<u>3,220,598</u>
<b>Net Position - beginning</b>	<u>182,318</u>	<u>823,030</u>	<u>1,943,939</u>	<u>9,539,888</u>	<u>232,853</u>	<u>-</u>	<u>316,900</u>	<u>-</u>	<u>13,038,931</u>
<b>Net Position - ending</b>	<u>\$ 323,918</u>	<u>\$ 822,428</u>	<u>\$ 1,928,418</u>	<u>\$ 10,811,245</u>	<u>\$ 390,933</u>	<u>\$ -</u>	<u>\$ 229,172</u>	<u>\$ 1,753,415</u>	<u>\$ 16,259,529</u>

**PROVO CITY CORPORATION**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2013**

	Customer Service	Employee Benefits	Insurance/ Claims	Vehicle Management	Computer Replacement	Capital Resource	Facility Services	Telecom	Totals Internal Service Funds
Cash flows from operating activities:									
Receipts from customers	\$2,561,970	\$ 2,300,646	\$ 936,561	\$ 5,736,551	\$ 543,233	\$ -	\$ 763,859	\$ 2,035,799	\$14,878,619
Payments to suppliers	(660,350)	(2,266,074)	(614,257)	(2,244,994)	(96,217)	(166,750)	(377,262)	(2,396)	(\$6,428,300)
Payments to employees	(1,696,830)	26,307	(63,188)	(594,629)	-	-	(452,069)	2,396	(\$2,778,013)
Payments for claims	-	-	(282,186)	-	-	-	-	-	(\$282,186)
Net cash provided (used) by operating activities	<u>204,790</u>	<u>60,879</u>	<u>(23,070)</u>	<u>2,896,928</u>	<u>447,016</u>	<u>(166,750)</u>	<u>(65,472)</u>	<u>2,035,799</u>	<u>5,390,120</u>
Cash flows from noncapital financing activities:									
Loans due from other funds	-	-	-	114,869	-	594,217	-	-	709,086
Loans due to other funds	-	-	-	-	-	(462,419)	-	-	(462,419)
Transfers from other funds	305,160	-	-	430,895	-	-	-	-	736,055
Transfers to other funds	(22,196)	(316)	-	-	(168,152)	-	-	-	(190,664)
Net cash provided (used) by noncapital financing activities	<u>282,964</u>	<u>(316)</u>	<u>-</u>	<u>545,764</u>	<u>(168,152)</u>	<u>131,798</u>	<u>-</u>	<u>-</u>	<u>792,058</u>
Cash flows from capital and related financing activities:									
Payments for capital acquisitions	(224,438)	(9,850)	-	(5,084,268)	-	-	5,393	(106,629)	(5,419,792)
Proceeds from sale of capital assets	-	-	-	1,381,868	-	-	-	-	1,381,868
Principal payments on bond & lease payable	-	-	-	(271,420)	-	(131,798)	-	-	(403,218)
Interest paid on lease payable	-	-	-	(91,800)	-	-	-	-	(91,800)
Net cash provided (used) by capital and related financing activities	<u>(224,438)</u>	<u>(9,850)</u>	<u>-</u>	<u>(4,065,620)</u>	<u>-</u>	<u>(131,798)</u>	<u>5,393</u>	<u>(106,629)</u>	<u>(4,532,942)</u>
Cash flows from investing activities:									
Receipts of interest	-	12,318	12,789	53,046	2,071	166,750	1,340	-	248,314
Net cash provided by investing activities	<u>-</u>	<u>12,318</u>	<u>12,789</u>	<u>53,046</u>	<u>2,071</u>	<u>166,750</u>	<u>1,340</u>	<u>-</u>	<u>248,314</u>
Net increase (decrease) in cash	263,316	63,031	(10,281)	(569,882)	280,935	-	(58,739)	1,929,170	1,897,550
Cash at beginning of year	-	2,201,858	2,251,366	2,805,577	275,900	-	219,966	-	7,754,667
Cash at end of year	<u>\$ 263,316</u>	<u>\$ 2,264,889</u>	<u>\$ 2,241,085</u>	<u>\$ 2,235,695</u>	<u>\$ 556,835</u>	<u>\$ -</u>	<u>\$ 161,227</u>	<u>\$ 1,929,170</u>	<u>\$ 9,652,217</u>

Note: This statement is continued on the following page.

**PROVO CITY CORPORATION**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2013**

	Customer Service	Employee Benefits	Insurance/ Claims	Vehicle Management	Computer Replacement	Capital Resource	Facility Services	Telecom	Totals Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:									
Cash flows from operating activities:									
Operating income (loss)	(\$141,364)	(\$12,605)	\$ (28,310)	\$ 827,641	\$ 324,161	\$ (166,750)	\$ (85,072)	\$ 1,753,415	\$2,471,116
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation	\$39,687	-	-	2,064,622	-	-	10,849	-	2,115,158
Changes in assets and liabilities:									
Decrease (increase) in accounts receivable	-	(4,481)	-	(247)	-	-	-	(10,000)	(14,728)
Decrease (increase) in inventory and prepaid expenses	-	-	6,100	(10,007)	-	-	6,460	-	2,553
Increase (decrease) in accounts payable	87,096	4,658	(1,758)	21,426	122,855	-	6,227	289,988	530,492
Increase (decrease) in accrued liabilities	27,620	73,307	898	(1,318)	-	-	328	2,396	103,231
Increase (decrease) in accrued compensated absences	191,751	-	-	(5,189)	-	-	(4,264)	-	182,298
Net cash provided (used) by operating activities	<u>\$ 204,790</u>	<u>\$ 60,879</u>	<u>\$ (23,070)</u>	<u>\$ 2,896,928</u>	<u>\$ 447,016</u>	<u>\$ (166,750)</u>	<u>\$ (65,472)</u>	<u>\$ 2,035,799</u>	<u>\$ 5,390,120</u>
Noncash investing, capital, and financing activities:									
Capital asset trade-ins at net value	\$ -	\$ -	\$ -	\$ 566,481	\$ -	\$ -	\$ -	\$ -	\$ 566,481

**PROVO CITY CORPORATION**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Net investment in capital assets	\$ 231,645	\$ 213,424	\$ 231,768	\$ 259,505	\$ 270,953	\$ 234,360	\$ 240,328	\$ 200,011	\$ 257,442	\$ 256,354
Restricted	7,542	6,048	7,848	8,561	5,520	6,967	5,785	7,023	5,669	8,575
Unrestricted	38,003	42,554	53,552	48,970	51,230	90,323	85,202	123,775	82,645	62,192
Total governmental activities net position	<u>\$ 277,190</u>	<u>\$ 262,026</u>	<u>\$ 293,168</u>	<u>\$ 317,037</u>	<u>\$ 327,703</u>	<u>\$ 331,650</u>	<u>\$ 331,315</u>	<u>\$ 330,809</u>	<u>\$ 345,756</u>	<u>\$ 327,121</u>
Business type activities										
Net investment in capital assets	\$ 45,475	\$ 131,251	\$ 137,068	\$ 151,084	\$ 156,163	\$ 150,016	\$ 155,515	\$ 161,660	\$ 162,495	\$ 174,365
Restricted	45,851	28,217	13,394	8,723	7,682	5,975	9,433	10,535	11,550	2,114
Unrestricted	28,702	22,130	26,918	25,674	17,767	26,369	17,251	18,132	23,769	36,517
Total business-type activities net position	<u>\$ 120,028</u>	<u>\$ 181,598</u>	<u>\$ 177,380</u>	<u>\$ 185,482</u>	<u>\$ 181,612</u>	<u>\$ 182,360</u>	<u>\$ 182,199</u>	<u>\$ 190,327</u>	<u>\$ 197,813</u>	<u>\$ 212,996</u>
Primary government										
Net investment in capital assets	\$ 277,120	\$ 344,675	\$ 368,836	\$ 410,590	\$ 427,116	\$ 384,376	\$ 395,843	\$ 361,671	\$ 419,936	\$ 430,719
Restricted	53,393	34,265	21,242	17,284	13,202	12,942	15,219	17,557	17,219	10,689
Unrestricted	66,705	64,684	80,470	74,644	68,997	116,692	102,453	141,907	106,414	98,709
Total primary government net position	<u>\$ 397,218</u>	<u>\$ 443,624</u>	<u>\$ 470,548</u>	<u>\$ 502,518</u>	<u>\$ 509,315</u>	<u>\$ 514,010</u>	<u>\$ 513,515</u>	<u>\$ 521,136</u>	<u>\$ 543,569</u>	<u>\$ 540,117</u>

**PROVO CITY CORPORATION  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Expenses</b>									
Governmental activities:									
General government	\$ 12,812,803	\$ 12,864,069	\$ 13,757,896	\$ 16,838,293	\$ 15,822,045	\$ 14,551,210	\$ 17,545,606	\$ 13,825,444	\$ 13,954,338
Public safety	19,656,764	20,805,782	20,807,099	22,048,973	23,139,485	21,951,681	22,667,366	22,673,016	24,565,965
Public services	6,500,531	6,236,947	5,685,642	6,230,865	7,371,275	6,811,313	6,878,502	7,019,330	7,290,403
Community revitalization	5,088,706	3,428,129	3,793,944	2,470,576	5,118,755	2,184,407	4,129,887	2,840,223	4,048,016
Culture and Recreation	9,495,980	9,954,557	9,626,041	11,049,923	12,265,530	11,840,073	11,533,298	11,463,920	12,256,143
Interest on long-term debt	1,504,963	1,437,818	1,449,204	1,353,669	2,945,656	2,748,353	2,574,376	2,757,148	3,707,262
Total governmental activities expenses:	<u>55,059,747</u>	<u>54,727,302</u>	<u>55,119,826</u>	<u>59,992,299</u>	<u>66,662,746</u>	<u>60,087,037</u>	<u>65,329,035</u>	<u>60,579,081</u>	<u>65,822,127</u>
Business-type activities:									
Golf course	1,085,625	1,160,726	1,171,111	1,166,414	1,172,276	982,886	983,079	1,053,754	1,052,088
Water	5,589,083	5,591,839	5,110,395	5,663,140	5,467,837	5,435,207	5,402,807	5,196,862	5,533,038
Sewer	4,217,370	4,085,814	3,820,299	3,985,857	4,191,024	3,984,906	3,907,991	3,379,405	3,446,357
Energy	41,452,688	43,113,489	43,523,179	45,436,747	45,022,457	44,635,098	48,952,619	51,274,077	51,751,914
Airport	1,010,936	1,133,052	2,707,682	1,911,446	2,334,763	1,745,972	1,360,835	1,498,158	2,061,008
Sanitation	2,655,833	2,601,563	2,710,049	2,995,924	3,045,662	3,048,964	3,221,859	3,560,083	3,191,451
Storm drain	1,442,114	1,545,929	1,471,205	1,909,129	1,912,020	1,847,081	1,797,059	2,024,820	1,978,902
Telecommunications	3,310,102	3,544,857	5,633,474	7,364,111	(672,292)	-	-	1,888,716	3,888,255
Total business-type activities expenses	<u>60,763,751</u>	<u>62,777,269</u>	<u>66,147,394</u>	<u>70,432,768</u>	<u>62,473,747</u>	<u>61,680,114</u>	<u>65,626,249</u>	<u>69,875,875</u>	<u>72,903,013</u>
Total primary government expenses	<u>\$ 115,823,498</u>	<u>\$ 117,504,571</u>	<u>\$ 121,267,220</u>	<u>\$ 130,425,067</u>	<u>\$ 129,136,493</u>	<u>\$ 121,767,151</u>	<u>\$ 130,955,284</u>	<u>\$ 130,454,956</u>	<u>\$ 138,725,140</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
General government	\$ 2,456,372	\$ 3,341,189	\$ 4,653,914	\$ 3,988,956	\$ 4,652,151	\$ 4,516,754	\$ 5,326,761	\$ 4,835,523	\$ 4,530,922
Public safety	2,433,901	2,525,574	2,492,034	1,653,576	1,411,838	1,609,902	2,148,201	1,186,789	1,829,277
Public services	75	75	150	550	70,602	34,999	99,315	179,750	266,274
Community revitalization	439,530	448,161	525,868	637,847	1,162,629	1,190,883	(162,154)	484,483	395,934
Culture and Recreation	1,426,352	1,495,096	1,626,404	1,604,084	1,654,084	1,711,533	1,741,247	1,699,689	2,524,329
Operating grants and contributions	9,465,500	8,649,734	8,909,223	9,255,098	8,002,795	6,827,978	8,355,345	11,801,818	9,739,605
Capital grants and contributions	4,340,299	5,724,746	9,945,922	4,027,075	7,699,771	115,823	146,504	492,655	996,567
Total governmental activities program revenues	<u>20,562,029</u>	<u>22,184,575</u>	<u>28,153,515</u>	<u>21,167,186</u>	<u>24,654,480</u>	<u>16,007,872</u>	<u>17,655,219</u>	<u>20,680,707</u>	<u>20,282,908</u>
Business-type activities:									
Charges for services:									
Golf Course	755,211	693,322	683,366	544,880	465,469	532,722	514,414	548,169	556,005
Water	5,675,243	6,523,468	6,941,876	6,289,036	6,580,030	6,323,416	7,254,338	7,924,920	8,537,155
Sewer	4,957,345	5,023,166	5,846,415	5,030,714	4,866,018	4,953,298	5,590,397	5,393,304	5,549,311
Energy	45,101,143	47,039,683	47,465,182	45,955,835	46,288,566	45,791,657	52,170,100	59,227,359	62,988,867
Airport	152,908	159,532	166,345	184,416	230,445	211,546	235,591	221,062	223,228
Sanitation	2,889,022	3,008,500	3,088,421	2,979,286	3,138,432	3,160,804	3,318,996	3,943,935	4,027,015
Storm drain	1,893,979	1,983,293	2,247,636	1,970,135	2,162,005	2,105,667	2,146,459	2,371,254	2,386,427
Telecommunications	770,780	1,468,940	2,921,451	2,905,955	-	-	-	571,819	1,482,726
Operating grants and contributions	1,987,134	2,541,995	1,987,468	576,388	1,894,690	331,499	1,542,051	1,271,091	912,985
Capital grants and contributions	-	1,635,990	1,531,162	474,700	448,117	289,940	481,452	-	945,298
Total business-type activities program revenue	<u>64,182,765</u>	<u>70,077,890</u>	<u>72,879,322</u>	<u>66,911,345</u>	<u>66,073,772</u>	<u>63,700,549</u>	<u>73,253,798</u>	<u>81,472,913</u>	<u>87,609,017</u>
Total primary government program revenues	<u>\$ 84,744,794</u>	<u>\$ 92,262,464</u>	<u>\$ 101,032,837</u>	<u>\$ 88,078,531</u>	<u>\$ 90,728,252</u>	<u>\$ 79,708,421</u>	<u>\$ 90,909,017</u>	<u>\$ 102,153,620</u>	<u>\$ 107,891,925</u>
Net (expense)/revenue									
Governmental activities	\$ (34,497,718)	\$ (32,542,727)	\$ (26,966,311)	\$ (38,825,113)	\$ (42,008,266)	\$ (44,079,165)	\$ (47,673,816)	\$ (39,898,374)	\$ (45,539,219)
Business-type activities	3,419,014	7,300,621	6,731,928	(3,521,423)	3,600,025	2,020,435	7,627,549	11,597,038	14,706,004
Total primary government net expense	<u>\$ (31,078,704)</u>	<u>\$ (25,242,108)</u>	<u>\$ (20,234,383)</u>	<u>\$ (42,346,536)</u>	<u>\$ (38,408,241)</u>	<u>\$ (42,058,730)</u>	<u>\$ (40,046,267)</u>	<u>\$ (28,301,336)</u>	<u>\$ (30,833,215)</u>

**PROVO CITY CORPORATION  
CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>General Revenues and Other Changes In Net Position</u></b>									
Governmental revenues:									
Property taxes	\$ 11,227,354	\$ 11,391,076	\$ 11,644,404	\$ 11,101,961	\$ 11,436,660	\$ 11,627,866	\$ 12,164,999	\$ 13,537,074	\$ 14,089,302
Vehicle	1,140,808	1,192,626	1,193,551	1,194,235	889,746	905,686	858,068	879,969	901,678
Sales taxes	13,635,311	15,592,149	17,495,470	17,408,839	15,121,906	13,961,851	14,287,871	15,199,015	15,811,183
Franchise taxes	6,977,177	7,703,272	7,433,141	7,622,671	7,503,038	7,401,878	7,716,189	8,435,172	9,139,437
Joint venture gain(loss)							316,065	-	
Investment earnings	1,601,349	2,410,980	2,583,560	2,112,324	2,916,499	2,268,077	2,217,494	242,580	369,740
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-
Miscellaneous	5,532,975	6,011,346	5,264,893	4,041,968	4,219,321	762,696	4,105,425	3,579,035	2,856,860
Special Item									
Interfund loan write-off							5,357,316	-	-
Extraordinary Item									
Provision for receivable write-down	-	-	-	-	-	-	(12,773,517)	-	-
Transfers	(20,909,557)	6,464,719	4,889,399	6,009,535	5,842,627	6,816,084	6,729,473	7,317,330	12,003,399
Total governmental activities	19,205,417	50,766,168	50,504,418	49,491,533	47,929,797	43,744,138	40,979,383	49,190,175	55,171,599
Business Activities									
Joint venture gain(loss)							(550,846)	126,178	
Investment earnings	1,765,451	1,921,986	2,028,434	1,437,534	626,682	253,983	54,500	1,886,348	174,346
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-
Miscellaneous	2,937,076	3,495,879	4,230,729	4,223,547	2,620,491	4,380,829	4,062,154	6,848,997	6,525,809
Special Item									
Interfund loan write-off							(5,357,316)	-	
Loss on sale of assets									(22,486,508)
Transfers	20,909,557	(6,464,719)	(4,889,399)	(6,009,535)	(5,842,627)	(6,816,084)	(6,729,473)	(7,317,330)	(12,003,399)
Total business-type activities	25,612,084	(1,046,854)	1,369,764	(348,454)	(2,595,454)	(2,181,272)	(8,520,981)	1,544,193	(27,789,752)
Total primary government	44,817,501	49,719,314	51,874,182	49,143,079	45,334,343	41,562,866	32,458,402	50,734,368	27,381,847
Change in Net Position									
Governmental activities	(15,292,301)	18,223,441	23,538,107	10,666,420	5,921,531	(335,027)	(6,694,433)	9,291,801	9,632,380
Business-type activities	29,031,098	6,253,767	8,101,692	(3,869,877)	1,004,571	(160,838)	(893,432)	13,141,231	(13,083,748)
Total primary government	\$ 13,738,797	\$ 24,477,208	\$ 31,639,799	\$ 6,796,543	\$ 6,926,102	\$ (495,865)	\$ (7,587,865)	\$ 22,433,032	\$ (3,451,368)

**PROVO CITY CORPORATION**  
**Fund Balances of Governmental Funds**  
**Last Three Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund			
Nonspendable	\$ 47	\$ 49	\$ 36
Restricted	4,225	3,649	4,046
Assigned	640	1,433	2,135
Unassigned	8,547	7,639	8,977
Total general fund	<u>\$ 13,459</u>	<u>\$ 12,770</u>	<u>\$ 15,194</u>
All other governmental funds			
Nonspendable	\$ 1,811	\$ 15	\$ -
Restricted	40,389	23,943	2,843
Assigned	17,797	17,322	18,190
Unassigned	(1,709)	-	-
Total all other governmental funds	<u>\$ 58,288</u>	<u>\$ 41,280</u>	<u>\$ 21,033</u>

Note:

This schedule usually covers the ten most recent fiscal years; however, since this is the information available as of the implementation year of GASB 54, governments are not required to report prior years.

**PROVO CITY CORPORATION**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
Taxes	\$ 30,794	\$ 32,981	\$ 35,879	\$ 37,767	\$ 37,328	\$ 34,951	\$ 33,897	\$ 35,027	\$ 38,051	\$ 39,942
Licenses and permits	1,011	1,434	1,484	1,725	1,032	1,080	860	1,231	1,046	1,301
Intergovernmental	10,021	9,750	8,707	8,909	9,255	8,003	6,828	8,413	11,786	9,755
Charges for services	3,407	3,390	4,257	4,948	4,035	4,536	4,713	3,632	4,695	5,425
Fine and forfeitures	889	1,028	1,056	896	1,609	2,397	2,372	2,138	1,767	1,547
Impact fees	-	-	737	1,652	484	547	374	1,236	685	695
Interest income	456	773	1,523	2,204	1,795	734	245	245	253	239
Loan principal repayments	1,406	805	1,339	1,299	1,020	2,970	1,184	1,740	1,023	712
Loan interest repayments	62	60	57	76	64	2,007	2,059	2,048	48	32
Lease income	728	720	727	729	726	735	790	743	33	36
Miscellaneous	8,242	6,179	6,440	5,951	4,930	4,829	4,196	5,392	4,394	3,869
<b>Total revenues</b>	<u>57,016</u>	<u>57,120</u>	<u>62,207</u>	<u>66,157</u>	<u>62,279</u>	<u>62,789</u>	<u>57,518</u>	<u>61,845</u>	<u>63,781</u>	<u>63,553</u>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	10,426	10,718	10,957	9,546	10,100	8,259	10,169	10,690	11,275	12,169
Public safety	18,319	18,752	20,136	20,511	21,220	22,475	21,253	21,438	23,179	24,541
Public services	2,733	2,671	2,750	2,969	3,178	3,192	2,758	2,862	3,182	3,497
Culture and recreation	8,807	8,909	9,988	9,862	11,735	11,260	11,101	10,946	11,174	11,995
Community revitalization	9,818	6,381	7,932	11,133	9,500	12,132	7,456	9,138	8,011	7,231
<b>Total current expenditures</b>	<u>50,104</u>	<u>47,431</u>	<u>51,764</u>	<u>54,021</u>	<u>55,733</u>	<u>57,318</u>	<u>52,737</u>	<u>55,074</u>	<u>56,821</u>	<u>59,433</u>
<b>Debt service:</b>										
Interest	1,428	1,543	1,311	1,543	1,411	2,994	2,807	2,402	2,364	3,525
Rent/Lease Principal	99	93	211	182	214	215	211	149	123	52
Principal on debt	3,264	4,261	6,583	3,925	4,130	4,635	5,151	11,761	2,901	4,389
Service fees on debt	102	9	8	13	13	15	13	33	8	10
Interest - interfund	-	-	-	52	194	293	291	356	120	113
Debt cost of issuance	-	-	-	-	-	-	-	469	-	-
<b>Total debt service</b>	<u>4,893</u>	<u>5,906</u>	<u>8,113</u>	<u>5,715</u>	<u>5,962</u>	<u>8,152</u>	<u>8,473</u>	<u>15,170</u>	<u>5,516</u>	<u>8,089</u>
<b>Capital outlay:</b>										
Capital outlay	6,135	9,313	9,023	13,940	10,321	4,123	4,156	2,283	24,940	27,271
<b>Total expenditures</b>	<u>61,131</u>	<u>62,650</u>	<u>68,901</u>	<u>73,676</u>	<u>72,016</u>	<u>69,593</u>	<u>65,366</u>	<u>72,527</u>	<u>87,277</u>	<u>94,793</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(4,115)	(5,530)	(6,694)	(7,519)	(9,737)	(6,804)	(7,848)	(10,682)	(23,496)	(31,240)
<b>Other financing sources (uses):</b>										
Transfers from other funds	9,197	14,645	11,277	22,068	21,550	13,753	13,828	55,229	15,467	16,056
Transfers to other funds	(3,575)	(8,230)	(5,832)	(17,899)	(16,224)	(11,383)	(7,730)	(49,038)	(8,568)	(5,550)
Note proceeds	-	1,208	-	-	-	-	-	-	-	-
Proceeds of bonds	-	-	11,240	-	-	-	-	45,280	-	-
Sale of assets	-	-	22	(32)	370	61	51	487	650	291
<b>Total other financing sources (uses)</b>	<u>5,621</u>	<u>7,623</u>	<u>16,708</u>	<u>4,137</u>	<u>5,696</u>	<u>2,431</u>	<u>6,149</u>	<u>51,958</u>	<u>7,549</u>	<u>10,797</u>
<b>Special item:</b>										
Interfund loan write-off	-	-	-	-	-	-	-	5,357	-	-
<b>Net change in fund balances</b>	1,506	2,093	10,014	(3,382)	(4,041)	(4,373)	(1,699)	46,633	(15,947)	(20,443)
<b>Fund balance</b>										
<b>Fund balance beginning of year restated</b>	<u>26,512</u>	<u>28,018</u>	<u>31,140</u>	<u>40,815</u>	<u>37,433</u>	<u>31,186</u>	<u>26,814</u>	<u>25,114</u>	<u>69,998</u>	<u>56,670</u>
<b>Prior period adjustment</b>	-	1,029	(338)	-	-	-	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ 28,018</u>	<u>\$ 31,140</u>	<u>\$ 40,816</u>	<u>\$ 37,433</u>	<u>\$ 33,392</u>	<u>\$ 26,814</u>	<u>\$ 25,115</u>	<u>\$ 71,747</u>	<u>\$ 54,050</u>	<u>\$ 36,226</u>
<b>Debt service to noncapital expenses ratio</b>	9.76%	12.45%	15.67%	10.58%	10.70%	14.22%	16.07%	27.54%	8.59%	11.56%

**PROVO CITY CORPORATION**  
**GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (1)**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(Unaudited)**

FISCAL YEAR	GENERAL PROPERTY TAX (2)	SALES TAX	LODGING TAX	FRANCHISE TAX	TOTAL TAX REVENUE
2004	12,021	12,601	240	5,932	30,794
2005	12,368	13,365	270	6,978	32,981
2006	12,584	15,310	282	7,703	35,879
2007	12,838	17,149	346	7,433	37,766
2008	12,296	17,060	349	7,623	37,328
2009	12,326	14,802	320	7,503	34,951
2010	12,533	13,671	291	7,402	33,897
2011	13,023	13,996	291	7,716	35,027
2012	14,417	14,910	289	8,435	38,052
2013	14,991	15,462	350	8,961	39,765

(1) Includes the General, Debt Service, and Special Revenue Funds.

(2) Includes payments in lieu of taxes.

City is entitled to receive 1% of the sales tax revenue collected by the State of Utah

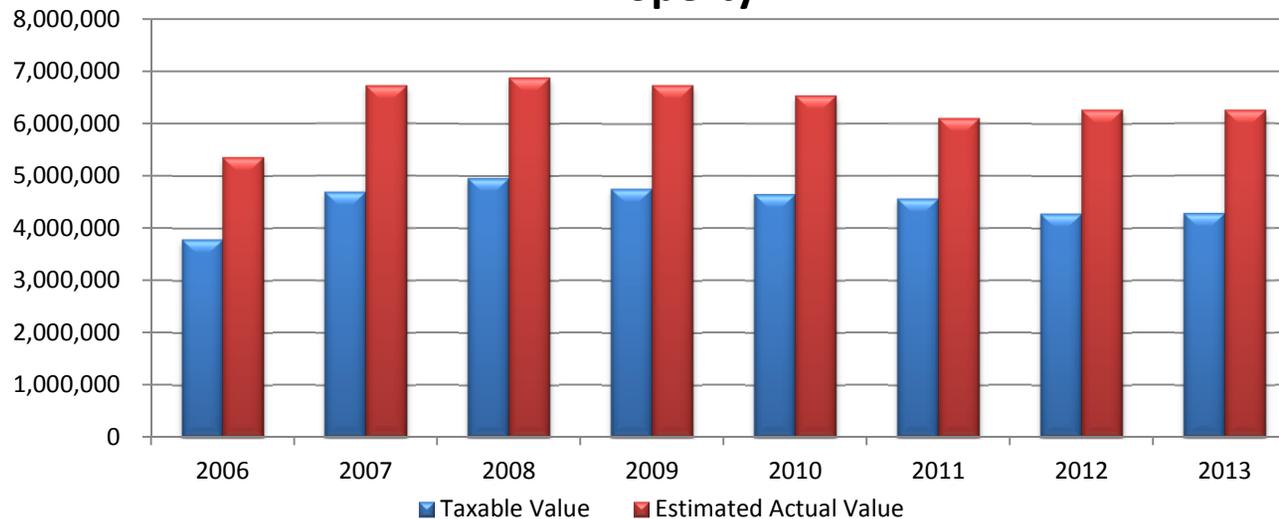
**PROVO CITY CORPORATION**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(Unaudited)**

Fiscal Year	TAXABLE VALUE (1)					Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Taxable Value To Total Estimated Actual Value
	Real Property	Personal Property	Centrally Assessed**	Taxable Value				
2004	3,328,948	289,494		3,618,442		0.002873	5,012,862	72.18%
2005	3,347,750	262,725		3,610,475		0.002891	5,074,870	71.14%
2006	3,508,880	282,472		3,791,352		0.002722	5,363,238	70.69%
2007	4,353,064	339,423		4,692,487		0.002236	6,723,109	69.80%
2008	4,598,227	365,762		4,963,989		0.002122	6,884,010	72.11%
2009	4,362,813	399,604		4,762,417		0.002307	6,741,522	70.64%
2010	4,262,569	389,053		4,651,622		0.002394	6,536,411	71.16%
2011	4,176,084	389,053		4,565,137		0.002843	6,101,974	74.81%
2012	3,935,559	263,576	87,893	4,287,028		0.003032	6,274,700	68.32%
2013	3,919,992	278,833	87,003	4,285,828		0.002956	6,251,590	68.56%

(1) Source: Utah County Auditor

\*\* 2012 added Centrally Assessed Column

### Assessed Value & Estimated Value of Taxable Property

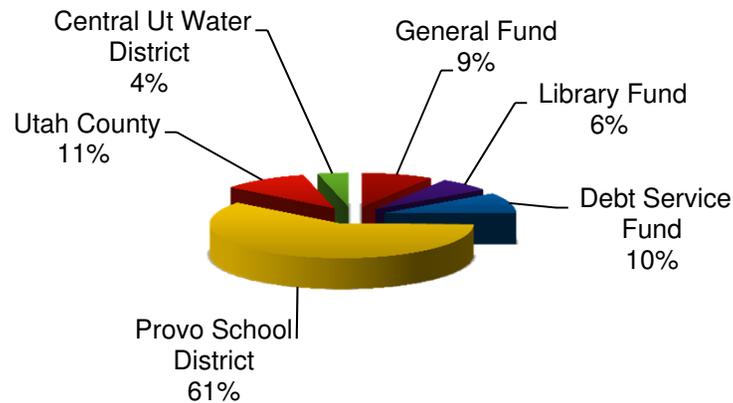


**PROVO CITY CORPORATION**  
**STATE OF UTAH**  
**PROPERTY TAX RATES--DIRECT AND OVERLAPPING GOVERNMENTS**  
**BASED ON \$1,000 ASSESSED VALUATION**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Calander Year	City of Provo				Other Taxing Entities (1)			Total Tax Rate
	General Fund	Library Fund	Debt Service Fund	Total	Provo School District	Utah County	Central UT Water District	
2004	0.001125	0.000832	0.000916	0.002873	0.006234	0.001065	0.000353	0.007652
2005	0.001131	0.000836	0.000924	0.002891	0.006124	0.001040	0.000400	0.007564
2006	0.001068	0.000789	0.000865	0.002722	0.006147	0.000960	0.000357	0.007464
2007	0.000882	0.000652	0.000702	0.002236	0.005239	0.008430	0.000302	0.013971
2008	0.000846	0.000626	0.000650	0.002122	0.006214	0.000809	0.000286	0.007309
2009	0.000915	0.000677	0.000715	0.002307	0.006639	0.000878	0.000400	0.007917
2010	0.000951	0.000703	0.000740	0.002394	0.006706	0.001108	0.000421	0.008235
2011	0.001032	0.000763	0.001048	0.002843	0.007153	0.001342	0.000436	0.008931
2012	0.001053	0.000779	0.001200	0.003032	0.007319	0.001324	0.000455	0.009098
2013	0.001035	0.000766	0.001155	0.002956	0.007094	0.001259	0.000446	0.008799

(1) SOURCE: Utah County Auditor

## PROPERTY TAX RATES



**PROVO CITY CORPORATION  
PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago  
June 30, 2013  
(amounts expressed thousands)**

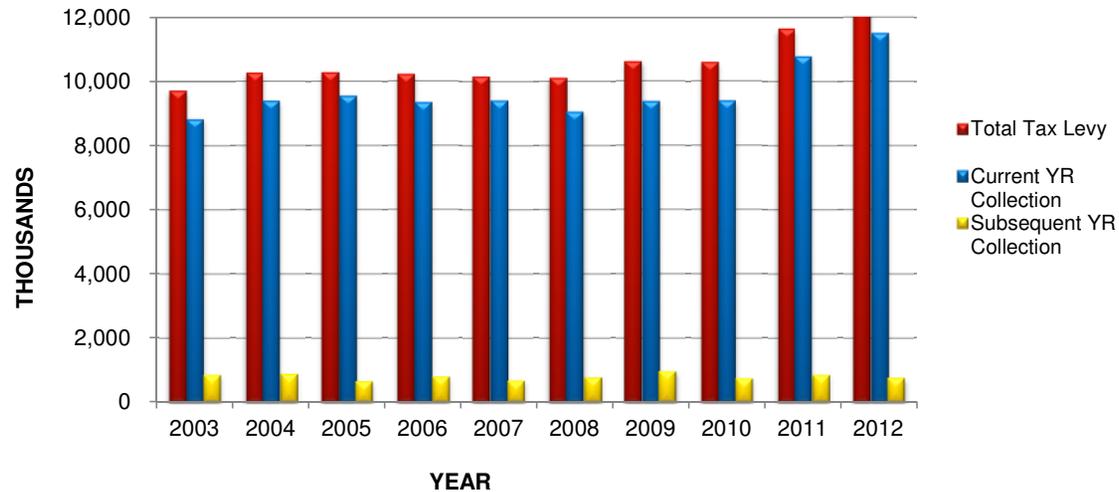
<u>Taxpayer</u>	<u>2013</u>			<u>2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
NuSkin International Inc	\$ 74,976		1.75%			
SIR Properties Trust (formerly Novell)	47,873		1.12%			
Provo Mall LLC	46,812		1.09%			
Fae Holdings	43,519		1.02%			
Central Utah Investment Company	33,279		0.78%	19,695	3	0.59%
KC Gardner Riverwoods LC	29,670		0.69%			
Peak Joaquin Holdings LLC	21,272		0.50%			
Qwest Corp	20,828		0.49%			
Tropical Development LLC	20,780		0.49%	15,500	9	0.47%
Questar Gas	20,640		0.48%			
Union Pacific Railroad Co.	20,566		0.48%			
Parkway Village Provo Holdings LLC	17,204		0.40%	17,370	7	0.52%
ESNET Riverwood Properties LLC	15,845		0.37%	18,500	5	0.56%
HRA Branbury Park LLC	15,390		0.36%			
Tigriswoods LLC	14,427		0.34%			
Sundance Partners LTD	12,198		0.28%			
CCA-Riverside Plaza LLC	12,125		0.28%			
B H Provo	11,496		0.27%			
PMH Investors LLC	10,786		0.25%			
East Bay Center L.L. C.	10,780		0.25%			
IHC Hospitals Inc.	10,412		0.24%	17,334	8	0.52%
1565 North LLC	9,915		0.23%			
MPT of Provo(	9,477		0.22%			
Dillard's USA Inc.	9,469		0.22%	9,600	15	0.29%
Fig Garden/Bird Limited Partnership	9,381		0.22%			
Republic Airways Holding Inc.	9,259		0.22%			
Raintree Park Limited	8,894		0.21%	6,541	26	0.20%
Vintage Properties LP	8,493		0.20%			
TCP-Provo LLC	8,135		0.19%			
DHI Building Limited Co	8,073		0.19%			
Sams Real Estate Business Trust	7,474		0.17%			
Medical Center Company LC	7,437		0.17%			
Riverwoods Medical Art Center LLC	7,402		0.17%			
Apple Seven SPE Provo	7,309		0.17%			
HRA Riviera LLC	7,251		0.17%			
HD Development of Maryland Inc.	6,900		0.16%			
Sundance IDevelopment Corp.	6,849		0.16%			
Silver Lake Health Holdings LLC	6,348		0.15%			
Affordable Housing Partners x	5,143		0.12%			
Aspen Investments				8,819	19	0.26%
Brandbury Park Inc.				10,713	13	0.32%
Covey Corporate Campus Two LL				11,632	11	0.35%
East Bay Development Co. Inc.				9320	17	0.28%
Epixtech				10,811	12	0.32%
Novell				67,000	1	2.01%
Peak Provo LLC				9,214	18	0.28%
Provo Mall Development Co.				48,095	2	1.44%
RT SD-Provo L.P.				8,425	20	0.25%
Scrub Oak Ltd				18,408	6	0.55%
Sunstone OP Properties LLC				19,116	4	0.57%
Terranet Investments LC				14,377	10	0.43%

Total assessed value for Provo \$ 4,282,081 100%  
includes real property only  
does not include any government, utilities, or phone company property

**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Calendar Years**  
(amounts expressed in thousands)  
(unaudited)

Calendar Year Ended December 31	Total Tax Levy for Calendar Year	Total Adjusted Tax Levy	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Assessment
2003	9,723	9,723	8,835	90.87%	863	9,698	99.74%
2004	10,273	10,293	9,396	91.46%	897	10,293	100.00%
2005	10,289	10,289	9,559	92.91%	667	10,226	99.39%
2006	10,225	10,225	9,348	91.42%	815	10,163	99.39%
2007	10,169	10,169	9,418	92.61%	690	10,108	99.40%
2008	10,111	10,111	9,060	89.61%	791	9,851	97.43%
2009	10,617	10,617	9,383	88.38%	973	10,356	97.54%
2010	10,596	10,596	9,397	88.68%	757	10,154	95.83%
2011	11,655	11,662	10,791	92.59%	871	11,662	100.00%
2012	12,443	12,443	11,513	92.53%	776	12,289	98.76%

Source: Utah Co. Auditor



**Provo City Corporation**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	(Provo-Orem) Percentage of Personal Income *	(Provo) Per Capital *
	General Obligation Bonds	Revenue Bonds	Special Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases			
2004	18,490	3,605	-	4,202	2,107	80,154	-	-	108,558	0.02%	954
2005	16,545	3,180	-	6,283	1,325	77,371	-	99	104,803	0.02%	941
2006	20,355	4,830	-	6,578	2,997	74,474	-	49	109,283	0.02%	925
2007	18,360	4,345	-	5,134	2,691	70,158	-	10	100,698	0.02%	850
2008	16,245	3,795	-	3,726	2,438	65,652	-	-	91,856	0.04%	761
2009	13,995	38,740	-	3,291	2,174	25,421	-	-	83,621	0.03%	680
2010	11,650	36,690	-	2,536	1,899	24,819	-	-	77,594	0.03%	690
2011	47,990	34,550	-	1,788	1,613	20,445	-	-	106,386	0.02%	928
2012	45,450	1,785	-	458	1,746	47,043	-	-	96,482	N/A	837
2013	42,850	1,685	-	327	1,371	40,718	-	-	86,951	N/A	750

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

Note: \* Population data and personal income can be found in the Schedule of Demographic and Economic Statistics.

Note: \*\* 2011 Percapita Income from the Bureau of Economic Analysis report not available till 11-26-2012

**Provo City Corporation**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
2004	18,490	781	17,709	0.35%	156
2005	16,545	644	15,901	0.31%	138
2006	20,355	764	19,591	0.37%	169
2007	18,360	1,212	17,148	0.26%	145
2008	16,245	934	15,311	0.22%	127
2009	13,995	239	13,756	0.20%	112
2010	11,650	99	11,551	0.18%	92
2011	47,990	129	47,861	0.78%	418
2012	45,450	350	45,100	1.09%	391
2013	42,850	710	42,140	0.98%	364

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

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

\*\* Population data can be found in the Schedule of Demographic and Economic Statistics.

**PROVO CITY CORPATION**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30,2013**  
**(amounts expressed in thousands)**

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Provo City School District	\$ 46,556	100%	\$ 46,556
Subtotal overlapping debt	<u>46,556</u>		<u>46,556</u>
Direct Debt:			
Provo City Debt			<u>87,911</u>
Total direct and overlapping debt			<u><u>\$ 134,467</u></u>

**PROVO CITY CORPORATION**  
**Legal Debt Margin Information**  
**Last Ten Years**  
**(amounts expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 200,514	\$ 202,995	\$ 214,530	\$ 268,924	\$ 275,360	\$ 269,661	\$ 261,456	\$ 244,079	\$ 165,754	\$ 171,283
Total net debt applicable to limit	18,490	16,545	20,355	18,360	16,245	13,995	11,650	47,990	45,450	42,850
Legal debt margin	182,024	186,450	194,175	250,564	259,115	255,666	249,806	196,089	120,304	128,433
Total net debt applicable to the limit as a percentage of debt limit	9.22%	8.15%	9.49%	6.83%	5.90%	5.19%	4.46%	19.66%	27.42%	25.02%

Legal Debt Margin Calculation for Fiscal Year 2013

Estimated Market Value	\$ 4,282,081
Debt limit--4 percent of market value	171,283
Debt applicable to limit:	42,850
Total bonded debt (including special assessment bonds, if any)	
Legal debt margin	<u><u>\$ 128,433</u></u>

**Provo City Corporation  
Pledged -Revenue Coverage  
Last Ten Fiscal Years**

Sales Tax Revenue Bonds

Fiscal Year	Sales Tax Revenue	Debt Service		
		Principal	Interest	Coverage
2004	N/A	N/A	N/A	N/A
2005	\$ 13,365,745	\$ -	\$ 1,870,715	7.14
2006	15,310,399	-	1,929,677	7.93
2007	17,149,011	1,285,000	1,929,668	8.89
2008	17,059,579	1,320,000	1,897,038	8.99
2009	14,801,894	1,360,000	1,857,702	7.97
2010	13,670,813	1,405,000	1,809,966	7.55
2011	13,996,455	1,460,000	1,756,436	7.97
2012	14,910,351	1,520,000	1,696,138	8.79
2013	15,461,642	1,585,000	1,629,258	9.49

Building Authority Lease Revenue Bonds

Lease Revenue	Debt Service		
	Principal	Interest	Coverage
664,206	400,000	261,185	1.00
655,357	425,000	235,985	0.99
660,423	450,000	208,998	1.00
664,773	480,000	180,198	1.01
663,543	510,000	149,238	1.01
665,388	545,000	116,088	1.01
664,703	580,000	80,390	1.01
661,132	615,000	41,820	1.01
-	-	-	0.00
-	-	-	0.00

Energy Revenue Bonds

Fiscal Year	Charges and Other	Less: Net		Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage
2004	54,397,422	35,718,131	18,679,291	2,945,000	2,154,043	3.66
2005	48,526,335	36,426,911	12,099,424	2,270,000	1,647,907	3.09
2006	50,670,681	38,057,092	12,613,589	2,360,000	1,555,394	3.22
2007	53,824,273	39,513,644	14,310,629	2,475,000	1,436,844	3.66
2008	51,264,359	40,541,934	10,722,425	2,605,000	1,312,382	2.74
2009	50,336,668	39,589,892	10,746,776	2,730,000	1,181,394	2.75
2010	50,523,138	40,132,500	10,390,638	3,065,000	1,070,244	2.51
2011	58,364,515	50,242,202	8,122,313	3,695,000	865,134	1.78
2012	67,449,653	48,070,765	19,378,888	3,855,000	654,070	4.30
2013	69,526,364	49,162,309	20,364,055	4,015,000	433,745	4.58

Water Revenue Bonds

Charges and Other	Less: Net		Debt Service Principal	Interest	Coverage
	Operating Expenses	Available Revenue			
N/A	N/A	N/A	N/A	N/A	N/A
\$ 6,120,077	\$ 4,531,847	\$ 1,588,230	\$ 153,000	\$ 59,199	7.48
7,473,995	4,709,493	2,764,502	157,000	55,785	12.99
8,438,996	4,879,396	3,559,600	161,000	51,647	16.74
6,752,930	5,279,290	1,473,640	166,000	47,016	6.92
7,298,629	5,295,784	2,002,845	171,000	41,214	9.44
6,897,638	5,103,149	1,794,489	177,000	35,034	8.46
8,168,567	5,050,237	3,118,330	184,000	28,262	14.69
8,410,196	5,125,837	3,284,359	192,000	20,880	15.43
9,329,393	5,776,510	3,552,883	200,000	12,940	16.68

Tax Increment Revenue Bonds

Fiscal Year	Charges and Other	Less: Net		Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage
2004	N/A	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A	N/A
2007	\$ 193,863	\$ -	\$ 193,863	\$ 5,000	\$ 138,058	1.36
2008	170,276	-	170,276	40,000	102,655	1.19
2009	64,045	-	64,045	45,000	100,695	0.44
2010	155,310	-	155,310	65,000	98,490	0.95
2011	196,504	-	196,504	65,000	95,305	1.23
2012	210,409	-	210,409	95,000	92,120	1.12
2013	219,987	-	219,987	100,000	87,465	1.17

Storm Drain Revenue Bonds

Charges and Other	Less: Net		Debt Service Principal	Interest	Coverage
	Operating Expenses	Available Revenue			
1,906,598	926,780	979,818	345,000	368,570	1.37
1,991,103	1,066,640	924,463	360,000	354,770	1.29
2,109,679	1,120,640	989,039	380,000	340,370	1.37
2,706,042	1,046,071	1,659,971	395,000	324,790	2.31
2,360,062	1,198,098	1,161,964	415,000	308,398	1.61
2,240,690	1,143,578	1,097,112	435,000	290,760	1.51
3,957,170	1,117,112	2,840,058	450,000	272,273	3.93
2,516,830	1,085,869	1,430,961	495,000	302,196	1.79
3,088,692	1,289,705	1,798,987	505,000	293,139	2.25
2,400,786	1,198,658	1,202,128	525,000	272,939	1.51

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

**PROVO CITY CORPORATION  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST 10 FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>PROVO POPULATION</u>	<u>Provo-Orem PERSONAL INCOME (millions)</u>	<u>Provo-Orem (MSA) PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>SCHOOL ENROLLMENT</u>	<u>UTAH UNEMPLOYMENT RATE</u>	<u>REGISTERED VOTERS</u>	<u>NUMBER PUBLIC SCHOOLS</u>
2004	113,773	8,719	19,686	22.9	13,037	5.2	42,631	25
2005	115,389	9,557	21,127	25.5	12,984	4.5	42,438	24
2006	118,184	10,669	22,187	N/A	13,031	3.2	53,001	23
2007	118,448	11,701	23,720	25.9	13,117	2.7	39,575	19
2008	120,723	12,035	39,582	25.1	12,998	3.2	35,555	21
2009	123,040	12,684	22,832	25.2	13,242	5.7	42,914	22
2010	112,488	13,393	22,256	*23.3	14,679	7.2	59,513	22
2011	114,625	13,975	25,841	28.1	14,750	7.6	61,977	22
2012	115,321	N/A**	N/A**	*23.4	15,322	5.4	40,211	22
2013	115,925	N/A**	N/A**	N/A	15,505	4.7	49,558	22

DATA SOURCES

Provo School District

EDC Utah provo/orem MSA Demographic Report

Bureau of Economic Analysis economic report

2010 U.S. Census Update

Utah Dept. Workforce Services

Population restated for 2010 according to 2010 census

\* Accelerated estimate

\*\*Information not available till next year

**PROVO CITY CORPORATION**

**PRINCIPAL EMPLOYERS**

**Current Year and Nine Years Ago**

**June 30, 2013**

**(Unaudited)**

	<b>2013</b>	<b>2004</b>
<b>EMPLOYER</b>	<b><u>Employees</u></b>	<b><u>Employees</u></b>
Brigham Young University	10000-14999	18,000
Brigham Young University	5000-69999	
Utah Valley Regional Medical Center	3000-3999	
Vivint, Inc.	2000-2999	
Central Utah Medical Clinic.	500-999	
FindItInUtah	500-999	
MyFamily.com	500-999	1000
Provo City Administrative	250-499	
Provo City Inc. (FTE)	500-999	850
RBD Acquisition Sub, Inc.	500-999	
Utah State Hospital	500-999	790
Bluehost.com	250-499	
Deseret Industries	250-499	
Heritage Schools Inc.	250-499	
Morinda	250-499	512
NSE Products, Inc.	250-499	
NuSkin International Inc.	250-499	
NuSkin United States	250-499	
Seven Peaks Waterpark Provo	250-499	
SII Megadiamond, Inc.	250-499	
UHS of Provo Canyon , Inc.	250-499	
Dynix Corporation		420
Intermountain Health Care		3,650
Novell		1,700
NuSkin Enterprises Inc.		1,500
Provo School District		2,600
Utah County		1020
Utah State Office Building		450

Source: jobs.utah.gov (April 2013)

**PROVO CITY CORPORATION**  
**Full Time City Government Employees by Function Equivalents**  
**Last Ten Fiscal Years**

<b>Function</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Government</b>	109	107	105	105	124	120	112	106	107	135
<b>Public Safety</b>										
Fire	80	80	80	80	80	80	77	78	84	83
Police	172	168	170	174	175	176	171	157	161	166
Emergency Response	5	5	5	5	6	6	8	9	9	9
<b>Public Services</b>										
Street Maintenance	18	18	18	18	18	18	17	16	16	16
Engineering	15	14	14	15	15	15	13	12	14	14
<b>Culture and Recreation</b>	157	163	156	160	182	188	185	173	178	182
Water	33	33	33	33	33	34	34	32	32	32
Wastewater	28	28	28	28	28	28	28	27	28	28
Energy	97	102	101	102	102	103	100	83	87	65
Telecom	9	22	25	16	19	0	0	0	0	1
Airport	2	2	2	2	2	2	2	2	3	4
Sanitation	18	14	14	14	14	15	16	16	16	14
Golf Course	0	0	8	8	8	8	8	8	8	8
Vehicle Maintenance	11	11	11	11	11	11	11	7	8	8
Facilities	12	12	12	12	12	12	9	7	7	8
	<u>766</u>	<u>779</u>	<u>782</u>	<u>783</u>	<u>829</u>	<u>816</u>	<u>791</u>	<u>733</u>	<u>758</u>	<u>773</u>

**PROVO CITY CORPORATION  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police (Calendar Year)										
Adult Arrest	2,249	2,222	2,217	2,289	2,285	2,270	2,286	1,912	N/A*	2,179
DUI violations	263	334	372	372	397	314	342	214	N/A*	302
Juvenile Arrests	370	732	868	903	727	710	645	489	N/A*	484
Parking violations	16,521	19,654	16,118	15,483	17,748	16,764	19,742	14,471	12,099	N/A
Traffic violations	24,884	22,502	17,181	16,477	21,623	19,848	16,534	7,505	8,769	N/A
Fire (Calendar Year)										
Number of ambulance calls	4,027	4,538	4662	4,640	8,880	4,361	4,058	5843	4223	N/A
Number of FIRE/EMS combined	8,497	9,956	10316	10,552	10,254	9,941	9,368	10129	9981	N/A
Inspections	1,102	1,152	1200	1,300	NA	994	560	571	456	N/A
Highways and streets										
General Road Repair (tons of asphalt used)	6,580	3,062	14,269*	40,400	23,000	23,070	13,051	4,023	2,588	2,250
Potholes repaired (tons of asphalt used)	100	75	58	80	400	400	40	40	70	61
Sidewalks replaced (linear feet)	N/A	1,800	13,474*	8,529	7,381	11,533	11,755	12,800	350	6,019
Sanitation										
Refuse collected (tons/yr)	23,700	22,200	21,987	22,530	20,572	22,010	21,598	21,212	20,288	20,979
Recyclables collected (tons/yr)	N/A	60	768	883	1,002	1,084	1,142	1,305	2,021	2,222
Culture and recreation										
Youth sports program participants	N/A	6,518	5,976	6,115	6,210	52,719*	46,672	44,232	47,783	48,525
Adult sports program participants	N/A	5,872	6,701	6,689	7,388	68,574*	72,440	67,980	60,351	59,668
Aquatics program participants	N/A	49,865	107,991	119,321	101,915	106,422	120,047	110,033	115,405 **	82,585
Recreation Centers participants(non aquatics)	N/A	N/A	N/A	21,287	28,207	33,064	44,641	52,514	42,233 **	153,913
Senior citizen program participants	N/A	29,000	54,650	69,133	68,760	67,326	47,852	54,816	44,111 **	13,189
Community special events participants	N/A	55,000	73,450	41,265	45,000	34,700	31,675	32,887	35,730 **	30,993
Covey Center for the Arts Participants	N/A	N/A	N/A	N/A	N/A	97,252	97,139	123,931	146,774	140,760
Peaks Ice Arena participants	N/A	N/A	N/A	N/A	N/A	146,293	250,654	321,548	319,404	330,286
The Center	N/A	N/A	N/A	N/A	N/A	49,362	46,780	52,360	41,352 **	18,116
Community program Participants	N/A	N/A	N/A	N/A	N/A	8,685	11,793	19,386	10,375 **	6,377
Energy										
Energy Requirements (kwh)	728,206,077	721,578,061	776,406,000	798,690,341	786,777,508	771,704,133	762,762,706	763,936,458	768,460,113	790,206,295
Water										
Number of Consumers (connections)	17,645	17,771	18,082	18,310	18,494	18,592	18,629	18,653	18,787	18,882
Water mains breaks	4	5	11	17	21	27	39	45	33	32
Average Daily Consumption (gallons)	26,591,065	23,879,740	25,986,566	25,491,983	30,054,747	25,678,849	24,457,600	23,445,989	24,867,000	24,848,280
Wastewater										
Average daily sewage treatment (gallons)	13,100,000	13,078,164	14,500,000	12,200,000	13,670,000	11,400,000	12,900,000	15,000,000	13,700,000	12,775,000

\*Youth and Adult sports programs is reporting by participants rather than registrants starting year 2009

Sources: Various government departments

\* Police computer system changed 2012 no avail infor

\*\*Starting in 2014 these Park numbers will be combined due to the opening of the New Provo Recreationa Center

**PROVO CITY CORPORATION  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year</b>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub Stations	2	1	1	1	1	1	1	1	1	1
Police Officers*	72	72	72	74	73	69	72	72	78	100
Fires Stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks	11	11	11	11	13	13	13	10	11	13
Highways and streets										
Street lane miles	N/A	609	810	878	882	882	882	882	882	882
Traffic signals	86	89	89	89	90	90	90	90	90	88
Water										
Water mains (miles)	351	361	376	377	379	381	383	384	389	389
Fire hydrants	2,695	2,787	2,917	3,082	3,169	3,013	3,046	3,064	3,070	3,107
Sewer										
Sanitary sewers (miles)	280	284	292	295	297	299	300	300	302	309
Storm sewers (miles)	71	99	96	98	103	106	117	123	123.5	130.0
Electric										
Number of distribution stations	21	21	21	21	18	18	18	18	18	18
Miles of service lines	373	376	379	379	398	400	400	404	404	404
Number of consumer connections	33,486	33,811	34,227	34,580	34,997	35,216	35,237	35,281	35,248	35,119
*Culture and recreation										
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cultural Arts Centers	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Gun Range	1	1	1	1	1	1	1	1	1	1
Ice Arena						1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Museums	2	2	2	2	2	2	2	2	2	2
Parks	45	44	44	44	47	47	49	49	N/A	N/A
Developed	40	39	39	39	42	43	45	45	N/A	N/A
Developed park acreage	N/A	361	361	361	375	376	382	382	N/A	N/A
Undeveloped	5	5	5	5	5	4	4	4	N/A	N/A
Recreation Centers	2	2	2	2	2	2	2	2	2	1
Senior Center	1	1	1	1	1	1	1	1	1	0
Swimming pools	2	2	2	2	2	2	2	2	2	*1
Parks										
Pocket Parks									4	4
Pocket Parks (Acres)									1.1	1.1
Neighborhood Parks									18	18

**PROVO CITY CORPORATION  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year</b>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Neighborhood Parks (Acres)									90.9	90.9
Community Parks									14	14
Community Parks (Acres)									283.1	283.1
Regional Parks									4	4
Regional Parks (Acres)									167.4	167.4
Conservation Parks									5	5
Conservation Parks (Acres)									609.6	609.6
Greenways/Road Frontage Landscapes									8	8
Greenways/Road Frontage Landscapes (Acres)									68.4	68.4
Trailhead Parks									7	7
Trailhead Parks (Acres)									21.2	21.2
Pathways/Trails									15	15
Pathways/Trails(Miles)									37.2	37.2
Open Space (Acres)									553.8	553.8
Developed Areas (Acres)									802.5	802.5
Turf Acres in Developed Areas (Acres)									463.9	463.9
Undeveloped Parks									13	13
Undeveloped Parks (Partial)									21	21
Undeveloped Parks (Acres)									1,370.2	1,370.2
Special Use Facilities									10	10
Big Springs Camp (Acres)									5.0	5.0
Center Street Linear Park (Acres)									7.2	7.2
Municipal Center (Acres)									4.0	4.0
Shooting Sports Park (Acres)									50.0	50.0
Academy Square Library (Acres)									4.0	4.0
Cemetery (Acres)									49.1	49.1
Covey Center for the Arts (Acres)									1.0	1.0
East Bay Golf Course (Acres)									226.0	226.0
Provo Recreation Center (Acres)									18.5	18.5
Peaks Ice Arena (Acres)									13.6	13.6

Sources: Various city departments

\*A More detailed park classification approach was incorporated into the new Parks and Recreation Master Plan thus necessitating a new reporting format.

\*Included in the new Recreation center are 10 individual swimming pools

\*as of 2013 count is for all sworn police officers, newest office through Captains.

**PROVO CITY CORPORATION**

**Single Audit  
And  
State Legal Compliance Reports**

**June 30, 2013**

**PROVO CITY CORPORATION**  
**Single Audit and State Legal Compliance Reports**  
**June 30, 2013**

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# Hansen, Bradshaw, Malmrose & Erickson

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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*

Honorable Members of the City Council and Mayor  
Provo City Corporation, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Provo City Corporation, Utah ("the City") 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, and have issued our report thereon dated November 12, 2013.

### *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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. 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.

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 material weaknesses or significant deficiencies, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 13-1.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 13-1.

#### ***Management's Response to Finding***

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***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 City'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.

*Hangen, Bradshaw, Malmrose & Erickson, P.C.*

November 12, 2013

# Hansen, Bradshaw, Malmrose & Erickson

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Members of the City Council and Mayor  
Provo City Corporation, Utah

### *Compliance*

We have audited the compliance of Provo City Corporation, Utah ("the City"), with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### *Management's Responsibility*

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the City's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. A compliance 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 compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on the City's compliance with those requirements.

### *Opinion*

In our opinion, Provo City Corporation, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### *Other Matter*

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 13-1.

### *Internal Control over Compliance*

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item 13-1.

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Provo City Corporation, Utah, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on

the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Management's Response to Finding***

Management's response to the finding identified in our compliance audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit management's response and, accordingly, we express no opinion on the response.

***Purpose of This Report***

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

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

November 12, 2013

**PROVO CITY CORPORATION**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Federal Award/Contract #	Award Amount	Amount Expended
<u>U.S. Department of Commerce</u>				
Direct Awards:				
Mountain Vista Business Center Infrastructure	11.300		\$ 2,000,000	\$ 647,359
		Subtotal	2,000,000	647,359
Total U.S. Department of Commerce		Total Direct Awards	2,000,000	647,359
<u>Department of Housing and Urban Development</u>				
Direct Awards:				
Community Development Block Grant 04-05	14.218	B-04-MC-49-0003	2,039,000	2,067
Community Development Block Grant 08-09	14.218	B-08-MC-49-0003	1,686,238	37,580
Community Development Block Grant 09-10	14.218	B-09-MC-49-0003	1,707,230	199,093
Community Development Block Grant 10-11	14.218	B-10-MC-49-0003	1,846,961	168,213
Community Development Block Grant 11-12	14.218	B-11-MC-49-0003	1,541,856	227,117
Community Development Block Grant 12-13	14.218	B-12-MC-49-0003	1,533,248	858,080
Commercial Rehab Revolving Loan Program	14.218	None	*	91,600
Community Development Revolving Loan Program	14.218	None	*	36,099
Housing Rehabilitation Revolving Loan Program	14.218	None	*	1,612
Neighborhood Rehabilitation Revolving Investment Program	14.218	2009	*	8,235
Homebuyer Assistance Revolving Loan Program	14.218	None	*	224
		Subtotal	10,354,533	1,629,920
HOME Investment Partnership Agreement 08-09	14.239	M-08-DC-49-0207	1,292,994	43,941
HOME Investment Partnership Agreement 09-10	14.239	M-09-DC-49-0207	1,428,630	75,000
HOME Investment Partnership Agreement 10-11	14.239	M-10-DC-49-0207	1,419,708	448,670
HOME Investment Partnership Agreement 11-12	14.239	M-11-DC-49-0207	1,335,169	332,917
HOME Investment Partnership Agreement 12-13	14.239	M-12-DC-49-0207	993,978	478,094
		Subtotal	6,470,479	1,378,622
Boulders Mentoring Program	93.647	90XP0383/01	350,000	65,025
		Subtotal	350,000	65,025
Total Department of Housing and Urban Development		Total Direct Awards	17,175,012	3,073,567

\* Denotes program income, no award amount as original funding came through CDBG

(Continued)

**PROVO CITY CORPORATION**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Federal Award/Contract #	Award Amount	Amount Expended
<u>Department of Justice</u>				
Direct Awards:				
End Violence Against Women Later in Life (ALL) Community-Defined Solutions on Violence Against Women	16.528	012-EW-AX-K006	\$ 400,000	\$ 43,415
2010/Plus GTEA Supplement No. 1	16.590	2010-WE-AX-0029	642,502	116,637
Bulletproof Vest Partnership	16.607		910	910
		Subtotal	1,043,412	160,962
Edward Byrne Memorial Justice Assistance Grant (JAG) Program 2009	16.738	2009-DJ-BX-0722	48,556	122
Edward Byrne Memorial Justice Assistance Grant (JAG) Program 2010	16.738	2010-DJ-BX-0979	60,855	33,302
Edward Byrne Memorial Justice Assistance Grant (JAG) Program 2011	16.738	2010-DJ-BX-2857	47,372	1,598
Edward Byrne Memorial Justice Assistance Grant (JAG) Program 2012	16.738	2010-DJ-BX-0349	40,841	24,714
		Subtotal	197,624	59,736
Edward Byrne Memorial Justice Assistance Grant (JAG) Program - ARRA	16.804	2009 ARRA_BJA	200,521	25,412
		Subtotal	200,521	25,412
		Total Direct Awards	1,441,557	246,110
Pass-through Awards (from the State of Utah):				
Violence Against Women Grant 11-12	16.588	10-VAWA-24	35,788	13,682
Violence Against Women Grant 2012	16.588	12-VAWA-46	70,191	69,675
Violence Against Women Grant 12-13	16.588	10-VAWA-24	36,996	18,915
Internet Crimes Against Children (ICAC)	16.800	2012-2012 ICAC	7,938	7,938
		Subtotal	150,913	110,210
		Total Pass Through Awards	150,913	110,210
Total Department of Justice			1,592,470	356,320

(Continued)

**PROVO CITY CORPORATION**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Federal Award/Contract #	Award Amount	Amount Expended
<u>US Department of Transportation</u>				
Direct Awards:				
Small Community Air Service Development	20.930		\$ 500,000	\$ 69,387
TSA Law Enforcement Officer Program	97.090	HSTS0213HSLR145	14,600	6,265
		Subtotal	514,600	75,652
		Total Direct Awards	514,600	75,652
Pass-through Awards (from the State of Utah):				
Airport Improvement Program - Terminal and Fencing (Phase II)	20.106	AIP 3-49-0027-33	289,654	17,029
Airport Improvement Program - Apron Improvements	20.106	4AIP 3-49-0027-33	1,550,000	262,191
Airport Improvement Program - Wildlife Hazard Assessment	20.106	AIP 3-49-0027-35	63,658	15,496
Airport Improvement Program - Terinal Expense and Runway	20.106	AIP 3-49-0027-36	1,000,000	181,271
		Subtotal	2,903,312	475,987
		Total Pass Through Awards	2,903,312	475,987
Total Department of Transportation			3,417,912	551,639
<u>US Office of Library Services</u>				
Direct Awards:				
National Endowment for the Humanities	45.164	L-J-50073-11	2,500	939
		Subtotal	2,500	939
		Total Direct Awards	2,500	939
Pass-through Awards (from the State of Utah):				
Young Adult Library Services - Teen Read Week	45.130		1,000	1,000
Department of Heritage and Arts (Literacy Work Station)	45.310	USL-13-0199	4,456	4,456
Department of Heritage and Arts (Literacy Lending Grant)	45.310		3,000	3,000
		Subtotal	8,456	8,456
		Total Pass Through Awards	8,456	8,456
Total Office of Library Services			10,956	9,395

(Continued)

**PROVO CITY CORPORATION**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Federal Award/Contract #	Award Amount	Amount Expended
<u>U.S. Department of Energy</u>				
Direct Awards:				
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	SC0003080	1,144,500	17,356
		Subtotal	1,144,500	17,356
Total U.S. Department of Energy		Total Direct Awards	1,144,500	17,356
<u>Department of Health and Human Services</u>				
Pass-through Awards (from the State of Utah Dept of H&HS):				
Mountainland Association of Governors	93.045	None	\$ 12,900	\$ 12,900
		Subtotal	12,900	12,900
Total Department of Health and Human Services		Total Pass Through Awards	12,900	12,900
<u>U.S. Department of Homeland Security</u>				
Pass-through Awards (from the State of Utah):				
EMPG State and Local Assistance (CERT) 11-12	97.042	EMPG-2012-HLS-100	10,509	1,631
EMPG State and Local Assistance (CERT) 12-13	97.042	EMPG-2012-DEM-013	3,188	2,846
EMPG State and Local Assistance (Baseline) 2012	97.042	EMPG-2012-DEM-045	20,000	10,000
EMPG State and Local Assistance (Baseline) 2013	97.042		20,000	10,000
		Subtotal	53,697	24,477
State Homeland Security Program 2010	97.067	10-SHSP-REG -2	188,000	5,914
State Homeland Security Program 2011	97.067	11-SHSP-REG-2	122,000	11,331
		Subtotal	310,000	17,245
		Total Pass Through Awards	363,697	41,722
Direct Awards:				
Federal Emergency Management Agency (SAFER) Grant	97.044		841,168	386,392
		Subtotal	841,168	386,392
		Total Direct Awards	841,168	386,392
Total Department of Homeland Security			1,204,865	428,114
Total Federal Expenditures			\$ 26,558,615	\$ 5,096,650

**PROVO CITY CORPORATION**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

1. PURPOSE OF THIS SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the City's basic financial statements and is presented for additional analysis. The Schedule is required by the office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Provo City Corporation, Utah. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Federal Financial Assistance Pursuant to the Single Audit Act of 1984; the Single Audit Act Amendments of 2004, and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to show the total expenditures for each of the City's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide summary of individual federal programs. Each program included in the CFDA is assigned a five digit program identification number (CFDA number) which is reflected in the Schedule. Federal financial assistance programs and contracts which have not been assigned a CFDA number have been identified as None in the CFDA Column of the schedule.

Type A and Type B Programs The Single Audit Act of 1984 (as amended in 2004) and OMB Circular A-133 establish the levels to be used in defining Type A and Type B federal programs. Type A programs for Provo City Corporation, Utah are those programs that exceeded \$300,000 in the federal awards expended for the fiscal year ended June 30, 2013. All other programs are classified as Type B by the City.

Reporting Entity

The City reporting entity is fully described in Footnote 1.A. of the City's basic financial statements. The Schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2013.

**PROVO CITY CORPORATION**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Federal financial assistance programs included in the Schedule are reported in the City's basic financial statements as intergovernmental revenue in the General Fund, Special Revenue Funds, and Proprietary Funds. The Schedule is presented using the same basis of accounting used for each fund as described in Footnote 1.B. of the City's basic financial statements.

3. NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance.

4. FEDERAL INSURANCES

No federal insurance was in effect on June 30, 2013.

5. LOANS OUTSTANDING

Loans outstanding at June 30, 2013, in federal programs, include the following:

Federal Grant Program	Balance
Loans receivable:	
Commercial Rehabilitation Loans	\$ 45,080
Community Development Revolving Loans	145,361
Housing Rehabilitation Revolving Loans	142,330
CNRCC Loans	2,014,978
Homebuyer Assistance Revolving Loans	644,192
Special Purpose Grant Loans	831,731
HOME Loans	11,785,090
Total loans receivable outstanding	\$ 15,608,762

**PROVO CITY CORPORATION**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Provo City Corporation, Utah.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Provo City, Corporation, Utah, were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Provo City Corporation, Utah, expresses an unmodified opinion.
5. There is one audit finding required to be reported under OMB Circular A-133 or Government Auditing Standards.
6. The programs tested as major programs were:

CFDA #	Grant Program
--------	---------------

Department of Housing and Urban Development:

14.239 HOME Investment Partnership Agreement

7. The threshold for distinguishing Type A and B programs was \$300,000.
8. Provo City Corporation, Utah, was determined to be a low-risk auditee.

**PROVO CITY CORPORATION**  
**Schedule of Findings and Questioned Costs (Continued)**  
**June 30, 2013**

**B. Findings and Questioned Costs Federal Award Programs**

**13-1 Improper Eligibility Determination for the HOME Program**

Federal Awarding Agency: Department of Housing and Urban Development

CFDA Number & Title: 14.239 – HOME Investment Partnership Agreement

Federal Award Number: M-11-DC-49-0207

Pass-Through Entity: None

Questioned Cost Amount: \$20,000

**Criteria:** The HOME program has an income eligibility requirement in that only low income persons can receive housing assistance. Hence, a qualifying household's total income must be at or below the low income limits as published by the U.S. Department of Housing and Urban Development for regions and areas within a state.

**Condition:** During our audit, we noted that in 1 of 17 loan cases reviewed, the applicant's annual income was improperly calculated in the determination of program eligibility and resulted in a loan being awarded to an ineligible applicant.

**Effect:** The improper calculation of annualizing an applicant's income could result in improper benefits being paid for an ineligible applicant under the program.

**Cause:** The City did not include or annualize the applicant's bonus income, even though it was evident on multiple submitted paystubs, which resulted in an ineligible loan disbursement to a non-qualified household.

**Recommendation:**

We recommend that greater care be taken in calculating income eligibility to ensure that participants are properly qualified for the program. In addition, we recommend that the City follow their internal control policies requiring a re-review for loan determinations that are close to the HUD income threshold limits.

**City's Response:**

The City concurs. See Corrective Action Plan.

**PROVO CITY CORPORATION**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2013**

**12-1 Inadequate Eligibility Determination and Subrecipient Monitoring for Homelessness Prevention and Rapid Re-Housing Program**

Condition: During our audits in fiscal years 2012 and 2011, we noted that the City did not conduct regular site visits to the two subrecipients used with the HPRP program, to ensure program requirements were being properly addressed and documented. In addition, we noted no evidence that the City followed-up on annual single audits of these subrecipients. As a result, the City's management approved a corrective action plan in fiscal year 2011, wherein the City agreed to provide regular training to and monitoring of subrecipients to ensure program requirements are adequately met. However, during our audit procedures for the fiscal year ended June 30, 2012, we noted that the corrective action plan was not followed, in that no subrecipient monitoring occurred subsequent to the audit finding discussed above.

Upon our discovery of this condition, the City performed subrecipient monitoring procedures, which did not result in any findings of non-compliance or questioned costs. We reviewed a sample of the files which were selected by the City for subrecipient monitoring, no additional findings were noted.

Current Year  
Status:

We noted that the City's Corrective Action Plan for fiscal year 2012 relating to the condition above was implemented.

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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Jeffrey B. Miles, CPA

*Members of the  
American Institute  
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Accountants*

*Members of the  
Private Company  
Practice Section*

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Honorable Members of the City Council and Mayor  
Provo City Corporation, Utah

### *Report on Compliance*

We have audited Provo City Corporation's ("the City") 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	Government Records Access
Budgetary Compliance	Management Act
Fund Balance	Conflicts of Interest
Justice Courts	Nepotism
Impact Fees	Utah Public Finance Website
Utah Retirement Systems Compliance	Open and Public Meetings Act
Transfers from Utility Enterprise Funds	

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

B & C Road Funds (UDOT)

### *Management's Responsibility*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits

contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 that 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 of the City's compliance with those requirements.

### ***Opinion***

In our opinion, Provo City Corporation, 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, 2013.

### ***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 purpose 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.

*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 weakness 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hansen, Bradshaw, Malmrose & Erickson, P.C.*

November 12, 2013



Redevelopment  
Agency  
TEL 801 852 6160  
351 W CENTER ST  
PO BOX 1849  
PROVO, UT 84603

November 12, 2013

Provo City Municipal Council

Provo City Redevelopment Agency respectively submits the following corrective action plan for the year ended June 30, 2013.

The finding from the "Schedule of Findings and Questions Costs" is listed below.

The finding below is numbered consistently with the number assigned in the schedule.

Finding 13-1, Improper Eligibility Determination for the HOME Program

Name of contact person: Paul Glauser, Redevelopment Director

Corrective action plan:

Pertaining to its homebuyer assistance loan programs, Redevelopment has instituted a new internal control policy to further verify loan recipients' income qualification: in cases where calculated income, controlling for household size, is within \$2,000 of HUD's low-moderate income standard, Provo's HOME program manager will review and verify calculated income. This will be in addition to the review policy already in place.

Furthermore, in cases where the margin is within \$2,000, in addition to the information currently provided to the loan committee for each loan approval a statement will be added acknowledging that the margin is within \$2,000 and verifying that the incomes have been re-checked as described here. Finally, loan committee members are being trained to watch for applications which are within \$2,000 and to reaffirm that the verification has taken place.

Anticipated implementation date: Immediate

If the Municipal Council has questions regarding this plan, please call John Borget at 801-852-6504.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'J. Borget', with a horizontal line extending to the right.

John Borget  
Director of Administrative Services