

TOOELE CITY CORPORATION

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

June 30, 2012

TOOELE CITY CORPORATION

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**Haynie &
Company**

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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, 2012, 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 2, 2013 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 2, 2013

Tooele City Corporation

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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, 2012. 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 the City exceeded its total government-wide liabilities as of the close of the most recent year by \$179,788,890 (*net assets*). Of this amount, \$23,466,682 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The City's total net assets decreased by \$4,264,951 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 \$22,037,727, an increase of \$2,717,608 in comparison with the prior year. Approximately 12.73% of this total amount, \$2,805,791, 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 \$2,805,791, or 23.54% of total general fund expenditures.
- ◆ Tooele City Corporation's total debt had a net increase of \$4,154,536 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 balances from 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, 2012

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 funds 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 \$179,788,890 at the close of the most recent fiscal year.

Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Government-wide financial analysis (continued)

The largest portion of the City's net assets (81.51%) 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	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 26,965,388	\$ 23,634,780	\$ 12,778,962	\$ 17,907,530	\$ 39,744,350	\$ 41,542,310
Capital assets	112,230,720	115,144,692	73,059,286	67,882,399	185,290,006	183,027,091
Other assets	1,293,490	1,308,758	274,990	451,034	1,568,480	1,759,792
Total assets	140,489,598	140,088,230	86,113,238	86,240,963	226,602,836	226,329,193
Liabilities and net assets:						
Long-term liabilities	24,608,935	18,273,650	14,211,906	16,608,191	38,820,841	34,881,841
Other liabilities	5,539,051	5,354,908	2,454,054	2,038,603	7,993,105	7,393,511
Total liabilities	30,147,986	23,628,558	16,665,960	18,646,794	46,813,946	42,275,352
Net assets:						
Invested in capital assets, net of related debt	88,790,434	97,592,622	57,753,227	50,391,565	146,543,661	147,984,187
Restricted	3,410,809	4,665,041	6,367,738	14,361,530	9,778,547	19,026,571
Unrestricted	18,140,369	14,202,009	5,326,313	2,841,074	23,466,682	17,043,083
Total net assets	\$ 110,341,612	\$ 116,459,672	\$ 69,447,278	\$ 67,594,169	\$ 179,788,890	\$ 184,053,841

A portion of the City's net assets (5.44%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$23,466,682, 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 decreased the City's net assets by \$6,118,060. Key elements of this decrease are as follows:

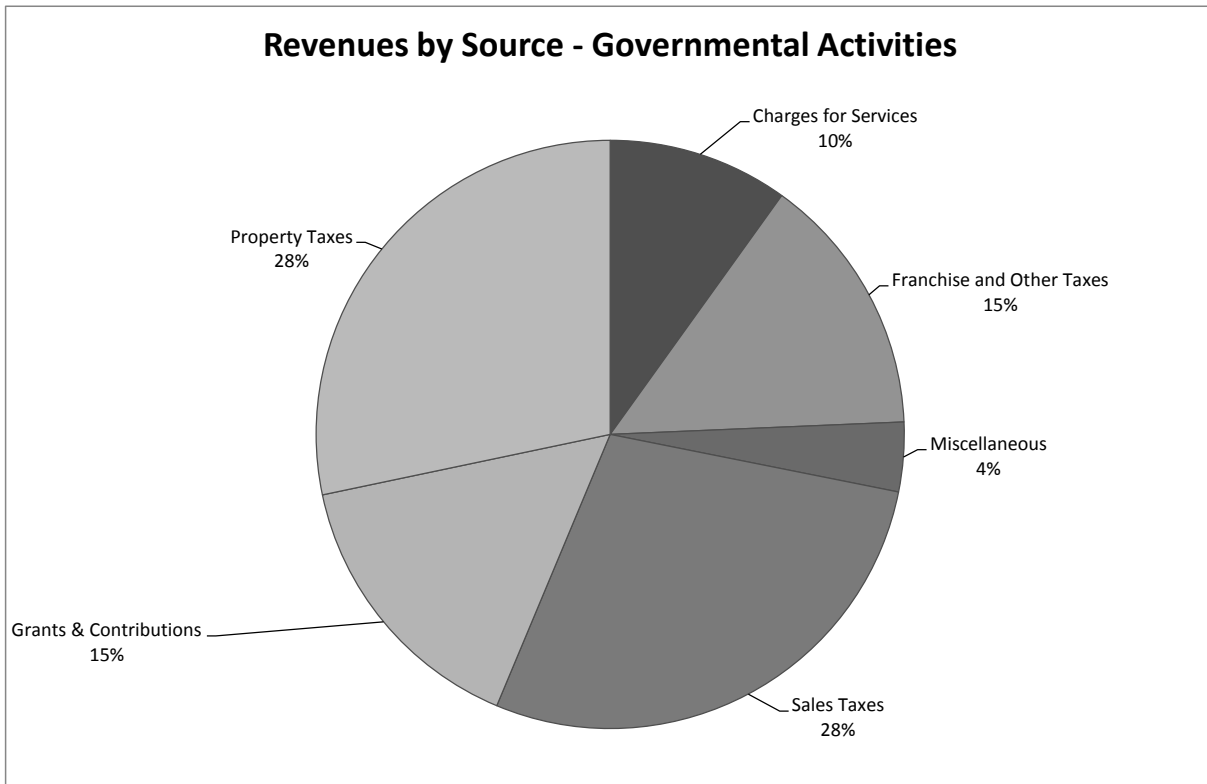
Tooele City Corporation's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,579,493	\$ 1,613,023	\$ 8,740,626	\$ 8,263,423	\$ 10,320,119	\$ 9,876,446
Operating grants and contributions	1,839,906	1,920,498	-	-	1,839,906	1,920,498
Capital grants and contributions	613,738	223,208	313,668	173,779	927,406	396,987
General revenues:						
Property taxes	11,292,520	11,287,921	-	-	11,292,520	11,287,921
Earnings on investments	144,159	125,617	93,517	86,034	237,676	211,651
Impact fees	120,367	2,502	290,421	388,718	410,788	391,220
Investment income	-	142,792	-	-	-	142,792
Gain on sale of capital assets	25,431	10,441	16,985	1,058	42,416	11,499
Gain on legal settlement	-	2,696,686	-	-	-	2,696,686
Gain on sale of water rights	-	-	100	50	100	50
Miscellaneous	317,445	381,763	50	115	317,495	381,878
Total revenues	\$ 15,933,059	\$ 18,404,451	\$ 9,455,367	\$ 8,913,177	\$ 25,388,426	\$ 27,317,628

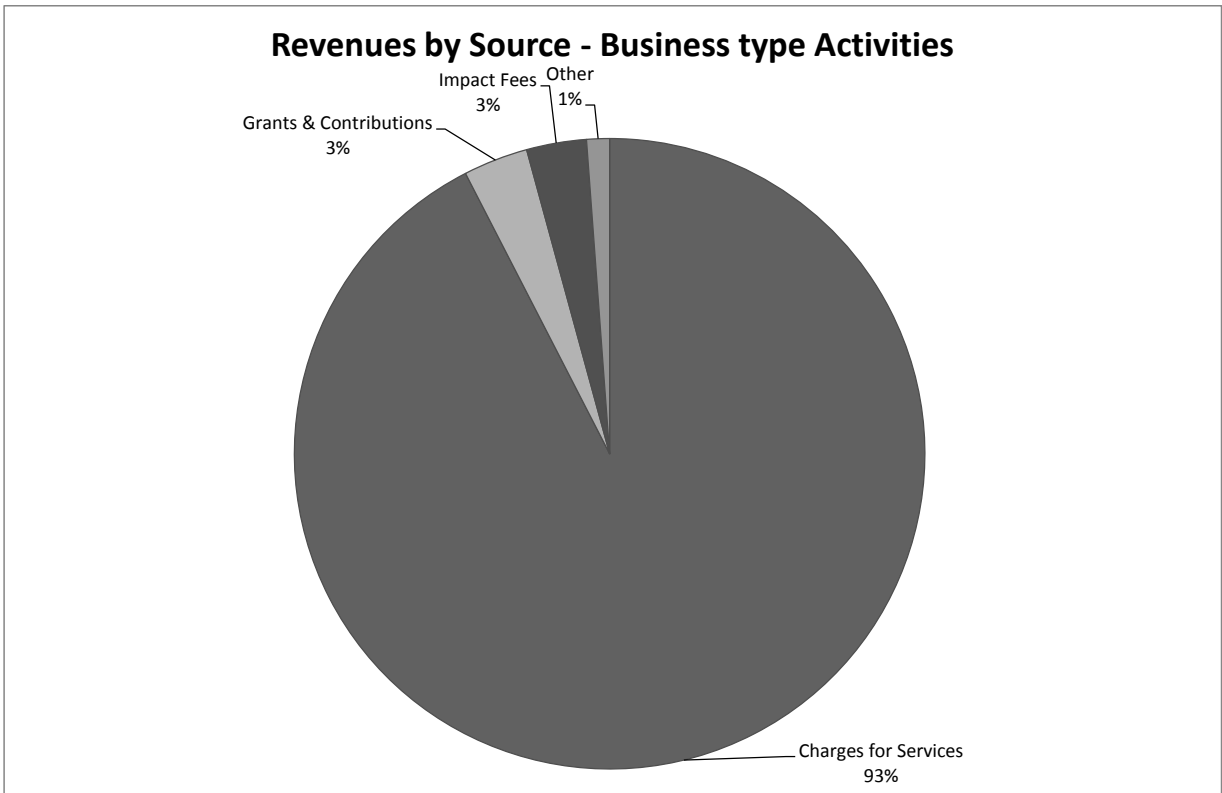
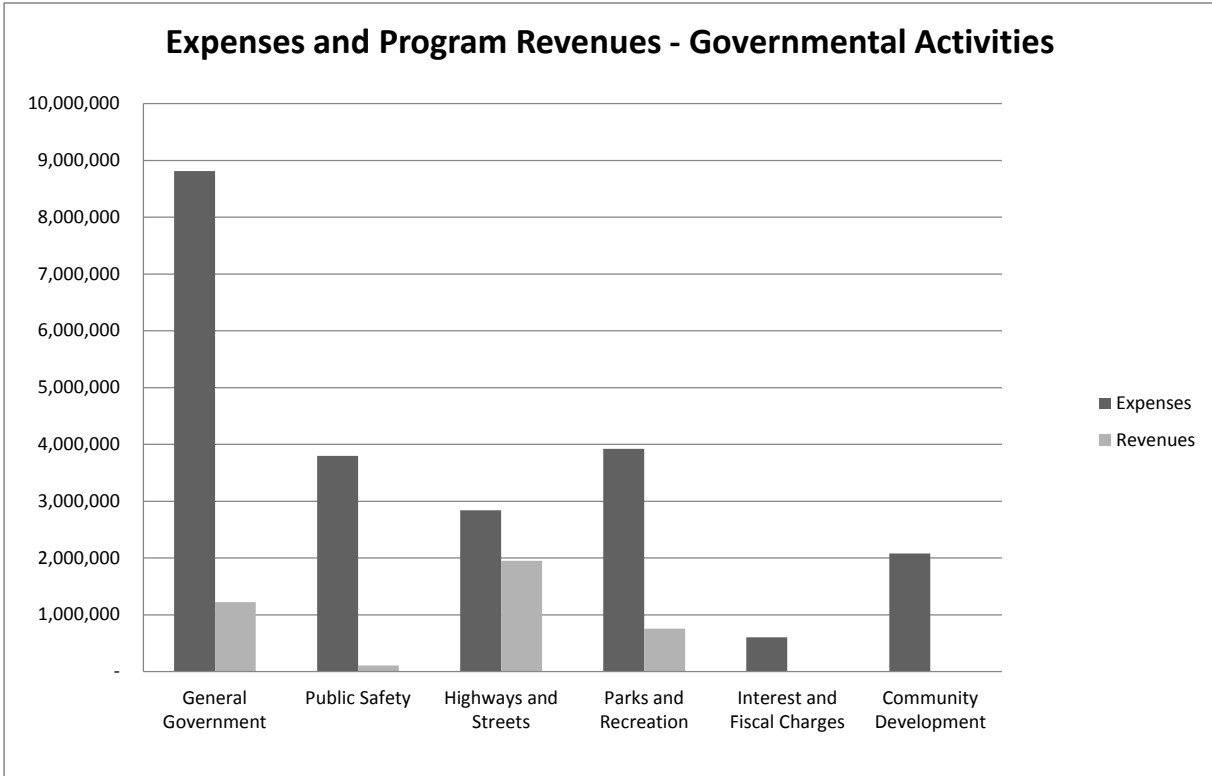
Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

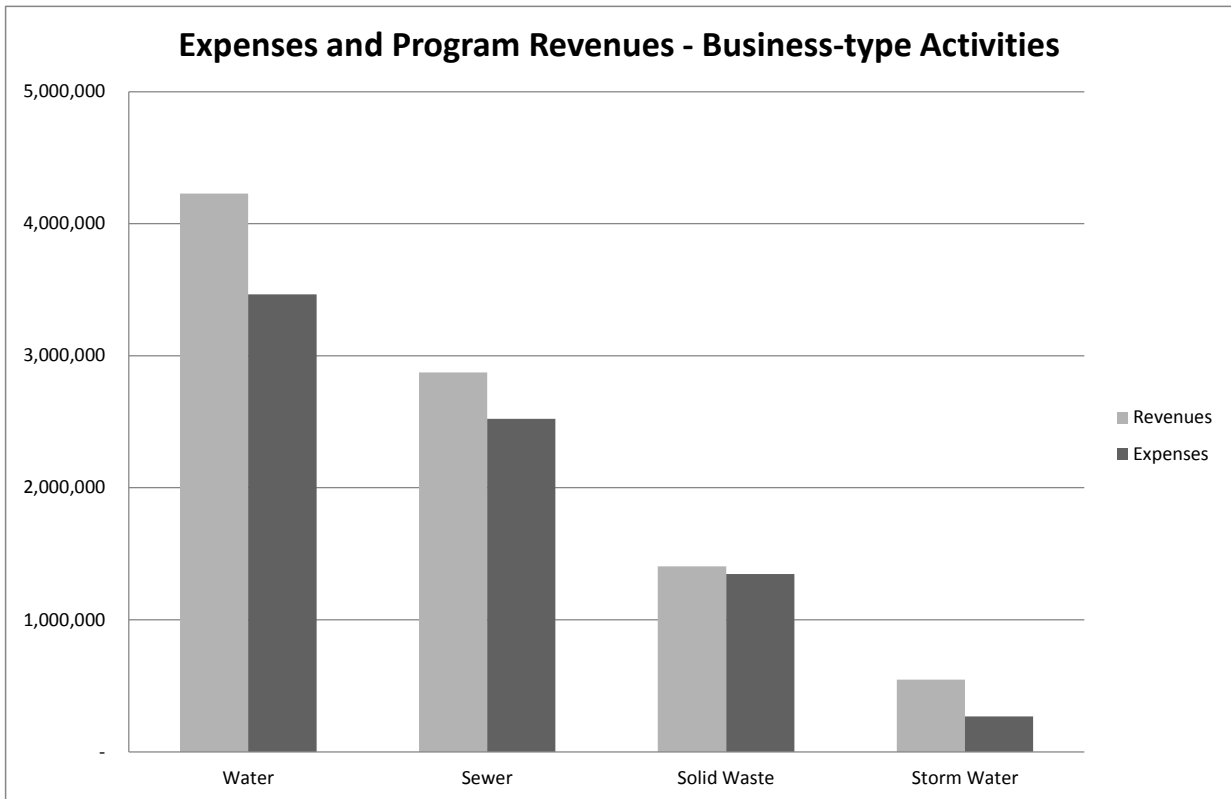
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Expenses:						
General government	\$ 8,813,463	\$ 2,926,885	\$ -	\$ -	\$ 8,813,463	\$ 2,926,885
Public safety	3,796,234	4,263,978	-	-	3,796,234	4,263,978
Highways and streets	2,841,029	4,290,248	-	-	2,841,029	4,290,248
Parks and recreation	3,918,700	3,417,437	-	-	3,918,700	3,417,437
Community development	2,076,852	-	-	-	2,076,852	-
Interest on debt	604,841	801,656	-	-	604,841	801,656
Water	-	-	3,464,375	3,521,126	3,464,375	3,521,126
Sewer	-	-	2,521,954	2,633,635	2,521,954	2,633,635
Solid waste	-	-	1,347,466	1,350,966	1,347,466	1,350,966
Storm water	-	-	268,463	59,135	268,463	59,135
Total expenses	22,051,119	15,700,204	7,602,258	7,564,862	29,653,377	23,265,066
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	(6,118,060)	2,704,247	1,853,109	1,348,315	(4,264,951)	4,052,562
Net assets - beginning	116,459,672	113,755,425	67,594,169	66,245,854	184,053,841	180,001,279
Net assets - ending	\$ 110,341,612	\$ 116,459,672	\$ 69,447,278	\$ 67,594,169	\$ 179,788,890	\$ 184,053,841



Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012



Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012



Key Principal Highlights:

- ◆ Charges for services increased by \$443,673 over the prior year.
- ◆ Operating grants decreased by \$80,592 over the prior year.
- ◆ Capital grants and contributions increased by \$530,419 due mainly to an increase in contributions received from developers.
- ◆ Property taxes increased by \$4,599 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, the City 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, 2012**

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, 2012, the City's governmental funds reported a combined ending fund balance of \$22,037,727, a increase of \$2,717,608 from the prior year. A balance of \$18,625,168 (84.51%) is available for spending at the government's discretion; however, \$15,819,377 has been assigned by the City Manager for subsequent years' capital expenditures and other uses, leaving an unassigned amount of \$2,805,791. The remaining \$3,412,559 of fund balance is not available for new spending because it is non-spendable in form (inventories in the amount of \$1,750) or legally restricted by parties outside the financial reporting entity for 1) public safety expenditures (\$827,108), 2) park development (\$460,930), 3) recreation and arts programs (\$523,545), 4) debt service (\$1,144,973) and 5) road construction, maintenance and preservation (\$454,253).

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 \$2,805,791. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$11,917,719 (23.54% or 86 calendar days). The fund balance of the City's General Fund increased \$456,012 during the current fiscal year. This represents a 17.70% change in fund balance. The increase consisted of 1) a 1.20% decrease in revenues of \$156,925 offset by a 4.06% decrease in expenditures of \$504,482, 2) a \$14,990 increase in proceeds from the sale of capital assets, 3) a decrease of \$243,685 in transfers out, and 4) the \$150,220 decrease in closing out 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 \$168,510, \$1,442,061, and \$1,531,185, respectively. The increase in total net assets was \$845,975, \$647,764, and \$66,244 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 \$13,091,368 to a final budget of \$13,549,821, an increase of \$458,453. These increases can be briefly summarized as follows:

- \$47,103 increase in intergovernmental revenues charged from other City funds.
- \$5,000 increase in charges for service.
- \$406,350 increase in interfund charges

The General Fund's original budget was also amended from an original budget of transfers out of \$225,329 to a final budget of \$625,329, an increase of \$400,000. 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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$185,290,006 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 \$2,262,915, which is attributable to the City acquiring new fixed assets during the year for the sewer plant expansion and other projects.

During the fiscal year ended June 30, 2012, the City has elected to change from the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets) to the traditional approach. As a result of this change, total net assets decreased by \$3,994,701 in the Statement of Activities as the City began depreciating their infrastructure assets.

Tooele City Corporation
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Capital Assets (continued)

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

- ◆ Land additions of \$290,583.
- ◆ Building additions of \$322,988.
- ◆ Improvements other than buildings additions of \$7,549,244.
- ◆ Machinery and equipment additions of \$79,506, and deletions of fully depreciated assets of \$800.
- ◆ Automobile and truck purchases of \$189,559, and deletions of fully depreciated assets of \$66,434.
- ◆ Office furniture and equipment additions of \$201,722.
- ◆ Infrastructure additions of \$636,632 from acquisitions and contributions.
- ◆ Depreciation of infrastructure assets not previously depreciated of \$3,994,701.

Tooele City Corporation's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2012	2011	2012	2011	2012	2011
Investment in water stock	\$ -	\$ -	\$ 93,184	\$ 93,184	\$ 93,184	\$ 93,184
Land	6,043,605	5,850,227	3,579,749	3,482,544	9,623,354	9,332,771
Infrastructure	87,415,763	90,819,053	4,203,084	4,157,863	91,618,847	94,976,916
Buildings	10,126,026	10,463,506	3,500,943	3,350,227	13,626,969	13,813,733
Construction in progress	-	-	2,922,262	2,931,902	2,922,262	2,931,902
Equipment under capital lease, net	173,600	-	-	-	173,600	-
Improvements other than buildings	6,865,455	6,153,476	53,254,887	48,324,745	60,120,342	54,478,221
Machinery and equipment	319,235	442,301	243,557	272,231	562,792	714,532
Automobiles and trucks	1,261,183	1,342,243	115,609	123,229	1,376,792	1,465,472
Office furniture and equipment	25,853	73,886	191	654	26,044	74,540
Water rights	-	-	5,145,820	5,145,820	5,145,820	5,145,820
Total	<u>\$ 112,230,720</u>	<u>\$ 115,144,692</u>	<u>\$ 73,059,286</u>	<u>\$ 67,882,399</u>	<u>\$ 185,290,006</u>	<u>\$ 183,027,091</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 \$40,862,377. The debt consists of the following:

Tooele City Corporation's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2012	2011	2012	2011	2012	2011
Revenue bonds payable	\$ 21,210,000	\$ 17,521,000	\$ 15,596,000	\$ 17,441,000	\$ 36,806,000	\$ 34,962,000
Net OPEB obligations	607,703	398,987	26,855	17,631	634,558	416,618
Note payable	750,000	750,000	-	-	750,000	750,000
Obligations under capital leases	170,626	-	-	-	170,626	-
Grantsville legal Settlement	2,150,000	-	-	-	2,150,000	-
Compensated absences	445,865	433,593	66,992	64,726	512,857	498,319
Deferred amounts:						
Unamortized bond premiums	604,908	55,072	-	49,834	604,908	104,906
Unamortized bond discounts	-	(24,002)	-	-	-	(24,002)
Loss on defeasance	(476,631)	-	(289,941)	-	(766,572)	-
Total	<u>\$ 25,462,471</u>	<u>\$ 19,134,650</u>	<u>\$ 15,399,906</u>	<u>\$ 17,573,191</u>	<u>\$ 40,862,377</u>	<u>\$ 36,707,841</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 \$47,467,209.

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, 2012

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 bond refundings.

All of the above factors were considered in preparing the City's budget for the 2012-2013 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, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 18,248,266	\$ 10,201,248	\$ 28,449,514
Receivables:			
Accounts, net	2,658	1,345,145	1,347,803
Assessments	69,155	-	69,155
Taxes	4,642,239	-	4,642,239
Interest	122,198	-	122,198
Intergovernmental	322,159	-	322,159
Other	34,119	-	34,119
Shop inventory	1,750	-	1,750
Restricted assets:			
Cash and cash equivalents	3,522,844	1,232,569	4,755,413
Note receivable	750,000	-	750,000
Bond issuance costs, net of accumulated amortization	543,490	274,990	818,480
Capital assets not being depreciated	6,043,605	16,051,489	22,095,094
Capital assets being depreciated, net	106,187,115	57,007,797	163,194,912
Total assets	\$ 140,489,598	\$ 86,113,238	\$ 226,602,836
Liabilities:			
Accounts payable	\$ 839,905	\$ 737,994	\$ 1,577,899
Accrued liabilities	212,762	22,043	234,805
Accrued interest payable	157,854	210,779	368,633
Deferred revenue	3,474,994	84,894	3,559,888
Customer deposits	-	210,344	210,344
Long-term liabilities:			
Due or payable within one year	853,536	1,188,000	2,041,536
Due or payable after one year	24,608,935	14,211,906	38,820,841
Total liabilities	30,147,986	16,665,960	46,813,946
Net assets:			
Invested in capital assets, net of related debt	88,790,434	57,753,227	146,543,661
Restricted for:			
Public safety	827,108	-	827,108
Park development	460,930	-	460,930
Recreation and arts	523,545	-	523,545
Debt service	1,144,973	1,232,569	2,377,542
Roads	454,253	-	454,253
Impact fees	-	5,135,169	5,135,169
Unrestricted	18,140,369	5,326,313	23,466,682
Total net assets	\$ 110,341,612	\$ 69,447,278	\$ 179,788,890

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, 2012

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	\$ 8,813,463	\$ 719,896	\$ 309,605	\$ 195,330	\$ (7,588,632)	\$ -	\$ (7,588,632)
Public safety	3,796,234	104,763	-	-	(3,691,471)	-	(3,691,471)
Highways and streets	2,841,029	-	1,530,301	418,408	(892,320)	-	(892,320)
Parks and recreation	3,918,700	754,834	-	-	(3,163,866)	-	(3,163,866)
Community development	2,076,852	-	-	-	(2,076,852)	-	(2,076,852)
Interest and fiscal charges	604,841	-	-	-	(604,841)	-	(604,841)
Total governmental activities	22,051,119	1,579,493	1,839,906	613,738	(18,017,982)	-	(18,017,982)
Business-type activities:							
Water	3,464,375	4,094,459	-	133,441	-	763,525	763,525
Sewer	2,521,954	2,791,945	-	81,934	-	351,925	351,925
Solid waste	1,347,466	1,404,838	-	-	-	57,372	57,372
Storm water	268,463	449,384	-	98,293	-	279,214	279,214
Total business-type activities	7,602,258	8,740,626	-	313,668	-	1,452,036	1,452,036
Total primary government	\$ 29,653,377	\$ 10,320,119	\$ 1,839,906	\$ 927,406	(18,017,982)	1,452,036	(16,565,946)
General revenue:							
Taxes:							
Property taxes					4,508,817	-	4,508,817
Sales taxes					4,487,218	-	4,487,218
Franchise taxes					1,573,936	-	1,573,936
Other taxes					722,549	-	722,549
Earnings on investments					144,159	93,517	237,676
Impact fees, net					120,367	290,421	410,788
Gain on sale of capital assets					25,431	16,985	42,416
Gain on sale of water rights					-	100	100
Miscellaneous					317,445	50	317,495
Transfers					-	-	-
Total general revenues and transfers					11,899,922	401,073	12,300,995
Change in net assets					(6,118,060)	1,853,109	(4,264,951)
Net assets - beginning					116,459,672	67,594,169	184,053,841
Net assets - ending					\$ 110,341,612	\$ 69,447,278	\$ 179,788,890

TOOELE CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Depot Redevelopment Agency	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,906,745	\$ 8,380,758	\$ 6,144,009	\$ 1,416,754	\$ 17,848,266
Receivables:					
Accounts	2,658	-	-	-	2,658
Assessments	-	-	-	69,155	69,155
Taxes	3,462,239	1,110,000	-	70,000	4,642,239
Interest receivable	-	-	-	122,198	122,198
Intergovernmental receivable	26,512	-	-	295,647	322,159
Other	34,119	-	-	-	34,119
Inventories-golf course	1,750	-	-	-	1,750
Restricted cash and investments	225,329	4,750	-	3,292,765	3,522,844
Total assets	\$ 5,659,352	\$ 9,495,508	\$ 6,144,009	\$ 5,266,519	\$ 26,565,388
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 120,026	\$ 263,665	\$ 12,653	\$ 443,561	\$ 839,905
Accrued liabilities	211,462	1,300	-	-	212,762
Deferred revenue	2,294,994	1,110,000	-	70,000	3,474,994
Total liabilities	2,626,482	1,374,965	12,653	513,561	4,527,661
Fund balances:					
Nonspendable					
Inventories-golf course	1,750	-	-	-	1,750
Restricted					
Public safety	-	-	-	827,108	827,108
Park development	-	-	-	460,930	460,930
Recreation and arts	-	-	-	523,545	523,545
Debt service	225,329	50,031	-	869,613	1,144,973
Roads	-	-	-	454,253	454,253
Assigned					
Capital projects	-	-	6,131,356	-	6,131,356
Redevelopment agency projects	-	8,070,512	-	717,835	8,788,347
Debt service fund	-	-	-	899,674	899,674
Unassigned					
General fund	2,805,791	-	-	-	2,805,791
Total fund balances	3,032,870	8,120,543	6,131,356	4,752,958	22,037,727
Total liabilities and fund balances	\$ 5,659,352	\$ 9,495,508	\$ 6,144,009	\$ 5,266,519	\$ 26,565,388

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 Position
June 30, 2012

Total Fund Balances - Governmental Funds	\$ 22,037,727
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.	112,230,720
Costs of issuance are not amortized in the current period and therefore are not recorded in the funds.	543,490
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets.	400,000
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.	(157,854)
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	(21,338,277)
Obligations under capital leases	(170,626)
Grantsville legal settlement liability	(2,150,000)
Note payable	(750,000)
Compensated absences payable	(445,865)
Net OPEB obligations	<u>(607,703)</u>
Total Net Assets - Government Activities	<u>\$ 110,341,612</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, 2012

	General Fund	Depot Redevelopment Agency	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 9,607,643	\$ 1,110,969	\$ -	\$ 573,908	\$ 11,292,520
Licenses and permits	179,990	-	-	-	179,990
Intergovernmental and grant revenue	309,605	-	-	1,530,301	1,839,906
Charges for services	2,447,535	-	-	-	2,447,535
Fines and forfeitures	92,255	-	-	-	92,255
Interest income	10,103	29,892	41,091	63,073	144,159
Impact fees	-	-	-	120,367	120,367
Interfund charges	285,570	-	-	-	285,570
Miscellaneous revenues	30,357	-	-	14,843	45,200
Rental income	11,690	-	-	561,918	573,608
Total revenues	<u>12,974,748</u>	<u>1,140,861</u>	<u>41,091</u>	<u>2,864,410</u>	<u>17,021,110</u>
EXPENDITURES:					
General government	3,120,193	686,652	-	278,427	4,085,272
Public safety	3,568,577	-	-	-	3,568,577
Highways and streets	1,386,221	-	-	1,382,055	2,768,276
Parks and recreation	3,555,482	-	-	-	3,555,482
Community development	-	1,800,453	-	16,966	1,817,419
Capital outlay:					
Capital projects	287,246	-	1,248,617	294,309	1,830,172
Debt service:					
Principal	-	-	-	861,000	861,000
Interest on long-term debt	-	-	-	886,459	886,459
Bond issuance costs	-	-	-	200,707	200,707
Total expenditures	<u>11,917,719</u>	<u>2,487,105</u>	<u>1,248,617</u>	<u>3,919,923</u>	<u>19,573,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,057,029</u>	<u>(1,346,244)</u>	<u>(1,207,526)</u>	<u>(1,055,513)</u>	<u>(2,552,254)</u>
Other financing sources (uses) including transfers:					
Operating transfers in	-	5,000,000	400,000	1,926,736	7,326,736
Operating transfers (out)	(626,448)	(95,312)	-	(7,004,976)	(7,726,736)
Private contributions	-	-	195,330	-	195,330
Proceeds from sale of equipment	25,431	-	-	-	25,431
Increase in obligation under capital lease	-	-	217,000	-	217,000
Issuance of debt	-	-	-	9,400,000	9,400,000
Bond premium	-	-	-	567,708	567,708
Redemption of refunded bonds	-	-	-	(4,735,607)	(4,735,607)
Total other financing sources (uses) including transfers:	<u>(601,017)</u>	<u>4,904,688</u>	<u>812,330</u>	<u>153,861</u>	<u>5,269,862</u>
Net change in fund balances	456,012	3,558,444	(395,196)	(901,652)	2,717,608
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 3,032,870</u>	<u>\$ 8,120,543</u>	<u>\$ 6,131,356</u>	<u>\$ 4,752,958</u>	<u>\$ 22,037,727</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, 2012

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

Net Change in Fund Balances - Total Governmental Funds **\$ 2,717,608**

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	1,412,553
Donations of capital assets (infrastructure) from developers	418,408
Depreciation expense	(4,918,533)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to increase net assets. (25,431)

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.

Bond proceeds	(9,400,000)
Bond premiums, net accumulated amortization	(567,708)
Bond issuance costs, net accumulated amortization	200,707
Accrued interest on bonds	22,173
Principal retirement on bonds	6,187,631
Principal retirement - lease obligations	46,374
Amortization of bond premiums	17,872
Amortization of bond discounts	(24,002)
Amortization of bond issuance costs	(234,724)

Legal settlements and related losses increase long-term liabilities in the statement of net assets. Repayment of this debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (2,150,000)

The net revenue of certain activities of internal service funds is reported within the governmental activities 400,000

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. (12,272)

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. (208,716)

Change in Net Assets of Governmental Activities **\$ (6,118,060)**

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Taxes	\$ 8,900,000	\$ 8,900,000	\$ 9,607,643	\$ 707,643
Licenses and permits	229,000	229,000	179,990	(49,010)
Intergovernmental revenues	241,508	288,611	309,605	20,994
Charges for services	2,434,525	2,439,525	2,447,535	8,010
Fines and forfeitures	80,100	80,100	92,255	12,155
Interest income	6,000	6,000	10,103	4,103
Interfund charges	1,172,785	1,579,135	285,570	(1,293,565)
Miscellaneous revenues	9,450	9,450	30,357	20,907
Rental income	18,000	18,000	11,690	(6,310)
Total revenues	<u>13,091,368</u>	<u>13,549,821</u>	<u>12,974,748</u>	<u>(575,073)</u>
Expenditures:				
General government	3,520,229	3,526,229	3,120,193	406,036
Public safety	3,776,840	3,776,190	3,568,577	207,613
Highways and streets	1,571,450	1,571,450	1,386,221	185,229
Parks and recreation	3,803,520	3,820,517	3,555,482	265,035
Capital outlay	203,000	239,106	287,246	(48,140)
Total expenditures	<u>12,875,039</u>	<u>12,933,492</u>	<u>11,917,719</u>	<u>1,015,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,329</u>	<u>616,329</u>	<u>1,057,029</u>	<u>440,700</u>
Other financing sources (uses) including transfers:				
Operating transfers in	-	-	-	-
Operating transfers (out)	(225,329)	(625,329)	(626,448)	(1,119)
Private contributions	-	-	-	-
Proceeds on sale of assets	9,000	9,000	25,431	16,431
Total other financing sources (uses) including transfers:	<u>(216,329)</u>	<u>(616,329)</u>	<u>(601,017)</u>	<u>15,312</u>
Net change in fund balance	-	-	456,012	456,012
Fund balance, beginning of year	<u>2,576,858</u>	<u>2,576,858</u>	<u>2,576,858</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,576,858</u>	<u>\$ 2,576,858</u>	<u>\$ 3,032,870</u>	<u>\$ 456,012</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, 2012

	<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	\$ 1,110,969	\$ (389,031)
Interest income	25,000	25,000	29,892	4,892
Total revenues	<u>1,525,000</u>	<u>1,525,000</u>	<u>1,140,861</u>	<u>(384,139)</u>
Expenditures:				
General government	542,730	367,730	686,652	(318,922)
Community development	1,250,000	6,425,000	1,800,453	4,624,547
Total expenditures	<u>1,792,730</u>	<u>6,792,730</u>	<u>2,487,105</u>	<u>4,305,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,730)</u>	<u>(5,267,730)</u>	<u>(1,346,244)</u>	<u>3,921,486</u>
Other financing sources (uses) including transfers:				
Operating transfers in	5,000,000	5,000,000	5,000,000	-
Operating transfers out	(50,030)	(50,030)	(95,312)	(45,282)
Total other financing sources (uses) including transfers:	<u>4,949,970</u>	<u>4,949,970</u>	<u>4,904,688</u>	<u>(45,282)</u>
Net change in fund balance	4,682,240	(317,760)	3,558,444	3,876,204
Fund balance, beginning of year	<u>4,562,099</u>	<u>4,562,099</u>	<u>4,562,099</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,244,339</u>	<u>\$ 4,244,339</u>	<u>\$ 8,120,543</u>	<u>\$ 3,876,204</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, 2012

	Business-type Activities - Enterprise Funds					Governmental
				Nonmajor	Total	Activites
	Water	Sewer	Garbage Utility	Enterprise Fund	Enterprise Funds	Internal Service Funds
Assets:						
Current assets:						
Cash and cash equivalents	\$ 5,182,893	\$ 1,421,890	\$ 1,462,790	\$ 2,133,675	\$ 10,201,248	\$ 400,000
Accounts receivable, net of allowance	713,410	411,442	168,531	51,762	1,345,145	-
Restricted cash and cash equivalents	337,419	895,150	-	-	1,232,569	-
Total current assets	6,233,722	2,728,482	1,631,321	2,185,437	12,778,962	400,000
Noncurrent assets:						
Bond issuance costs, net	64,806	210,184	-	-	274,990	-
Capital assets:						
Investment in water stock	93,184	-	-	-	93,184	-
Land	2,998,182	301,500	-	280,067	3,579,749	-
Water rights	5,145,820	-	-	-	5,145,820	-
Infrastructure	-	-	-	4,310,474	4,310,474	-
Construction in progress	14,776	2,907,486	-	-	2,922,262	-
Buildings	3,505,868	2,724,514	-	-	6,230,382	-
Improvements other than buildings	38,062,659	38,457,272	-	-	76,519,931	-
Office furniture & fixtures	25,481	49,120	-	-	74,601	-
Machinery and equipment	2,332,620	348,289	-	-	2,680,909	-
Autos and trucks	363,779	509,516	-	-	873,295	-
Accumulated depreciation	(16,301,260)	(12,962,671)	-	(107,390)	(29,371,321)	-
Net capital assets	36,241,109	32,335,026	-	4,483,151	73,059,286	-
Total noncurrent assets	36,305,915	32,545,210	-	4,483,151	73,334,276	-
Total assets	\$ 42,539,637	\$ 35,273,692	\$ 1,631,321	\$ 6,668,588	\$ 86,113,238	\$ 400,000
Liabilities:						
Current liabilities:						
Accounts payable	\$ 257,207	\$ 379,771	\$ 100,136	\$ 880	\$ 737,994	\$ -
Accrued liabilities	11,918	10,125	-	-	22,043	-
Accrued interest	44,586	166,193	-	-	210,779	-
Liability for compensated absences	35,146	31,846	-	-	66,992	-
Deferred revenue	84,894	-	-	-	84,894	-
Customer deposits	210,344	-	-	-	210,344	-
Revenue bonds payable - current	333,000	855,000	-	-	1,188,000	-
Total current liabilities	977,095	1,442,935	100,136	880	2,521,046	-
Net OPEB obligation	13,867	12,988	-	-	26,855	-
Revenue bonds payable - long-term	5,248,986	8,869,073	-	-	14,118,059	-
Total noncurrent liabilities	5,262,853	8,882,061	-	-	14,144,914	-
Total liabilities	6,239,948	10,324,996	100,136	880	16,665,960	-
Net assets:						
Invested in capital assets, net of related debt	30,659,123	22,610,953	-	4,483,151	57,753,227	-
Unrestricted	168,510	1,442,061	1,531,185	2,184,557	5,326,313	400,000
Restricted for:						
Impact fees	5,134,637	532	-	-	5,135,169	-
Debt service	337,419	895,150	-	-	1,232,569	-
Total net assets	36,299,689	24,948,696	1,531,185	6,667,708	69,447,278	400,000
Total liabilities and net assets	\$ 42,539,637	\$ 35,273,692	\$ 1,631,321	\$ 6,668,588	\$ 86,113,238	\$ 400,000

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, 2012

	Business-type Activities - Enterprise Funds					Governmental
						Activites
	Water	Sewer	Garbage Utility	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
Utility sales	\$ 4,031,085	\$ 2,790,245	\$ 1,404,838	\$ 449,384	\$ 8,675,552	\$ -
Connection fees	63,374	1,700	-	-	65,074	-
Miscellaneous	50	-	-	-	50	-
Total operating revenues	<u>4,094,509</u>	<u>2,791,945</u>	<u>1,404,838</u>	<u>449,384</u>	<u>8,740,676</u>	<u>-</u>
Operating expenses:						
Personal services	487,744	495,737	580,324	-	1,563,805	-
Contracted services	421,217	225,000	639,874	25,000	1,311,091	-
Operations and maintenance	1,225,886	523,022	127,268	120,610	1,996,786	-
Utilities	7,790	148,748	-	-	156,538	-
Administration	-	923	-	15,463	16,386	-
Depreciation	1,080,589	891,167	-	107,390	2,079,146	-
Total operating expenses	<u>3,223,226</u>	<u>2,284,597</u>	<u>1,347,466</u>	<u>268,463</u>	<u>7,123,752</u>	<u>-</u>
Operating income	<u>871,283</u>	<u>507,348</u>	<u>57,372</u>	<u>180,921</u>	<u>1,616,924</u>	<u>-</u>
Non-operating revenues (expenses):						
Interest income	42,101	28,632	8,872	13,912	93,517	-
Interest expense and fiscal charges	(241,149)	(237,357)	-	-	(478,506)	-
Gain from sale of capital assets	15,130	1,855	-	-	16,985	-
Sale of water rights	100	-	-	-	100	-
Impact fees	175,069	115,352	-	-	290,421	-
Transfers in	-	150,000	-	-	150,000	400,000
Transfers out	(150,000)	-	-	-	(150,000)	-
Total non-operating revenues (expenses)	<u>(158,749)</u>	<u>58,482</u>	<u>8,872</u>	<u>13,912</u>	<u>(77,483)</u>	<u>400,000</u>
Contributed from developers	133,441	81,934	-	98,293	313,668	-
Increase in net assets	845,975	647,764	66,244	293,126	1,853,109	400,000
Net assets - beginning 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>	<u>-</u>
Net assets - end of year	<u>\$ 36,299,689</u>	<u>\$ 24,948,696</u>	<u>\$ 1,531,185</u>	<u>\$ 6,667,708</u>	<u>\$ 69,447,278</u>	<u>\$ 400,000</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, 2012

	Business-type Activities - Enterprise Funds					Governmental
				Nonmajor	Total	Internal Service
	Water	Sewer	Garbage Utility	Enterprise funds	Enterprise	Funds
Cash flows provided by operating activities:						
Receipts from customers and users	\$ 3,793,947	\$ 2,760,227	\$ 1,395,079	\$ 448,200	\$ 8,397,453	\$ -
Receipts of miscellaneous income	50	-	-	-	50	-
Payments to employees	(482,981)	(491,276)	(580,324)	-	(1,554,581)	-
Payments to contractors	(21,217)	(15,000)	(539,874)	-	(576,091)	-
Payments for operations and maintenance	(1,363,298)	(159,894)	(136,542)	(224,550)	(1,884,284)	-
Payment for interfund services provided	(400,000)	(210,000)	(100,000)	(25,000)	(735,000)	-
Payments for utilities	(7,790)	(148,748)	-	-	(156,538)	-
Net cash provided by operating activities	<u>1,518,711</u>	<u>1,735,309</u>	<u>38,339</u>	<u>198,650</u>	<u>3,491,009</u>	<u>-</u>
Cash flows provided (used) by noncapital financing activities:						
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	400,000
Net cash provided (used) by noncapital financing activities	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Cash flows used by capital and related financing activities:						
Payments for purchase and construction of capital assets	(2,145,590)	(4,741,979)	-	(54,796)	(6,942,365)	-
Proceeds from sale of capital assets	15,130	1,855	-	-	16,985	-
Proceeds from sale of water rights	100	-	-	-	100	-
Proceeds from issuance of debt (net of discount and issuance costs)	5,581,986	5,511,239	-	-	11,093,225	-
Payments of bond principal	(6,565,000)	(6,713,000)	-	-	(13,278,000)	-
Interest paid on bonds	(138,574)	(187,611)	-	-	(326,185)	-
Impact fees collected	175,069	115,352	-	-	290,421	-
Net cash used by capital and related financing activities	<u>(3,076,879)</u>	<u>(6,014,144)</u>	<u>-</u>	<u>(54,796)</u>	<u>(9,145,819)</u>	<u>-</u>
Cash flows provided by investing activities:						
Interest received on investments	42,101	28,632	8,872	13,912	93,517	-
Net cash provided by investing activities	<u>42,101</u>	<u>28,632</u>	<u>8,872</u>	<u>13,912</u>	<u>93,517</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,666,067)	(4,100,203)	47,211	157,766	(5,561,293)	400,000
Cash and cash equivalents - beginning of year	<u>7,186,379</u>	<u>6,417,243</u>	<u>1,415,579</u>	<u>1,975,909</u>	<u>16,995,110</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 5,520,312</u>	<u>\$ 2,317,040</u>	<u>\$ 1,462,790</u>	<u>\$ 2,133,675</u>	<u>\$ 11,433,817</u>	<u>\$ 400,000</u>
Cash flows provided (used) by operating activities:						
Operating income	\$ 871,283	\$ 507,348	\$ 57,372	\$ 180,921	\$ 1,616,924	\$ -
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	1,080,589	891,167	-	107,390	2,079,146	-
(Increase) decrease in assets:						
Accounts receivable	(390,064)	(31,718)	(9,759)	(1,184)	(432,725)	-
Increase (decrease) in liabilities:						
Accounts payable	(140,366)	358,153	(9,274)	(88,477)	120,036	-
Accrued liabilities	3,755	2,831	-	-	6,586	-
Liability for compensated absences	(801)	3,067	-	-	2,266	-
OPEB obligation	4,763	4,461	-	-	9,224	-
Deferred revenue	84,894	-	-	-	84,894	-
Customer deposits	4,658	-	-	-	4,658	-
Net cash provided by operating activities	<u>\$ 1,518,711</u>	<u>\$ 1,735,309</u>	<u>\$ 38,339</u>	<u>\$ 198,650</u>	<u>\$ 3,491,009</u>	<u>\$ -</u>
Represented on the balance sheet as:						
Cash - unrestricted	\$ 5,182,893	\$ 1,421,890	\$ 1,462,790	\$ 2,133,675	\$ 10,201,248	\$ 400,000
Cash - restricted	337,419	895,150	-	-	1,232,569	-
	<u>\$ 5,520,312</u>	<u>\$ 2,317,040</u>	<u>\$ 1,462,790</u>	<u>\$ 2,133,675</u>	<u>\$ 11,433,817</u>	<u>\$ 400,000</u>
Supplemental schedule of non-cash financing and investing activities:						
Contributed capital assets from developers	\$ 133,441	\$ 81,934	\$ -	\$ 98,293	\$ 313,668	\$ -

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

TOOELE CITY CORPORATION
Statement of Net Assets - Fiduciary Funds
June 30, 2012

	Pension Trust	Agency Fund
Assets:		
Cash and cash equivalents	\$ 484,138	\$ 351,360
Total assets	\$ 484,138	\$ 351,360
 Liabilities:		
Refunds payable and others	\$ -	\$ 351,360
Total liabilities	-	\$ 351,360
 Net Assets:		
Held in trust for fire department pension and other purposes	\$ 484,138	

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, 2012

	<u>Pension Trust</u>
Additions	
Contributions:	
Employer	\$ 26,043
Investment earnings:	
Interest income	<u>3,455</u>
Total additions	<u>29,498</u>
 Deductions:	
Benefits	<u>19,585</u>
Total deductions	<u>19,585</u>
 Change in net assets	 9,913
 Net assets, beginning of year	 <u>474,225</u>
 Net assets, end of year	 <u>\$ 484,138</u>

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. 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 \$1,000; 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:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Machinery and equipment	7
Automobiles and trucks	5-15
Office furniture and equipment	3-5
Infrastructure - curb, gutter, sidewalks and streetlights	50
Infrastructure - storm drains and waterlines	40
Infrastructure - roads, bridges, and right of way	20

During the fiscal year ended June 30, 2012, the City has elected to change from the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its paving system (streets) to the traditional approach. As a result of this change, total net assets decreased by \$3,994,701 in the Statement of Activities as the City began depreciating their infrastructure assets.

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 .002576 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 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, 2012. 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.

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

The City evaluated all events or transactions that occurred after June 30, 2012 through January 2, 2013, the date these financials were available to be issued. During this period, the City did not have any additional material recognizable subsequent events.

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, 2012, \$32,314,189 of the City's bank balances of \$34,040,425 was uninsured and uncollateralized.

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, 2012, \$768,355 of the City's \$1,018,355 high yield savings 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, 2012, the fair value per share factor for investments in the PTIF was 1.00586284. This resulted in a fair value adjustment totaling \$138,412.

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, 2012:

	<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	\$ 3,525	\$ 3,525	N/A	N/A
Cash on deposit	8,442,929	8,304,517	N/A	N/A
High yield savings account	1,018,355	1,018,355	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>24,575,616</u>	<u>24,575,616</u>	N/A	0.14
Total cash on hand and deposit	<u>\$ 34,040,425</u>	<u>\$ 33,902,013</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, 2012, 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

As of June 30, 2012, certain of the City's cash and cash equivalents are restricted for the following purposes:

<u>Fund and Purpose</u>	<u>Restricted Amount</u>
General Fund:	
Debt Service payments	\$ 225,329
Depot Redevelopment Agency Fund:	
Debt Service payments	4,750
Water Fund:	
Funds held by trustee for debt service	337,419
Sewer Fund:	
Funds held by trustee for debt service	895,150
Other Nonmajor Funds:	
Construction, debt service and other uses	3,292,765
Pension and Agency Fund's	
Held in trust for fire department and others	<u>835,498</u>
Total restricted assets	<u>\$ 5,590,911</u>

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, 2012 is as follows:

<u>Funds</u>	<u>Allowance</u>
Water fund - major enterprise fund	\$ 131,846
Sewer fund - major enterprise fund	18,844
Garbage Utility Fund - major enterprise fund	9,529
Nonmajor enterprise funds	<u>2,941</u>
	<u>\$ 163,160</u>

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, 2012 was \$122,198.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012 is as follows:

	<u>Balance at June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,850,227	\$ 193,378	\$ -	\$ 6,043,605
Total capital assets not being depreciated	<u>5,850,227</u>	<u>193,378</u>	<u>-</u>	<u>6,043,605</u>
Capital assets being depreciated:				
Buildings	16,010,868	30,790	-	16,041,658
Improvements other than buildings	9,833,937	899,478	-	10,733,415
Office furniture and equipment	833,493	201,722	-	1,035,215
Machinery and equipment	2,217,164	23,392	(800)	2,239,756
Automobiles and trucks	4,326,269	171,780	(51,366)	4,446,683
Infrastructure	<u>90,819,053</u>	<u>484,021</u>	<u>-</u>	<u>91,303,074</u>
Total capital assets being depreciated	<u>124,040,784</u>	<u>1,811,183</u>	<u>(52,166)</u>	<u>125,799,801</u>
Less accumulated depreciation for:				
Buildings	(5,547,362)	(368,270)	-	(5,915,632)
Improvements other than buildings	(3,680,461)	(187,499)	-	(3,867,960)
Office furniture and equipment	(759,607)	(76,155)	-	(835,762)
Machinery and equipment	(1,774,863)	(146,458)	800	(1,920,521)
Automobiles and trucks	(2,984,026)	(252,840)	51,366	(3,185,500)
Infrastructure	<u>-</u>	<u>(3,887,311)</u>	<u>-</u>	<u>(3,887,311)</u>
Total accumulated depreciation	<u>(14,746,319)</u>	<u>(4,918,533)</u>	<u>52,166</u>	<u>(19,612,686)</u>
Total capital assets being depreciated, net	<u>109,294,465</u>	<u>(3,107,350)</u>	<u>-</u>	<u>106,187,115</u>
Governmental activities capital assets, net	<u>\$ 115,144,692</u>	<u>\$ (2,913,972)</u>	<u>\$ -</u>	<u>\$ 112,230,720</u>

For the year ended June 30, 2012, depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	\$ 4,254,906
Public safety	227,657
Highways and streets	72,753
Parks and recreation	<u>363,217</u>
Total depreciation expense, governmental activities	<u>\$ 4,918,533</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, 2012:

	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012
Business-type Activities				
Capital assets not being depreciated:				
Investment in water stock	\$ 93,184	\$ -	\$ -	\$ 93,184
Land	3,482,544	97,205	-	3,579,749
Water rights	5,145,820	-	-	5,145,820
Construction in progress	2,931,902	-	(9,640)	2,922,262
Total capital assets not being depreciated	11,653,450	97,205	(9,640)	11,741,015
Capital assets, being depreciated:				
Buildings	5,938,184	292,198	-	6,230,382
Improvements other than buildings	70,469,979	6,649,766	(599,814)	76,519,931
Office furniture & fixtures	74,601	-	-	74,601
Machinery and equipment	2,624,795	56,114	-	2,680,909
Automobiles and trucks	870,584	17,779	(15,068)	873,295
Infrastructure	4,157,863	152,611	-	4,310,474
Total capital assets being depreciated	84,136,006	7,168,468	(614,882)	90,689,592
Less accumulated depreciation for:				
Buildings	(2,587,957)	(141,482)	-	(2,729,439)
Improvements other than buildings	(22,145,234)	(1,719,624)	599,814	(23,265,044)
Office furniture & fixtures	(73,947)	(463)	-	(74,410)
Machinery and equipment	(2,352,564)	(84,788)	-	(2,437,352)
Automobiles and trucks	(747,355)	(25,399)	15,068	(757,686)
Infrastructure	-	(107,390)	-	(107,390)
Total accumulated depreciation	(27,907,057)	(2,079,146)	614,882	(29,371,321)
Total capital assets being depreciated, net	56,228,949	5,089,322	-	61,318,271
Business-type activities, net	\$ 67,882,399	\$ 5,186,527	\$ (9,640)	\$ 73,059,286

For the year ended June 30, 2012, depreciation expense was charged to business-type activities of the City as follows:

Business-type Activities:

Water fund	\$ 1,080,589
Sewer fund	891,167
Storm water fund	107,390
Total depreciation expense, business-type activities	\$ 2,079,146

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, 2012:

	Balance at June 30, 2011	Additions	Reductions & Deletions	Balance at June 30, 2012	Due Within One Year
Governmental Activities:					
Revenue bonds payable	\$ 17,521,000	\$ 9,400,000	\$ (5,711,000)	\$ 21,210,000	\$ 820,000
Net OPEB obligations	398,987	278,638	(69,922)	607,703	-
Note payable	750,000	-	-	750,000	-
Obligations under capital leases	-	217,000	(46,374)	170,626	33,536
Grantsville legal settlement	-	2,150,000	-	2,150,000	-
Compensated absences	433,593	12,272	-	445,865	-
Deferred amounts:					
Unamortized bond premiums	55,072	567,708	(17,872)	604,908	-
Unamortized bond discounts	(24,002)	-	24,002	-	-
Loss on defeasance	-	(509,884)	33,253	(476,631)	-
Total governmental long-term liabilities	<u>\$ 19,134,650</u>	<u>\$ 12,115,734</u>	<u>\$ (5,787,913)</u>	<u>\$ 25,462,471</u>	<u>\$ 853,536</u>

	Balance at June 30, 2011	Additions	Reductions & Deletions	Balance at June 30, 2012	Due Within One Year
Business-type Activities:					
Revenue bonds payable	\$ 17,441,000	\$ 11,433,000	\$ (13,278,000)	\$ 15,596,000	\$ 1,188,000
Net OPEB obligations	17,631	9,224	-	26,855	-
Compensated absences	64,726	2,266	-	66,992	-
Deferred amounts:					
Unamortized bond premiums	49,834	-	(49,834)	-	-
Loss on defeasance	-	(321,065)	31,124	(289,941)	-
Total business-type long-term liabilities	<u>\$ 17,573,191</u>	<u>\$ 11,123,425</u>	<u>\$ (13,296,710)</u>	<u>\$ 15,399,906</u>	<u>\$ 1,188,000</u>

Government-type Activities:

Description of Bond Issue	Current Outstanding Balances
On January 5, 2012, the City issued \$9,400,000 in Sales Tax Refunding Bonds (Series 2012) at interest rates from 2.00% to 5.00% with a final maturity date of October 1, 2031. Principal payments are due annually with interest payments due on April 1 and October 1 of each year. The bonds were issued to partially advance refund the 2002 Sales Tax Revenue Bonds and to pay the costs of issuing the Series 2012 bonds. The total principal and interest remaining to be paid on the defeased bonds is \$4,595,000. The 2012 bonds maturing before October 1, 2022 are not subject to redemption at the option of the City. The 2012 bonds maturing on or after October 1, 2022 are subject to optional redemption in whole or in part on or after October 1, 2021 at the option of the City at a redemption price equal to 100% of the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest up to the date of redemption. The Series 2012 Bonds maturing on October 1, 2031 are subject to mandatory sinking fund redemption at a price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by approximately \$336,403 and resulted in an economic gain of \$296,864. The City recorded a deferred loss of 509,884 that will be amortized over what would have been the remaining life of the Series 2002 Sales Tax Revenue Bonds.	\$ 9,400,000
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.	5,675,000
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.	1,150,000
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.	4,985,000
Total governmental activities - bonds	<u>\$ 21,210,000</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

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	\$ 750,000

Description of Grantsville Legal Settlement	Current Outstanding Balances
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 to the neighboring cities as well as agreeing to pay a significant portion of the debt service (principal and interest) on a 25 year, \$2,500,000 bond for the City of Grantsville to be used in the construction of a library building. The total liability due from the Redevelopment Agency is in the amount of \$2,150,000. The settlement agreement requires the Redevelopment Agency to additionally pay interest in the amount of 2.5% per annum on the liability. The annual payments due from the settlement agreement begin on October 1, 2013 and continue through October 1, 2037.	\$ 2,150,000
Total governmental activities - Grantsville Legal Settlement	\$ 2,150,000

Business-type Activities:

Description of Bond Issue	Current Outstanding Balances
On September 30, 2011, the City issued \$5,680,000 in Sewer Revenue Refunding Bonds (Series 2011) at an interest rate of 2.50% with a final maturity date of February 1, 2019. Principal payments are due annually with interest payments due on February 1 and August 1 of each year. The bonds were issued to partially advance refund the 1997 Sewer Revenue Bonds Series 1997B and the Tooele City Sewer Bonds Series 2001A as well as to pay the costs of issuing the Series 2011 bonds. The total principal and interest remaining to be paid on the defeased bonds is \$6,094,175. The 2011 bonds maturing before February 1, 2018 are not subject to redemption at the option of the City. The Series 2011 bonds maturing on or after February 1, 2018 are subject to optional redemption, in whole, on or after February 1, 2017 at the option of the City at a redemption price equal to 100% of the principal amount of the Series 2011 Bonds to be redeemed plus accrued interest up to the date of redemption. This current refunding was undertaken to reduce total debt service payments over the next 7 years by \$442,508 and resulted in an estimated economic gain of \$420,324. The City recorded a deferred loss of \$137,461 that will be amortized over what would have been the remaining life of the Series 1997B and Series 2001A Sewer Revenue Bonds.	\$ 5,243,000
On October 5, 2011, the City issued \$5,753,000 in Water Revenue Refunding Bonds (Series 2011) at an interest rate of 3.10% with a final maturity date of April 1, 2026. Principal payments are due annually with interest payments due on April 1 and October 1 of each year. The bonds were issued to partially advance refund the 2006 Water Revenue Refunding Bonds and to pay the costs of issuing the Series 2011 bonds. The total principal and interest remaining to be paid on the defeased bonds is \$6,278,952. The 2011 bonds maturing before October 1, 2020 are not subject to redemption at the option of the City. The 2011 bonds maturing between October 1, 2020 and September 30, 2021 are subject to optional redemption at 102% of par. The 2011 bonds maturing between October 1, 2021 and September 30, 2022 are subject to optional redemption at 101% of par. Commencing October 1, 2022, the Bonds will be subject to redemption at par. This current refunding was undertaken to reduce total debt service payments over the next 15 years by \$623,664 and resulted in an estimated economic gain of \$512,824. The City recorded a deferred loss of 183,604 that will be amortized over the remaining life of the Series 2011 Water Revenue Bonds.	5,753,000
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 beginning 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	\$ 15,596,000

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

The debt service requirements on bonds and long-term debt at June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities - Bonds		Business-type Activities - Bonds		Governmental Activities - Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 820,000	\$ 816,634	\$ 1,188,000	\$ 498,149	\$ -	\$ 56,250
2014	839,000	786,283	1,221,000	466,101	750,000	28,125
2015	1,123,000	749,745	1,253,000	433,104	-	-
2016	1,217,000	716,672	1,291,000	399,181	-	-
2017	1,262,000	671,441	1,322,000	364,197	-	-
2018-2022	6,629,000	2,693,525	4,084,000	1,346,718	-	-
2023-2027	6,925,000	1,355,881	2,781,000	794,604	-	-
2028-2032	2,395,000	285,411	1,093,000	458,505	-	-
2033-2037	-	-	1,363,000	189,495	-	-
Total debt	<u>21,210,000</u>	<u>\$ 8,075,592</u>	<u>15,596,000</u>	<u>\$ 4,950,051</u>	<u>\$ 750,000</u>	<u>\$ 84,375</u>
Unamortized premiums	604,908		-			
Loss on defeasance	<u>(476,631)</u>		<u>(289,941)</u>			
Total	<u>\$ 21,338,277</u>		<u>\$ 15,306,059</u>			

Year Ending June 30	Governmental Activities - Grantsville Legal Settlement	
	Principal	Interest
2013	\$ 63,000	\$ 53,750
2014	64,000	52,175
2015	66,000	50,575
2016	68,000	48,925
2017	70,000	47,225
2018-2022	374,000	209,125
2023-2027	424,000	159,925
2028-2032	479,000	104,275
2033-2037	<u>542,000</u>	<u>41,325</u>
Total debt	<u>\$ 2,150,000</u>	<u>\$ 767,300</u>

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

10. 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, 2012, bonding totaling \$17,225,000 from the City are considered defeased.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

11. CAPITAL LEASES

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met. The capital lease will continue through June 2016. The following is a schedule by year of future minimum lease payments as of June 30, 2012.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2013	\$ 49,507
2014	54,008
2015	54,008
2016	54,008
2017	-
Total minimum lease payments	211,531
Less amounts representing interest	(40,905)
Present value of net minimum lease payments	170,626
Less current portion of capital lease obligations	(33,536)
Capital lease obligations net current portion	<u>\$ 137,090</u>

Equipment and related accumulated depreciation under capital leases are included under capital assets in the Governmental Activities and are as follows:

Equipment under capital lease	\$ 217,000
Less accumulated depreciation	(43,400)
Equipment under capital lease, net	<u>\$ 173,600</u>

12. 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, 2012 is not expected to be received within 60 days after the year ended June 30, 2012, the City records unearned revenues of the estimated amount of the total property tax.

13. 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, 2012 are as follows:

	<u>Transfers out</u>				<u>Transfers In</u>
	<u>General Fund</u>	<u>Capital Project</u> <u>Fund</u>	<u>Redevelopment</u> <u>Agency Depot</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	
Capital Projects Fund	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000
Debt Service Fund	226,448	-	95,312	1,604,976	1,926,736
Internal Service Fund	400,000	-	-	-	400,000
Redevelopment Agency Depot	-	-	-	5,000,000	5,000,000
Total Transfers out	<u>\$ 626,448</u>	<u>\$ -</u>	<u>\$ 95,312</u>	<u>\$ 7,004,976</u>	<u>\$ 7,726,736</u>

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.

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 percentage 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 a percentage of covered salary to the respective systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. Contribution rates for the Utah Retirement Systems and their respective plans are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Contribution Rates Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System:			
Local Government Division Tier 1	N/A	6.00%	9.76%
Local Government Division Tier 2	N/A	N/A	10.33%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	13.77%
Public Safety System:			
Other Division A Contributory Tier 2	N/A	N/A	16.27%
Other Division A Noncontributory Tier 1	N/A	N/A	27.07%

The contributions by the City for the year ended June 30, 2012 were paid by the due dates or within thirty days thereafter and were equal to the required contributions

The required contributions and amounts paid for the fiscal year ended June 30, 2012 and the two previous fiscal years are as follows:

<u>For the Fiscal Years ended June 30,</u>	<u>Employee Paid Contributions</u>	<u>Employer Paid for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division Tier 1 and Tier 2					
2010	\$ -	\$ 8,675	\$ 11,061	\$ 19,736	\$ 144,595
2011	5,994	2,664	13,508	22,166	127,626
2012	1,001	7,665	20,911	29,577	234,208
Noncontributory System:					
Local Governmental Division Tier 1					
2010	\$ -	\$ -	\$ 415,538	\$ 415,538	\$ 3,563,779
2011	-	-	488,821	488,821	3,238,037
2012	-	-	498,385	498,385	3,765,745
Public Safety System					
Other Division A Contributory Tier 2					
2012	\$ -	\$ -	\$ 1,751	\$ 1,751	\$ 16,753
Other Division A Noncontributory Tier 1					
2010	\$ -	\$ -	\$ 315,130	\$ 315,130	\$ 1,350,171
2011	-	-	345,783	345,783	1,174,326
2012	-	-	357,852	357,852	1,412,541

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. Every two years, an independent actuary calculates the annual contribution requirement to keep the fund actuarially sound. Benefits are paid at retirement after age sixty-five, at \$5 per month per year of service for life, and are subject to a vesting schedule. Pension contributions for the years ended June 30, 2012, 2011, and 2010, were \$26,043, \$21,900, and \$21,900, respectively.

The City provides 401(k) plans for all eligible employees. Employees are enrolled in one of two plans: (1) Tooele City Employees' 401(k) Plan managed by John Hancock; or, (2) Utah State Retirement System 401(k) Plan. The Tooele City Employees' 401(k) Plan is available to full-time employees who are 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 enrolled in the Tooele City Employees' 401(k) Plan prior to June 30, 2011 were permitted to remain in that plan. Employees enrolling in a 401(k) plan on or after July 1, 2011 may elect to enroll in the Utah Retirement 401(k) Plan. Vesting is immediate in the Utah Retirement 401(k) Plan. Employees may voluntarily contribute to their 401(k) 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) plans for the years ended June 30, 2012, 2011 and 2010.

Total employer contributions to the Tooele City Employees' 401(k) Plan for the years ending June 30, 2012, 2011, and 2010 were \$72,399, \$69,542, and \$72,877, respectively. Salaries subject to contributions were \$448,658, \$509,267, and \$529,211, for the same years. These contributions represent post-retired rehire contributions and URS pension exemption contributions, which are made in lieu of URS pension premiums as permitted by law.

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, 2012, 2011, and 2010 were \$1,285, \$1,559, and \$4,505, 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, 2012, 2011, and 2010 were \$19,080, \$20,196, and \$15,939, 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, 2012, the City's annual OPEB cost (expense) was \$217,940. 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>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 290,843	\$ 248,803	\$ 229,567
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Net OBEB obligation amortization adjustment to the ARC	<u>108</u>	<u>14,390</u>	<u>14,390</u>
Annual OPEB cost (expense)	<u>290,951</u>	<u>263,193</u>	<u>243,957</u>
Contributions made	<u>(73,011)</u>	<u>(110,988)</u>	<u>(102,767)</u>
Increase in net OPEB obligation	217,940	152,205	141,190
Net OPEB obligation beginning of year	<u>416,618</u>	<u>264,413</u>	<u>123,223</u>
Net OPEB obligation end of year	<u>\$ 634,558</u>	<u>\$ 416,618</u>	<u>\$ 264,413</u>

The funded status of the plan for the fiscal years ended June 30 is as follows:

<u>For the fiscal years ended June 30,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial accrued liability (AAL)	\$ 2,328,810	\$ 2,145,342	\$ 2,054,272
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,328,810</u>	<u>\$ 2,145,342</u>	<u>\$ 2,054,272</u>
Funded ration (actuarial value of plan assets/AAL)	0%	0%	0%
Annual covered payroll (active plan members)	\$ 5,204,545	\$ 4,846,496	\$ 5,080,125
UAAL as percentage of annual covered payroll	44.75%	44.27%	40.44%

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, 2012 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, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% unfunded discount rate and an annual healthcare costs trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after eleven years. Covered payroll included a 3.0% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its 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, 2012 are as follows:

<u>Project Area</u>	<u>Amount</u>
Depot	\$ 1,110,969
Industrial Park	70,465
Downtown	<u>177,731</u>
Total	<u>\$ 1,359,165</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	\$ 6,310	\$ 657,700	\$ 1,136,443	\$ 686,652
Industrial Park	-	-	-	62,619
Downtown	<u>3,367</u>	<u>-</u>	<u>-</u>	<u>99,253</u>
Total	<u>\$ 9,677</u>	<u>\$ 657,700</u>	<u>\$ 1,136,443</u>	<u>\$ 848,524</u>

18. LITIGATION

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. In August 2012, the Court of Appeals reinstated the verdict and remanded for entry of judgment. In November 2012, the Utah Supreme Court denied the City's petition for a writ of certiorari. The case has been remanded to the trial court and is awaiting further proceedings. 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Postemployment Benefit Plan - Schedule of Funding Progress
For the Year Ended June 30, 2012

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	0.0%	\$ 5,237,778	36.89%
7/1/2009	\$ -	\$ 2,054,272	\$ 2,054,272	0.0%	\$ 5,080,125	40.44%
7/1/2010	\$ -	\$ 2,145,342	\$ 2,145,342	0.0%	\$ 4,846,496	44.27%
7/1/2011	\$ -	\$ 2,328,810	\$ 2,328,810	0.0%	\$ 5,204,545	44.75%

OTHER SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	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	\$ -	\$ -	\$ -	\$ 55,656	\$ 540,420	\$ 814,844	\$ 2,917	\$ 2,917	\$ -	\$ 1,416,754
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	-
Assessments	-	69,155	-	-	-	-	-	-	-	69,155
Taxes	-	-	-	70,000	-	-	-	-	-	70,000
Interest receivable	-	-	-	-	122,198	-	-	-	-	122,198
Intergovernmental receivable	295,647	-	-	-	-	-	-	-	-	295,647
Restricted cash and cash equivalents	1,287,582	455,570	85,657	-	29,200	84,830	522,818	827,108	-	3,292,765
Total assets	\$ 1,583,229	\$ 524,725	\$ 85,657	\$ 125,656	\$ 691,818	\$ 899,674	\$ 525,735	\$ 830,025	\$ -	\$ 5,266,519
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 436,108	\$ 1,180	\$ -	\$ -	\$ 439	\$ -	\$ 2,917	2,917	\$ -	\$ 443,561
Accrued liabilities	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	70,000	-	-	-	-	-	70,000
Total liabilities	436,108	1,180	-	70,000	439	-	2,917	2,917	-	513,561
Fund balances:										
Restricted										
Public safety	-	-	-	-	-	-	-	827,108	-	827,108
Park development	-	-	-	-	-	-	460,930	-	-	460,930
Recreation and arts	-	523,545	-	-	-	-	-	-	-	523,545
Debt service	692,868	-	85,657	-	29,200	-	61,888	-	-	869,613
Roads	454,253	-	-	-	-	-	-	-	-	454,253
Assigned										
Redevelopment agency projects	-	-	-	55,656	662,179	-	-	-	-	717,835
Debt service fund	-	-	-	-	-	899,674	-	-	-	899,674
Total fund balances	1,147,121	523,545	85,657	55,656	691,379	899,674	522,818	827,108	-	4,752,958
Total liabilities and fund balances	\$ 1,583,229	\$ 524,725	\$ 85,657	\$ 125,656	\$ 691,818	\$ 899,674	\$ 525,735	\$ 830,025	\$ -	\$ 5,266,519

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	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	\$ -	\$ 325,712	\$ -	\$ 70,465	\$ 177,731	\$ -	\$ -	\$ -	\$ -	\$ 573,908
Intergovernmental revenues	1,530,301	-	-	-	-	-	-	-	-	1,530,301
Interest income	9,407	5,191	1,124	170	32,032	3,962	3,456	6,555	1,176	63,073
Impact fees	-	-	-	-	-	-	86,768	33,599	-	120,367
Miscellaneous revenue	-	14,843	-	-	-	-	-	-	-	14,843
Rental income	-	-	561,918	-	-	-	-	-	-	561,918
Total revenues	<u>1,539,708</u>	<u>345,746</u>	<u>563,042</u>	<u>70,635</u>	<u>209,763</u>	<u>3,962</u>	<u>90,224</u>	<u>40,154</u>	<u>1,176</u>	<u>2,864,410</u>
Expenditures:										
General government	851	176,181	-	62,619	25,670	-	5,783	7,323	-	278,427
Highways and streets	1,382,055	-	-	-	-	-	-	-	-	1,382,055
Community development	-	-	-	-	16,966	-	-	-	-	16,966
Capital outlay	-	85,240	-	-	-	-	478	204,308	4,283	294,309
Debt service:										
Principal	-	-	-	-	-	861,000	-	-	-	861,000
Interest on long-term debt	-	-	-	-	59,984	826,475	-	-	-	886,459
Bond issuance costs	-	-	-	-	-	200,707	-	-	-	200,707
Total expenditures	<u>1,382,906</u>	<u>261,421</u>	<u>-</u>	<u>62,619</u>	<u>102,620</u>	<u>1,888,182</u>	<u>6,261</u>	<u>211,631</u>	<u>4,283</u>	<u>3,919,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,802</u>	<u>84,325</u>	<u>563,042</u>	<u>8,016</u>	<u>107,143</u>	<u>(1,884,220)</u>	<u>83,963</u>	<u>(171,477)</u>	<u>(3,107)</u>	<u>(1,055,513)</u>
Other financing sources (uses) including transfers:										
Operating transfers in	-	-	-	-	-	1,926,736	-	-	-	1,926,736
Operating transfers (out)	(719,410)	(400,000)	(561,918)	-	(29,200)	(5,000,000)	(61,888)	-	(232,560)	(7,004,976)
Issuance of debt	-	-	-	-	-	9,400,000	-	-	-	9,400,000
Bond premium	-	-	-	-	-	567,708	-	-	-	567,708
Redemption of refunded bonds	-	-	-	-	-	(4,735,607)	-	-	-	(4,735,607)
Total other financing sources (uses) including transfers:	<u>(719,410)</u>	<u>(400,000)</u>	<u>(561,918)</u>	<u>-</u>	<u>(29,200)</u>	<u>2,158,837</u>	<u>(61,888)</u>	<u>-</u>	<u>(232,560)</u>	<u>153,861</u>
Net change in fund balances	(562,608)	(315,675)	1,124	8,016	77,943	274,617	22,075	(171,477)	(235,667)	(901,652)
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 1,147,121</u>	<u>\$ 523,545</u>	<u>\$ 85,657</u>	<u>\$ 55,656</u>	<u>\$ 691,379</u>	<u>\$ 899,674</u>	<u>\$ 522,818</u>	<u>\$ 827,108</u>	<u>\$ -</u>	<u>\$ 4,752,958</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, 2012

	<u>Class "C" Road Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	1,500,000	1,530,301	30,301
Interest income	7,500	9,407	1,907
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>1,507,500</u>	<u>1,539,708</u>	<u>32,208</u>
Expenditures:			
General government	-	851	(851)
Highways and streets	1,450,000	1,382,055	67,945
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Interest on long-term debt	-	-	-
Total expenditures	<u>1,450,000</u>	<u>1,382,906</u>	<u>67,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,500</u>	<u>156,802</u>	<u>99,302</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(692,868)	(719,410)	(26,542)
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>(692,868)</u>	<u>(719,410)</u>	<u>(26,542)</u>
Net change in fund balance	(635,368)	(562,608)	72,760
Fund balance, beginning of year	<u>1,709,729</u>	<u>1,709,729</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,074,361</u>	<u>\$ 1,147,121</u>	<u>\$ 72,760</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, 2012

	<u>Par Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 325,000	\$ 325,712	\$ 712
Intergovernmental revenues	-	-	-
Interest income	3,750	5,191	1,441
Miscellaneous revenues	-	14,843	14,843
Rental income	-	-	-
Total Revenues	<u>328,750</u>	<u>345,746</u>	<u>16,996</u>
Expenditures:			
General government	175,000	176,181	(1,181)
Highways and streets	-	-	-
Community development	-	-	-
Capital outlay	400,000	85,240	314,760
Debt service:			
Interest on long-term debt	-	-	-
Total expenditures	<u>575,000</u>	<u>261,421</u>	<u>313,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,250)</u>	<u>84,325</u>	<u>330,575</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(400,000)	(400,000)	-
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balance	(646,250)	(315,675)	330,575
Fund balance, beginning of year	<u>839,220</u>	<u>839,220</u>	<u>-</u>
Fund balance, end of year	<u>\$ 192,970</u>	<u>\$ 523,545</u>	<u>\$ 330,575</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, 2012

	<u>Municipal Building Authority</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Interest income	300	1,124	824
Miscellaneous revenues	-	-	-
Rental income	<u>561,918</u>	<u>561,918</u>	<u>-</u>
Total Revenues	<u>562,218</u>	<u>563,042</u>	<u>824</u>
Expenditures:			
General government	-	-	-
Highways and streets	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Interest on long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>562,218</u>	<u>563,042</u>	<u>824</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(561,918)	(561,918)	-
Private contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>(561,918)</u>	<u>(561,918)</u>	<u>-</u>
Net change in fund balance	300	1,124	824
Fund balance, beginning of year	<u>84,533</u>	<u>84,533</u>	<u>-</u>
Fund balance, end of year	<u>\$ 84,833</u>	<u>\$ 85,657</u>	<u>\$ 824</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, 2012

	<u>Industrial Park Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 65,000	\$ 70,465	\$ 5,465
Intergovernmental revenues	-	-	-
Interest income	-	170	170
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>65,000</u>	<u>70,635</u>	<u>5,635</u>
Expenditures:			
General government	65,000	62,619	2,381
Highways and streets	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Interest on long-term debt	-	-	-
Total expenditures	<u>65,000</u>	<u>62,619</u>	<u>2,381</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>8,016</u>	<u>8,016</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	-	8,016	8,016
Fund balance, beginning of year	<u>47,640</u>	<u>47,640</u>	<u>-</u>
Fund balance, end of year	<u>\$ 47,640</u>	<u>\$ 55,656</u>	<u>\$ 8,016</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, 2012

	<u>Downtown Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 189,200	\$ 177,731	\$ (11,469)
Intergovernmental revenues	-	-	-
Interest income	2,750	32,032	29,282
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>191,950</u>	<u>209,763</u>	<u>17,813</u>
Expenditures:			
General government	29,825	25,670	4,155
Highways and streets	-	-	-
Community development	68,000	16,966	51,034
Capital outlay	-	-	-
Debt service:			
Interest on long-term debt	53,000	59,984	(6,984)
Total expenditures	<u>150,825</u>	<u>102,620</u>	<u>48,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,125</u>	<u>107,143</u>	<u>66,018</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers (out)	(29,200)	(29,200)	-
Private contributions	-	-	-
Total other financing sources (uses) including transfers:	<u>(29,200)</u>	<u>(29,200)</u>	<u>-</u>
Net change in fund balance	11,925	77,943	66,018
Fund balance, beginning of year	<u>613,436</u>	<u>613,436</u>	<u>-</u>
Fund balance, end of year	<u>\$ 625,361</u>	<u>\$ 691,379</u>	<u>\$ 66,018</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, 2012

	<u>Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ -	\$ 3,962	\$ 3,962
Total revenues	<u>-</u>	<u>3,962</u>	<u>3,962</u>
Expenditures:			
Principal retirement	861,000	861,000	-
Interest on long-term debt	828,646	826,475	2,171
Bond issuance costs and trustee fees	159,700	200,707	(41,007)
Total expenditures	<u>1,849,346</u>	<u>1,888,182</u>	<u>(38,836)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,849,346)</u>	<u>(1,884,220)</u>	<u>(34,874)</u>
Other financing sources (uses) including transfers:			
Operating transfers in	1,849,346	1,926,736	77,390
Operating transfers (out)	-	(5,000,000)	(5,000,000)
Issuance of debt	-	9,400,000	9,400,000
Bond premium	-	567,708	567,708
Redemption of refunded bonds	-	(4,735,607)	(4,735,607)
Total other financing sources (uses) including transfers:	<u>1,849,346</u>	<u>2,158,837</u>	<u>309,491</u>
Net change in fund balance	-	274,617	274,617
Fund balance - beginning of year	<u>625,057</u>	<u>625,057</u>	<u>-</u>
Fund balance - end of year	<u>\$ 625,057</u>	<u>\$ 899,674</u>	<u>\$ 274,617</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, 2012

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 35,750	\$ 41,091	\$ 5,341
Total revenues	<u>35,750</u>	<u>41,091</u>	<u>5,341</u>
Expenditures:			
Capital projects			
Capital outlay	1,046,750	1,248,617	(201,867)
Total expenditures	<u>1,046,750</u>	<u>1,248,617</u>	<u>(201,867)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,011,000)</u>	<u>(1,207,526)</u>	<u>(196,526)</u>
Other financing sources (uses) including transfers:			
Operating transfers in	400,000	400,000	-
Increase in obligation under capital lease	-	217,000	217,000
Private contributions	-	195,330	195,330
Total other financing sources (uses) including transfers:	<u>400,000</u>	<u>812,330</u>	<u>412,330</u>
Net change in fund balance	(611,000)	(395,196)	215,804
Fund balance - beginning of year	<u>6,526,552</u>	<u>6,526,552</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,915,552</u>	<u>\$ 6,131,356</u>	<u>\$ 215,804</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, 2012

	<u>Park Improvements Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 3,500	\$ 3,456	\$ (44)
Impact fees	106,250	86,768	(19,482)
Total revenues	<u>109,750</u>	<u>90,224</u>	<u>(19,526)</u>
Expenditures:			
General government	5,000	5,783	(783)
Capital projects			
Capital outlay	300,000	478	299,522
Total expenditures	<u>305,000</u>	<u>6,261</u>	<u>298,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(195,250)</u>	<u>83,963</u>	<u>279,213</u>
Other financing sources (uses) including transfers:			
Operating transfers out	(50,000)	(61,888)	(11,888)
Total other financing sources (uses) including transfers:	<u>(50,000)</u>	<u>(61,888)</u>	<u>(11,888)</u>
Net change in fund balance	(245,250)	22,075	267,325
Fund balance - beginning of year	<u>500,743</u>	<u>500,743</u>	<u>-</u>
Fund balance - end of year	<u>\$ 255,493</u>	<u>\$ 522,818</u>	<u>\$ 267,325</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, 2012

	<u>Public Safety Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 5,500	\$ 6,555	\$ 1,055
Impact fees	14,000	33,599	19,599
Total revenues	<u>19,500</u>	<u>40,154</u>	<u>20,654</u>
Expenditures:			
General government	20,000	7,323	12,677
Capital projects			
Capital outlay	<u>750,000</u>	<u>204,308</u>	<u>545,692</u>
Total expenditures	<u>770,000</u>	<u>211,631</u>	<u>558,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(750,500)</u>	<u>(171,477)</u>	<u>579,023</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	(750,500)	(171,477)	579,023
Fund balance - beginning of year	<u>998,585</u>	<u>998,585</u>	<u>-</u>
Fund balance - end of year	<u>\$ 248,085</u>	<u>\$ 827,108</u>	<u>\$ 579,023</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, 2012

	<u>1000 North Capital Project Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 750	\$ 1,176	\$ 426
Total revenues	<u>750</u>	<u>1,176</u>	<u>426</u>
Expenditures:			
Other improvements	<u>237,803</u>	<u>4,283</u>	<u>233,520</u>
Total expenditures	<u>237,803</u>	<u>4,283</u>	<u>233,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(237,053)</u>	<u>(3,107)</u>	<u>233,946</u>
Other financing sources (uses) including transfers:			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>(232,560)</u>	<u>(232,560)</u>
Total other financing sources (uses) including transfers:	<u>-</u>	<u>(232,560)</u>	<u>(232,560)</u>
Net change in fund balance	(237,053)	(235,667)	1,386
Fund balance - beginning of year	<u>235,667</u>	<u>235,667</u>	<u>-</u>
Fund balance - end of year	<u>\$ (1,386)</u>	<u>\$ -</u>	<u>\$ 1,386</u>

TOOELE CITY CORPORATION
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

	Storm Water	Totals
Assets:		
Cash and cash equivalents	\$ 2,133,675	\$ 2,133,675
Receivables:		
Accounts - net of allowance	51,762	51,762
Total current assets	2,185,437	2,185,437
Noncurrent assets		
Land	280,067	280,067
Infrastructure - storm drainage	4,310,474	4,310,474
Accumulated depreciation	(107,390)	(107,390)
Total noncurrent assets	4,483,151	4,483,151
Total assets	\$ 6,668,588	\$ 6,668,588
Liabilities:		
Accounts payable	880	880
Total liabilities	880	880
Net assets:		
Invested in capital assets, net of related debt	4,483,151	4,483,151
Unrestricted	2,184,557	2,184,557
Total net assets	6,667,708	6,667,708
Total liabilities and net assets	\$ 6,668,588	\$ 6,668,588

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Storm Water</u>	<u>Totals</u>
Operating revenues:		
Utility sales	\$ 449,384	\$ 449,384
Total operating revenues	<u>449,384</u>	<u>449,384</u>
Operating expenditures:		
Personal services	-	-
Contracted services	25,000	25,000
Operations and maintenance	120,610	120,610
Utilities	-	-
Administration	15,463	15,463
Depreciation	107,390	107,390
Total operating expenses	<u>268,463</u>	<u>268,463</u>
Operating income	<u>180,921</u>	<u>180,921</u>
Non-operating revenues (expenses):		
Interest income	<u>13,912</u>	<u>13,912</u>
Total non-operating revenues (expenses)	<u>13,912</u>	<u>13,912</u>
Contributed from developers	<u>98,293</u>	<u>98,293</u>
Change in net assets	293,126	293,126
Net assets - beginning of year	<u>6,374,582</u>	<u>6,374,582</u>
Net assets - end of year	<u>\$ 6,667,708</u>	<u>\$ 6,667,708</u>

TOOELE CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Storm Water	Totals
Cash flows provided by operating activities:		
Receipts from customers and users	\$ 448,200	\$ 448,200
Payments for operations and maintenance	(209,087)	(209,087)
Payment for interfund services provided	(25,000)	(25,000)
Payments for administration	(15,463)	(15,463)
Net cash provided by operating activities	198,650	198,650
Cash flows used by capital and related financing activities:		
Purchase of capital assets	(54,796)	(54,796)
Net cash used by capital and related financing activities	(54,796)	(54,796)
Cash flows provided by investing activities:		
Interest earned	13,912	13,912
Net cash provided by investing activities	13,912	13,912
Net increase in cash and cash equivalents	157,766	157,766
Cash and cash equivalents -- beginning of year	1,975,909	1,975,909
Cash and cash equivalents -- end of year	\$ 2,133,675	\$ 2,133,675
Cash flows provided (used) by operating activities:		
Operating income	\$ 180,921	\$ 180,921
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	107,390	107,390
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,184)	(1,184)
Increase (decrease) in liabilities:		
Accounts payable	(88,477)	(88,477)
Net cash provided by operating activities	\$ 198,650	\$ 198,650
Represented on the balance sheet as:		
Cash -- unrestricted	\$ 2,133,675	\$ 2,133,675
Cash -- restricted	-	-
	\$ 2,133,675	\$ 2,133,675
Supplemental schedule of non-cash financing and investing activities:		
Contributed capital assets from developers	\$ 98,293	\$ 98,293

TOOELE CITY CORPORATION
Combining Statement of Changes in Assets and Liabilities - Agency Fund
June 30, 2012

	<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	\$ 186,306	\$ 344,361	\$ (179,307)	\$ 351,360
Other receivables	785	-	(785)	-
Total assets	<u>\$ 187,091</u>	<u>\$ 344,361</u>	<u>\$ (180,092)</u>	<u>\$ 351,360</u>
Liabilities:				
Refunds payable and others	\$ 187,091	\$ 348,429	\$ (184,160)	\$ 351,360
Total liabilities	<u>\$ 187,091</u>	<u>\$ 348,429</u>	<u>\$ (184,160)</u>	<u>\$ 351,360</u>



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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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, 2012 and have issued our report thereon dated January 2, 2013. 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, 2012. 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 Compliance
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 and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

**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, which are described in the *Schedule of Findings and Responses*. We considered these instances of noncompliance in forming our opinion, which is expressed in the following paragraph.

In our opinion, Tooele City Corporation complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the *Schedule of Findings and Responses* as finding 2012-4.

We noted certain other matters that we reported to management of Tooele City Corporation in a separate letter dated January 2, 2013.

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 2, 2013



**Haynie &
Company**

Certified Public Accountants (a professional corporation)
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**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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 2, 2013. 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 described in the accompanying *Schedule of Findings and Responses* as findings 2012-1 and 2012-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Responses* as finding 2012-3 to be a significant deficiency.

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 finding 2012-4.

**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 2, 2013.

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 2, 2013

**TOOELE CITY CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012**

FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS

MATERIAL WEAKNESSES

2012 - 1 BOND ISSUANCE FOR GOVERNMENTAL AND PROPRIETARY FUNDS

Finding

During the fiscal year the City refunded four bonds and replaced those with new bond issuances. The transactions for these bond refundings in both the governmental and proprietary funds needed to be adjusted during the audit.

Recommendation

Management should continue to review all new bond issuance 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 bond issuances for proper financial accounting treatment.

2012 - 2 LEGAL SETTLEMENT

Finding

During the fiscal year ended 2012, the City and the City of Grantsville settled a legal dispute which resulted in a liability due from the City and payable in future years to the City of Grantsville in the amount of \$2,150,000, and was not recorded prior to the start of the audit. As a result of the legal settlement, audit adjustments were recorded to increase the liability and loss on legal settlement for the appropriate amounts.

Recommendation

Management should evaluate all 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 legal settlements at the time they occur in order to determine the appropriate accounting treatment of those transactions.

SIGNIFICANT DEFICENCY

2012 - 3 CAPITAL LEASE

Finding

During the audit, it was noted the City had entered into a leasing agreement for new accounting software and corresponding computer equipment which had a bargain purchase option attached to the lease. As a result, audit adjustments were posted to correctly record the capital leased asset and corresponding liability in the amount of \$217,000.

Recommendation

Management should perform an evaluation each year on all lease agreements to determine appropriate accounting treatment.

Response - Tooele City Corporation

We concur with the auditor's recommendation and will perform a detailed evaluation each year on the lease agreements to determine appropriate accounting treatment.

**TOOELE CITY CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012**

STATE/LEGAL COMPLIANCE FINDINGS

2012 - 4 GENERAL FUND BALANCE - STATE LEGAL COMPLIANCE

Finding

Utah State Code Section 10-6-116 (2) states: The maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. For cities, the total estimated revenue of the general fund is next year's total general fund budgeted revenue. During the audit it was noted that the City's general fund balance is out of compliance by \$138,135.

Recommendation

The City should ensure that proper training on regulations is provided. The City should also put in place procedures to promptly comply with the State requirements.

Response - Tooele City Corporation

We will closely monitor the general fund and implement procedures to bring fund balance down to be in compliance with the *Utah State Code*.