

TOOELE CITY CORPORATION

**Financial Statements
and
Independent Auditor's Report**

June 30, 2011

TOOELE CITY CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Government Fund Financial Statements:	
Balance Sheet	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Depot Redevelopment Agency Special Revenue Fund	20
Proprietary Fund Financial Statements:	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
Statement of Net Assets	24
Statement of Changes in Net Assets	25
Notes to Financial Statements	26

TOOELE CITY CORPORATION

Table of Contents (continued)

	<u>Page</u>
Required Supplementary Information:	
Information about Infrastructure Assets Reported using the Modified Approach	46
Postemployment Benefit Plan - Schedule of Funding Progress	50
Other Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Debt Service Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Major Capital Projects Fund	60
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Capital Projects Funds	61
Combining Statement of Net Assets - Nonmajor Proprietary Funds	64
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Proprietary Funds	65
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	66
Combining Statement of Changes in Assets and Liabilities - Agency Fund	67
Independent Auditor's Report on Legal Compliance Applicable in Accordance with the State of Utah Legal Compliance Audit Guide	68
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Schedule of Findings and Responses	72



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
Tooele City Corporation:
Tooele, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Tooele City Corporation (the "City")**, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tooele City Corporation, as of June 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012 on our consideration of Tooele City Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as noted on the table of contents, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

A handwritten signature in cursive script that reads "Haynie & Co".

Salt Lake City, Utah
January 16, 2012

Tooele City Corporation

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

The following is a discussion and analysis of Tooele City Corporation's (the "City") financial performance and activities for the fiscal year ending June 30, 2011. When read in conjunction with the notes to the financial statements, this section's financial highlights, overview, and analysis should assist the reader to gain a more complete knowledge of the City's financial performance. This report is in conjunction with the City's financial statements.

Financial Highlights

- ◆ The total government-wide assets of Tooele City Corporation exceeded its total government-wide liabilities as of the close of the most recent year by \$184,053,841 (*net assets*). Of this amount, \$17,043,083 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The City's total net assets increased by \$4,052,562 in the current year. The general fund revenues were less than the adopted budgeted amounts, and the expenditures were less than the adopted budgeted amounts.
- ◆ As of the close of the current year, the Tooele City Corporation governmental funds reported combined ending fund balances of \$19,320,119, a decrease of \$630,884 in comparison with the prior year. Approximately 11.89% of this total amount, \$2,296,854, is available for spending at the government's discretion (*unreserved fund balance*).
- ◆ At the end of the current year, unassigned fund balance for the general fund was \$2,296,854, or 18.49% of total general fund expenditures.
- ◆ Tooele City Corporation's total debt had a net increase of \$3,033,320 during the current year.

Overview of the Financial Statements

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

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of Tooele City Corporation's finances, in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories: invested in capital assets net of related debt; restricted; or unrestricted. Restricted net assets are further classified as either net assets restricted by enabling legislation or net assets that are otherwise restricted. Over time, increases or decreases in net assets may serve as useful indicators of whether the City's financial position is improving or deteriorating.

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

The government-wide financial statements include not only the City itself (known as the primary government), but also blended component units: the Downtown Redevelopment Agency, the Industrial Park Redevelopment Agency, the Depot Redevelopment Agency, and the Municipal Building Authority of Tooele City Corporation. Financial information for the component units is reported separately from the financial information presented for the primary government.

Fund financial statements

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

Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Governmental funds

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

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

Tooele City Corporation maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Redevelopment Agency-Depot, which are considered to be major funds. Data from the other nine governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report.

Tooele City Corporation adopts an annual appropriated budget for all its fund types. Budgetary comparison statements have been provided for the general fund and major special revenue fund to demonstrate compliance with GASB 34 reporting standards.

Proprietary funds

Tooele City Corporation maintains one type of proprietary fund which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains four individual enterprise funds. Information is presented separately in the proprietary funds statement of net assets and the proprietary funds statement of revenues, expenses and changes in fund net assets for the Water Fund, Sewer Fund, and the Garbage Utility Fund, which are considered major funds. Data from the other fund is combined into a single aggregated presentation and classified as nonmajor. Individual data for this nonmajor proprietary fund is provided in the form of combining statements in this report. Proprietary fund financial statements reinforce information provided in the government-wide financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary activities are reported in separate statements of fiduciary net assets and statements of changes in fiduciary net assets. The City's agency fund is custodial in nature and does not involve a measurement of operational results. Accordingly, it does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other information concerning Tooele City Corporation.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Tooele City Corporation, assets exceeded liabilities by \$184,053,841 at the close of the most recent fiscal year.

Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Government-wide financial analysis (continued)

The largest portion of the City's net assets (80.40%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, automobiles and trucks, office furniture and equipment, infrastructure, water stock, and utility plants and equipment), less any related and outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Tooele City Corporation's Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)
Assets:						
Current and other assets	\$ 23,634,780	\$ 24,508,595	\$ 17,907,530	\$ 13,935,953	\$ 41,542,310	\$ 38,444,548
Capital assets	115,144,692	112,425,977	67,882,399	66,672,960	183,027,091	179,098,937
Other assets	1,308,758	1,317,393	451,034	314,274	1,759,792	1,631,667
Total assets	140,088,230	138,251,965	86,240,963	80,923,187	226,329,193	219,175,152
Liabilities and net assets:						
Long-term debt obligations	18,273,650	18,930,960	16,608,191	12,966,555	34,881,841	31,897,515
Other liabilities	5,354,908	5,565,580	2,038,603	1,710,778	7,393,511	7,276,358
Total liabilities	23,628,558	24,496,540	18,646,794	14,677,333	42,275,352	39,173,873
Net assets:						
Invested in capital assets, net of related debt	97,592,622	94,049,727	50,391,565	52,759,554	147,984,187	146,809,281
Restricted	4,665,041	17,223,925	14,361,530	9,866,593	19,026,571	27,090,518
Unrestricted	14,202,009	2,481,773	2,841,074	3,619,707	17,043,083	6,101,480
Total net assets	\$ 116,459,672	\$ 113,755,425	\$ 67,594,169	\$ 66,245,854	\$ 184,053,841	\$ 180,001,279

A portion of the City's net assets (10.34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$17,043,083, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities

Governmental activities increased Tooele City Corporation's net assets by \$2,704,247. Key elements of this increase are as follows:

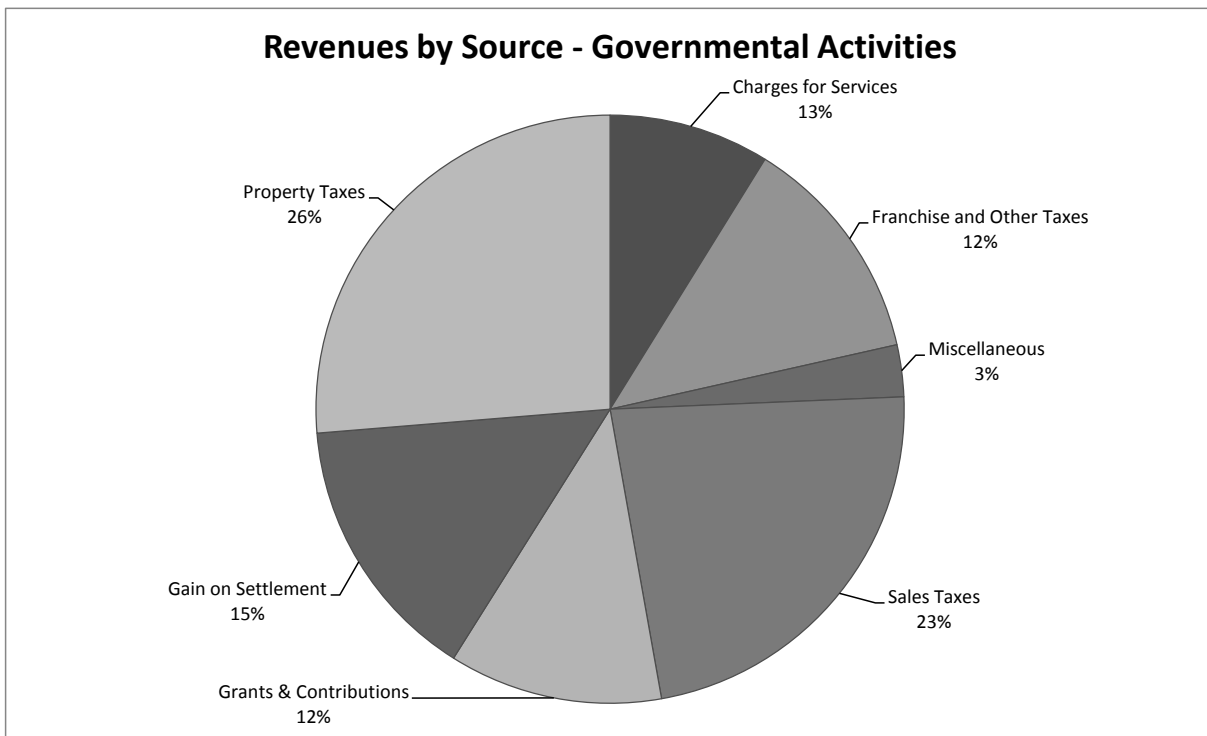
Tooele City Corporation's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)
Revenues:						
Program revenues:						
Charges for services	\$ 1,613,023	\$ 1,586,306	\$ 8,263,423	\$ 8,113,088	\$ 9,876,446	\$ 9,699,394
Operating grants and contributions	1,920,498	1,964,995	-	-	1,920,498	1,964,995
Capital grants and contributions	223,208	1,138,793	173,779	515,541	396,987	1,654,334
General revenues:						
Property taxes	11,287,921	10,735,292	-	-	11,287,921	10,735,292
Earnings on investments	125,617	194,585	86,034	87,393	211,651	281,978
Impact fees	2,502	332,745	388,718	834,219	391,220	1,166,964
Investment income	142,792	-	-	-	142,792	-
Gain on sale of capital assets	10,441	730,751	1,058	76,150	11,499	806,901
Gain on settlement	2,696,686	-	-	-	2,696,686	-
Gain on sale of water rights	-	-	50	-	50	-
Miscellaneous	381,763	572,568	115	90	381,878	572,658
Total revenues	\$ 18,404,451	\$ 17,256,035	\$ 8,913,177	\$ 9,626,481	\$ 27,317,628	\$ 26,882,516

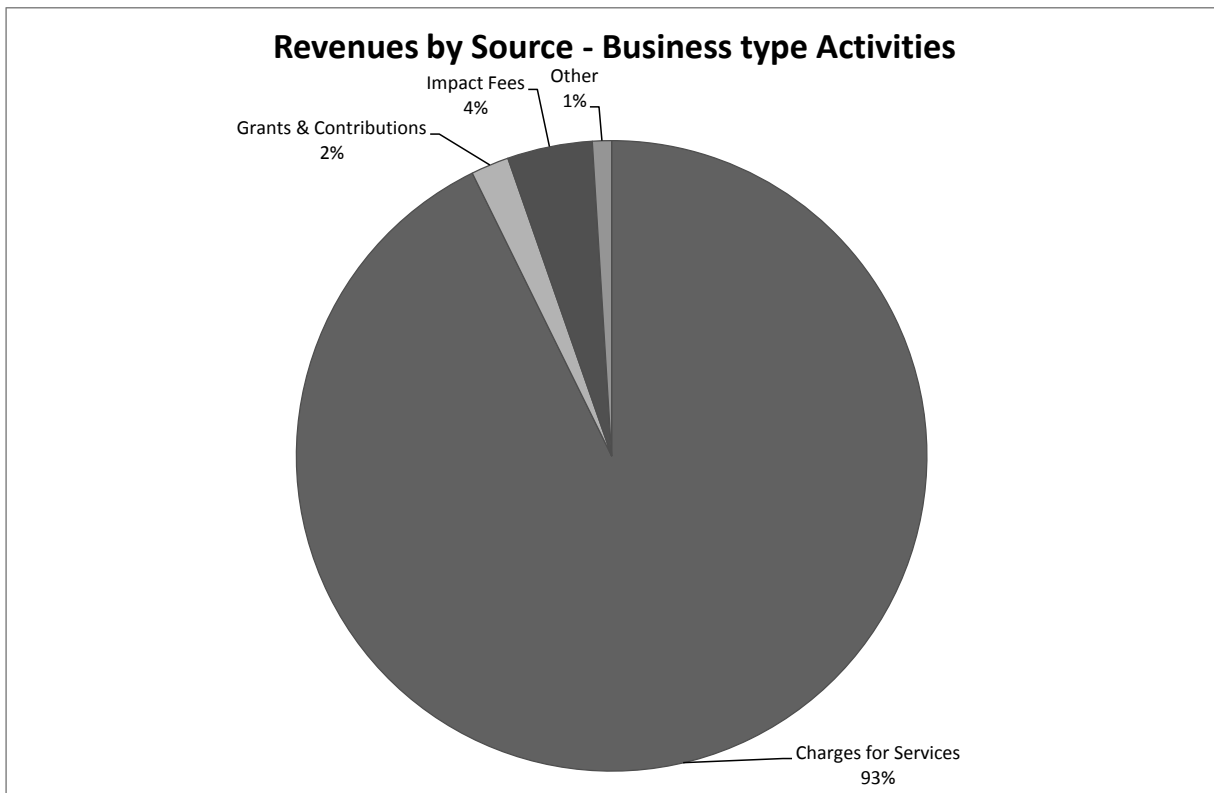
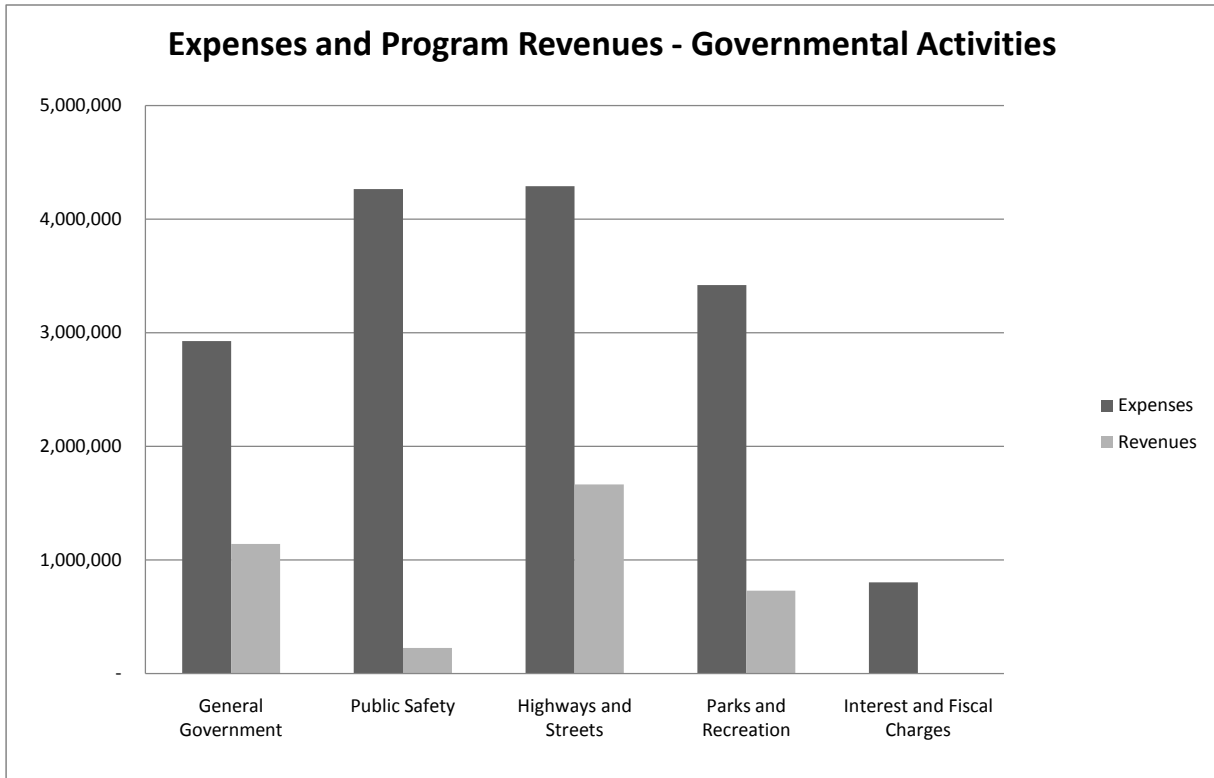
Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Tooele City Corporation's Changes in Net Assets (continued)

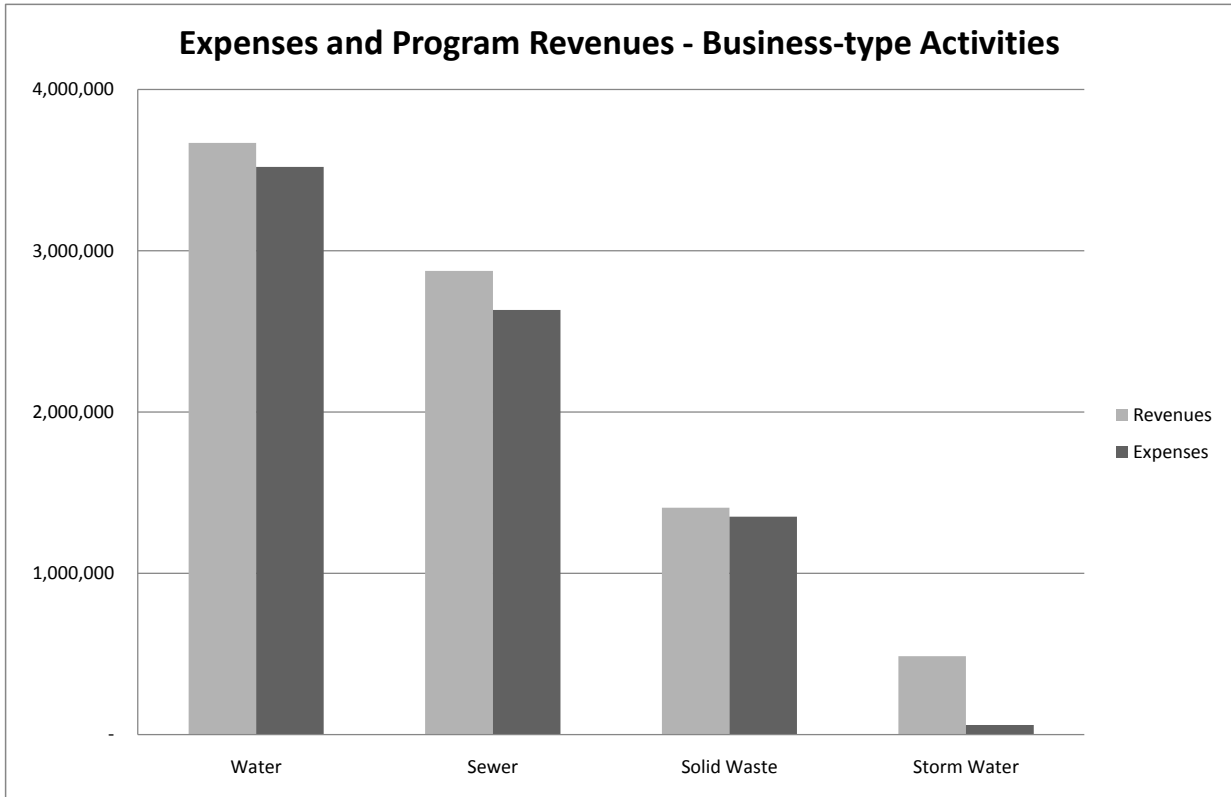
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)
Expenses:						
General government	\$ 2,926,885	\$ 3,423,860	\$ -	\$ -	\$ 2,926,885	\$ 3,423,860
Public safety	4,263,978	4,065,256	-	-	4,263,978	4,065,256
Highways and streets	4,290,248	2,406,004	-	-	4,290,248	2,406,004
Parks and recreation	3,417,437	3,308,553	-	-	3,417,437	3,308,553
Interest on debt	801,656	841,861	-	-	801,656	841,861
Water	-	-	3,521,126	3,378,411	3,521,126	3,378,411
Sewer	-	-	2,633,635	2,577,559	2,633,635	2,577,559
Solid waste	-	-	1,350,966	1,268,909	1,350,966	1,268,909
Storm water	-	-	59,135	213,543	59,135	213,543
Total expenses	<u>15,700,204</u>	<u>14,045,534</u>	<u>7,564,862</u>	<u>7,438,422</u>	<u>23,265,066</u>	<u>21,483,956</u>
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	<u>2,704,247</u>	<u>3,210,501</u>	<u>1,348,315</u>	<u>2,188,059</u>	<u>4,052,562</u>	<u>5,398,560</u>
Net assets - beginning, as restated (See note 19)	<u>113,755,425</u>	<u>110,544,924</u>	<u>66,245,854</u>	<u>64,057,795</u>	<u>180,001,279</u>	<u>174,602,719</u>
Net assets - ending	<u>\$ 116,459,672</u>	<u>\$ 113,755,425</u>	<u>\$ 67,594,169</u>	<u>\$ 66,245,854</u>	<u>\$ 184,053,841</u>	<u>\$ 180,001,279</u>



Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011



**Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**



Key Principal Highlights:

- ◆ Charges for services increased by \$177,052 over the prior year.
- ◆ Operating grants decreased by \$44,497 over the prior year.
- ◆ Capital grants and contributions decreased by \$1,257,347 due mainly to a decrease in water line grant funding and road funding.
- ◆ Property taxes increased by \$552,629 due to a increase in the certified tax rate and the assessment and collection of property taxes.

Generally, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

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

**Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

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 Tooele City Corporation's financing requirements. In particular, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the City's governmental funds reported a combined ending fund balance of \$19,320,119, a decrease of \$630,884 from the prior year. A balance of \$14,576,583 (75.45%) is available for spending at the government's discretion; however, \$12,279,729 has been assigned by the City Manager for subsequent years' capital expenditures and other uses, leaving an unassigned amount of \$2,296,854. The remaining \$4,743,536 of fund balance is not available for new spending because it is non-spendable in form (prepaids and inventories) or legally restricted by parties outside the financial reporting entity for 1) public safety expenditures (\$998,585), 2) park development (\$450,743), 3) recreation and arts programs (\$839,220), 4) debt service (\$1,122,643) and 5) road construction, maintenance and preservation (\$1,253,850).

The General Fund is the major operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,296,854. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$12,422,201 (18.49% or 67 calendar days). The fund balance of the City's General Fund decreased \$150,220 during the current fiscal year. This represents a 5.51% change in fund balance. The decrease consisted of 1) a 3.97% increase in revenues of \$501,707 offset by a 2.59% increase in expenditures of \$313,281, 2) a \$2,167 decrease in proceeds from the sale of capital assets, 3) a decrease of \$2,146,925 in transfers in and transfers out, net and 4) the \$1,810,446 increase in last year's fund balance.

Proprietary funds

Unrestricted net assets of the Water, Sewer, and Garbage Utility funds (all Major) at the end of the year were (\$149,446), \$(411,551), and \$1,464,941, respectively. The increase in total net assets was \$310,065, \$538,541, and \$62,567 for these same funds, respectively, after the effect of any special items. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original revenues budget of \$11,836,310 to a final budget of \$12,662,560, an increase of \$826,250. These increases can be briefly summarized as follows:

- \$650,000 increase in revenue from taxes.
- \$157,450 increase in intergovernmental revenues charged from other City funds.
- \$18,800 increase in miscellaneous revenues.

The General Fund's original budget was also amended from an original budget of transfers out of \$205,133 to a final budget of \$874,633, an increase of \$669,500. This increase was related to the City transferring additional funds to the Capital Projects Fund during the year in anticipation of future project construction.

Capital Assets and Debt Administration

Capital Assets

Tooele City Corporation's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals to \$183,027,091 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, automobiles and trucks, office furniture and equipment, and infrastructure. The total increase in Tooele City Corporation's investment in capital assets for governmental and business-type activities for the current year was \$3,928,154, which is attributable to the City acquiring new fixed assets during the year. Additionally, the city reclassified certain assets to repairs and maintenance.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets). Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- ◆ The City manages the eligible infrastructure capital assets using an asset management system which 1) has an up-to-date inventory of eligible infrastructure assets; 2) performs condition assessments of eligible infrastructure assets and summarizes the results using a measurement scale; and 3) estimates each year the annual amount to maintain and preserve eligible infrastructure capital assets at the condition established and disclosed by the City.
- ◆ The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Capital Assets (continued)

Major capital asset events during the current year included the following:

- ◆ Land additions of \$3,328,975, \$2,696,686 of which were received from a legal settlement.
- ◆ Building additions of \$271,322.
- ◆ Improvements other than buildings additions of \$1,891,547.
- ◆ Machinery and equipment additions of \$143,455, and deletions of fully depreciated assets of \$372,993.
- ◆ Automobile and truck purchases of \$335,839, and deletions of fully depreciated assets of \$109,329.
- ◆ Office furniture and equipment additions of \$66,806, and deletions of fully depreciated assets of \$399,491.
- ◆ Infrastructure additions of \$786,663 from acquisitions and contributions.

Tooele City Corporation's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)	2011	2010 (as restated, see Note 19)
Investment in water stock	\$ -	\$ -	\$ 93,184	\$ 93,184	\$ 93,184	\$ 93,184
Land	5,850,227	3,398,777	3,482,544	2,605,019	9,332,771	6,003,796
Infrastructure	90,819,053	90,090,868	4,157,863	4,099,385	94,976,916	94,190,253
Buildings	10,463,506	10,818,848	3,350,227	3,223,961	13,813,733	14,042,809
Construction in progress	-	-	2,931,902	2,893,946	2,931,902	2,893,946
Improvements other than buildings	6,153,476	6,240,603	48,324,745	48,175,109	54,478,221	54,415,712
Machinery and equipment	442,301	551,071	272,231	285,072	714,532	836,143
Automobiles and trucks	1,342,243	1,280,067	123,229	150,299	1,465,472	1,430,366
Office furniture and equipment	73,886	45,743	654	1,165	74,540	46,908
Water rights	-	-	5,145,820	5,145,820	5,145,820	5,145,820
Total	<u>\$ 115,144,692</u>	<u>\$ 112,425,977</u>	<u>\$ 67,882,399</u>	<u>\$ 66,672,960</u>	<u>\$ 183,027,091</u>	<u>\$ 179,098,937</u>

Additional information on Tooele City Corporation's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, Tooele City Corporation had total debt outstanding of \$35,712,000. The debt represents general obligation bonds, revenue bonds and notes payable.

Tooele City Corporation's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (as restated, see Note 19)	2011	2010	2011	2010 (as restated, see Note 19)
Revenue bonds payable	\$ 17,521,000	\$ 18,343,000	\$ 17,441,000	\$ 13,767,000	\$ 34,962,000	\$ 32,110,000
Net OPEB obligations	398,987	253,223	17,631	11,190	416,618	264,413
Note payable	750,000	750,000	-	-	750,000	750,000
Compensated absences	433,593	402,493	64,726	61,143	498,319	463,636
Deferred amounts:						
Unamortized bond premiums	55,072	58,752	49,834	53,222	104,906	111,974
Unamortized bond discounts	(24,002)	(25,502)	-	-	(24,002)	(25,502)
Total	<u>\$ 19,134,650</u>	<u>\$ 19,781,966</u>	<u>\$ 17,573,191</u>	<u>\$ 13,892,555</u>	<u>\$ 36,707,841</u>	<u>\$ 33,674,521</u>

State statutes limit the amount of debt a City may issue to 4 percent of its total fair market value of taxable property within its jurisdiction. The City may incur a larger indebtedness for the purpose of supplying the City with water, sewer, or electricity when such public works are owned and controlled by the City. The current debt limitation for Tooele City Corporation is \$79,059,655.

Additional information on Tooele City Corporation's long-term debt can be found in the notes to the financial statements.

**Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Economic Factors and Next Year's Budgets and Rates

- ◆ Economic activity in the region has been affected adversely by the overall economy. Specific areas of concern are new home construction and existing home sales, commercial construction, retail sales and credit market and interest rate uncertainty.
- ◆ Sales taxes, were projected conservatively with a near zero growth level based on overall economic activity and the proportionate share of distribution that the City receives based on population.
- ◆ As a result of economic uncertainty discussed above, and in order to better mitigate the interest rate risks related to existing bonds, the City has refunded bonds and issued additional bonds to replace the refunded bonds. See notes to the financials for details on subsequent events related to bonds. Changes in the bonds are as follows:

<u>Current Bonds Refunded During the Fiscal Year Ended June 30, 2012</u>	<u>New Bonds Issued Subsequent to Year End</u>
Sewer Bonds:	
1997 B Sewer Revenue Bonds	
2001 A Sewer Revenue Bonds	2011 Sewer Revenue Refunding Bonds
Water Bonds:	
2006 A Water Revenue Bonds	2011 Water Revenue Refunding Bonds
Governmental Bonds	
2002 Sales Tax Revenue Bonds	2012 Sales Tax Revenue Refunding Bonds

All of the above factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Tooele City Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Tooele City Finance Director, 90 North Main Street, P.O. Box 89, Tooele, Utah, 84074-0089.

BASIC FINANCIAL STATEMENTS

TOOELE CITY CORPORATION
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 12,412,786	\$ 10,689,416	\$ 23,102,202
Receivables:			
Accounts, net	3,486	912,420	915,906
Assessments	54,323	-	54,323
Taxes	4,765,064	-	4,765,064
Interest	99,114	-	99,114
Intergovernmental	377,248	-	377,248
Other	515,756	-	515,756
Investments	1,008,634	-	1,008,634
Prepaid expenses	76,745	-	76,745
Shop inventory	1,750	-	1,750
Restricted assets:			
Cash and cash equivalents	4,319,874	6,305,694	10,625,568
Note receivable	750,000	-	750,000
Bond issuance costs, net of accumulated amortization	558,758	451,034	1,009,792
Capital assets:			
Land, infrastructure, and construction in progress	96,669,280	15,811,313	112,480,593
Buildings, improvements, equipment and other depreciable assets, net of accumulated depreciation	<u>18,475,412</u>	<u>52,071,086</u>	<u>70,546,498</u>
Total assets	<u>\$ 140,088,230</u>	<u>\$ 86,240,963</u>	<u>\$ 226,329,193</u>
Liabilities:			
Accounts payable	\$ 309,284	\$ 617,958	\$ 927,242
Accrued liabilities	299,041	15,457	314,498
Accrued interest payable	179,247	234,502	413,749
Deferred revenue	3,706,336	-	3,706,336
Customer deposits	-	205,686	205,686
Long-term liabilities:			
Due or payable within one year	861,000	965,000	1,826,000
Due or payable after one year	<u>18,273,650</u>	<u>16,608,191</u>	<u>34,881,841</u>
Total liabilities	<u>23,628,558</u>	<u>18,646,794</u>	<u>42,275,352</u>
Net assets:			
Invested in capital assets, net of related debt	97,592,622	50,391,565	147,984,187
Restricted for:			
Public safety	998,585	-	998,585
Park development	450,743	-	450,743
Recreation and arts	839,220	-	839,220
Debt service	1,122,643	-	1,122,643
Roads	1,253,850	-	1,253,850
Impact fees	-	6,375,660	6,375,660
Construction	-	4,610,839	4,610,839
Water shares (nonexpendable)	-	617,344	617,344
Trust accounts (nonexpendable)	-	2,757,687	2,757,687
Unrestricted	<u>14,202,009</u>	<u>2,841,074</u>	<u>17,043,083</u>
Total net assets	<u>\$ 116,459,672</u>	<u>\$ 67,594,169</u>	<u>\$ 184,053,841</u>

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

TOOELE CITY CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,926,885	\$ 660,321	\$ 425,219	\$ 54,015	\$ (1,787,330)	\$ -	\$ (1,787,330)
Public safety	4,263,978	225,028	-	-	(4,038,950)	-	(4,038,950)
Highways and streets	4,290,248	-	1,495,279	169,193	(2,625,776)	-	(2,625,776)
Parks and recreation	3,417,437	727,674	-	-	(2,689,763)	-	(2,689,763)
Interest and fiscal charges	801,656	-	-	-	(801,656)	-	(801,656)
Total governmental activities	15,700,204	1,613,023	1,920,498	223,208	(11,943,475)	-	(11,943,475)
Business-type activities:							
Water	3,521,126	3,625,052	-	44,135	-	148,061	148,061
Sewer	2,633,635	2,782,375	-	92,700	-	241,440	241,440
Solid Waste	1,350,966	1,406,359	-	-	-	55,393	55,393
Storm Water	59,135	449,637	-	36,944	-	427,446	427,446
Total business-type activities	7,564,862	8,263,423	-	173,779	-	872,340	872,340
Total primary government	\$ 23,265,066	\$ 9,876,446	\$ 1,920,498	\$ 396,987	(11,943,475)	872,340	(11,071,135)
General revenue:							
Taxes:							
Property taxes					4,802,536	-	4,802,536
Sales taxes					4,175,748	-	4,175,748
Franchise taxes					1,585,752	-	1,585,752
Other taxes					723,885	-	723,885
Earnings on investments					125,617	86,034	211,651
Impact fees, net					2,502	388,718	391,220
Investment income					142,792	-	142,792
Gain on sale of capital assets					10,441	1,058	11,499
Gain on settlement					2,696,686	-	2,696,686
Gain on sale of water rights					-	50	50
Miscellaneous					381,763	115	381,878
Transfers in (out)					-	-	-
Total general revenues and transfers					14,647,722	475,975	15,123,697
Change in net assets					2,704,247	1,348,315	4,052,562
Net assets - beginning as restated					113,755,425	66,245,854	180,001,279
Net assets - ending					\$ 116,459,672	\$ 67,594,169	\$ 184,053,841

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

TOOELE CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Depot Redevelopment Agency	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 568,529	\$ 4,537,031	\$ 6,023,523	\$ 1,283,703	\$ 12,412,786
Receivables:					
Accounts	3,129	-	-	357	3,486
Assessments	-	-	-	54,323	54,323
Taxes	3,225,064	1,300,000	-	240,000	4,765,064
Interest receivable	-	-	-	99,114	99,114
Intergovernmental receivable	86,304	-	-	290,944	377,248
Other	15,756	-	500,000	-	515,756
Investments	1,008,634	-	-	-	1,008,634
Inventories-golf course	1,750	-	-	-	1,750
Prepaid expenses	73,121	-	3,624	-	76,745
Due from other funds	55,000	-	-	-	55,000
Restricted cash and investments	205,133	42,731	-	4,072,010	4,319,874
Total assets	\$ 5,242,420	\$ 5,879,762	\$ 6,527,147	\$ 6,040,451	\$ 23,689,780
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 201,381	\$ 16,737	\$ 595	\$ 90,571	\$ 309,284
Accrued liabilities	297,845	926	-	270	299,041
Due to other funds	-	-	-	55,000	55,000
Deferred revenue	2,166,336	1,300,000	-	240,000	3,706,336
Total liabilities	2,665,562	1,317,663	595	385,841	4,369,661
Fund balances:					
Nonspendable					
Inventories-golf course	1,750	-	-	-	1,750
Prepaid expenses	73,121	-	3,624	-	76,745
Restricted					
Public safety	-	-	-	998,585	998,585
Park development	-	-	-	450,743	450,743
Recreation and arts	-	-	-	839,220	839,220
Debt service	205,133	42,731	-	874,779	1,122,643
Roads	-	-	-	1,253,850	1,253,850
Assigned					
Capital projects	-	-	6,522,928	-	6,522,928
Depot Redevelopment Agency projects	-	4,519,368	-	612,376	5,131,744
Debt service fund	-	-	-	625,057	625,057
Unassigned					
General fund	2,296,854	-	-	-	2,296,854
Total fund balances	2,576,858	4,562,099	6,526,552	5,654,610	19,320,119
Total liabilities and fund balances	\$ 5,242,420	\$ 5,879,762	\$ 6,527,147	\$ 6,040,451	\$ 23,689,780

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

TOOELE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Funds	\$ 19,320,119
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the individual funds.	115,144,692
Costs of issuance are not amortized in the current period and therefore are not recorded in the funds.	558,758
Note receivable is not due and receivable in the current period and therefore is not recorded in the funds.	750,000
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(179,247)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. All liabilities net of premiums are reported in the statement of net assets. Those liabilities consist of:	
General obligation bonds, net of unamortized deferrals of premiums and discounts	(17,552,070)
Note payable	(750,000)
Compensated absences payable	(433,593)
Net OPEB obligations	<u>(398,987)</u>
Total Net Assets - Government Activities	<u>\$ 116,459,672</u>

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

TOOELE CITY CORPORATION
Statement revenues, expenditures, and changes in fund balances
Governmental funds
For the Fiscal Year Ended June 30, 2011

	General Fund	Depot Redevelopment Agency	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 9,423,361	\$ 1,309,085	\$ -	\$ 555,475	\$ 11,287,921
Licenses and permits	223,843	-	-	-	223,843
Intergovernmental and grant revenue	425,219	-	-	1,495,279	1,920,498
Charges for services	1,030,109	-	-	-	1,030,109
Fines and forfeitures	92,974	-	-	-	92,974
Interest income	12,169	27,178	25,325	60,945	125,617
Investment income	125,288	17,504	-	-	142,792
Impact fees	-	-	-	105,990	105,990
Interfund charges	1,721,818	-	-	-	1,721,818
Miscellaneous revenues	57,702	-	-	7,244	64,946
Rental income	19,190	-	-	563,724	582,914
Total revenues	<u>13,131,673</u>	<u>1,353,767</u>	<u>25,325</u>	<u>2,788,657</u>	<u>17,299,422</u>
EXPENDITURES:					
Current:					
General government	3,440,903	630,718	-	105,963	4,177,584
Public safety	3,978,050	-	-	-	3,978,050
Highways and streets	1,389,682	-	-	1,253,021	2,642,703
Parks and recreation	3,035,184	-	-	-	3,035,184
Capital outlay:					
Capital projects	578,382	1,201,862	106,938	1,075,636	2,962,818
Debt service:					
Principal retirement	-	-	-	822,000	822,000
Interest and fiscal charges	-	-	-	772,935	772,935
Total expenditures	<u>12,422,201</u>	<u>1,832,580</u>	<u>106,938</u>	<u>4,029,555</u>	<u>18,391,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>709,472</u>	<u>(478,813)</u>	<u>(81,613)</u>	<u>(1,240,898)</u>	<u>(1,091,852)</u>
Other financing sources (uses)					
including transfers:					
Operating transfers in	-	-	665,000	1,601,834	2,266,834
Operating transfers (out)	(870,133)	(42,731)	-	(1,353,970)	(2,266,834)
Private contributions	-	-	-	54,015	54,015
Proceeds from sale of equipment	10,441	-	-	-	10,441
Proceeds from legal settlement	-	-	500,000	-	500,000
Refunded impact fees	-	-	-	(103,488)	(103,488)
Total other financing sources (uses) including transfers:	<u>(859,692)</u>	<u>(42,731)</u>	<u>1,165,000</u>	<u>198,391</u>	<u>460,968</u>
Net change in fund balances	<u>(150,220)</u>	<u>(521,544)</u>	<u>1,083,387</u>	<u>(1,042,507)</u>	<u>(630,884)</u>
Fund balances, beginning of year	<u>2,727,078</u>	<u>5,083,643</u>	<u>5,443,165</u>	<u>6,697,117</u>	<u>19,951,003</u>
Fund balances, end of year	<u>\$ 2,576,858</u>	<u>\$ 4,562,099</u>	<u>\$ 6,526,552</u>	<u>\$ 5,654,610</u>	<u>\$ 19,320,119</u>

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

TOOELE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

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

Net Change in Fund Balances - Total Governmental Funds \$ (630,884)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital outlays	3,584,613
Donations of capital assets (infrastructure) from developers	169,193
Depreciation expense	(1,035,091)

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the statement of net assets. Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Accrued interest on bonds	6,741
Principal retirement on bonds	822,000
Amortization of bond premiums	3,680
Amortization of bond discounts	(1,500)
Amortization of bond issuance costs	(37,641)

In the statement of activities, certain operating expenses - compensated absences of unpaid vacation time - are recorded as the benefits are earned during the year. In the governmental funds, these obligations are recorded when they mature (when they are paid). The compensated absences obligation increased during the year. (31,100)

The annual other postemployment benefit (OPEB) cost is the amount that is recognized as an expense in the statement of activities whereas in the governmental funds only the amounts paid are recorded as an expenditure. Payments were less than actuarially required amounts during the year. (145,764)

Change in Net Assets of Governmental Activities **\$ 2,704,247**

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 8,407,500	\$ 9,057,500	\$ 9,423,361	\$ 365,861
Licenses and permits	306,000	306,000	223,843	(82,157)
Intergovernmental revenues	233,690	391,140	425,219	34,079
Charges for services	993,150	993,150	1,030,109	36,959
Fines and forfeitures	105,050	105,050	92,974	(12,076)
Interest income	30,000	30,000	12,169	(17,831)
Investment income	-	-	125,288	125,288
Interfund charges	1,721,820	1,721,820	1,721,818	(2)
Miscellaneous revenues	19,100	37,900	57,702	19,802
Rental income	20,000	20,000	19,190	(810)
Total revenues	<u>11,836,310</u>	<u>12,662,560</u>	<u>13,131,673</u>	<u>469,113</u>
Expenditures:				
General government	3,574,535	3,580,535	3,440,903	139,632
Public safety	3,994,300	4,140,064	3,978,050	162,014
Highways and streets	1,469,960	1,481,959	1,389,682	92,277
Parks and recreation	3,131,061	3,160,146	3,035,184	124,962
Capital outlay	610,426	610,426	578,382	32,044
Total expenditures	<u>12,780,282</u>	<u>12,973,130</u>	<u>12,422,201</u>	<u>550,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(943,972)</u>	<u>(310,570)</u>	<u>709,472</u>	<u>1,020,042</u>
Other financing sources (uses) including transfers:				
Operating transfers in	32,500	32,500	-	(32,500)
Operating transfers (out)	(205,133)	(874,633)	(870,133)	4,500
Proceeds on sale of assets	5,000	5,000	10,441	5,441
Total other financing sources (uses) including transfers:	<u>(167,633)</u>	<u>(837,133)</u>	<u>(859,692)</u>	<u>(22,559)</u>
Net change in fund balance	(1,111,605)	(1,147,703)	(150,220)	997,483
Fund balance, beginning of year	<u>2,727,078</u>	<u>2,727,078</u>	<u>2,727,078</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,615,473</u>	<u>\$ 1,579,375</u>	<u>\$ 2,576,858</u>	<u>\$ 997,483</u>

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Depot Redevelopment Agency Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,309,085	\$ (190,915)
Interest income	70,000	70,000	27,178	(42,822)
Investment income	-	-	17,504	17,504
Total revenues	<u>1,570,000</u>	<u>1,570,000</u>	<u>1,353,767</u>	<u>(216,233)</u>
Expenditures:				
General government	949,012	949,012	630,718	318,294
Other improvements	978,257	978,257	1,201,862	(223,605)
Total expenditures	<u>1,927,269</u>	<u>1,927,269</u>	<u>1,832,580</u>	<u>94,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(357,269)</u>	<u>(357,269)</u>	<u>(478,813)</u>	<u>(121,544)</u>
Other financing sources (uses) including transfers:				
Operating transfers out	(42,731)	(42,731)	(42,731)	-
Total other financing sources (uses) including transfers:	<u>(42,731)</u>	<u>(42,731)</u>	<u>(42,731)</u>	<u>-</u>
Net change in fund balance	(400,000)	(400,000)	(521,544)	(121,544)
Fund balance, beginning of year	<u>5,083,643</u>	<u>5,083,643</u>	<u>5,083,643</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,683,643</u>	<u>\$ 4,683,643</u>	<u>\$ 4,562,099</u>	<u>\$ (121,544)</u>

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

TOOELE CITY CORPORATION
Statement of Net Assets - Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Garbage Utility	Nonmajor Enterprise Fund	Total Enterprise Funds
Assets:					
Current assets:					
Cash and cash equivalents	\$ 6,252,195	\$ 1,045,733	\$ 1,415,579	\$ 1,975,909	\$ 10,689,416
Accounts receivable, net of allowance	323,346	379,724	158,772	50,578	912,420
Restricted cash and cash equivalents	934,184	5,371,510	-	-	6,305,694
Total current assets	7,509,725	6,796,967	1,574,351	2,026,487	17,907,530
Noncurrent assets:					
Bond issuance costs, net of accumulated amortization	197,209	253,825	-	-	451,034
Capital assets:					
Investment in water stock	93,184	-	-	-	93,184
Land	2,901,455	301,500	-	279,589	3,482,544
Water rights	5,145,820	-	-	-	5,145,820
Infrastructure	-	-	-	4,157,863	4,157,863
Construction in progress	24,416	2,907,486	-	-	2,931,902
Buildings	3,213,670	2,724,514	-	-	5,938,184
Improvements other than buildings	36,813,445	33,656,534	-	-	70,469,979
Office Furniture & Fixtures	25,481	49,120	-	-	74,601
Machinery and equipment	2,281,901	342,894	-	-	2,624,795
Autos and trucks	363,779	506,805	-	-	870,584
Accumulated depreciation	(15,820,484)	(12,086,573)	-	-	(27,907,057)
Net capital assets	35,042,667	28,402,280	-	4,437,452	67,882,399
Total noncurrent assets	35,239,876	28,656,105	-	4,437,452	68,333,433
Total assets	\$ 42,749,601	\$ 35,453,072	\$ 1,574,351	\$ 6,463,939	\$ 86,240,963
Liabilities:					
Current liabilities:					
Accounts payable	\$ 397,573	\$ 21,618	\$ 109,410	\$ 89,357	\$ 617,958
Accrued liabilities	8,163	7,294	-	-	15,457
Accrued interest	74,414	160,088	-	-	234,502
Liability for compensated absences	35,947	28,779	-	-	64,726
Customer deposits	205,686	-	-	-	205,686
Revenue bonds payable - current	290,000	675,000	-	-	965,000
Total current liabilities	1,011,783	892,779	109,410	89,357	2,103,329
Net OPEB obligation	9,104	8,527	-	-	17,631
Revenue bonds payable - long-term	6,275,000	10,250,834	-	-	16,525,834
Total noncurrent liabilities	6,284,104	10,259,361	-	-	16,543,465
Total liabilities	7,295,887	11,152,140	109,410	89,357	18,646,794
Net assets:					
Invested in capital assets, net of related debt	28,477,667	17,476,446	-	4,437,452	50,391,565
Unrestricted	(149,446)	(411,551)	1,464,941	1,937,130	2,841,074
Restricted for:					
Impact fees (expendable)	5,566,078	809,582	-	-	6,375,660
Construction (expendable)	-	4,610,839	-	-	4,610,839
Water shares (nonexpendable)	617,344	-	-	-	617,344
Trust accounts (nonexpendable)	942,071	1,815,616	-	-	2,757,687
Total net assets	35,453,714	24,300,932	1,464,941	6,374,582	67,594,169
Total liabilities and net assets	\$ 42,749,601	\$ 35,453,072	\$ 1,574,351	\$ 6,463,939	\$ 86,240,963

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in
Fund Net Assets - Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage Utility	Nonmajor Enterprise Fund	
Operating revenues:					
Utility sales	\$ 3,547,517	\$ 2,781,355	\$ 1,406,359	\$ 449,637	\$ 8,184,868
Connection fees	77,535	1,020	-	-	78,555
Miscellaneous	115	-	-	-	115
Total operating revenues	<u>3,625,167</u>	<u>2,782,375</u>	<u>1,406,359</u>	<u>449,637</u>	<u>8,263,538</u>
Operating expenses:					
Personal services	509,500	488,192	541,641	-	1,539,333
Contracted services	428,986	225,000	657,335	25,000	1,336,321
Operations and maintenance	1,121,836	453,722	121,725	21,839	1,719,122
Utilities	7,725	162,268	-	-	169,993
Administration	119,048	61,030	30,265	12,296	222,639
Depreciation	1,017,781	881,537	-	-	1,899,318
Total operating expenses	<u>3,204,876</u>	<u>2,271,749</u>	<u>1,350,966</u>	<u>59,135</u>	<u>6,886,726</u>
Operating income	<u>420,291</u>	<u>510,626</u>	<u>55,393</u>	<u>390,502</u>	<u>1,376,812</u>
Non-operating revenues (expenses):					
Interest income	53,942	15,222	7,174	9,696	86,034
Interest expense and fiscal charges	(316,250)	(361,886)	-	-	(678,136)
Gain from sale of capital assets	-	1,058	-	-	1,058
Sale of water rights	50	-	-	-	50
Impact fees	257,897	130,821	-	-	388,718
Transfers in (out)	(150,000)	150,000	-	-	-
Total non-operating revenues (expenses)	<u>(154,361)</u>	<u>(64,785)</u>	<u>7,174</u>	<u>9,696</u>	<u>(202,276)</u>
Contributed net assets	44,135	92,700	-	36,944	173,779
Increase in net assets	310,065	538,541	62,567	437,142	1,348,315
Net assets - beginning of year as restated (See Note 19)	<u>35,143,649</u>	<u>23,762,391</u>	<u>1,402,374</u>	<u>5,937,440</u>	<u>66,245,854</u>
Net assets - end of year	<u>\$ 35,453,714</u>	<u>\$ 24,300,932</u>	<u>\$ 1,464,941</u>	<u>\$ 6,374,582</u>	<u>\$ 67,594,169</u>

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

TOOELE CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage Utility	Nonmajor Enterprise funds	
Cash flows provided (used) by operating activities:					
Receipts from customers and users	\$ 3,714,809	\$ 2,798,217	\$ 1,421,694	\$ 451,633	\$ 8,386,353
Receipts of miscellaneous income	115	-	-	-	115
Payments to employees	(506,174)	(485,077)	(541,641)	-	(1,532,892)
Payments to contractors	(28,986)	(15,000)	(557,335)	-	(601,321)
Payments for operations and maintenance	(1,276,422)	(454,780)	(120,412)	(6,202)	(1,857,816)
Payment for interfund services provided	(400,000)	(210,000)	(100,000)	(25,000)	(735,000)
Payments for utilities	(7,725)	(162,268)	-	-	(169,993)
Payments for administration	(113,309)	(67,714)	(30,265)	(12,296)	(223,584)
Net cash provided by operating activities	1,382,308	1,403,378	72,041	408,135	3,265,862
Cash flows provided (used) by noncapital financing activities:					
Receipts from other funds	325,000	-	-	-	325,000
Payments to other funds	-	(325,000)	-	-	(325,000)
Operating transfers in from (out to) other funds	(150,000)	150,000	-	-	-
Net cash provided (used) by noncapital financing activities	175,000	(175,000)	-	-	-
Cash flows provided (used) by capital and related financing activities:					
Purchase of capital assets	(2,174,977)	(284,133)	-	(107,268)	(2,566,378)
Proceeds from sale of capital assets	-	1,058	-	-	1,058
Proceeds from sale of water rights	50	-	-	-	50
Proceeds from issuance of bonds	-	4,600,000	-	-	4,600,000
Payments of bond principal	(275,000)	(651,000)	-	-	(926,000)
Interest paid on revenue bonds	(307,042)	(448,345)	-	-	(755,387)
Impact fees collected	257,897	130,821	-	-	388,718
Net cash provided (used) by capital and related financing activities	(2,499,072)	3,348,401	-	(107,268)	742,061
Cash flows provided by investing activities:					
Interest earned	53,942	15,222	7,174	9,696	86,034
Net cash provided by investing activities	53,942	15,222	7,174	9,696	86,034
Net increase (decrease) in cash and cash equivalents	(887,822)	4,592,001	79,215	310,563	4,093,957
Cash and cash equivalents - beginning of year	8,074,201	1,825,242	1,336,364	1,665,346	12,901,153
Cash and cash equivalents - end of year	\$ 7,186,379	\$ 6,417,243	\$ 1,415,579	\$ 1,975,909	\$ 16,995,110
Cash flows provided (used) by operating activities:					
Operating income	\$ 420,291	\$ 510,626	\$ 55,393	\$ 390,502	\$ 1,376,812
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,017,781	881,537	-	-	1,899,318
Gain on sale of property and equipment	-	(1,058)	-	-	(1,058)
(Increase) decrease in assets:					
Accounts receivable	89,207	15,842	15,335	1,996	122,380
Increase (decrease) in liabilities:					
Accounts payable	(154,586)	(10,651)	1,313	15,637	(148,287)
Accrued liabilities	3,407	2,716	-	-	6,123
Liability for compensated absences	2,332	1,251	-	-	3,583
OPEB obligation	3,326	3,115	-	-	6,441
Customer deposits	550	-	-	-	550
Net cash provided by operating activities	\$ 1,382,308	\$ 1,403,378	\$ 72,041	\$ 408,135	\$ 3,265,862
Represented on the balance sheet as:					
Cash - unrestricted	\$ 6,252,195	\$ 1,045,733	\$ 1,415,579	\$ 1,975,909	\$ 10,689,416
Cash - restricted	934,184	5,371,510	-	-	6,305,694
	\$ 7,186,379	\$ 6,417,243	\$ 1,415,579	\$ 1,975,909	\$ 16,995,110
Supplemental schedule of non-cash financing and investing activities:					
Contributed capital assets from developers	\$ 44,135	\$ 92,700	\$ -	\$ 36,944	\$ 173,779
Increase in land received under contract and not paid for as of June 30, 2011	\$ 294,880	\$ -	\$ -	\$ 73,720	\$ 368,600

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

TOOELE CITY CORPORATION
Statement of Net Assets - Fiduciary Funds
June 30, 2011

	Pension Trust	Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 474,225	\$ 186,306
Other receivables	-	785
Total assets	\$ 474,225	\$ 187,876
 LIABILITIES:		
Refunds payable and others	-	\$ 187,091
Total liabilities	-	\$ 187,091
 NET ASSETS:		
Held in trust for fire department pension and other purposes	\$ 474,225	

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

TOOELE CITY CORPORATION
Statement of Changes in Net Assets - Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Pension Trust
Additions	
Contributions:	
Employer	\$ 21,900
Investment earnings:	
Interest income	2,575
Total additions	24,475
Deductions:	
Benefits	25,385
Administrative expenses	1,155
Total deductions	26,540
Change in net assets	(2,065)
Net assets, beginning of year	476,290
Net assets, end of year	\$ 474,225

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

TOOELE CITY CORPORATION

Notes to Financial Statements

1. THE REPORTING ENTITY

Tooele City Corporation (the "City") is a municipal corporation and is the only city in Utah administered under a "home rule charter" created under the Constitution of the State of Utah. All other cities and towns in Utah operate under forms of government established by the Legislature. The Charter, which was approved by voters in 1965, allows Tooele City to operate under its own rules of administration. The City Charter can only be changed by approval of the voters in a municipal election. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Highways and Streets, Wastewater, Water, Public Library, Parks, Public Improvements, Planning and Zoning, and General Administrative Services. The City is governed by an elected mayor and a five-member council.

The City follows the standards promulgated by the Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the City is financially accountable. The City is not a participant in any joint venture.

The annual financial report includes the financial activities of Tooele City Corporation (the primary government), and its blended component units, which are the Downtown Redevelopment Agency, the Industrial Park Redevelopment Agency, the Depot Redevelopment Agency, the Municipal Building Authority of Tooele City Corporation, and the Tooele City Firefighters Retirement Annuity Plan (the Plan). Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by GASB. The City Council members, in a separate session, serve as the governing board of each component unit of the City and, as such, these entities are presented on a blended basis. Separate financial information can be obtained from the City. Each blended component unit has a June 30 year end and are as follows:

The Downtown Redevelopment Agency was created by the City during fiscal year 1984. The Agency uses tax increment financing to support redevelopment projects within the downtown business district. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Industrial Park Redevelopment Agency was created by the City during fiscal year 1987. The Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Depot Redevelopment Agency was created by the City during fiscal year 1997. The agency uses tax increment financing to support redevelopment projects in the properties granted to the City by the Department of Defense. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Municipal Building Authority of Tooele City was created by the City during fiscal year 1995. The Authority uses the proceeds of its tax exempt bonds to finance the construction or acquisition of general capital assets for the City. The bonds are secured by a lease agreement between the Municipal Building Authority, Utah State University, and Tooele City, and will be retired through lease payments. The Municipal Building Authority's fund structure is comprised of a general fund. The Authority is governed by the Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Tooele City Firefighters Retirement Annuity Plan (the Plan) was created by the City during fiscal year 2000. The Plan is a Pension Trust Fund administered by the City Council under the terms of the Plan document. Funding is completely the responsibility of the City. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications. In addition, the City has presented certain funds, specifically the Redevelopment Agency - Depot Fund and the Capital Project Funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except for revenues that are subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following funds:

(1) Governmental Fund Type

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

- a. *General Fund* -- The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. *Capital Projects Funds* -- The capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds. The specific capital projects funds are the Park Improvements Fund, Public Safety Capital Projects Fund, 1000 North Capital Projects Fund, and the Capital Projects Fund.
- c. *Special Revenue Funds* -- The special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditure for specific purposes other than debt service or capital projects. The special revenue funds are the Class "C" Road Fund, Municipal Building Authority Fund, Par Tax Fund, Industrial Park Redevelopment Agency Fund, Downtown Redevelopment Agency Fund, and the Depot Redevelopment Agency Fund.
- d. *Debt Service Fund* -- The debt service fund is used to account for resources that will be used to service general long-term debt, other than those payable from enterprise funds.

(2) Proprietary Fund Type

Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

(3) Fiduciary Fund Type

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds represent Pension Trust funds and Agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency and the proprietary funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting.

Use of Restricted Funds

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.

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires a legal adoption of an annual budget for all funds. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed revenues and appropriated fund balance. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year. Total encumbrances related to impact fees as of June 30, 2011 totaled \$2,092,419, and have been encumbered for projects not yet completed. The basis of accounting applied to each fund budget is the same basis as the related funds financial statements. Amendments to budgets, both governmental and proprietary, were made through legal budget amendment procedures.

Cash and Cash Equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Restricted Cash

Certain resources set aside for bond repayment are classified as restricted cash on the balance sheet because their use is limited by applicable bond covenants. Other cash accounts are restricted by local ordinance and limitations on their usage.

Inventories

Inventories are recorded at average cost which approximates market. Inventories consist of expendable golfing supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Investment Valuation and Income Recognition

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains and losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains or losses in sales of investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year. Unrealized increase or decrease is computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned and includes amortization of discounts and premiums on interest-bearing instruments that were purchased at a discount or premium.

Interfund Transactions

During the course of operations, transactions occur that result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "due from or to other funds" on the balance sheet.

Capital Assets

Capital assets include land, buildings, improvements other than buildings, furniture, fixtures and equipment and infrastructure (roads, bridges, storm drainage, and sidewalks). These assets are reported in the government-wide financial statements in the relevant column on the statement of net assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$5,000; real property thresholds vary by type of asset. Assets purchased or constructed are recorded at cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Buildings, improvements, machinery, automobiles, and furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	10-15
Machinery and equipment	7
Automobiles and trucks	5-7
Office furniture and equipment	3-5

The City has adopted an allowable alternative to reporting depreciation for its roads network. Under this alternative method, referred to as the "modified approach," the City must maintain an asset management system and demonstrate that its roads are being preserved at or above condition levels established by City policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated unpaid vacation pay of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay, which does not vest, is recorded as an expense in all funds when leave is taken.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the government to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Taxes and Other Significant Revenues

Property tax is assessed, levied, and collected by the county governments in the State of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a certified tax rate of .002111 of the taxable value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a quarterly basis.

Property tax revenues are recognized when they become measurable and available. Available includes those property taxes collected from the taxes collected from the taxpayers by the County Treasurer by June 30 of each year. Amounts that are measurable but not available are recorded as deferred revenue. An accrual was made for property taxes receivable and an offsetting deferred revenue amount were recorded at June 30, 2011. Property taxes become an enforceable lien on January 1 but are not due until November 30.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly. Franchise fees are collected by telephone, electric, natural gas, and cable television companies and remitted to the City periodically.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity

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

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance classifications are restricted by enabling legislation. Restricted fund balance is also reported if (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remain binding unless removed in the same manner.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, as established by the City Council. Assigned fund balance also includes all remaining amounts that are reported in Governmental Funds, other than the General Fund that are not classified as nonspendable, restricted nor committed, or those that are intended to be used for specific purposes.

Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund balances. Additionally, in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, the City reports a negative unassigned fund balance for those respective amounts.

In accordance with the provisions of GASB 54, beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balance, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned, and lastly unassigned amounts from the restricted fund balance when expending funds.

Comparative Data

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

Subsequent Events

Subsequent to year end and prior to the issuance of the financials, the City issued three new bonds and refunded four existing bonds. Details to the bond issuance and refunding are as follows:

Current Bonds Refunded			
During the Fiscal Year	Balance at	New Bonds Issued	Bond
Ended June 30, 2012	June 30, 2011	Subsequent to Year End	Proceeds
Sewer Bonds:			
1997 B Sewer Revenue Bonds	\$ 3,661,000		
2001 A Sewer Revenue Bonds	2,615,000	2011 Sewer Revenue Refunding Bonds	\$ 5,680,000
Water Bonds:			
2006 A Water Revenue Bonds	6,565,000	2011 Water Revenue Refunding Bonds	5,753,000
Governmental Bonds			
2002 Sales Tax Revenue Bonds	<u>5,080,000</u>	2012 Sales Tax Revenue Refunding Bonds	<u>9,400,000</u>
Total refunded bonds	<u>\$ 17,921,000</u>	Total bonds issued subsequent to June 30, 2011	<u>\$ 20,833,000</u>

The City evaluated all events or transactions that occurred after June 30, 2011 through January 16, 2012, the date these financials were available to be issued. During this period, the City did not have any additional material recognizable subsequent events other than those disclosed above and in Note 18.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's investment pool that is considered a demand deposit. Investments are stated at fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "investments" which also includes cash accounts that are separately held by several of the City's funds.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

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

Certificates of deposit investments - Certificates of deposit held for investment that are not debt securities are included in "Investments." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term. Certificates of deposit with remaining maturities greater than one year are classified as long-term. All certificates of deposit are measured at their principal balance plus any accrued interest.

Custodial credit risk - deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. At June 30, 2011, \$33,001,740 of the City's bank balances of \$34,662,248 was uninsured and uncollateralized. The market value is equivalent to the carrying amount.

Custodial credit risk - investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2011, \$758,634 of the City's \$1,008,634 investments were exposed to custodial credit risk because they were uninsured and uncollateralized.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investments are in the Utah Public Treasurer's Investment Fund, U.S. Treasuries, and qualified institutions. The City's investments have no concentration of credit risk.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

3. DEPOSITS AND INVESTMENTS (continued)

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City's policy for managing interest rate risk is to comply with the Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

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 City's average daily balances. As of June 30, 2011, the fair value per share factor for investments in the PTIF was 1.0060380.

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at their fair value. GASB Statement No. 31 requires that certain investments be reported at fair value and that investment income includes changes in the fair value of these investments. Such changes in fair value are reflected in investment income in the Statement of Revenues, Expenses, and Changes in Net Assets for the Utah State Treasurer's investment pool accounts.

Following are the City's cash on hand, on deposit, and investments at June 30, 2011:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Cash on hand and on deposit:				
Cash on hand	\$ 3,425	\$ 3,425	N/A	N/A
Cash on deposit	9,913,636	9,913,636	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>24,745,187</u>	<u>24,602,395</u>	N/A	0.14
Total cash on hand and deposit	<u>\$ 34,662,248</u>	<u>\$ 34,519,456</u>		
Investments				
Certificates of Deposit - Short-term	<u>\$ 1,008,634</u>	<u>\$ 1,008,634</u>	N/A	0.42
Total investments	<u>\$ 1,008,634</u>	<u>\$ 1,008,634</u>		

(1) Ratings are provided, where applicable, to indicate associated credit risk. N/A indicates not applicable

(2) Interest rate risk is estimated using the weighted average years to maturity.

4. INTANGIBLE ASSETS

The Water Fund maintains intangible assets consisting of water stocks. These intangible assets are stated at cost and are included in property and equipment of the City, consistent with GASB 51. As of June 30, 2011, the costs of these water stocks were as follows:

	<u>Shares Owned</u>	<u>Cost</u>
Middle Canyon Water Company	461.5	\$ 15,034
Settlement Canyon Water Company	711.0	<u>78,150</u>
		<u>\$ 93,184</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

5. RESTRICTED ASSETS

Certain of the City's cash and cash equivalents are restricted for the following purposes:

Fund and Purpose	Restricted Amount
General Fund:	
Debt Service payments	\$ 205,133
Depot Redevelopment Agency Fund:	
Debt Service payments	42,731
Water Fund:	
Funds held by trustee for debt service	934,184
Sewer Fund:	
Funds held by trustee for debt service	5,371,510
Other Nonmajor Funds:	
Construction, debt service and other uses	4,072,010
Pension and Agency Fund's	
Held in trust for fire department and others	660,531
Total restricted assets	\$ 11,286,099

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The City estimates allowances for doubtful accounts for proprietary funds based off management experience and historical collection rates. The allowance for doubtful accounts at June 30, 2011 is as follows:

Funds	Allowance
Water fund - major enterprise fund	\$ 137,212
Sewer fund - major enterprise fund	23,533
Garbage Utility Fund - major enterprise fund	11,721
Nonmajor enterprise funds	2,780
	\$ 175,246

7. LOANS RECEIVABLE

On November 14, 2007, the Redevelopment Agency (RDA) agreed to guarantee a loan of a developer in the amount of \$750,000. On December 10, 2008, the developer defaulted on the loan and the Lender demanded the RDA make payments to the Lender under the guaranty. As such, the RDA entered into a note payable agreement with a financial institution for \$750,000 (See note 9). At that time the RDA entered into an agreement with the developer wherein the developer agreed to repay the note at 7.50% interest per annum with semi-annual interest payments due through 2013. Accrued interest receivable on the note at June 30, 2011 was \$84,375.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2011 is as follows:

	Balance at June 30, 2010 (as restated, see Note 19)	Increases	Decreases	Balance at June 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,398,777	\$ 2,451,450	\$ -	\$ 5,850,227
Infrastructure	<u>90,090,868</u>	<u>728,185</u>	<u>-</u>	<u>90,819,053</u>
Total capital assets not being depreciated	<u>93,489,645</u>	<u>3,179,635</u>	<u>-</u>	<u>96,669,280</u>
Capital assets being depreciated:				
Buildings	15,997,582	13,286	-	16,010,868
Improvements other than buildings	9,737,494	96,443	-	9,833,937
Office furniture and equipment	1,147,458	66,806	(380,771)	833,493
Machinery and equipment	2,516,205	61,797	(360,838)	2,217,164
Automobiles and trucks	<u>4,080,224</u>	<u>335,839</u>	<u>(89,794)</u>	<u>4,326,269</u>
Total capital assets being depreciated	<u>33,478,963</u>	<u>574,171</u>	<u>(831,403)</u>	<u>33,221,731</u>
Less accumulated depreciation for:				
Buildings	(5,178,734)	(368,628)	-	(5,547,362)
Improvements other than buildings	(3,496,891)	(183,570)	-	(3,680,461)
Office furniture and equipment	(1,101,715)	(38,663)	380,771	(759,607)
Machinery and equipment	(1,965,134)	(170,567)	360,838	(1,774,863)
Automobiles and trucks	<u>(2,800,157)</u>	<u>(273,663)</u>	<u>89,794</u>	<u>(2,984,026)</u>
Total accumulated depreciation	<u>(14,542,631)</u>	<u>(1,035,091)</u>	<u>831,403</u>	<u>(14,746,319)</u>
Total capital assets being depreciated, net	<u>18,936,332</u>	<u>(460,920)</u>	<u>-</u>	<u>18,475,412</u>
Governmental activities capital assets, net	<u>\$ 112,425,977</u>	<u>\$ 2,718,715</u>	<u>\$ -</u>	<u>\$ 115,144,692</u>

For the year ended June 30, 2011, depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	\$ 294,254
Public safety	285,928
Highways and streets	72,655
Parks and recreation	<u>382,254</u>
Total depreciation expense, governmental activities	<u>\$ 1,035,091</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS (continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2011:

	Balance at June 30, 2010 (as restated, see Note 19)	Increases	Decreases	Balance at June 30, 2011
Business-type Activities				
Capital assets not being depreciated:				
Investment in water stock	\$ 93,184	\$ -	\$ -	\$ 93,184
Land	2,605,019	877,525	-	3,482,544
Water rights	5,145,820	-	-	5,145,820
Infrastructure	4,099,385	58,478	-	4,157,863
Construction in progress	2,893,946	37,956	-	2,931,902
Total capital assets not being depreciated	<u>14,837,354</u>	<u>973,959</u>	<u>-</u>	<u>15,811,313</u>
Capital assets, being depreciated:				
Buildings	5,680,148	258,036	-	5,938,184
Improvements other than buildings	68,674,875	1,795,104	-	70,469,979
Office Furniture & Fixtures	93,321	-	(18,720)	74,601
Machinery and equipment	2,555,292	81,658	(12,155)	2,624,795
Automobiles and trucks	890,119	-	(19,535)	870,584
Total capital assets being depreciated	<u>77,893,755</u>	<u>2,134,798</u>	<u>(50,410)</u>	<u>79,978,143</u>
Less accumulated depreciation for:				
Buildings	(2,456,187)	(131,770)	-	(2,587,957)
Improvements other than buildings	(20,499,766)	(1,645,468)	-	(22,145,234)
Office Furniture & Fixtures	(92,156)	(511)	18,720	(73,947)
Machinery and equipment	(2,270,220)	(94,499)	12,155	(2,352,564)
Automobiles and trucks	(739,820)	(27,070)	19,535	(747,355)
Total accumulated depreciation	<u>(26,058,149)</u>	<u>(1,899,318)</u>	<u>50,410</u>	<u>(27,907,057)</u>
Total capital assets being depreciated, net	<u>51,835,606</u>	<u>235,480</u>	<u>-</u>	<u>52,071,086</u>
Business-type activities, net	<u>\$ 66,672,960</u>	<u>\$ 1,209,439</u>	<u>\$ -</u>	<u>\$ 67,882,399</u>

For the year ended June 30, 2011, depreciation expense was charged to business-type activities of the City as follows:

Business-type Activities:

Water Fund	\$ 1,017,781
Sewer Fund	<u>881,537</u>
Total depreciation expense, business-type activities	<u>\$ 1,899,318</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT

The following is a summary of transactions affecting long-term liabilities for the year ended June 30, 2011:

	Balance at June 30, 2010 (as restated, see Note 19)		Reductions & Deletions	Balance at June 30, 2011	Due Within One Year
		Additions			
Governmental Activities:					
Revenue bonds payable	\$ 18,343,000	\$ -	\$ (822,000)	\$ 17,521,000	\$ 861,000
Net OPEB obligations	253,223	252,055	(106,291)	398,987	-
Note payable	750,000	-	-	750,000	-
Compensated absences	402,493	31,100	-	433,593	-
Deferred amounts:					
Unamortized bond premiums	58,752	-	(3,680)	55,072	-
Unamortized bond discounts	(25,502)	-	1,500	(24,002)	-
Total governmental long-term liabilities	\$ 19,781,966	\$ 283,155	\$ (930,471)	\$ 19,134,650	\$ 861,000
Business-type Activities:					
Revenue bonds payable	\$ 13,767,000	\$ 4,600,000	\$ (926,000)	\$ 17,441,000	\$ 965,000
Net OPEB obligations	11,190	6,441	-	17,631	-
Compensated absences	61,143	3,583	-	64,726	-
Deferred amounts:					
Unamortized bond premiums	53,222	-	(3,388)	49,834	-
Total business-type long-term liabilities	\$ 13,892,555	\$ 4,610,024	\$ (929,388)	\$ 17,573,191	\$ 965,000

Government-type Activities:

Description of Bond Issue

**Current
Outstanding
Balances**

In December 2002, Tooele City issued Sales Tax Revenue Bonds Series 2002 in the amount of \$6,635,000 with original interest rates of 2.50% - 4.80%. The bonds mature on January 15, 2027, with principal payments due annually on January 15, (beginning in 2004), and interest payments due on January 15 and July 15 of each year.	\$ 5,080,000
In September 2005, Tooele City issued Lease Revenue Refunding Bonds Series 2005 in the amount of \$7,460,000 with original interest rates of 3.50% - 4.50%. The bonds mature on December 1, 2024, with principal payments due annually on December 1, and interest payments due on June 1 and December 1 of each year.	6,000,000
In October 2005, Tooele City issued Sales Tax Revenue Bonds Series 2005 in the amount of \$1,730,000 with original interest rates of 3.80%. The bonds mature on October 1, 2020, with principal payments due annually on October 1, and interest payments due on April 1 and October 1 of each year.	1,256,000
In November 2008, Tooele City issued Franchise Tax Revenue Bonds Series 2008 in the amount of \$5,550,000 with original interest rates of 4.00% - 5.00%. The bonds mature on November 1, 2028, with principal payments due annually on November 1, and interest payments due on May 1 and November 1 of each year.	5,185,000
Total governmental activities - bonds	<u>\$ 17,521,000</u>

Description of Note Payable

**Current
Outstanding
Balances**

In December 2009, Tooele City entered into a note payable agreement with a financial institution in the amount of \$750,000 with an original interest rate of 7.50%. The principal portion of the note is payable in full on December 1, 2013, with interest payments due on June 1 and December 1 of each year.	\$ 750,000
Total governmental activities - note payable	<u>\$ 750,000</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

Business-type Activities:	Current Outstanding Balances
Description of Bond Issue	
In December 1997, Tooele City issued Sewer Revenue Bonds Series 1997B in the amount of \$7,570,000. The bonds carry an interest rate of 3.50% and mature on February 1, 2019 with interest-only payments due on February 1 for the first two years, and both principal and interest payments due on February 1 for the remainder of the bond term.	\$ 3,661,000
In March 2001, Tooele City issued Sewer Revenue Refunding Bonds Series 2001A in the amount of \$4,615,000 with original interest rates of 3.20% - 5.25%. The bonds mature on October 1, 2018, with principal payments due annually on October 1, and interest payments due on April 1 and October 1 of each year.	2,615,000
In October 2006, Tooele City issued Water Revenue Bonds Series 2006A in the amount of \$7,920,000 with original interest rates of 4.534%. The bonds mature on October 1, 2026, with principal payments due annually on October 1, and interest payments due on April 1 and October 1 of each year.	6,565,000
In December 2010, Tooele City issued Sewer Revenue C.I.B. Bonds Series 2010 in the amount of \$4,600,000 with original interest rates of 4.50%. The bonds mature on September 1, 2036, with interest-only payments due on September 1, 2011, and both principal and interest payments due annually on September 1 for the remainder of the bond term.	4,600,000
Total business-type activities - bonds	\$ 17,441,000

The debt service requirements on bonds and long-term debt at June 30, 2011 are as follows:

Year Ending June 30	Government Activities - Bonds		Business-type Activities - Bonds		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 861,000	\$ 716,745	\$ 965,000	\$ 542,161	\$ -	\$ 56,250
2013	885,000	683,006	1,107,000	707,622	-	56,250
2014	909,000	646,941	1,156,000	662,780	750,000	28,125
2015	968,000	608,502	1,206,000	611,999	-	-
2016	997,000	578,399	1,262,000	558,870	-	-
2017-2021	5,676,000	2,301,596	5,255,000	1,982,674	-	-
2022-2026	4,900,000	1,109,480	3,318,000	1,122,409	-	-
2027-2031	2,325,000	189,692	1,571,000	517,477	-	-
2032-2036	-	-	1,303,000	248,130	-	-
2037-2041	-	-	298,000	13,410	-	-
Total debt	17,521,000	6,834,361	17,441,000	6,967,532	750,000	140,625
Unamortized premiums	55,072		49,834			
Unamortized discounts	(24,002)		-			
Total	\$ 17,552,070		\$ 17,490,834			

Special Assessment Debt

The City is not obligated in any manner for special assessment debt.

10. UNEARNED PROPERTY TAXES

Property taxes in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable on November 30. Since the property tax to be levied on October 1, 2011 is not expected to be received within 60 days after the year ended June 30, 2011, the City records unearned revenues of the estimated amount of the total property tax.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

11. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liability for the defeased bonds are not included in the financial statements of the reporting entity. At June 30, 2011, bonding totaling \$12,415,000 from the City are considered defeased.

12. INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund required to collect them to the fund required to expend them in accordance with statute and budgetary authorization. Additionally, interfund transfers are used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2011 are as follows:

	Transfers out			
	General Fund	Capital Project		Transfers In
		Fund	Nonmajor Governmental Funds	
Capital Projects	\$ 665,000	\$ -	\$ -	\$ 665,000
Nonmajor Governmental	205,133	-	1,396,701	1,601,834
Total Transfers out	\$ 870,133	\$ -	\$ 1,396,701	\$ 2,266,834

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2010, the City entered into an agreement to sell land from the General Fund to the Redevelopment Agency - Depot Fund in the amount of \$6,500,000 and recorded a related due from. The General Fund transferred \$5,000,000 of the proceeds of the land transaction to the Capital Projects Fund and recorded a related due to. As of June 30, 2011, all due to and due from amounts had been settled.

13. INTERFUND RECEIVABLES / PAYABLES

Interfund receivables / payables result from loans between funds. Individual fund receivable / payable balances at June 30, 2011 are as follows:

	Interfund Receivables	Interfund Payables
Government		
General Fund	\$ 55,000	\$ -
1000 North Road Project Fund	-	20,000
Debt Service Fund	-	35,000
	\$ 55,000	\$ 55,000

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLAN

Plan Description - The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, as well as the Public Safety Retirement System for employers with (without) Social Security coverage, both of which are cost sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems).

Retirement Systems provide refunds, retirement benefits, annual cost of living allowances, and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the state legislature.

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

Funding Policy - The City is legally obligated to contribute to the retirement systems as long as they have employees meeting membership requirements. Contributory Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. Currently, Plan members contribute 6.0%. The City is required to contribute the following percent of covered salary to the respective systems: 9.36% to the Contributory, 13.37% to the Noncontributory, and 26.13% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Contribution Rates Paid by Employer for Employee</u>	<u>Matching</u>
Contributory System:			
Local Government Division	-	6.00%	9.36%
Noncontributory System:			
Local Government Division	-	-	13.37%
Public Safety System:			
Other Division B Noncontributory	-	-	26.13%

The contributions by the City for the year ended June 30, 2011 were paid by the due dates or within thirty days thereafter and were equal to the required contributions

Three-year trend contributions to the plans are as follows:

<u>For the Fiscal Years Ended June 30,</u>	<u>Salaries</u>					
	<u>Contributions to Contributory System</u>	<u>Subject to Contributory Contributions</u>	<u>Noncontributory System Contributions</u>	<u>Salaries Subject to Noncontributory Contributions</u>	<u>Public Safety System Contributions</u>	<u>Salaries Subject to Public Safety Contributions</u>
2009	\$ 22,380	\$ 164,437	\$ 420,903	\$ 3,622,228	\$ 335,092	\$ 1,482,054
2010	19,737	144,595	415,538	3,581,681	315,130	1,353,849
2011	22,167	144,314	492,962	3,687,331	347,459	1,329,754

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

15. EMPLOYEE BENEFIT PLANS

The City offers a non-contributory pension plan for volunteer firefighters. Originally, the Plan was funded by the City and administered by a third party. During 2000, the City assumed administration of the Plan as a non-qualified pension trust. The City continues to contribute \$25 per month per firefighter. Benefits are paid at retirement after age sixty-five, at \$50 per month for life. Pension contributions for the years ended June 30, 2011, 2010, and 2009, were \$21,900, \$21,900, and \$20,100, respectively.

The City provides a 401(k) plan for all eligible employees. The Plan is available to full-time employees who are aged 18 or older and have completed six months of continuous employment. Employees become fully vested in the Plan at the conclusion of four years of employment. Employees may voluntarily contribute to the Plan in an amount not to exceed limitations established by the Internal Revenue Service. The City may make contributions at the discretion of the City Council. The City made no discretionary contributions to the 401(k) plan during the current year ended June 30, 2011.

Total contributions to the 401(k) Plan for the years ending June 30, 2011, 2010, and 2009 were \$69,542, \$72,877, and \$346,576, respectively. Salaries subject to contributions were \$509,267, \$529,211, and 3,899,266, for the same years.

The City provides a Defined Contribution System Traditional IRA Plan for all eligible employees. Employee contributions to the plan for the years ending June 30, 2011, 2010, and 2009 were \$1,559, \$4,351, and \$5,239, respectively.

The City provides a Defined Contribution System Roth IRA Plan for all eligible employees. Employee contributions to the plan for the years ending June 30, 2011, 2010, and 2009 were \$20,066, \$15,865, and \$14,427, respectively.

16. OTHER POSTEMPLOYMENT BENEFITS

In addition to the retirement benefits described above, the City provides postemployment health care and life insurance benefits through a single employer defined benefit plan to all employees who retire from the City and qualify to retire from the Systems. The benefits, benefit levels, employee contributions, and employer contributions are governed by City policy and can be amended at any time. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to maintain and account for the Plan. The Plan does not issue a separate report.

The City currently pays for postemployment benefits on a "pay-as-you-go" basis. Although the City is studying the establishment of a trust that would be used to cumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that "pay-as-you-go" funding will continue.

The City's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the City's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2011, the City's annual OPEB cost (expense) was \$152,205. The following table shows the components of the City's net annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

Three-year trend information is as follows:

<u>For the fiscal years ended June 30,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 248,803	\$ 229,567	\$ 218,377
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Net OBEB obligation amortization adjustment to the ARC	<u>14,390</u>	<u>14,390</u>	<u>-</u>
Annual OPEB cost (expense)	<u>263,193</u>	<u>243,957</u>	<u>218,377</u>
Contributions made	<u>(110,988)</u>	<u>(102,767)</u>	<u>(95,154)</u>
Increase in net OPEB obligation	152,205	141,190	123,223
Net OPEB obligation beginning of year	<u>264,413</u>	<u>123,223</u>	<u>-</u>
Net OPEB obligation end of year	<u>\$ 416,618</u>	<u>\$ 264,413</u>	<u>\$ 123,233</u>

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 2,145,342	\$ 2,054,272	\$ 1,932,433
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,145,342</u>	<u>\$ 2,054,272</u>	<u>\$ 1,932,433</u>
Funded ration (actuarial value of plan assets/AAL)	0%	0%	0%
Annual covered payroll (active plan members)	\$ 4,846,496	\$ 5,080,125	\$ 5,237,778
UAAL as percentage of annual covered payroll	44.27%	40.44%	36.89%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of an occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, present the results of OPEB valuations as of June 30, 2011 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% unfunded discount rate and an annual healthcare costs trend rate of 8% initially, reduced by decrements to an ultimate rate of 5.0% after eleven years. Covered payroll included a 4.5% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded it obligations. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over an open thirty year period.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

17. REDEVELOPMENT AGENCIES

In accordance with Utah Code Section 17b-4-1305, the City's Redevelopment Agencies are required to disclose the following information.

A. The collections of tax increment revenue by Redevelopment Agencies as of June 30, 2011 are as follows:

<u>Project Area</u>	<u>Amount</u>
Depot	\$ 1,309,085
Industrial Park	67,723
Downtown	173,816
Total	<u>\$ 1,550,624</u>

B. There was no amount of tax increment paid to any taxing agencies pursuant to Section 17B-4-1008 during the year.

C. The Agencies had no outstanding debt during the year.

D. The actual amount expended for:

<u>Project Area</u>	<u>Acquisition of Property</u>	<u>Site Improvement or Preparation Costs</u>	<u>Installation of Public Utilities or Other Public Improvements</u>	<u>Administrative Costs of the Agency</u>
Depot	\$ 181,640	\$ -	\$ 1,020,222	630,718
Industrial Park	-	-	-	53,119
Downtown	36,402	-	757	31,409
Total	<u>\$ 218,042</u>	<u>\$ -</u>	<u>\$ 1,020,979</u>	<u>\$ 715,246</u>

18. LITIGATION

During 2001, the City was served a complaint from two neighboring cities regarding the acquisition of closed portions of the Tooele Army Depot by the Redevelopment Agency of Tooele City. The complaint alleged that military closure and properties are to benefit the entire community, not just Tooele City. Tooele City responded that its actions were entirely lawful, consistent with military closure law, and did in fact benefit the entire community through economic development and job creation. The lawsuit was settled as of the fiscal year ended June 30, 2011. Terms of the settlement included the Redevelopment Agency paying \$100,000 as well as agreeing to pay the debt service (principal and interest) on a 25 year, \$2,000,000 bond for the City of Grantsville to be used in the construction of a library building. The obligation to pay the bonds will be that of the Redevelopment Agency and not Tooele City Corporation. The bond described above had not been finalized as of the date of the audit report.

The City is a defendant in a legal action with a real estate developer regarding a broad ranged of claims, including breach of contract. The damage claims range from \$15,000,000 to \$24,000,000. The jury in June 2009 found breaches by both parties, with net damages valued at \$20,000,000 to the plaintiff, but based on internal conflicts within the Special Verdict Form, the Court declared a mistrial. Both parties appealed the trial court decision. Oral arguments before the Court of Appeals were made during November 2011 with a formal response expected in 2012. Should the Court of Appeals uphold the mistrial order, and not enter an order in favor of one of the parties, the City anticipates the case would be retired sometime in 2012. As there is no indication of who will obtain a judgment, the City has not recorded any liability as there is no probable and estimable amount, if any, at this time.

The City is a defendant in a legal action with a real estate developer regarding use of an abandoned sewer line in the amount of \$104,592. Cross motions for summary judgment were denied, and the case is awaiting trial. The ultimate liability that might result from the final resolution of this matter is not presently determinable but is anticipated to be less than \$104,592.

During 2011, the City negotiated a settlement in a case involving Rocky Mountain Power. The settlement agreement included a cash payment of \$500,000 to the City, which was received in August 2011. Additionally, the City was awarded the deed to approximately 129 acres of land, which the city valued at an estimated fair value of \$2,196,686, based on recent comparable open space purchases. As part of the settlement, the City was required to convey a right-of-way and easement to Rocky Mountain Power to allow access to defined portions of land owned by Tooele City. Upon consummation of the settlement agreement and a release of claims, the City dismissed its lawsuit against Rocky Mountain Power. The deed to the land was transferred to the City during February 2011.

The City is a named defendant in certain other legal actions pending or in process for miscellaneous unsubstantial claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of the claims will not have an adverse material effect on the City's financial statements.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

19. RECLASSIFICATIONS AND ADJUSTMENTS

During the current year, it was determined that certain enterprise capital assets related to the Storm Water Fund had been included as governmental land and infrastructure on the Government Wide Financial Statements in the amount of \$4,219,520 in the prior year. To correct this, the capital assets beginning balances of governmental activities, business-type activities and the Storm Water Fund have been adjusted, as well as the corresponding impact on net assets and fund balance. The effect of this correction on net assets in the Government Wide Financial Statements and fund balance in the Storm Water Fund is reflected below.

During the current year, it was determined the City had incorrectly capitalized maintenance and preservation costs on the Government Wide Financial Statements in the amount of \$5,210,384 in the prior year. To correct this, the capital assets beginning balance and net assets have been adjusted. The effect of this correction on net assets in the Government Wide Financial Statements is reflected below.

During the current year, it was determined that prior year bond issuance costs of \$419,934 and unamortized deferrals consisting of bond premiums and discounts of \$14,503 for three bonds had not been recorded on the Government Wide Financial Statements in the prior years. To correct this, the bond issuance costs, unamortized deferrals, and net assets have been adjusted. The effect of this correction on net assets in the Government Wide Financial Statements is reflected below.

During the current year the 1000 North Road Project Fund did not meet the criteria to be classified as a major governmental fund. The 1000 North Road Project Fund's beginning fund balance of \$771,023 as of July 1, 2010 has been reclassified from a major fund to a nonmajor governmental fund.

During the current year the Garbage Utility Fund met the criteria to be classified as a major proprietary fund. The Garbage Utility Fund's beginning fund balance of \$1,402,374 as of July 1, 2010 has been reclassified from a nonmajor fund to a major proprietary fund.

	Government Wide Financial Statements		Governmental Funds		
	Governmental Activities	Business-Type Activities	Other Major Funds	Non Major Funds	
Net assets / fund balances as originally stated July 1, 2010	\$ 122,779,898	\$ 62,026,334	\$ 14,024,909	\$ 5,926,094	
Reclassification of 1000 North Road Projects Fund balance	-	-	(771,023)	771,023	
Capital asset additions	-	4,219,520	-	-	
Capital asset deletions	(4,219,520)	-	-	-	
Reduction of capital assets for road maintenance and preservation costs	(5,210,384)	-	-	-	
Capitalization of bond issuance costs	419,934	-	-	-	
General obligation bonds, net of unamortized deferrals of premiums and discounts	(14,503)	-	-	-	
Net restatement	(9,024,473)	4,219,520	(771,023)	771,023	
Net assets /fund balances as restated - July 1, 2010	<u>\$ 113,755,425</u>	<u>\$ 66,245,854</u>	<u>\$ 13,253,886</u>	<u>\$ 6,697,117</u>	
			Proprietary Funds		
			Storm Water Fund	Other Major Funds	
			Non Major Funds		
Net assets / fund balances as originally stated July 1, 2010			\$ 1,717,920	\$ 58,906,040	\$ 3,120,294
Reclassification of the Garbage Utility Fund balance			-	1,402,374	(1,402,374)
Capital asset additions			4,219,520	-	4,219,520
Net restatement			4,219,520	1,402,374	2,817,146
Net assets /fund balances as restated - July 1, 2010			<u>\$ 5,937,440</u>	<u>\$ 60,308,414</u>	<u>\$ 5,937,440</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Information About Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2011

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to use the modified approach, the City is required to:

1. Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
2. Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
3. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the City.
4. Document that the infrastructure assets are being preserved approximately at or above the condition level established by the City.

Roads

The City applies the modified approach to the entire asphalt pavement road network consisting of approximately 144 center lane miles that are owned by the City and maintained by the City's Public Works Department. The goal of the City in conjunction with adopting the modified approach is to develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the City's investment in its road network and enhances public transportation and safety.

In 2009, the City hired the Utah Local Technical Assistance Program (LTAP) from Utah State University to update their pavement management program. A complete copy of their report entitled "Analysis and Recommendations for Street Network, Summer 2009" is available at the Public Works office for review. Since 2009, City staff have updated the pavement management program using in-house resources. The following information is based upon the update effort by City staff.

Inventory of Assets

The LTAP inventory of assets consisted of the following items:

- ◆ Designation of functional classification of each street. The three functional classifications identified included residential, minor, and major. The Utah Department of Transportation ("UDOT") controls two major streets that run through the City (SR-36 and 1000 North). These two streets are maintained by UDOT.
- ◆ GPS technology was utilized to map the centerline of each street and establish a base reference map for purposes of management. Physical features including width, length, surface type, and drainage provisions were collected. Streets were segmented whenever the street changed with respect to physical features, functional class, or intersection.

TOOELE CITY CORPORATION
Information About Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2011

The following table summarizes the City's inventory of street by functional classification:

	Major				
	Arterial	Major Collector	Minor Collector	Residential	Total
Area (yd²)	52,840	368,105	336,462	2,023,964	2,781,371
Percent of Road Network	1.90%	13.23%	12.10%	72.77%	100.00%

Established Condition Level

It is the City's policy to maintain no more than 5% of its roads at a "very poor" condition. Condition assessments are performed by geographic district within the City on approximately one-third of the roads each year, achieving a complete condition assessment at least every three years. Currently less than 5% of the City's streets are at a "very poor" condition based on the latest condition assessment report.

Condition Assessment

The assessment process utilized by the City is based upon the Strategic Highway Research Program (SHRP) Distress Manual. This process includes analysis of potholes/utility cuts, rutting, transverse cracking, longitudinal cracking, block cracking, edge cracking, and fatigue (alligator) cracking. The severity and extent of each distress type were also cataloged according to established standards.

Pavement surface conditions were also evaluated for smoothness, drainage rating, and remaining service life (RSL), as shown below:

Distribution of Smoothness Ratings

<u>Rating</u>	<u>Percentage of Street Network</u>
Excellent	24.60%
Good	56.40%
Fair	18.00%
Poor	1.00%

Distribution of Pavement Drainage Ratings

<u>Rating</u>	<u>Percentage of Street Network</u>
Excellent	34.90%
Good	51.40%
Fair	12.40%
Poor	1.30%

TOOELE CITY CORPORATION
Information About Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2011

Distribution of Remaining Service Life (RSL)

<u>RSL</u>	<u>Percentage of Street Network</u>
0	0.30%
1-3	2.60%
4-6	20.10%
7-9	9.80%
10-12	33.80%
13-15	14.50%
16-18	5.20%
19-21	13.70%

The estimated average RSL of the City's asphalt street network is 11.3 years. This average RSL value is similar to many cities surveyed to date by the Utah LTAP Center.

Maintenance and Preservation of the Asset

The pavement preservation program upon which the LTAP report is based is one that maintains an estimated RSL of 10 years, with no more than 3% of the street network in terminal serviceability level (i.e. RSL=0).

LTAP recommends the following paved road funding distribution maintenance program for the years 2010-2012 and 2012-2015:

<u>Pavement Preservation Strategies</u>	<u>Percent of Road Network</u>		<u>Funding Distribution</u>	
	<u>2010-2012</u>	<u>2012-2015</u>	<u>2010-2012</u>	<u>2012-2015</u>
Routing Maintenance	5.00%	6.00%	\$ 36,479	\$ 43,774
Preventive Maintenance	13.00%	7.50%	578,987	323,929
Rehabilitation	8.00%	9.00%	485,602	546,303
Reconstruction	0.25%	0.75%	118,555	355,666
Total	<u>26.25%</u>	<u>23.25%</u>	<u>\$ 1,219,623</u>	<u>\$ 1,269,672</u>

The LTAP has estimated the baseline funding distribution for the four pavement preservation strategies above for the year 2013 through 2019 to be \$1,489,711 per year.

TOOELE CITY CORPORATION
Information About Infrastructure Assets Reported Using the Modified Approach
For the Year Ended June 30, 2011

Future Maintenance Preservation

Based upon the above distribution, the resulting RSL distribution in 2011 using recommended preservation program estimates is as follows:

Projected Distribution of Remaining Service Life (RSL) 2011

<u>RSL</u>	<u>Percentage of Street Network</u>
0	3.60%
1-3	7.50%
4-6	11.40%
7-9	17.00%
10-12	29.70%
13-15	8.80%
16-18	6.20%
19-21	15.80%

In order to maintain the RSL of the City's street network, the Public Works Department will request that the maintenance budget for future years be maintained at the above estimated value.

Over the last five reporting years, the estimated amounts needed and actual expenditures utilized to maintain and preserve the City's road system are as follows (capital expenditures are not included):

<u>Fiscal year ending June 30,</u>	<u>Budget</u>	<u>Expenditures</u>
2011	\$ 1,666,000	\$ 1,361,702
2010	1,500,000	358,984
2009	2,000,000	2,069,878
2008	3,400,290	2,405,296
2007	2,014,226	1,076,368

TOOELE CITY CORPORATION
Postemployment Benefit Plan - Schedule of Funding Progress
For the Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 1,932,433	\$ 1,932,433	0%	\$ 5,237,778	36.89%
7/1/2009	\$ -	\$ 2,054,272	\$ 2,054,272	0%	\$ 5,080,125	40.44%
7/1/2010	\$ -	\$ 2,145,342	\$ 2,145,342	0%	\$ 4,846,496	44.27%

OTHER SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds					Capital Projects Funds				Totals
	Class "C" Road Fund	Par Tax Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Public Safety Capital Projects Fund	1000 North Capital Projects Fund	
ASSETS										
Assets:										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 52,260	\$ 467,827	\$ 660,057	\$ 76,564	\$ 6,995	\$ 20,000	\$ 1,283,703
Receivables:										
Accounts	-	-	-	-	357	-	-	-	-	357
Assessments	-	54,323	-	-	-	-	-	-	-	54,323
Taxes	-	-	-	70,000	170,000	-	-	-	-	240,000
Interest receivable	-	-	-	-	99,114	-	-	-	-	99,114
Intergovernmental receivable	290,944	-	-	-	-	-	-	-	-	290,944
Restricted cash and cash equivalents	1,418,885	784,897	84,533	-	48,700	-	500,743	998,585	235,667	4,072,010
Total assets	\$ 1,709,829	\$ 839,220	\$ 84,533	\$ 122,260	\$ 785,998	\$ 660,057	\$ 577,307	\$ 1,005,580	\$ 255,667	\$ 6,040,451
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 100	\$ -	\$ -	\$ 4,620	\$ 2,292	\$ -	\$ 76,564	\$ 6,995	\$ -	\$ 90,571
Accrued liabilities	-	-	-	-	270	-	-	-	-	270
Due to other funds	-	-	-	-	-	35,000	-	-	20,000	55,000
Deferred revenue	-	-	-	70,000	170,000	-	-	-	-	240,000
Total liabilities	100	-	-	74,620	172,562	35,000	76,564	6,995	20,000	385,841
Fund balances:										
Restricted										
Public safety	-	-	-	-	-	-	-	998,585	-	998,585
Park development	-	-	-	-	-	-	450,743	-	-	450,743
Recreation and arts	-	839,220	-	-	-	-	-	-	-	839,220
Debt service	691,546	-	84,533	-	48,700	-	50,000	-	-	874,779
Roads	1,018,183	-	-	-	-	-	-	-	235,667	1,253,850
Assigned										
Depot Redevelopment Agency projects	-	-	-	47,640	564,736	-	-	-	-	612,376
Debt service fund	-	-	-	-	-	625,057	-	-	-	625,057
Total fund balances	1,709,729	839,220	84,533	47,640	613,436	625,057	500,743	998,585	235,667	5,654,610
Total liabilities and fund balances	\$ 1,709,829	\$ 839,220	\$ 84,533	\$ 122,260	\$ 785,998	\$ 660,057	\$ 577,307	\$ 1,005,580	\$ 255,667	\$ 6,040,451

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds					Capital Project Funds				Totals
	Class "C" Road Fund	Par Tax Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Public Safety Capital Projects Fund	1000 North Capital Projects Fund	
Revenues:										
Taxes	\$ -	\$ 313,936	\$ -	\$ 67,723	\$ 173,816	\$ -	\$ -	\$ -	\$ -	\$ 555,475
Intergovernmental revenues	1,495,279	-	-	-	-	-	-	-	-	1,495,279
Interest income	7,447	3,858	757	123	31,192	3,204	3,585	5,415	5,364	60,945
Impact fees	-	-	-	-	-	-	70,363	35,627	-	105,990
Miscellaneous revenue	-	7,244	-	-	-	-	-	-	-	7,244
Rental income	-	-	563,724	-	-	-	-	-	-	563,724
Total revenues	<u>1,502,726</u>	<u>325,038</u>	<u>564,481</u>	<u>67,846</u>	<u>205,008</u>	<u>3,204</u>	<u>73,948</u>	<u>41,042</u>	<u>5,364</u>	<u>2,788,657</u>
Expenditures:										
General government	6,104	7,878	-	53,115	32,166	6,700	-	-	-	105,963
Highways and streets	1,253,021	-	-	-	-	-	-	-	-	1,253,021
Capital outlay	-	172,492	-	-	36,402	-	211,875	114,147	540,720	1,075,636
Debt service:										
Principal retirement	-	-	-	-	-	822,000	-	-	-	822,000
Interest and fiscal charges	-	-	-	4	-	772,931	-	-	-	772,935
Total expenditures	<u>1,259,125</u>	<u>180,370</u>	<u>-</u>	<u>53,119</u>	<u>68,568</u>	<u>1,601,631</u>	<u>211,875</u>	<u>114,147</u>	<u>540,720</u>	<u>4,029,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>243,601</u>	<u>144,668</u>	<u>564,481</u>	<u>14,727</u>	<u>136,440</u>	<u>(1,598,427)</u>	<u>(137,927)</u>	<u>(73,105)</u>	<u>(535,356)</u>	<u>(1,240,898)</u>
Other financing sources (uses) including transfers:										
Operating transfers in	-	-	-	-	-	1,601,834	-	-	-	1,601,834
Operating transfers (out)	(691,546)	-	(563,724)	-	(48,700)	-	(50,000)	-	-	(1,353,970)
Private contributions	54,015	-	-	-	-	-	-	-	-	54,015
Refunded impact fees	-	-	-	-	-	-	(103,488)	-	-	(103,488)
Total other financing sources (uses) including transfers:	<u>(637,531)</u>	<u>-</u>	<u>(563,724)</u>	<u>-</u>	<u>(48,700)</u>	<u>1,601,834</u>	<u>(153,488)</u>	<u>-</u>	<u>-</u>	<u>198,391</u>
Net change in fund balances	<u>(393,930)</u>	<u>144,668</u>	<u>757</u>	<u>14,727</u>	<u>87,740</u>	<u>3,407</u>	<u>(291,415)</u>	<u>(73,105)</u>	<u>(535,356)</u>	<u>(1,042,507)</u>
Fund balances, beginning of year	<u>2,103,659</u>	<u>694,552</u>	<u>83,776</u>	<u>32,913</u>	<u>525,696</u>	<u>621,650</u>	<u>792,158</u>	<u>1,071,690</u>	<u>771,023</u>	<u>6,697,117</u>
Fund balances, end of year	<u>\$ 1,709,729</u>	<u>\$ 839,220</u>	<u>\$ 84,533</u>	<u>\$ 47,640</u>	<u>\$ 613,436</u>	<u>\$ 625,057</u>	<u>\$ 500,743</u>	<u>\$ 998,585</u>	<u>\$ 235,667</u>	<u>\$ 5,654,610</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011

	<u>Class "C" Road Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	1,400,000	1,495,279	95,279
Interest income	10,000	7,447	(2,553)
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>1,410,000</u>	<u>1,502,726</u>	<u>92,726</u>
Expenditures:			
General government	-	6,104	(6,104)
Highways and streets	1,501,000	1,253,021	247,979
Capital outlay	-	-	-
Interest	-	-	-
Total expenditures	<u>1,501,000</u>	<u>1,259,125</u>	<u>241,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,000)</u>	<u>243,601</u>	<u>334,601</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(691,546)	(691,546)	-
Private contributions	1,000	54,015	53,015
Total other financing sources (uses) including transfers:	<u>(690,546)</u>	<u>(637,531)</u>	<u>53,015</u>
Net change in fund balance	(781,546)	(393,930)	387,616
Fund balance, beginning of year	<u>2,103,659</u>	<u>2,103,659</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,322,113</u>	<u>\$ 1,709,729</u>	<u>\$ 387,616</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011

	<u>Par Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 300,000	\$ 313,936	\$ 13,936
Intergovernmental revenues	-	-	-
Interest income	3,750	3,858	108
Miscellaneous revenues	7,000	7,244	244
Rental income	-	-	-
Total Revenues	<u>310,750</u>	<u>325,038</u>	<u>14,288</u>
Expenditures:			
General government	17,825	7,878	9,947
Highways and streets	-	-	-
Capital outlay	471,316	172,492	298,824
Interest	-	-	-
Total expenditures	<u>489,141</u>	<u>180,370</u>	<u>308,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(178,391)</u>	<u>144,668</u>	<u>323,059</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(178,391)	144,668	323,059
Fund balance, beginning of year	<u>694,552</u>	<u>694,552</u>	<u>-</u>
Fund balance, end of year	<u>\$ 516,161</u>	<u>\$ 839,220</u>	<u>\$ 323,059</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011

	<u>Municipal Building Authority</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest income	300	757	457
Miscellaneous revenues	-	-	-
Rental income	563,724	563,724	-
Total Revenues	<u>564,024</u>	<u>564,481</u>	<u>457</u>
Expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Capital outlay	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>564,024</u>	<u>564,481</u>	<u>457</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(563,724)	(563,724)	-
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>(563,724)</u>	<u>(563,724)</u>	<u>-</u>
Net change in fund balance	300	757	457
Fund balance, beginning of year	<u>83,776</u>	<u>83,776</u>	<u>-</u>
Fund balance, end of year	<u>\$ 84,076</u>	<u>\$ 84,533</u>	<u>\$ 457</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011

	<u>Industrial Park Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 85,000	\$ 67,723	\$ (17,277)
Intergovernmental revenues	-	-	-
Interest income	-	123	123
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>85,000</u>	<u>67,846</u>	<u>(17,154)</u>
Expenditures:			
General government	85,000	53,115	31,885
Highways and streets	-	-	-
Capital outlay	-	-	-
Interest	-	4	(4)
Total expenditures	<u>85,000</u>	<u>53,119</u>	<u>31,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>14,727</u>	<u>14,727</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	14,727	14,727
Fund balance, beginning of year	<u>32,913</u>	<u>32,913</u>	<u>-</u>
Fund balance, end of year	<u>\$ 32,913</u>	<u>\$ 47,640</u>	<u>\$ 14,727</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011

	<u>Downtown Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 208,700	\$ 173,816	\$ (34,884)
Intergovernmental revenues	-	-	-
Interest income	3,000	31,192	28,192
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>211,700</u>	<u>205,008</u>	<u>(6,692)</u>
Expenditures:			
General government	40,581	32,166	8,415
Highways and streets	-	-	-
Capital outlay	35,919	36,402	(483)
Interest	-	-	-
Total expenditures	<u>76,500</u>	<u>68,568</u>	<u>7,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>135,200</u>	<u>136,440</u>	<u>1,240</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(48,700)	(48,700)	-
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>(48,700)</u>	<u>(48,700)</u>	<u>-</u>
Net change in fund balance	86,500	87,740	1,240
Fund balance, beginning of year	<u>525,696</u>	<u>525,696</u>	<u>-</u>
Fund balance, end of year	<u>\$ 612,196</u>	<u>\$ 613,436</u>	<u>\$ 1,240</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ -	\$ 3,204	\$ 3,204
Total revenues	<u>-</u>	<u>3,204</u>	<u>3,204</u>
Expenditures:			
General government	6,900	6,700	200
Principal retirement	822,000	822,000	-
Interest on long-term debt	772,934	772,931	3
Total expenditures	<u>1,601,834</u>	<u>1,601,631</u>	<u>203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,601,834)</u>	<u>(1,598,427)</u>	<u>3,407</u>
Other financing sources (uses) including transfers:			
Operating transfers in	1,601,834	1,601,834	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>1,601,834</u>	<u>1,601,834</u>	<u>-</u>
Net change in fund balance	-	3,407	3,407
Fund balance - beginning of year	<u>621,650</u>	<u>621,650</u>	<u>-</u>
Fund balance - end of year	<u>\$ 621,650</u>	<u>\$ 625,057</u>	<u>\$ 3,407</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Major Capital Project Fund
For the Fiscal Year Ended June 30, 2011

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 35,750	\$ 25,325	\$ (10,425)
Total revenues	<u>35,750</u>	<u>25,325</u>	<u>(10,425)</u>
Expenditures:			
Other improvements	400,000	106,938	293,062
Total expenditures	<u>400,000</u>	<u>106,938</u>	<u>293,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(364,250)</u>	<u>(81,613)</u>	<u>282,637</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	665,000	665,000
Proceeds from legal settlement	-	500,000	500,000
Total other financing sources (uses) including transfers:	<u>-</u>	<u>1,165,000</u>	<u>1,165,000</u>
Net change in fund balance	(364,250)	1,083,387	1,447,637
Fund balance - beginning of year	<u>5,443,165</u>	<u>5,443,165</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,078,915</u>	<u>\$ 6,526,552</u>	<u>\$ 1,447,637</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Park Improvements Fund
For the Fiscal Year Ended June 30, 2011

	<u>Park Improvements Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 5,000	\$ 3,585	\$ (1,415)
Impact fees	212,500	70,363	(142,137)
Total revenues	<u>217,500</u>	<u>73,948</u>	<u>(143,552)</u>
Expenditures:			
Other improvements	405,000	211,875	193,125
Total expenditures	<u>405,000</u>	<u>211,875</u>	<u>193,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(187,500)</u>	<u>(137,927)</u>	<u>49,573</u>
Other financing sources (uses) including transfers:			
Operating transfers out	(50,000)	(50,000)	-
Refunded impact fees	-	(103,488)	(103,488)
Total other financing sources (uses) including transfers:	<u>(50,000)</u>	<u>(153,488)</u>	<u>(103,488)</u>
Net change in fund balance	(237,500)	(291,415)	(53,915)
Fund balance - beginning of year	<u>792,158</u>	<u>792,158</u>	<u>-</u>
Fund balance - end of year	<u>\$ 554,658</u>	<u>\$ 500,743</u>	<u>\$ (53,915)</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Public Safety Capital Projects Fund
For the Fiscal Year Ended June 30, 2011

	<u>Public Safety Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 7,000	\$ 5,415	\$ (1,585)
Impact fees	19,250	35,627	16,377
Total revenues	<u>26,250</u>	<u>41,042</u>	<u>14,792</u>
Expenditures:			
Other improvements	540,000	114,147	425,853
Total expenditures	<u>540,000</u>	<u>114,147</u>	<u>425,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(513,750)</u>	<u>(73,105)</u>	<u>440,645</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(513,750)	(73,105)	440,645
Fund balance - beginning of year	<u>1,071,690</u>	<u>1,071,690</u>	<u>-</u>
Fund balance - end of year	<u>\$ 557,940</u>	<u>\$ 998,585</u>	<u>\$ 440,645</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor 1000 North Capital Project Fund
For the Fiscal Year Ended June 30, 2011

	<u>1000 North Capital Project Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ -	\$ 5,364	\$ 5,364
Total revenues	<u>-</u>	<u>5,364</u>	<u>5,364</u>
Expenditures:			
Other improvements	1,000,000	540,720	459,280
Total expenditures	<u>1,000,000</u>	<u>540,720</u>	<u>459,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(535,356)</u>	<u>464,644</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,000,000)	(535,356)	464,644
Fund balance - beginning of year	<u>771,023</u>	<u>771,023</u>	<u>-</u>
Fund balance - end of year	<u>\$ (228,977)</u>	<u>\$ 235,667</u>	<u>\$ 464,644</u>

TOOELE CITY CORPORATION
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2011

	Storm Water	Totals
Assets:		
Cash and cash equivalents	\$ 1,975,909	\$ 1,975,909
Receivables:		
Accounts - net of allowance	50,578	50,578
Noncurrent assets		
Land	279,589	279,589
Infrastructure - storm drainage	4,157,863	4,157,863
Total noncurrent assets	4,437,452	4,437,452
Total assets	\$ 6,463,939	\$ 6,463,939
Liabilities:		
Accounts payable	89,357	89,357
Total liabilities	89,357	89,357
Net assets:		
Invested in capital assets, net of related debt	4,437,452	4,437,452
Unrestricted	1,937,130	1,937,130
Total net assets	6,374,582	6,374,582
Total liabilities and net assets	\$ 6,463,939	\$ 6,463,939

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	<u>Storm Water</u>	<u>Totals</u>
Operating revenues:		
Utility sales	\$ 449,637	\$ 449,637
Total operating revenues	<u>449,637</u>	<u>449,637</u>
Operating expenditures:		
Personal services	-	-
Contracted services	25,000	25,000
Operations and maintenance	21,839	21,839
Utilities	-	-
Administration	12,296	12,296
Total operating expenses	<u>59,135</u>	<u>59,135</u>
Operating income	<u>390,502</u>	<u>390,502</u>
Non-operating revenues (expenses):		
Interest income	9,696	9,696
Total non-operating revenues (expenses)	<u>9,696</u>	<u>9,696</u>
Contributed net assets	36,944	36,944
Change in net assets	437,142	437,142
Net assets - beginning of year as restated	<u>5,937,440</u>	<u>5,937,440</u>
Net assets - end of year	<u>\$ 6,374,582</u>	<u>\$ 6,374,582</u>

TOOELE CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Storm Water	Totals
Cash flows provided (used) by operating activities:		
Receipts from customers and users	\$ 451,633	\$ 451,633
Payments for operations and maintenance	(6,202)	(6,202)
Payment for interfund services provided	(25,000)	(25,000)
Payments for administration	(12,296)	(12,296)
Net cash provided (used) by operating activities	408,135	408,135
Cash flows provided (used) by capital and related financing activities:		
Purchase of capital assets	(107,268)	(107,268)
Net cash provided (used) by capital and related financing activities	(107,268)	(107,268)
Cash flows provided (used) by investing activities:		
Interest earned	9,696	9,696
Net cash provided (used) by investing activities	9,696	9,696
Net increase (decrease) in cash and cash equivalents	310,563	310,563
Cash and cash equivalents -- beginning of year	1,665,346	1,665,346
Cash and cash equivalents -- end of year	\$ 1,975,909	\$ 1,975,909
Cash flows provided (used) by operating activities:		
Operating income (loss)	\$ 390,502	\$ 390,502
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	1,996	1,996
Increase (decrease) in liabilities:		
Accounts payable	15,637	15,637
Net cash provided (used) by operating activities	\$ 408,135	\$ 408,135
Represented on the balance sheet as:		
Cash -- unrestricted	\$ 1,975,909	\$ 1,975,909
Cash -- restricted	-	-
	\$ 1,975,909	\$ 1,975,909
Supplemental schedule of non-cash financing and investing activities:		
Contributed capital assets from developers	\$ 36,944	\$ 36,944
Increase in land received under contract and not paid for as of June 30, 2011	\$ 73,720	\$ 73,720

TOOELE CITY CORPORATION
Combining Statement of Changes in Assets and Liabilities - Agency Fund
June 30, 2011

	<u>Balance at Beginning of the Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of of the Year</u>
<u>Agency Fund</u>				
Assets:				
Cash and cash equivalents	\$ 427,225	\$ -	\$ (240,919)	\$ 186,306
Other receivables	<u>-</u>	<u>785</u>	<u>-</u>	<u>785</u>
Total assets	<u>\$ 427,225</u>	<u>\$ 785</u>	<u>\$ (240,919)</u>	<u>\$ 187,091</u>
Liabilities:				
Refunds payable and others	<u>\$ 427,225</u>	<u>\$ -</u>	<u>\$ (240,134)</u>	<u>\$ 187,091</u>
Total liabilities	<u>\$ 427,225</u>	<u>\$ -</u>	<u>\$ (240,134)</u>	<u>\$ 187,091</u>



**Haynie &
Company**

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

The Honorable Mayor and
Members of the City Council
Tooele City Corporation:

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 **Tooele City Corporation** (the City) for the year ended June 30, 2011 and have issued our report thereon dated January 16, 2012. As part of our audit, we have audited **Tooele City Corporation's** compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting, and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's *Legal Compliance Audit Guide* for the year ended June 30, 2011. The City received the following major State assistance programs from the State of Utah:

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

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

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

The management of **Tooele City Corporation** is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the City's compliance with these requirements.

**INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE APPLICABLE
IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE (continued)**

The results of our audit procedures disclosed no material instances of noncompliance with the requirements referred to above.

In our opinion, Tooele City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2011.

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



Salt Lake City, Utah
January 16, 2012



Certified Public Accountants (a professional corporation)
1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 Fax (801) 972-8941

**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**

The Honorable Mayor and
Members of the City council

Tooele City Corporation:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tooele City Corporation (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies 2011-1 through 2011-4 described in the accompanying Schedule of Findings and Responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tooele City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2011-5.

**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 (continued)**

We noted certain other matters that we reported to management of Tooele City Corporation in a separate letter dated January 16, 2012.

Tooele City Corporation's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Tooele City Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, the City Council, others within the entity, the Utah State Auditor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Salt Lake City, Utah
January 16, 2012

TOOELE CITY CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011

FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS

MATERIAL WEAKNESSES

2011 - 1 RESTATEMENT - CAPITAL ASSETS

Finding

Management noted certain land and infrastructure purchased in the Storm Water Fund had been expensed in the current and prior years. The land and infrastructure were previously recorded as capital assets in Governmental Activities in the Government Wide Financial Statements. As a result, adjustments were posted in the amount of \$4,219,520 related to the prior year and \$217,932 in the current year to increase capital assets in the Proprietary Fund and Business-type activities, and decrease Governmental Activities.

Recommendation

Management should continue to review all new capital asset purchases for proper financial accounting treatment.

Response - Tooele City Corporation

We concur with the auditor's recommendation and will continue to perform a detail review of all future capital asset additions for proper accounting treatment.

2011 - 2 LAND PURCHASE AND LEGAL SETTLEMENT

Finding

During the fiscal year ended 2011, the City purchased property and recorded a portion of the land at year end based on the amount paid. Upon review of the settlement agreement for this property, it was noted the entire amount of the land purchased should be recorded. As a result, land and accounts payable were adjusted in the amount of \$442,320. Additionally, the City settled a legal matter with Rocky Mountain Power during the fiscal year ended 2011. As part of the legal settlement, the City was awarded land and cash, but did not record the transactions as of June 30, 2011. As a result, land was increased by \$2,196,686 for the property awarded, and accounts receivable was increased for \$500,000. A \$2,696,686 gain on settlement was also recorded in conjunction with this transaction.

Recommendation

Management should evaluate all land purchases and legal settlements at the time of occurrence to determine the appropriate financial accounting and report such transactions in the proper period.

Response - Tooele City Corporation

We concur with the auditor's recommendation and will evaluate all future land purchases and legal settlements at the time they occur in order to determine the appropriate accounting treatment of those transactions.

2011 - 3 RESTATEMENT - ROADWAY INFRASTRUCTURE

Finding

Management performed an analysis on the Roadway Infrastructure account, as recommended by GASB 34. During this analysis, the City determined certain Roadway repairs, maintenance and preservation costs had been included as infrastructure assets. As the City uses the Modified Approach in reporting their infrastructure assets, the capitalization of those costs was determined to be an error. As a result, the City removed \$5,210,384 of repairs, maintenance and preservation costs out of infrastructure related to the prior year, and \$1,253,021 related to the current year in the Government Wide Financial Statements.

**TOOELE CITY CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011**

Recommendation

Management should perform an evaluation each year on the additions recorded in infrastructure to ensure the additions are in compliance with GASB 34.

Response - Tooele City Corporation

We concur with the auditor's recommendation and will perform a detailed evaluation each year on the additions recorded in infrastructure to determine they are recorded in compliance with GASB 34.

2011 - 4 RESTATEMENT - BOND ISSUANCE COSTS, BOND PREMIUMS AND DISCOUNTS

Finding

During the audit, certain bond issuance costs, premiums and discounts were identified related to the 2002 Sales Tax Revenue Bonds, the 2005 MBA Refunding Bonds, and the 2005 Sales Tax Revenue Bonds, which had not been recorded on the Government Wide Financial Statements. As a result, adjustments were made to the Government Wide Financial Statements to increase the amount of bond issuance costs, net of accumulated amortization in the prior year of \$419,934, as well as the amount of bond premiums and discounts, net of accumulated amortization by \$14,503.

Recommendation

Management should prepare a schedule of bond issuance costs and bond premiums/discounts associated with the issuance of all bonds and ensure the costs are included in the Government Wide Financial Statements.

Response - Tooele City Corporation

We concur with the auditor's recommendation and will prepare a schedule of bond issuance costs, bond premiums and bond discounts for each existing and future bond issuance to determine the appropriate accounting treatment.

STATE/LEGAL COMPLIANCE FINDINGS

2011 - 5 EXPENDITURES IN EXCESS OF BUDGET

Finding

Utah State Code Section 53a-17 states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriations for any department or fund". During our audit we noted that the City's Garbage Utility fund had expenditures that exceeded total appropriations in the following amount:

<u>Fund Department or Expenditure Activity</u>	<u>Appropriations Exceeded by</u>
Proprietary Fund Department - Garbage Utility	\$ 116,366

Recommendation

Management should closely monitor expenditures in the funds to ensure the City is in compliance with the Utah State Code, and make amendments to the budget in accordance with State Code when necessary.

Response - Tooele City Corporation

We will closely monitor enterprise fund budgets in the future and make adjustments to the budget as determined necessary so as to be in compliance with the *Utah State Code*.