

**TOOELE CITY CORPORATION**

---

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

June 30, 2013

# TOOELE CITY CORPORATION

## Table of Contents

	<u>Page</u>
<b>Independent Auditor's Report</b>	4
<b>Management's Discussion and Analysis</b>	6
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Governmental Fund Financial Statements:	
Balance Sheet	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Depot Redevelopment Agency Special Revenue Fund	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Class "C" Road Fund Special Revenue Fund	28
Proprietary Fund Financial Statements:	
Statement of Net Position	29
Statement of Revenues, Expenses, and Changes in Fund Net Position	30
Statement of Cash Flows	31
Fiduciary Fund Financial Statements:	
Statement of Net Position	32
Statement of Changes in Net Position	33
Notes to Financial Statements	34

# TOOELE CITY CORPORATION

## Table of Contents (continued)

	<u>Page</u>
<b>Required Supplementary Information:</b>	
Postemployment Benefit Plan - Schedule of Funding Progress	56
<b>Other Supplementary Information:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds	60
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Debt Service Fund	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Major Capital Projects Fund	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Capital Projects Funds	66
Combining Statement of Net Position - Nonmajor Proprietary Funds	68
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Proprietary Funds	69
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	70
Combining Statement of Changes in Assets and Liabilities - Agency Fund	71
<b>Independent Auditor's Report on Internal Controls Over Compliance with the <i>State of Utah Legal Compliance Audit Guide</i></b>	72
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	74
<b>Schedule of Findings and Responses</b>	76



**Haynie &  
Company**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **Opinion**

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, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules 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. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering The City's internal control over financial reporting and compliance.



Salt Lake City, Utah  
December 17, 2013

**Tooele City Corporation  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

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, 2013. 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.

**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 \$155,253,603 (*net position*). Of this amount, \$18,923,601 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The City's total net position decreased by \$23,309,609 in the current year. A majority of this decrease was attributable to the recognition of a legal liability in connection with a court judgment subsequent to year end in the amount of \$20,718,202. Other declines are related to the Redevelopment Agency Depot having expenses in excess of revenues generated in the amount of \$3,888,015.
- ◆ As of the close of the current year, the Tooele City Corporation governmental funds reported combined ending fund balances of \$19,538,286, a decrease of \$2,377,243 in comparison with the prior year, attributable mainly to the decline in fund balance of the Redevelopment Agency Depot as explained above. Approximately 15.87% of this total amount, or \$3,100,215, 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 \$3,100,215, or 24.52% of total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Tooele City Corporation's basic financial statements. The City'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 the City'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 position presents information on all of the City's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 the following 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, 2013**

**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.

The City 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, Redevelopment Agency-Depot and Class "C" Road Fund, which are considered to be major funds. Data from the other seven 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.

The City 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**

The City maintains two types of proprietary funds; enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains four individual enterprise funds. Information is presented separately in the proprietary funds statement of net position and the proprietary funds statement of revenues, expenses and changes in fund net position 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.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for certain fixed assets purchased by the City and leased to the different departments. These services benefit governmental functions and as such, they have been allocated to governmental activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**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 position and statements of changes in fiduciary net position. 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 position. 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 required supplementary information (RSI) concerning the City's progress in funding its obligation to provide other post employment benefits (OPEB) to its employees. The combining statements referred to earlier, in connection with nonmajor funds and internal service funds, are presented immediately after the RSI. Also included are budget comparisons for governmental funds other than the General and Redevelopment Agency Funds.

**Government-wide financial analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$158,389,721 at the close of the most recent fiscal year.

**Tooele City Corporation  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Government-wide financial analysis (continued)**

The largest portion of the City's net position (80.60%) 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 Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current and other assets	\$ 24,468,702	\$ 26,366,559	\$ 14,029,396	\$ 12,778,962	\$ 38,498,098	\$ 39,145,521
Capital assets	<u>110,019,812</u>	<u>112,695,720</u>	<u>72,788,883</u>	<u>73,059,286</u>	<u>182,808,695</u>	<u>185,755,006</u>
<b>Total assets</b>	<u>134,488,514</u>	<u>139,062,279</u>	<u>86,818,279</u>	<u>85,838,248</u>	<u>221,306,793</u>	<u>224,900,527</u>
<b>Total deferred outflows</b>						
<b>of resources</b>	<u>443,378</u>	<u>476,631</u>	<u>258,817</u>	<u>289,941</u>	<u>702,195</u>	<u>766,572</u>
<b>Liabilities and net position:</b>						
Long-term liabilities	23,667,945	24,608,935	13,323,530	14,211,906	36,991,475	38,820,841
Other liabilities	<u>23,371,293</u>	<u>2,064,057</u>	<u>2,554,304</u>	<u>2,743,995</u>	<u>25,925,597</u>	<u>4,808,052</u>
<b>Total liabilities</b>	<u>47,039,238</u>	<u>26,672,992</u>	<u>15,877,834</u>	<u>16,955,901</u>	<u>62,917,072</u>	<u>43,628,893</u>
<b>Total deferred inflows</b>						
<b>of resources</b>	<u>3,838,313</u>	<u>3,474,994</u>	<u>-</u>	<u>-</u>	<u>3,838,313</u>	<u>3,474,994</u>
<b>Net position:</b>						
Net investment in capital assets	66,497,278	89,255,434	58,639,700	57,753,227	125,136,978	147,008,661
Restricted	4,222,029	3,410,809	6,970,995	6,367,738	11,193,024	9,778,547
Unrestricted	<u>13,335,034</u>	<u>16,724,681</u>	<u>5,588,567</u>	<u>5,051,323</u>	<u>18,923,601</u>	<u>21,776,004</u>
<b>Total net position</b>	<u>\$ 84,054,341</u>	<u>\$ 109,390,924</u>	<u>\$ 71,199,262</u>	<u>\$ 69,172,288</u>	<u>\$ 155,253,603</u>	<u>\$ 178,563,212</u>

A portion of the City's net position (7.21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,923,601, 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 position, 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 & business-type activities**

Governmental activities decreased the City's net position by \$25,336,583. Key elements of this decrease are as follows:

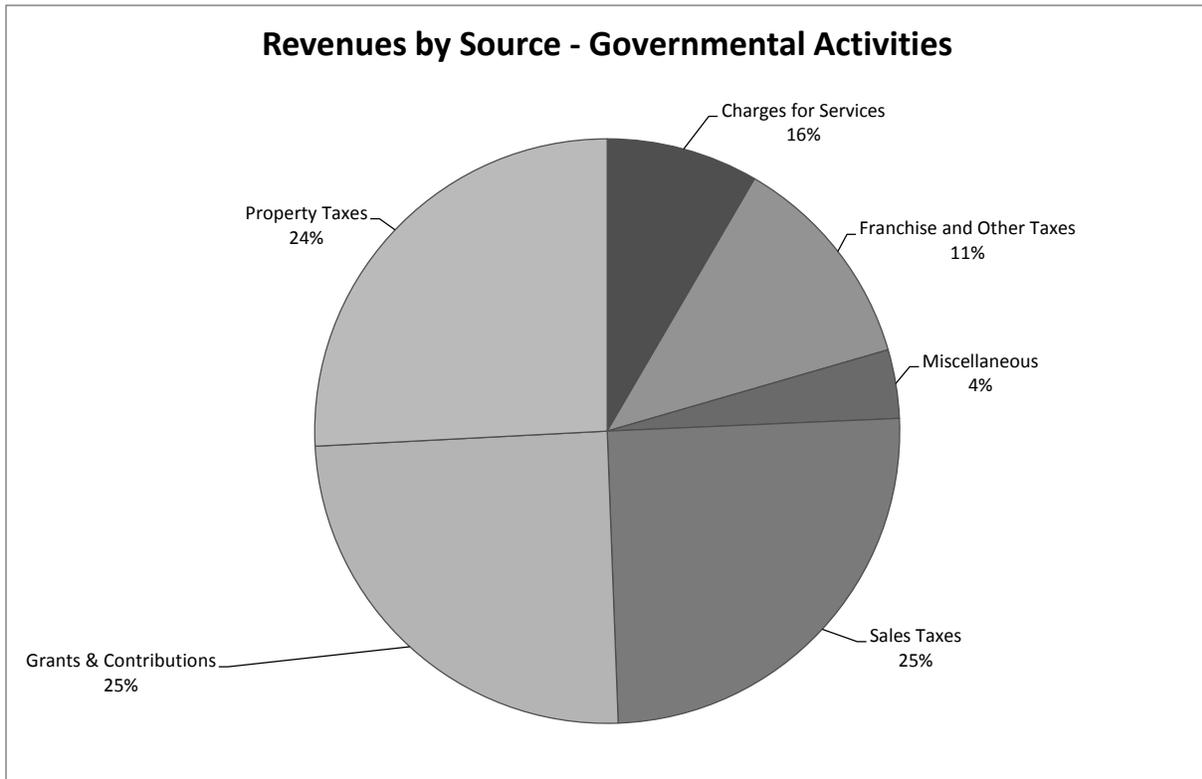
**Tooele City Corporation's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,599,426	\$ 1,579,493	\$ 8,794,908	\$ 8,740,626	\$ 10,394,334	\$ 10,320,119
Operating grants and contributions	3,956,252	1,839,906	-	-	3,956,252	1,839,906
Capital grants and contributions	756,696	613,738	438,050	313,668	1,194,746	927,406
<b>General revenues:</b>						
Taxes	11,989,003	11,292,520	-	-	11,989,003	11,292,520
Earnings on investments	116,520	144,159	72,439	93,517	188,959	237,676
Impact fees	215,092	120,367	678,911	290,421	894,003	410,788
Investment income	1,948	-	-	-	1,948	-
Gain on sale of capital assets	12,468	25,431	54,629	16,985	67,097	42,416
Gain on sale of water rights	-	-	129,913	100	129,913	100
Miscellaneous	<u>377,658</u>	<u>317,445</u>	<u>3,716</u>	<u>50</u>	<u>381,374</u>	<u>317,495</u>
<b>Total revenues</b>	<u>\$ 19,025,063</u>	<u>\$ 15,933,059</u>	<u>\$ 10,172,566</u>	<u>\$ 9,455,367</u>	<u>\$ 29,197,629</u>	<u>\$ 25,388,426</u>

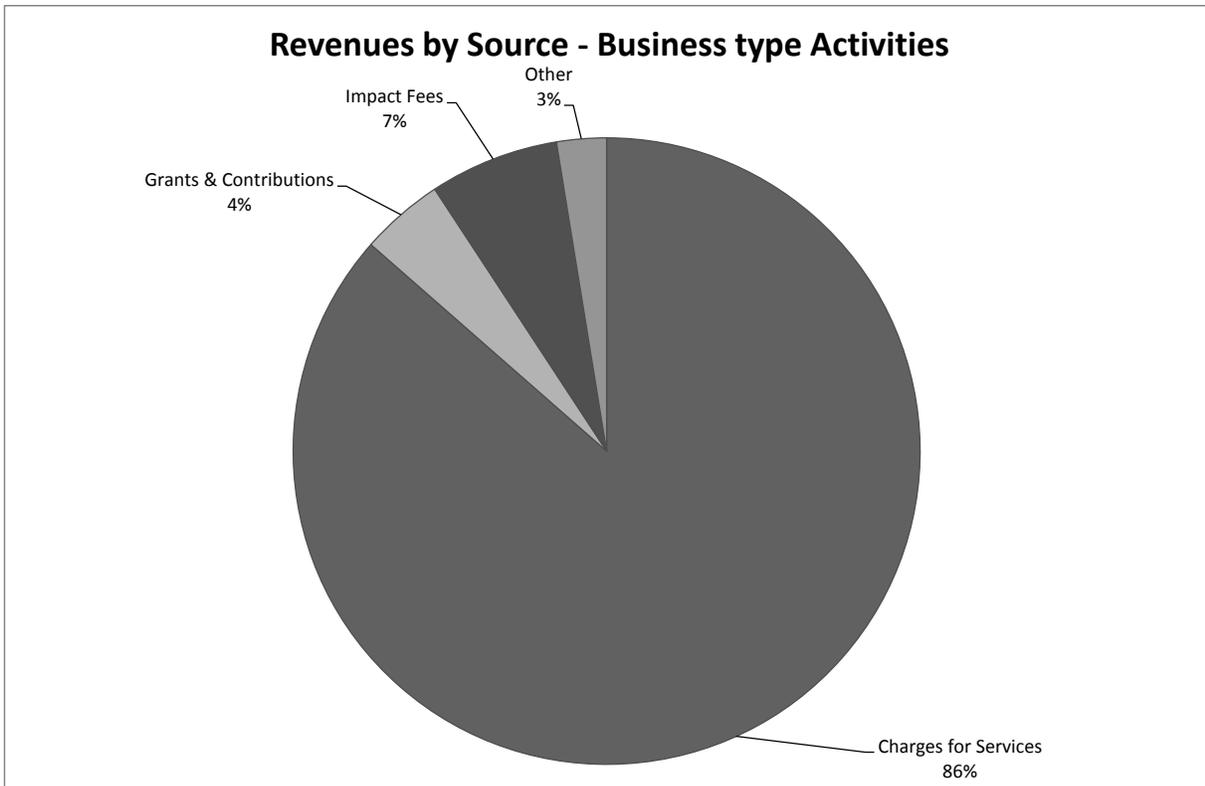
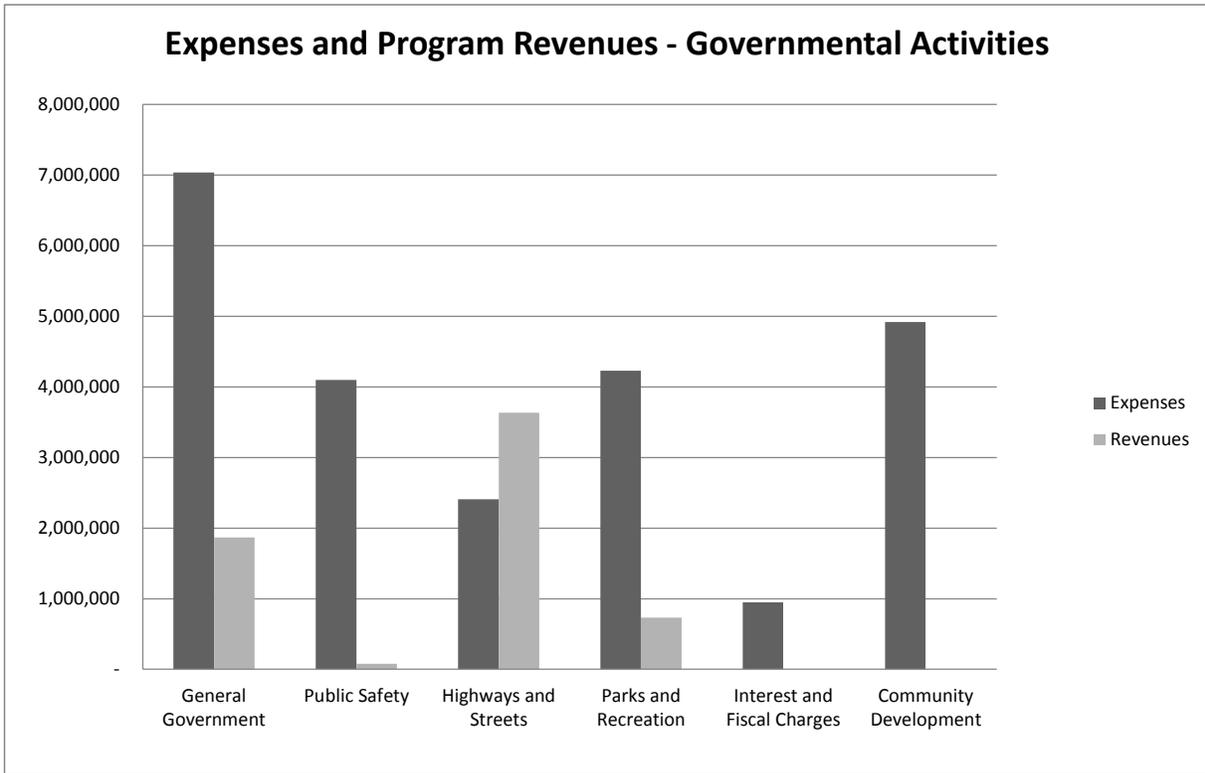
**Tooele City Corporation**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**

**Tooele City Corporation's Changes in Net Position (continued)**

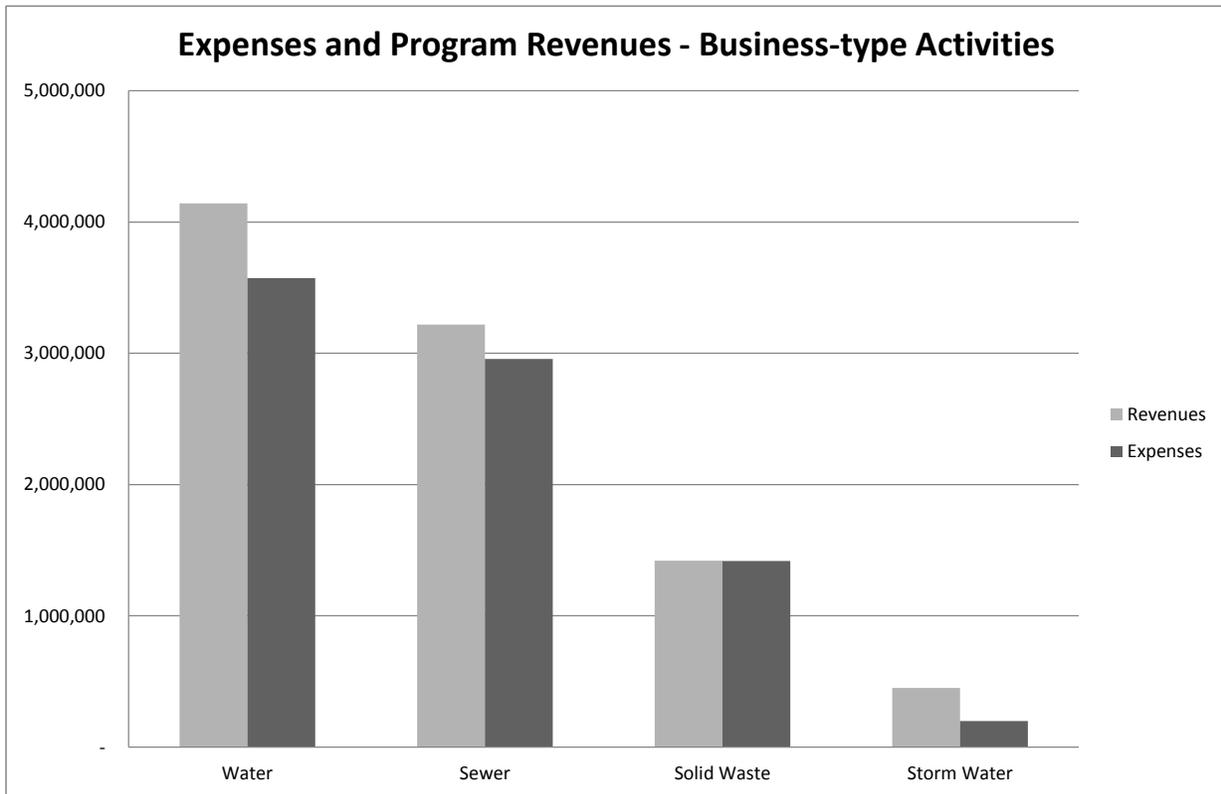
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Expenses:</b>						
General government	\$ 7,038,693	\$ 8,813,463	\$ -	\$ -	\$ 7,038,693	\$ 8,813,463
Public safety	4,100,185	3,796,234	-	-	4,100,185	3,796,234
Highways and streets	2,406,656	2,841,029	-	-	2,406,656	2,841,029
Parks and recreation	4,229,326	3,918,700	-	-	4,229,326	3,918,700
Community development	4,919,840	2,076,852	-	-	4,919,840	2,076,852
Interest on debt	948,744	604,841	-	-	948,744	604,841
Loss on legal settlement	20,718,202	-	-	-	20,718,202	-
Water	-	-	3,571,540	3,464,375	3,571,540	3,464,375
Sewer	-	-	2,956,694	2,521,954	2,956,694	2,521,954
Solid waste	-	-	1,419,007	1,347,466	1,419,007	1,347,466
Storm water	-	-	198,351	268,463	198,351	268,463
<b>Total expenses</b>	<b>44,361,646</b>	<b>22,051,119</b>	<b>8,145,592</b>	<b>7,602,258</b>	<b>52,507,238</b>	<b>29,653,377</b>
Transfers	-	-	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>(25,336,583)</b>	<b>(6,118,060)</b>	<b>2,026,974</b>	<b>1,853,109</b>	<b>(23,309,609)</b>	<b>(4,264,951)</b>
<b>Net position - beginning</b>	<b>109,390,924</b>	<b>116,459,672</b>	<b>69,172,288</b>	<b>67,594,169</b>	<b>178,563,212</b>	<b>184,053,841</b>
<b>Prior period adjustment (note 19)</b>	<b>-</b>	<b>(950,688)</b>	<b>-</b>	<b>(274,990)</b>	<b>-</b>	<b>(1,225,678)</b>
<b>Net position - ending</b>	<b>\$ 84,054,341</b>	<b>\$ 109,390,924</b>	<b>\$ 71,199,262</b>	<b>\$ 69,172,288</b>	<b>\$ 155,253,603</b>	<b>\$ 178,563,212</b>



**Tooele City Corporation**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**



**Tooele City Corporation  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**



**Key Principal Highlights:**

- ◆ Charges for services increased by \$517,888 over the prior year.
- ◆ Operating grants increased by \$2,035,754 over the prior year.
- ◆ Capital grants and contributions increased by \$797,759 due mainly to an increase in contributions received from developers.
- ◆ Property taxes increased by \$701,082 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, 2013**

**Governmental funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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, 2013, the City's governmental funds reported a combined ending fund balance of \$19,538,286, a decrease of \$2,377,243 from the prior year. A balance of \$15,314,507 (78.38%) is available for spending at the government's discretion; however, \$12,214,292 has been assigned by the City Manager for subsequent years' capital expenditures and other uses, leaving an unassigned amount of \$3,100,215. The remaining \$4,223,779 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 (\$868,538), 2) park development (\$484,119), 3) recreation and arts programs (\$696,290), 4) debt service (\$900,208) and 5) road construction, maintenance and preservation (\$1,272,874).

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 \$3,100,215. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$12,642,098 (24.52% or 90 calendar days). The fund balance of the City's General Fund increased \$126,758 during the current fiscal year. This represents a 4.18% change in fund balance. The increase consisted of 1) a 4.56% increase in revenues of \$591,169 offset by a 6.08% increase in expenditures of \$724,379, 2) a \$12,468 increase in proceeds from the sale of capital assets, 3) a decrease of \$406,536 in transfers out, and 4) the \$527,278 decrease in closing out last year's fund balance.

**Proprietary funds**

Unrestricted net position of the Water, Sewer, and Garbage Utility funds (all Major) at the end of the year were \$231,894, \$1,283,603, and \$1,539,886, respectively. The increase in total net position was \$1,016,384, \$735,941, and \$8,701 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 \$12,579,579 to a final budget of \$13,220,639, an increase of \$641,060. These increases can be briefly summarized as follows:

\$600,000 increase in tax revenues  
\$41,060 increase in intergovernmental revenues charged from other City funds.

The General Fund's original budget was also amended from an original budget of transfers out of \$121,772 to a final budget of \$1,092,358, an increase of \$970,586. 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, 2013 amounts to \$182,808,695 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 decrease in the City's investment in capital assets for governmental and business-type activities for the current year was a result of purchases of fixed assets in the amount of \$4,205,627 offset by depreciation expense in the amount of \$7,151,938, which is attributable to the City acquiring less new fixed assets during the fiscal year than depreciation expense.

**Tooele City Corporation**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**

**Capital Assets (continued)**

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

- ◆ Improvements other than buildings additions of \$1,553,615
- ◆ Machinery and equipment additions of \$154,978.
- ◆ Automobile and truck purchases of \$145,861, and deletions of fully depreciated assets of \$37,476.
- ◆ Office furniture and equipment additions of \$151,508.
- ◆ Infrastructure additions of \$1,542,096 from acquisitions and contributions.
- ◆ Depreciation of infrastructure assets of \$4,023,081

**Tooele City Corporation's Capital Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Investment in water stock	\$ -	\$ -	\$ 93,184	\$ 93,184	\$ 93,184	\$ 93,184
Land	6,508,605	6,508,605	3,579,749	3,579,749	10,088,354	10,088,354
Infrastructure	85,017,457	87,415,763	4,120,405	4,203,084	89,137,862	91,618,847
Buildings	9,764,780	10,126,026	3,354,226	3,500,943	13,119,006	13,626,969
Construction in progress	-	-	3,579,831	2,922,262	3,579,831	2,922,262
Equipment under capital lease, net	130,200	173,600	-	-	130,200	173,600
Improvements other than buildings	6,987,472	6,865,455	52,613,081	53,254,887	59,600,553	60,120,342
Machinery and equipment	308,706	319,235	214,449	243,557	523,155	562,792
Automobiles and trucks	1,185,441	1,261,183	88,138	115,609	1,273,579	1,376,792
Office furniture and equipment	117,151	25,853	-	191	117,151	26,044
Water rights	-	-	5,145,820	5,145,820	5,145,820	5,145,820
Total	<u>\$ 110,019,812</u>	<u>\$ 112,695,720</u>	<u>\$ 72,788,883</u>	<u>\$ 73,059,286</u>	<u>\$ 182,808,695</u>	<u>\$ 185,755,006</u>

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

**Long-term debt**

At the end of the current year, the City had total debt outstanding of \$60,527,767. The debt consists of the following:

**Tooele City Corporation's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenue bonds payable	\$ 20,391,000	\$ 21,211,000	\$ 14,408,000	\$ 15,596,000	\$ 34,799,000	\$ 36,807,000
Net OPEB obligations	810,878	607,703	35,834	26,855	846,712	634,558
Note payable	750,000	750,000	-	-	750,000	750,000
Obligations under capital leases	133,868	170,626	-	-	133,868	170,626
Grantsville legal Settlement	2,150,000	2,150,000	-	-	2,150,000	2,150,000
Tooele associates legal settlement	20,718,202	-	-	-	20,718,202	-
Compensated absences	489,447	445,865	67,696	66,992	557,143	512,857
Deferred amounts:						
Unamortized bond premiums	<u>572,842</u>	<u>604,908</u>	<u>-</u>	<u>-</u>	<u>572,842</u>	<u>604,908</u>
Total	<u>\$ 46,016,237</u>	<u>\$ 25,940,102</u>	<u>\$ 14,511,530</u>	<u>\$ 15,689,847</u>	<u>\$ 60,527,767</u>	<u>\$ 41,629,949</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 \$43,948,084 for all general obligation bonds. As of June 30, 2013 and 2012 the City recorded a loss of defeasance of bonds in the amount of \$702,195 and \$766,572, respectively, which is recorded as a deferred outflow of resources in the accompanying statement of net position.

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, 2013**

**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 2013-2014 fiscal year.

**Legal Settlement**

The Tooele Associates versus Tooele City Corporation lawsuit received judgment which was entered against Tooele City Corporation on November 8, 2013 in the amount of \$20,718,202. As of June 30, 2013, the total amount of the judgment has been accrued in the accompanying financial statements as a recognized subsequent event in accordance with accounting principles generally accepted in the United States of America. See pages 15 to 18 for further explanation of the judgment against the City and the City's response to the judgment.

**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.

November 20, 2013

What follows is a general letter from the Tooele City Mayor and City Council to Tooele City Residents regarding the Tooele Associates v. Tooele City lawsuit. The lawsuit has experienced an active procedural history in the more than four years since that letter was mailed. Based on internal conflicts within the Special Verdict Form, Third District Court Judge Ronald Skanchy declared a mistrial and threw out the \$20,680,000 verdict. In August 2012, the Court of Appeals reinstated the verdict and remanded the case to the District Court for entry of judgment. Tooele City filed Motions for New Trial and for Judgment Notwithstanding the Verdict (JNOV), both of which were denied in District Court decisions dated August 19 and October 8, 2013. The District Court denied Plaintiff's requests for pre-judgment interest of approximately \$9 million, and for attorneys fees. Judgment was finally entered against Tooele City on November 8, 2013, in the amount of \$20,718,202.30.

The Tooele City Mayor and City Council unanimously believe that the Judgment is legally insupportable and that Tooele City's pre-trial and post-trial motions were improperly denied. Tooele City intends to vigorously pursue all available appeals in order to protect Tooele City residents and to correct what City officials are convinced was an improper, unfair, and unjust result to the lawsuit.

General Letter to Tooele City Residents:

*August 2009*

*RE: The Truth About the Tooele Associates Lawsuits*

*Dear Fellow Tooele City Residents:*

*We know you are busy, but we wanted to take some time to discuss with you the truth about the Tooele Associates' Lawsuits. This subject is a matter of extreme importance to us, and we believe it is of extreme importance to you as well. As you know, Drew Hall, the manager of Tooele Associates, has recently published full-page ads criticizing the City Council, the Mayor and City staff for their supposed "bad treatment" of Tooele Associates, and for the results of the June 2009 jury trial. We are keenly aware of our obligations to you, our constituents and fellow citizens, and believe that you should know the truth about the Tooele Associates' lawsuits and the relationship we have had with Mr. Hall and his company. Hopefully it will not surprise you to learn that the truth is something entirely different than what Mr. Hall's ads say.*

*Tooele City and Tooele Associates executed a Development Agreement in December of 1997, and during the first few years of the parties' dealings the relationship went fairly smoothly. Unfortunately, that all changed in 2002 and, since that time, Tooele Associates has*

*filed six separate lawsuits against Tooele City which you, the taxpayers, have had to pay to defend. The City's intention in fighting the law suits has been only to defend itself, **and to defend you and your hard earned tax dollars**, against these attacks.*

*In the main lawsuit which resulted in the recent jury verdict, Tooele Associates originally claimed that the City breached the Overlake Development Agreement by not reserving for Overlake all park impact fees collected from Overlake. In essence, Mr. Hall and Tooele Associates claimed that impact fees generated from home construction in Overlake could not be used for park facilities outside of Overlake, such as to assist with financing of the swimming pool, even though Overlake residents would benefit from such facilities. In 2004, the Court rejected this claim. Tooele Associates then filed new claims which, in summary, blamed the City for the slow-down in Overlake lot sales.*

*Another lawsuit involves subdivision requests that the City Council rejected because they didn't comply with City ordinances and the Overlake Development Agreement. A third lawsuit involves a pipeline which Tooele City had plans to use for delivery of secondary water. Yet another involves the fees the City charges to inspect public infrastructure improvements (streets, sidewalks, sewer and water pipes, etc.).*

*We did not decide to defend against Tooele Associates' claims because we are arrogant or stubborn, and we certainly have always recognized our duty to protect the public's money to make wise decisions. Indeed, that is perhaps our primary responsibility as elected officials. The truth is that we were forced to defend Tooele City and you, the taxpayer, from Tooele Associates' astronomical demands which if accepted by us would have harmed us all for generations. Let us give you just a few examples of what we are talking about. In the main lawsuit that Mr. Hall has been writing about in his full page ads, Tooele Associates initially claimed the City should pay, without any evidence, lost profits of more than \$67 million. Later, Tooele Associates claimed over \$200 million in lost profits, again without any proof. It would have been irresponsible for your elected officials to not defend against these claims, subjecting you to paying \$67-\$200 million in alleged damages simply because Mr. Hall and Tooele Associates claimed that Tooele City had harmed Overlake.*

*It was only after the main lawsuit was filed that the City asserted claims against Tooele Associates for breach of the Development Agreement. Before that, we tried our best to get Tooele Associates to voluntarily live up to its obligations, but to no avail. Moreover, Utah law required the City to make those claims or lose them. It is important to remember that during the June 2009 trial, the jury found that **Tooele Associates breached the Development Agreement and other agreements** by failing to complete required public infrastructure improvements in Overlake, such as streets (just take a drive down 400 West), and by failing to pay for water used to irrigate the Overlake Golf Course. On those claims, the jury found that the City sustained \$1,820,000 in losses due to Tooele Associates' breaches.*

*Tooele Associates has claimed that the City stopped growth in Overlake. The City has never attempted to stop growth in Overlake or anywhere else, but has only sought to encourage responsible, managed growth. Rather than any City action, the City's investigation into Tooele Associates' claims revealed that the slow sales in Overlake were due to events outside the City's control. For example:*

- *In an effort to reduce its property taxes, Tooele Associates told Tooele County and State of Utah tax authorities that the slow-down in Overlake was due to such circumstances as "National & local recession," "Increase in Tooele unemployment," "Delays in completion of SR36," and \$6.4 million in "Development losses on adjacent property". As a result of those circumstances, Tooele Associates declared, "The owners have no plans for development of any portion of the 2,235 acres." Tooele Associates represented that much of the Overlake property would not be developed until 2050, while the Development Agreement would end no later than 2017.*
- *Due to its own financial difficulties, for every lot Tooele Associates sold, Tooele Associates lost, on average, over \$20,000. Because of its poor performance, **Tooele Associates' partners decided in July 2001 to stop all new residential development in Overlake.** In 2002, Tooele Associates sold off all but 55 acres of its undeveloped property.*
- *Tooele Associates has claimed that the City is responsible for over \$200 million in lost profits. When it had to finally prove its losses, however, the most that its hired experts could claim was about \$10 million. Even the \$10 million is speculative. Although the jury found damages to Tooele Associates, we believe the jury verdict is based on totally speculative evidence, and will be asking the Court to not require the City to pay that amount.*

*Mr. Hall's recent full page attacks claim that the City and its leaders refuse to meet and discuss a reasonable settlement of all claims. Those claims are simply not true. The fact of the matter is that the City met with Tooele Associates several times prior to trial to discuss settlement. In those discussions the City made various offers to settle which were always rejected as being too low (even though some of the offers approached or even exceeded the recent jury award for Tooele Associates). The City simply was not willing to settle for more than Tooele Associates could win in court. To pay Tooele Associates more than that would be to "give away the farm" and betray the taxpayer trust.*

*Moreover, we still remain willing to try and resolve our disputes with Tooele Associates, provided any resolution is fair to our citizens. After the June 2009 trial, Tooele Associates demanded that the City not only pay millions of dollars, but also enter into a new 40-year development agreement with provisions for free culinary water for thousands of new homes. The City estimates Tooele Associates' demands to be worth more than \$170 million. In addition, the*

City would have to give up virtually all zoning, site design, and building design control in Overlake. While the City agreed to meet and discuss a reasonable settlement, the City found that Tooele Associates' demands were unreasonable, and rejected them.

In light of Tooele Associates' \$170 million settlement demand and its unwillingness to negotiate a resolution that is more in line with the practical realities of the situation, we believe that the best way to protect your interest and the interest of the City is to ask the Court to require the City to pay none of the losses found by the jury. If the Court is unwilling to do so, the City will appeal the verdict to the Utah Supreme Court. This appears to be the least cost option and the best way to protect Tooele citizens from Tooele Associates' litigious attacks.

Mr. Hall addresses his full-page ads to his "fellow citizens," but he is not a resident of Tooele and does not have your best interests in mind. If Mr. Hall were truly concerned for you, he wouldn't have tried in court to fleece the City out of more than \$200 million. Mr. Hall has forced the City to pay about \$3.6 million in attorney fees and court costs over seven years of six separate lawsuits; all of which were started by Tooele Associates. Tooele Associates has repeatedly demanded that the City settle the lawsuits for more than Tooele Associates could ever win in court. Rather than Mr. Hall, the City Council and Mayor are your fellow citizens who are simply trying to make the best decisions they can for the City. Unlike Mr. Hall, we have nothing personally to gain in Tooele Associates' lawsuits against the City.

Rather than concern for Tooele citizens and taxpayers, Mr. Hall pays for full-page ad space for self-serving reasons. If Mr. Hall were satisfied with the jury verdict and what he could recover in court, he would have no need to pay for full-page ad space. Instead, Mr. Hall is apparently either unhappy with the jury verdict or afraid that it will be reduced or overturned on appeal. Clearly, Mr. Hall is trying to pressure the City to accept his unreasonable settlement demands and to influence the citizens' views of their elected leaders.

Should you have further questions, please contact one of us or visit the City's website [www.tooelecity.org](http://www.tooelecity.org) for periodic updates.

Sincerely,

/s/

Patrick H. Dunlavy, Mayor

Steven Pruden, City Council Chair

Michael R. Johnson, Councilman

John Hansen, Councilman

Scott Wardle, Councilman

David McCall, Councilman

## **BASIC FINANCIAL STATEMENTS**

**TOOELE CITY CORPORATION**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 14,948,122	\$ 11,336,049	\$ 26,284,171
Receivables:			
Accounts, net	2,580	1,267,502	1,270,082
Assessments	71,166	-	71,166
Taxes	4,988,424	-	4,988,424
Intergovernmental	381,819	-	381,819
Other	104,388	-	104,388
Shop inventory	1,750	-	1,750
Restricted assets:			
Cash and cash equivalents	3,970,453	1,425,845	5,396,298
Capital assets not being depreciated	6,508,605	16,737,551	23,246,156
Capital assets being depreciated, net	103,511,207	56,051,332	159,562,539
<b>Total assets</b>	<b>134,488,514</b>	<b>86,818,279</b>	<b>221,306,793</b>
<b>Deferred outflows of resources:</b>			
Deferred charge on bond refunding	443,378	258,817	702,195
<b>Total deferred outflows of resources</b>	<b>443,378</b>	<b>258,817</b>	<b>702,195</b>
<b>Liabilities:</b>			
Accounts payable	644,169	833,011	1,477,180
Accrued liabilities	196,743	20,706	217,449
Accrued interest payable	182,089	203,067	385,156
Unearned revenue	-	97,144	97,144
Customer deposits	-	212,376	212,376
Long-term liabilities:			
Due or payable within one year	22,348,292	1,221,000	23,569,292
Due or payable after one year	23,667,945	13,290,530	36,958,475
<b>Total liabilities</b>	<b>47,039,238</b>	<b>15,877,834</b>	<b>62,917,072</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	3,838,313	-	3,838,313
<b>Total deferred inflows of resources</b>	<b>3,838,313</b>	<b>-</b>	<b>3,838,313</b>
<b>Net position:</b>			
Net investment in capital assets	66,497,278	58,639,700	125,136,978
Restricted for:			
Public safety	868,538	-	868,538
Park development	484,119	-	484,119
Recreation and arts	696,290	-	696,290
Debt service	900,208	1,425,846	2,326,054
Roads	1,272,874	-	1,272,874
Impact fees	-	5,545,149	5,545,149
Unrestricted	13,335,034	5,588,567	18,923,601
<b>Total net position</b>	<b>\$ 84,054,341</b>	<b>\$ 71,199,262</b>	<b>\$ 155,253,603</b>

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, 2013**

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
<b>Governmental activities:</b>							
General government	\$ 7,038,693	\$ 788,109	\$ 378,271	\$ 699,362	\$ (5,172,951)	\$ -	\$ (5,172,951)
Public safety	4,100,185	77,670	-	-	(4,022,515)	-	(4,022,515)
Highways and streets	2,406,656	-	3,577,981	57,334	1,228,659	-	1,228,659
Parks and recreation	4,229,326	733,647	-	-	(3,495,679)	-	(3,495,679)
Community development	4,919,840	-	-	-	(4,919,840)	-	(4,919,840)
Interest and fiscal charges	948,744	-	-	-	(948,744)	-	(948,744)
<b>Total governmental activities</b>	<b>23,643,444</b>	<b>1,599,426</b>	<b>3,956,252</b>	<b>756,696</b>	<b>(17,331,070)</b>	<b>-</b>	<b>(17,331,070)</b>
<b>Business-type activities:</b>							
Water	3,571,540	4,137,428	-	5,260	-	571,148	571,148
Sewer	2,956,694	2,786,056	-	432,790	-	262,152	262,152
Solid waste	1,419,007	1,419,617	-	-	-	610	610
Storm water	198,351	451,807	-	-	-	253,456	253,456
<b>Total business-type activities</b>	<b>8,145,592</b>	<b>8,794,908</b>	<b>-</b>	<b>438,050</b>	<b>-</b>	<b>1,087,366</b>	<b>1,087,366</b>
<b>Total primary government</b>	<b>\$ 31,789,036</b>	<b>\$ 10,394,334</b>	<b>\$ 3,956,252</b>	<b>\$ 1,194,746</b>	<b>(17,331,070)</b>	<b>1,087,366</b>	<b>(16,243,704)</b>
General revenue:							
Taxes:							
Property taxes					4,912,663	-	4,912,663
Sales taxes					4,774,039	-	4,774,039
Franchise taxes					1,741,918	-	1,741,918
Other taxes					560,383	-	560,383
Earnings on investments					116,520	72,439	188,959
Impact fees, net					215,092	678,911	894,003
Investment income					1,948	-	1,948
Gain on sale of capital assets					12,468	54,629	67,097
Gain on sale of water rights					-	129,913	129,913
Miscellaneous					377,658	3,716	381,374
Special items - loss on legal settlement					(20,718,202)	-	(20,718,202)
<b>Total general revenues and special items</b>					<b>(8,005,513)</b>	<b>939,608</b>	<b>(7,065,905)</b>
Change in net position					(25,336,583)	2,026,974	(23,309,609)
<b>Net position, beginning</b>					<b>110,341,612</b>	<b>69,447,278</b>	<b>179,788,890</b>
<b>Prior period adjustment (see note 19)</b>					<b>(950,688)</b>	<b>(274,990)</b>	<b>(1,225,678)</b>
<b>Net position, ending</b>					<b>\$ 84,054,341</b>	<b>\$ 71,199,262</b>	<b>\$ 155,253,603</b>

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

**TOOELE CITY CORPORATION**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	Depot				Nonmajor	Total
	General	Redevelopment	Capital	Class "C"	Governmental	Governmental
	Fund	Agency	Projects Fund	Road Fund	Funds	Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 2,195,921	\$ 4,461,348	\$ 6,693,894	\$ -	\$ 1,345,768	\$ 14,696,931
Receivables:						
Accounts	2,580	-	-	-	-	2,580
Assessments	-	-	-	-	71,166	71,166
Taxes	3,488,424	1,340,000	-	-	160,000	4,988,424
Intergovernmental receivable	43,955	-	-	337,864	-	381,819
Other	104,388	-	-	-	-	104,388
Inventories-golf course	1,750	-	-	-	-	1,750
Restricted cash and investments	62,398	42,031	-	1,595,724	2,270,300	3,970,453
<b>Total assets</b>	<u>5,899,416</u>	<u>5,843,379</u>	<u>6,693,894</u>	<u>1,933,588</u>	<u>3,847,234</u>	<u>24,217,511</u>
<b>Liabilities:</b>						
Accounts payable	206,572	269,551	15,327	152,719	-	644,169
Accrued liabilities	194,903	1,300	-	-	540	196,743
<b>Total liabilities</b>	<u>401,475</u>	<u>270,851</u>	<u>15,327</u>	<u>152,719</u>	<u>540</u>	<u>840,912</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - property taxes	2,338,313	1,340,000	-	-	160,000	3,838,313
<b>Total deferred inflows of resources</b>	<u>2,338,313</u>	<u>1,340,000</u>	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>3,838,313</u>
<b>Fund balances:</b>						
Nonspendable						
Inventories-golf course	1,750	-	-	-	-	1,750
Restricted						
Public safety	-	-	-	-	868,538	868,538
Park development	-	-	-	-	484,119	484,119
Recreation and arts	-	-	-	-	696,290	696,290
Debt service	57,663	42,031	-	507,995	292,519	900,208
Roads	-	-	-	1,272,874	-	1,272,874
Assigned						
Capital projects	-	-	6,678,567	-	-	6,678,567
Redevelopment agency projects	-	4,190,497	-	-	443,774	4,634,271
Debt service fund	-	-	-	-	901,454	901,454
Unassigned						
General fund	3,100,215	-	-	-	-	3,100,215
<b>Total fund balances</b>	<u>3,159,628</u>	<u>4,232,528</u>	<u>6,678,567</u>	<u>1,780,869</u>	<u>3,686,694</u>	<u>19,538,286</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 5,899,416</u>	<u>\$ 5,843,379</u>	<u>\$ 6,693,894</u>	<u>\$ 1,933,588</u>	<u>\$ 3,847,234</u>	<u>\$ 24,217,511</u>

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, 2013**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 19,538,286</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the individual funds.	110,019,812
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 position.	251,191
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(182,089)
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 position. Those liabilities consist of:	
General obligation bonds, net of unamortized deferrals of premiums and discounts	(20,520,464)
Obligations under capital leases	(133,868)
Grantsville legal settlement liability	(2,150,000)
Tooele Associates legal settlement liability	(20,718,202)
Note payable	(750,000)
Compensated absences payable	(489,447)
Net OPEB obligations	<u>(810,878)</u>
<b>Total Net Position - Government Activities</b>	<b><u>\$ 84,054,341</u></b>

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**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	General Fund	Depot	Capital Projects Fund	Class "C" Road Fund	Nonmajor	Total
		Redevelopment Agency			Governmental Funds	Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 10,132,089	\$ 1,339,251	\$ -	\$ -	\$ 517,663	\$ 11,989,003
Licenses and permits	247,584	-	-	-	-	247,584
Intergovernmental and grant revenue	349,771	-	28,500	3,577,981	-	3,956,252
Charges for services	2,441,393	-	-	-	-	2,441,393
Fines and forfeitures	85,477	-	-	-	-	85,477
Interest income	2,101	23,280	33,050	16,495	41,594	116,520
Impact fees	-	-	-	-	215,092	215,092
Interfund charges	285,022	-	-	-	-	285,022
Miscellaneous revenues	21,159	-	-	-	23,438	44,597
Rental income	1,321	-	-	-	564,023	565,344
<b>Total revenues</b>	<b>13,565,917</b>	<b>1,362,531</b>	<b>61,550</b>	<b>3,594,476</b>	<b>1,361,810</b>	<b>19,946,284</b>
<b>EXPENDITURES:</b>						
General government	3,458,446	395,012	-	1,844	234,576	4,089,878
Public safety	3,862,562	-	-	-	-	3,862,562
Highways and streets	1,392,860	-	-	887,593	-	2,280,453
Parks and recreation	3,834,624	-	-	-	-	3,834,624
Community development	-	4,919,840	-	-	-	4,919,840
Capital outlay:						
Capital projects	93,606	-	441,717	1,451,601	93,974	2,080,898
Debt service:						
Principal - bonds	-	-	-	-	998,822	998,822
Principal - capital lease	-	-	36,758	-	-	36,758
Interest	-	-	17,250	-	906,072	923,322
Trustee fees	-	-	-	-	8,200	8,200
<b>Total expenditures</b>	<b>12,642,098</b>	<b>5,314,852</b>	<b>495,725</b>	<b>2,341,038</b>	<b>2,241,644</b>	<b>23,035,357</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>923,819</b>	<b>(3,952,321)</b>	<b>(434,175)</b>	<b>1,253,438</b>	<b>(879,834)</b>	<b>(3,089,073)</b>
<b>Other financing sources (uses) including transfers:</b>						
Operating transfers in	220,586	-	970,586	-	1,853,081	3,044,253
Operating transfers (out)	(1,032,984)	(621,387)	-	(619,690)	(770,192)	(3,044,253)
Private contributions	2,869	685,693	10,800	-	-	699,362
Proceeds from sale of equipment	12,468	-	-	-	-	12,468
<b>Total other financing sources (uses) including transfers:</b>	<b>(797,061)</b>	<b>64,306</b>	<b>981,386</b>	<b>(619,690)</b>	<b>1,082,889</b>	<b>711,830</b>
<b>Net change in fund balances</b>	<b>126,758</b>	<b>(3,888,015)</b>	<b>547,211</b>	<b>633,748</b>	<b>203,055</b>	<b>(2,377,243)</b>
<b>Fund balances, beginning of year</b>	<b>3,032,870</b>	<b>8,120,543</b>	<b>6,131,356</b>	<b>1,147,121</b>	<b>3,605,837</b>	<b>22,037,727</b>
<b>Prior period adjustment (note 19)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(122,198)</b>	<b>(122,198)</b>
<b>Fund balances, end of year</b>	<b>\$ 3,159,628</b>	<b>\$ 4,232,528</b>	<b>\$ 6,678,567</b>	<b>\$ 1,780,869</b>	<b>\$ 3,686,694</b>	<b>\$ 19,538,286</b>

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, 2013**

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

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,377,243)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. 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. This is the amount by which depreciation exceeded capital outlays in the current period. (2,842,668)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to increase net assets. (12,468)

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

Accrued interest on bonds	(24,235)
Principal retirement - bonds	820,000
Principal retirement - capital lease obligations	36,758
Amortization of bond premiums	32,066
Amortization of bond refunding	(33,253)

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. (20,718,202)

The net revenue of certain activates of internal service funds is reported within the governmental activities 29,419

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. (43,582)

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. (203,175)

**Change in Net Position of Governmental Activities** \$ (25,336,583)

**TOOELE CITY CORPORATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 9,284,500	\$ 9,884,500	\$ 10,132,089	\$ 247,589
Licenses and permits	162,250	162,250	247,584	85,334
Intergovernmental revenues	332,745	373,805	349,771	(24,034)
Charges for services	2,417,510	2,417,510	2,441,393	23,883
Fines and forfeitures	80,100	80,100	85,477	5,377
Interest income	10,000	10,000	2,101	(7,899)
Interfund charges	285,024	285,024	285,022	(2)
Miscellaneous revenues	7,450	7,450	21,159	13,709
Rental income	-	-	1,321	1,321
<b>Total revenues</b>	<u>12,579,579</u>	<u>13,220,639</u>	<u>13,565,917</u>	<u>345,278</u>
<b>Expenditures:</b>				
General government	3,634,283	3,634,283	3,458,446	175,837
Public safety	4,111,748	4,103,748	3,862,562	241,186
Highways and streets	1,591,854	1,591,854	1,392,860	198,994
Parks and recreation	3,952,298	3,995,758	3,834,624	161,134
Capital outlay	122,000	130,000	93,606	36,394
<b>Total expenditures</b>	<u>13,412,183</u>	<u>13,455,643</u>	<u>12,642,098</u>	<u>813,545</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(832,604)</u>	<u>(235,004)</u>	<u>923,819</u>	<u>1,158,823</u>
<b>Other financing sources (uses) including transfers:</b>				
Operating transfers in	-	220,586	220,586	-
Operating transfers (out)	(121,772)	(1,092,358)	(1,032,984)	59,374
Private contributions	-	2,400	2,869	469
Proceeds on sale of assets	1,000	1,000	12,468	11,468
<b>Total other financing sources (uses) including transfers:</b>	<u>(120,772)</u>	<u>(868,372)</u>	<u>(797,061)</u>	<u>71,311</u>
<b>Net change in fund balance</b>	(953,376)	(1,103,376)	126,758	1,230,134
<b>Fund balance, beginning of year</b>	<u>3,032,870</u>	<u>3,032,870</u>	<u>3,032,870</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,079,494</u>	<u>\$ 1,929,494</u>	<u>\$ 3,159,628</u>	<u>\$ 1,230,134</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,339,251	\$ (160,749)
Interest income	70,000	70,000	23,280	(46,720)
<b>Total revenues</b>	<u>1,570,000</u>	<u>1,570,000</u>	<u>1,362,531</u>	<u>(207,469)</u>
<b>Expenditures:</b>				
General government	501,021	501,021	395,012	106,009
Community development	4,975,000	4,975,000	4,919,840	55,160
<b>Total expenditures</b>	<u>5,476,021</u>	<u>5,476,021</u>	<u>5,314,852</u>	<u>161,169</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,906,021)</u>	<u>(3,906,021)</u>	<u>(3,952,321)</u>	<u>(46,300)</u>
<b>Other financing sources (uses) including transfers:</b>				
Operating transfers out	(400,801)	(621,387)	(621,387)	-
Private contributions	-	-	685,693	685,693
<b>Total other financing sources (uses) including transfers:</b>	<u>(400,801)</u>	<u>(621,387)</u>	<u>64,306</u>	<u>685,693</u>
<b>Net change in fund balance</b>	(4,306,822)	(4,527,408)	(3,888,015)	639,393
Fund balance, beginning of year	<u>8,120,543</u>	<u>8,120,543</u>	<u>8,120,543</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 3,813,721</u>	<u>\$ 3,593,135</u>	<u>\$ 4,232,528</u>	<u>\$ 639,393</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 - Class "C" Road Fund - Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Intergovernmental revenues	\$ 3,500,000	\$ 3,500,000	\$ 3,577,981	\$ 77,981
Interest income	7,500	7,500	16,495	8,995
<b>Total revenues</b>	<u>3,507,500</u>	<u>3,507,500</u>	<u>3,594,476</u>	<u>86,976</u>
<b>Expenditures:</b>				
General government	1,844	1,844	1,844	-
Highways and streets	1,000,000	1,000,000	887,593	112,407
Capital outlay	2,348,156	2,348,156	1,451,601	896,555
<b>Total expenditures</b>	<u>3,350,000</u>	<u>3,350,000</u>	<u>2,341,038</u>	<u>1,008,962</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>157,500</u>	<u>157,500</u>	<u>1,253,438</u>	<u>1,095,938</u>
<b>Other financing sources (uses) including transfers:</b>				
Operating transfers out	(495,857)	(495,857)	(619,690)	(123,833)
<b>Total other financing sources (uses) including transfers:</b>	<u>(495,857)</u>	<u>(495,857)</u>	<u>(619,690)</u>	<u>(123,833)</u>
<b>Net change in fund balance</b>	(338,357)	(338,357)	633,748	972,105
Fund balance, beginning of year	<u>1,147,121</u>	<u>1,147,121</u>	<u>1,147,121</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 808,764</u>	<u>\$ 808,764</u>	<u>\$ 1,780,869</u>	<u>\$ 972,105</u>

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

**TOOELE CITY CORPORATION**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2013**

	Business-type Activities - Enterprise Funds					Governmental Activities
				Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Water	Sewer	Garbage Utility			
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 6,249,806	\$ 1,125,614	\$ 1,479,433	\$ 2,481,196	\$ 11,336,049	\$ 251,191
Accounts receivable, net of allowance	597,488	444,761	170,480	54,773	1,267,502	-
Restricted cash and cash equivalents	385,856	1,039,989	-	-	1,425,845	-
Total current assets	<u>7,233,150</u>	<u>2,610,364</u>	<u>1,649,913</u>	<u>2,535,969</u>	<u>14,029,396</u>	<u>251,191</u>
Noncurrent assets:						
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	-	-	-	4,338,967	4,338,967	-
Construction in progress	672,345	2,907,486	-	-	3,579,831	-
Buildings	3,505,868	2,724,514	-	-	6,230,382	-
Improvements other than buildings	38,607,226	39,132,936	-	-	77,740,162	-
Office furniture & fixtures	25,481	49,120	-	-	74,601	23,027
Machinery and equipment	2,364,586	348,289	-	-	2,712,875	39,870
Autos and trucks	363,779	509,516	-	-	873,295	125,549
Accumulated depreciation	<u>(17,400,922)</u>	<u>(13,960,499)</u>	<u>-</u>	<u>(218,562)</u>	<u>(31,579,983)</u>	<u>(10,218)</u>
Net capital assets	<u>36,375,549</u>	<u>32,012,862</u>	<u>-</u>	<u>4,400,472</u>	<u>72,788,883</u>	<u>178,228</u>
Total noncurrent assets	<u>36,375,549</u>	<u>32,012,862</u>	<u>-</u>	<u>4,400,472</u>	<u>72,788,883</u>	<u>178,228</u>
<b>Total assets</b>	<u>43,608,699</u>	<u>34,623,226</u>	<u>1,649,913</u>	<u>6,936,441</u>	<u>86,818,279</u>	<u>429,419</u>
<b>Deferred outflows of resources:</b>						
Deferred charge on bond refunding	158,424	100,393	-	-	258,817	-
<b>Total deferred outflows of resources</b>	<u>158,424</u>	<u>100,393</u>	<u>-</u>	<u>-</u>	<u>258,817</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	682,400	37,799	110,027	2,785	833,011	-
Accrued liabilities	9,813	10,893	-	-	20,706	-
Accrued interest	42,005	161,062	-	-	203,067	-
Liability for compensated absences	33,614	34,082	-	-	67,696	-
Unearned revenue	97,144	-	-	-	97,144	-
Customer deposits	212,376	-	-	-	212,376	-
Revenue bonds payable - current	344,000	877,000	-	-	1,221,000	-
Total current liabilities	<u>1,421,352</u>	<u>1,120,836</u>	<u>110,027</u>	<u>2,785</u>	<u>2,655,000</u>	<u>-</u>
Net OPEB obligation	18,504	17,330	-	-	35,834	-
Revenue bonds payable - long-term	5,076,000	8,111,000	-	-	13,187,000	-
Total noncurrent liabilities	<u>5,094,504</u>	<u>8,128,330</u>	<u>-</u>	<u>-</u>	<u>13,222,834</u>	<u>-</u>
<b>Total liabilities</b>	<u>6,515,856</u>	<u>9,249,166</u>	<u>110,027</u>	<u>2,785</u>	<u>15,877,834</u>	<u>-</u>
<b>Net position:</b>						
Net investment in capital assets	31,113,973	23,125,255	-	4,400,472	58,639,700	178,228
Unrestricted	231,894	1,283,603	1,539,886	2,533,184	5,588,567	251,191
Restricted for:						
Impact fees	5,519,544	25,605	-	-	5,545,149	-
Debt service	385,856	1,039,990	-	-	1,425,846	-
<b>Total net position</b>	<u>\$ 37,251,267</u>	<u>\$ 25,474,453</u>	<u>\$ 1,539,886</u>	<u>\$ 6,933,656</u>	<u>\$ 71,199,262</u>	<u>\$ 429,419</u>

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

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Garbage	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
			Utility	Fund	Funds	
<b>Operating revenues:</b>						
Charges for services	\$ 4,066,584	\$ 2,785,216	\$ 1,419,617	\$ 451,807	\$ 8,723,224	\$ 37,689
Connection fees	70,844	840	-	-	71,684	-
Miscellaneous	958	2,758	-	-	3,716	-
<b>Total operating revenues</b>	<u>4,138,386</u>	<u>2,788,814</u>	<u>1,419,617</u>	<u>451,807</u>	<u>8,798,624</u>	<u>37,689</u>
<b>Operating expenses:</b>						
Personal services	540,754	533,722	577,864	-	1,652,340	-
Contracted services	427,342	225,000	712,848	25,000	1,390,190	-
Operations and maintenance	1,272,011	663,618	126,042	54,379	2,116,050	-
Utilities	8,316	258,964	-	-	267,280	-
Administration	38,766	8,639	2,253	7,800	57,458	-
Depreciation	1,099,660	997,830	-	111,172	2,208,662	10,218
<b>Total operating expenses</b>	<u>3,386,849</u>	<u>2,687,773</u>	<u>1,419,007</u>	<u>198,351</u>	<u>7,691,980</u>	<u>10,218</u>
<b>Operating income</b>	<u>751,537</u>	<u>101,041</u>	<u>610</u>	<u>253,456</u>	<u>1,106,644</u>	<u>27,471</u>
<b>Non-operating revenues (expenses):</b>						
Interest income	38,969	12,887	8,091	12,492	72,439	1,948
Interest expense and fiscal charges	(184,691)	(268,921)	-	-	(453,612)	-
Gain from sale of capital assets	-	54,629	-	-	54,629	-
Sale of water rights	129,913	-	-	-	129,913	-
Impact fees	425,396	253,515	-	-	678,911	-
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	-
<b>Total non-operating revenues (expenses)</b>	<u>259,587</u>	<u>202,110</u>	<u>8,091</u>	<u>12,492</u>	<u>482,280</u>	<u>1,948</u>
Contributed from developers	5,260	432,790	-	-	438,050	-
<b>Increase in net position</b>	<u>1,016,384</u>	<u>735,941</u>	<u>8,701</u>	<u>265,948</u>	<u>2,026,974</u>	<u>29,419</u>
<b>Net position - beginning of year</b>	<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>
<b>Prior period adjustment (see note 19)</b>	<u>(64,806)</u>	<u>(210,184)</u>	<u>-</u>	<u>-</u>	<u>(274,990)</u>	<u>-</u>
<b>Net position - end of year</b>	<u>\$ 37,251,267</u>	<u>\$ 25,474,453</u>	<u>\$ 1,539,886</u>	<u>\$ 6,933,656</u>	<u>\$ 71,199,262</u>	<u>\$ 429,419</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, 2013**

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Garbage	Nonmajor	Total	Internal
			Utility	Enterprise	Enterprise	Service Funds
<b>Cash flows provided by operating activities:</b>						
Receipts from customers and users	\$ 4,267,632	\$ 2,752,737	\$ 1,417,668	\$ 448,796	\$ 8,886,833	\$ -
Receipts of miscellaneous income	958	2,758	-	-	3,716	-
Payments to employees	(536,117)	(529,380)	(577,864)	-	(1,643,361)	-
Payments to contractors	(27,342)	(15,000)	(612,848)	-	(655,190)	-
Payments for operations and maintenance	(889,221)	(1,011,225)	(118,404)	(60,274)	(2,079,124)	-
Payment for interfund services provided	(400,000)	(210,000)	(100,000)	(25,000)	(735,000)	37,689
Payments for utilities	(8,316)	(258,964)	-	-	(267,280)	-
<b>Net cash provided by operating activities</b>	<u>2,407,594</u>	<u>730,926</u>	<u>8,552</u>	<u>363,522</u>	<u>3,510,594</u>	<u>37,689</u>
<b>Cash flows provided (used) by noncapital financing activities:</b>						
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows used by capital and related financing activities:</b>						
Payments for purchase and construction of capital assets	(1,228,840)	(242,876)	-	(28,493)	(1,500,209)	(188,446)
Proceeds from sale of capital assets	-	54,629	-	-	54,629	-
Proceeds from sale of water rights	129,913	-	-	-	129,913	-
Deferred defeasance costs	12,590	18,534	-	-	31,124	-
Payments of bond principal	(333,000)	(855,000)	-	-	(1,188,000)	-
Interest paid on bonds	(187,272)	(274,052)	-	-	(461,324)	-
Impact fees collected	425,396	253,515	-	-	678,911	-
<b>Net cash used by capital and related financing activities</b>	<u>(1,181,213)</u>	<u>(1,045,250)</u>	<u>-</u>	<u>(28,493)</u>	<u>(2,254,956)</u>	<u>(188,446)</u>
<b>Cash flows provided by investing activities:</b>						
Interest received on investments	38,969	12,887	8,091	12,492	72,439	1,948
<b>Net cash provided by investing activities</b>	<u>38,969</u>	<u>12,887</u>	<u>8,091</u>	<u>12,492</u>	<u>72,439</u>	<u>1,948</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,115,350	(151,437)	16,643	347,521	1,328,077	(148,809)
<b>Cash and cash equivalents - beginning of year</b>	<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>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 6,635,662</u>	<u>\$ 2,165,603</u>	<u>\$ 1,479,433</u>	<u>\$ 2,481,196</u>	<u>\$ 12,761,894</u>	<u>\$ 251,191</u>
<b>Cash flows provided (used) by operating activities:</b>						
Operating income	\$ 751,537	\$ 101,041	\$ 610	\$ 253,456	\$ 1,106,644	\$ 27,471
<b>Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:</b>						
Depreciation and amortization	1,099,660	997,830	-	111,172	2,208,662	10,218
<b>(Increase) decrease in assets:</b>						
Accounts receivable	115,922	(33,319)	(1,949)	(3,011)	77,643	-
<b>Increase (decrease) in liabilities:</b>						
Accounts payable	425,193	(341,972)	9,891	1,905	95,017	-
Accrued liabilities	(2,105)	768	-	-	(1,337)	-
Liability for compensated absences	(1,532)	2,236	-	-	704	-
OPEB obligation	4,637	4,342	-	-	8,979	-
Deferred revenue	12,250	-	-	-	12,250	-
Customer deposits	2,032	-	-	-	2,032	-
<b>Net cash provided by operating activities</b>	<u>\$ 2,407,594</u>	<u>\$ 730,926</u>	<u>\$ 8,552</u>	<u>\$ 363,522</u>	<u>\$ 3,510,594</u>	<u>37,689</u>
<b>Represented on the balance sheet as:</b>						
Cash - unrestricted	\$ 6,249,806	\$ 1,125,614	\$ 1,479,433	\$ 2,481,196	\$ 11,336,049	\$ 251,191
Cash - restricted	385,856	1,039,989	-	-	1,425,845	-
	<u>\$ 6,635,662</u>	<u>\$ 2,165,603</u>	<u>\$ 1,479,433</u>	<u>\$ 2,481,196</u>	<u>\$ 12,761,894</u>	<u>\$ 251,191</u>
<b>Supplemental schedule of non-cash financing and investing activities:</b>						
Contributed capital assets from developers	\$ 5,260	\$ 432,790	\$ -	\$ -	\$ 438,050	\$ -

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

**TOOELE CITY CORPORATION**  
**Statement of Net Position - Fiduciary Funds**  
**June 30, 2013**

	<b>Pension Trust</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 483,696	\$ 389,360
<b>Total assets</b>	<b>\$ 483,696</b>	<b>\$ 389,360</b>
 <b>Liabilities:</b>		
Accounts payable	\$ -	\$ 2,660
Refunds payable and others	-	386,700
<b>Total liabilities</b>	<b>-</b>	<b>\$ 389,360</b>
 <b>Net Position:</b>		
Held in trust for fire department pension and other purposes	\$ 483,696	

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

**TOOELE CITY CORPORATION**  
**Statement of Changes in Net Position - Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Pension Trust</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 26,043
Investment earnings:	
Interest income	3,248
<b>Total additions</b>	<b>29,291</b>
 <b>Deductions:</b>	
Benefits	28,208
Administrative expenses	1,525
<b>Total deductions</b>	<b>29,733</b>
 <b>Change in net position</b>	<b>(442)</b>
 Net position, beginning of year	484,138
 <b>Net position, end of year</b>	<b>\$ 483,696</b>

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's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, or there is a potential for that organization to provide specific financial benefits or to impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. 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 Position and a Statement of Activities and Changes in Net Position. 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 Position. The Statement of Activities presents changes in net position. 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 Position 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 position and changes in net position 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 Depot Redevelopment Agency Fund, Class "C" Road 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 Sheet. 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 available 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, 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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Internal service funds are used to account for the central financing of goods or services provided by an internal service fund to various departments of the City on a cost-reimbursement basis. The City currently has one internal service fund. This fund relates to the purchase and leasing of equipment used by the City's different departments.

**(3) *Fiduciary Fund Type***

Fiduciary Fund Financial Statements include a Statement of Net Position. 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 years 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 position 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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, which is the unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period in which the amounts become available.

**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 position 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.

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 .002520 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, 2013. 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.

**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**

Subsequent to year end the City contributed a parcel of land to an unrelated third party that had been transferred from the General Fund to the Depot Redevelopment Agency during the fiscal year ended June 30, 2013. The amount contributed was valued at the carrying amount of the land at the time of transfer in the amount of \$220,586.

On November 9, 2013, in the Tooele Associates vs. Tooele City Corporation lawsuit, judgment was entered against the City in the amount of \$20,718,202. Tooele City intends to vigorously pursue all available appeals. See note 18 for details.

In addition, subsequent to year end the City paid the loan related to the private developer in the amount of \$750,000. See note 9 for details.

The City evaluated all events or transactions that occurred after June 30, 2013 through December 17, 2013, the date these financials were available to be issued. During this period, the City did not have any additional material recognizable subsequent events other than that described in Note 18 and above.

**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, 2013, \$31,843,158 of the City's bank balances of \$32,843,158 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, 2013, \$773,646 of the City's \$1,023,646 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, 2013, the fair value per share factor for investments in the PTIF was 1.00502171. This resulted in a fair value adjustment totaling \$126,597.

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 position for the Utah State Treasurer's investment pool accounts.

Following are the City's cash on hand, on deposit, and investments at June 30, 2013:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
<b>Cash on hand and on deposit:</b>				
Cash on hand	\$ 3,135	\$ 3,135	N/A	N/A
Cash on deposit	5,830,345	5,830,345	N/A	N/A
High yield savings account	1,023,646	1,023,646	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>25,696,399</u>	<u>25,569,802</u>	N/A	N/A
<b>Total cash on hand and deposit</b>	<b><u>\$ 32,553,525</u></b>	<b><u>\$ 32,426,928</u></b>		

(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, 2013, 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, 2013, certain of the City's cash and cash equivalents are restricted for the following purposes:

Fund and Purpose	Restricted Amount
General Fund:	
Debt Service payments	\$ 62,398
Depot Redevelopment Agency Fund:	
Debt Service payments	42,031
Road C Maintenance Fund:	
Construction and other uses	1,595,724
Water Fund:	
Funds held by trustee for debt service	385,856
Sewer Fund:	
Funds held by trustee for debt service	1,039,989
Other Nonmajor Funds:	
Construction, debt service and other uses	2,270,300
Pension and Agency Fund's	
Held in trust for fire department and others	873,056
Total restricted assets	\$ 6,269,354

**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, 2013 is as follows:

Funds	Allowance
Water fund - major enterprise fund	\$ 59,775
Sewer fund - major enterprise fund	18,740
Garbage Utility Fund - major enterprise fund	9,790
Nonmajor enterprise funds	2,159
	\$ 90,464

**7. NOTE RECEIVABLE**

By Memorandum of Understanding (MOU) dated January 1, 2005, and Unconditional Guaranty dated February 14, 2005, both approved by RDA Resolution 2004-12 on December 15, 2004, the Redevelopment Agency of Tooele City, Utah (RDA), agreed to guarantee a loan of a developer in the amount of \$500. As collateral, the RDA took a first position lien on a vacant 361-acre parcel and a third position lien on the development parcel subject to the loan. By Amendment #1 to MOU dated November 7, 2007, and Unconditional Guaranty dated November 14, 2007, both approved by RDA Resolution 2007-05 on November 7, 2007, the RDA agreed to increase the amount of the loan guarantee from \$500,000 to \$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. During the fiscal year ended June 30, 2012, the City assumed title of the land which secured the note receivable. The land was recorded at the appraised value of \$465,000 and the remaining portion of the note receivable was fully allowed for in the amount of \$285,000 (see note 19). In addition, accrued interest receivable on the note at June 30, 2013 was \$264,517 which was also fully allowed for (see note 19).

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**8. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	<u>Balance at June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,508,605	\$ -	\$ -	\$ 6,508,605
Total capital assets not being depreciated	<u>6,508,605</u>	<u>-</u>	<u>-</u>	<u>6,508,605</u>
Capital assets being depreciated:				
Buildings	16,041,658	-	-	16,041,658
Improvements other than buildings	10,733,415	333,384	-	11,066,799
Office furniture and equipment	1,035,215	151,508	-	1,186,723
Machinery and equipment	2,239,756	123,012	-	2,362,768
Automobiles and trucks	4,446,683	145,861	(37,476)	4,555,068
Infrastructure	<u>91,303,074</u>	<u>1,513,603</u>	<u>-</u>	<u>92,816,677</u>
Total capital assets being depreciated	<u>125,799,801</u>	<u>2,267,368</u>	<u>(37,476)</u>	<u>128,029,693</u>
Less accumulated depreciation for:				
Buildings	(5,915,632)	(361,246)	-	(6,276,878)
Improvements other than buildings	(3,867,960)	(211,367)	-	(4,079,327)
Office furniture and equipment	(835,762)	(103,610)	-	(939,372)
Machinery and equipment	(1,920,521)	(133,541)	-	(2,054,062)
Automobiles and trucks	(3,185,500)	(221,603)	37,476	(3,369,627)
Infrastructure	<u>(3,887,311)</u>	<u>(3,911,909)</u>	<u>-</u>	<u>(7,799,220)</u>
Total accumulated depreciation	<u>(19,612,686)</u>	<u>(4,943,276)</u>	<u>37,476</u>	<u>(24,518,486)</u>
Total capital assets being depreciated, net	<u>106,187,115</u>	<u>(2,675,908)</u>	<u>-</u>	<u>103,511,207</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 112,695,720</u>	<u>\$ (2,675,908)</u>	<u>\$ -</u>	<u>\$ 110,019,812</u>

For the year ended June 30, 2013, depreciation expense was charged to functions of the City as follows:

**Governmental Activities:**

General government	\$ 4,254,278
Public safety	227,404
Highways and streets	66,894
Parks and recreation	<u>394,700</u>
Total depreciation expense, governmental activities	<u>\$ 4,943,276</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, 2013:

	<u>Balance at June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Investment in water stock	\$ 93,184	\$ -	\$ -	\$ 93,184
Land	3,579,749	-	-	3,579,749
Water rights	5,145,820	-	-	5,145,820
Construction in progress	<u>2,922,262</u>	<u>657,569</u>	-	<u>3,579,831</u>
Total capital assets not being depreciated	<u>11,741,015</u>	<u>657,569</u>	-	<u>12,398,584</u>
Capital assets, being depreciated:				
Buildings	6,230,382	-	-	6,230,382
Improvements other than buildings	76,519,931	1,220,231	-	77,740,162
Office furniture & fixtures	74,601	-	-	74,601
Machinery and equipment	2,680,909	31,966	-	2,712,875
Automobiles and trucks	873,295	-	-	873,295
Infrastructure	<u>4,310,474</u>	<u>28,493</u>	-	<u>4,338,967</u>
Total capital assets being depreciated	<u>90,689,592</u>	<u>1,280,690</u>	-	<u>91,970,282</u>
Less accumulated depreciation for:				
Buildings	(2,729,439)	(146,717)	-	(2,876,156)
Improvements other than buildings	(23,265,044)	(1,862,037)	-	(25,127,081)
Office furniture & fixtures	(74,410)	(191)	-	(74,601)
Machinery and equipment	(2,437,352)	(61,074)	-	(2,498,426)
Automobiles and trucks	(757,686)	(27,471)	-	(785,157)
Infrastructure	<u>(107,390)</u>	<u>(111,172)</u>	-	<u>(218,562)</u>
Total accumulated depreciation	<u>(29,371,321)</u>	<u>(2,208,662)</u>	-	<u>(31,579,983)</u>
Total capital assets being depreciated, net	<u>61,318,271</u>	<u>(927,972)</u>	-	<u>60,390,299</u>
<b>Business-type activities, net</b>	<u>\$ 73,059,286</u>	<u>\$ (270,403)</u>	<u>\$ -</u>	<u>\$ 72,788,883</u>

For the year ended June 30, 2013, depreciation expense was charged to business-type activities of the City as follows:

**Business-type Activities:**

Water fund	\$ 1,099,660
Sewer fund	997,830
Storm water fund	<u>111,172</u>
Total depreciation expense, business-type activities	<u>\$ 2,208,662</u>

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**9. LONG-TERM DEBT**

The following is a summary of transactions affecting long-term liabilities for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Reductions & Deletions	Balance at June 30, 2013	Due Within One Year
<b>Governmental Activities:</b>					
Revenue bonds payable	\$ 21,211,000	\$ -	\$ (820,000)	\$ 20,391,000	\$ 839,000
Net OPEB obligations	607,703	203,175	-	810,878	-
Note payable	750,000	-	-	750,000	750,000
Obligations under capital leases	170,626	-	(36,758)	133,868	41,090
Grantsville legal settlement	2,150,000	-	-	2,150,000	-
Tooele Associates legal settlement	-	20,718,202	-	20,718,202	20,718,202
Compensated absences	445,865	43,582	-	489,447	-
Deferred amounts:					
Unamortized bond premiums	604,908	-	(32,066)	572,842	-
Loss on defeasance	(476,631)	-	33,253	(443,378)	-
<b>Total governmental long-term liabilities</b>	<b>\$ 25,463,471</b>	<b>\$ 20,964,959</b>	<b>\$ (855,571)</b>	<b>\$ 45,572,859</b>	<b>\$ 22,348,292</b>
<b>Business-type Activities:</b>					
Revenue bonds payable	\$ 15,596,000	\$ -	\$ (1,188,000)	\$ 14,408,000	\$ 1,221,000
Net OPEB obligations	26,855	8,979	-	35,834	-
Compensated absences	66,992	704	-	67,696	-
Deferred amounts:					
Loss on defeasance	(289,941)	-	31,124	(258,817)	-
<b>Total business-type long-term liabilities</b>	<b>\$ 15,399,906</b>	<b>\$ 9,683</b>	<b>\$ (1,156,876)</b>	<b>\$ 14,252,713</b>	<b>\$ 1,221,000</b>

**Government-type Activities:**

**Description of Bond Issue**

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.	\$ 9,230,000
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.	5,335,000
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.	1,041,000
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.	4,785,000
Total governmental activities - bonds	<u>\$ 20,391,000</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

Description of Tooele Associates Legal Settlement	Current Outstanding Balances
On June 5, 2002, Tooele Associates ("Plaintiff") filed a Complaint for Declaratory Judgment, Temporary Restraining Order, and Preliminary Injunction with the Tooele Third District Court. The temporary restraining order was denied. Tooele City filed a Counterclaim, and Plaintiff amended its Complaint to include a broad range of claims. In August 2012, the Court of Appeals reinstated the verdict and remanded for entry of judgment. Judgment was entered against Tooele City on November 9, 2013, in the amount of \$20,718,202. As of June 30, 2013, the total amount of the judgment has been accrued in the accompanying financial statements in the amount of \$20,718,202 as a recognized subsequent event as discussed in note 18.	\$ 20,718,202
Total governmental activities - Tooele Associates Legal Settlement	\$ 20,718,202

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**9. LONG-TERM DEBT (continued)**

**Business-type Activities:**

Description of Bond Issue	Current Outstanding Balances
<p>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.</p>	\$ 4,491,000
<p>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.</p>	5,420,000
<p>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.</p>	4,497,000
Total business-type activities - bonds	\$ 14,408,000

The debt service requirements on bonds and long-term debt at June 30, 2013 are as follows:

Year Ending June 30	Governmental Activities - Bonds		Business-type Activities - Bonds		Governmental Activities - Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 839,000	\$ 809,992	\$ 1,221,000	\$ 466,101	\$ 750,000	\$ 28,125
2015	1,123,000	772,788	1,253,000	433,104	-	-
2016	1,217,000	728,440	1,291,000	399,181	-	-
2017	1,262,000	682,925	1,322,000	364,197	-	-
2018	1,312,000	635,835	1,365,000	328,247	-	-
2019-2023	7,047,000	2,388,937	3,335,000	1,220,398	-	-
2024-2028	5,875,000	963,286	2,365,000	703,197	-	-
2029-2033	1,716,000	134,250	1,142,000	409,320	-	-
2034-2038	-	-	1,114,000	128,160	-	-
Total debt	20,391,000	\$ 7,116,452	14,408,000	\$ 4,451,902	\$ 750,000	\$ 28,125
Unamortized premiums	572,842		-			
Loss on defeasance	(443,378)		(258,817)			
Total	\$ 20,520,464		\$ 14,149,183			

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**9. LONG-TERM DEBT (continued)**

Year Ending June 30	Governmental Activities - Grantsville Legal Settlement		Governmental Activities - Legal Liability	
	Principal	Interest	Principal	Interest
2014	\$ 63,000	\$ 53,750	\$ 20,718,202	\$ -
2015	64,000	52,175	-	-
2016	66,000	50,575	-	-
2017	68,000	48,925	-	-
2018	70,000	47,225	-	-
2019-2023	374,000	209,125	-	-
2024-2028	424,000	159,925	-	-
2029-2033	479,000	104,275	-	-
2034-2038	542,000	41,325	-	-
Total debt	<u>\$ 2,150,000</u>	<u>\$ 767,300</u>	<u>\$ 20,718,202</u>	<u>\$ -</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, 2013, bonding totaling \$26,772,000 from the City are considered defeased. The deferred charge on refunding reported in the government-wide statement of net position and proprietary funds under deferred outflows of resources results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. As of June 30, 2013, the City had deferred outflows of resources in the amount of \$702,195.

**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, 2013.

Fiscal Year Ending June 30,	Governmental Activities
2014	\$ 54,008
2015	54,008
2016	49,507
2017	-
2018	-
Total minimum lease payments	157,523
Less amounts representing interest	<u>(23,655)</u>
Present value of net minimum lease payments	133,868
Less current portion of capital lease obligations	<u>(41,090)</u>
Capital lease obligations net current portion	<u>\$ 92,778</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	<u>(86,800)</u>
Equipment under capital lease, net	<u>\$ 130,200</u>

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**12. DEFERRED INFLOW OF RESOURCES-UNAVAILABLE 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, 2013 is not expected to be received within 60 days after the year ended June 30, 2013, 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, 2013 are as follows:

	Transfers out					Transfers In
	Depot		Nonmajor			
	General Fund	Agency Fund	Road C Maintenance Fund	Governmental Funds		
General Fund	\$ -	\$ 220,586	\$ -	\$ -	\$ 220,586	
Capital Projects Fund	970,586	-	-	-	970,586	
Debt Service Fund	62,398	400,801	619,690	770,192	1,853,081	
<b>Total Transfers out</b>	\$ 1,032,984	\$ 621,387	\$ 619,690	\$ 770,192	\$ 3,044,253	

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.

**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.

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**14. RETIREMENT PLAN (continued)**

**Funding Policy** - The City is legally obligated to contribute to the retirement systems on behalf of the employees 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 also required to make employer contributions as a percentage of covered salary to the respective systems. The contribution rates are the actuarially determined rates and are approved by the City Council 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%	12.03%
Local Government Division Tier 2	N/A	N/A	12.74%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	16.04%
Public Safety System:			
Other Division A Contributory Tier 2	N/A	N/A	19.25%
Other Division A Noncontributory Tier 1	N/A	N/A	30.45%

The contributions by the City for the year ended June 30, 2013 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, 2013 and the two previous fiscal years are as follows:

<u>For the Fiscal Years ended June 30,</u>	<u>Employer Paid</u>			<u>Total</u>	<u>Salary Subject to Retirement</u>
<u>Contributions</u>	<u>Employee Paid Contributions</u>	<u>for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Contributions</u>	<u>Contributions</u>
<b>Contributory System:</b>					
Local Governmental Division Tier 1 and Tier 2					
2011	\$ 5,994	\$ 2,664	\$ 13,508	\$ 22,166	\$ 127,626
2012	1,001	7,665	20,911	29,577	234,208
2013	-	8,765	28,345	37,110	271,918
<b>Noncontributory System:</b>					
Local Governmental Division Tier 1					
2011	\$ -	\$ -	\$ 488,821	\$ 488,821	\$ 3,238,037
2012	-	-	498,385	498,385	3,765,745
2013	-	-	588,969	588,969	3,775,827
<b>Public Safety System</b>					
Other Division A Contributory Tier 2					
2012	\$ -	\$ -	\$ 1,751	\$ 1,751	\$ 16,753
2013	-	-	10,209	10,209	91,975
Other Division A Noncontributory Tier 1					
2011	\$ -	\$ -	\$ 345,783	\$ 345,783	\$ 1,174,326
2012	-	-	357,852	357,852	1,412,541
2013	-	-	406,670	406,670	1,407,076

**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, 2013, 2012, and 2011, were \$73,809, \$26,043, 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, 2013, 2012 and 2011.

Total employer contributions to the Tooele City Employees' 401(k) Plan for the years ending June 30, 2013, 2012, and 2011 were \$77,038, \$72,399, and \$69,542, respectively. Salaries subject to contributions were \$474,591, \$448,658, and \$509,267, respectively, 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, 2013, 2012, and 2011 were \$1,490, \$1,285, and \$1,559, 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, 2013, 2012, and 2011 were \$19,681, \$19,080, and \$20,196, 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>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 290,843	\$ 290,843	\$ 248,803
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Net OBEB obligation amortization adjustment to the ARC	<u>164</u>	<u>108</u>	<u>14,390</u>
Annual OPEB cost (expense)	<u>291,007</u>	<u>290,951</u>	<u>263,193</u>
Contributions made	<u>(78,853)</u>	<u>(73,011)</u>	<u>(110,988)</u>
Increase in net OPEB obligation	212,154	217,940	152,205
Net OPEB obligation beginning of year	<u>634,558</u>	<u>416,618</u>	<u>264,413</u>
Net OPEB obligation end of year	<u>\$ 846,712</u>	<u>\$ 634,558</u>	<u>\$ 416,618</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>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial accrued liability (AAL)	\$ 2,545,799	\$ 2,328,810	\$ 2,145,342
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,545,799</u>	<u>\$ 2,328,810</u>	<u>\$ 2,145,342</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Annual covered payroll (active plan members)	\$ 5,719,611	\$ 5,204,545	\$ 4,846,496
UAAL as percentage of annual covered payroll	44.51%	44.75%	44.27%

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, 2013 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, 2013 are as follows:

<u>Project Area</u>	<u>Amount</u>
Depot	\$ 1,339,251
Industrial Park	75,260
Downtown	82,795
Total	<u>\$ 1,497,306</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	\$ 344,695	\$ 650,000	\$ 3,925,145	\$ 395,012
Industrial Park	-	-	-	13,710
Downtown	20	-	-	56,986
Total	<u>\$ 344,715</u>	<u>\$ 650,000</u>	<u>\$ 3,925,145</u>	<u>\$ 465,708</u>

**18. LITIGATION AND SPECIAL ITEMS**

On June 5, 2002, Tooele Associates ("Plaintiff") filed a Complaint for Declaratory Judgment, Temporary Restraining Order, and Preliminary Injunction with the Tooele Third District Court. The temporary restraining order was denied. Tooele City filed a Counterclaim, and Plaintiff amended its Complaint to include a broad range of claims. Plaintiff sought more than \$200 million in damages, but later reduced its damages claim to a range of \$4-6 million. After a three-week trial in June 2009, a jury in a seven-page Special Verdict Form, found breaches of contract by both parties and awarded damages to both parties, with a net amount of \$20,680,000 in favor of Plaintiff. Based on internal conflicts within the Special Verdict Form, however, the Court declared a mistrial. In August 2012, the Court of Appeals reinstated the verdict and remanded for entry of judgment. The City filed Motions for New Trial and Judgment Notwithstanding the Verdict (JNOV), both of which were denied in Court decisions dated August 19 and October 9, 2013. The Court denied Plaintiff's requests for pre-judgment interest, in the approximate amount of \$9 million, and attorneys fees. Judgment was entered against Tooele City on November 9, 2013, in the amount of \$20,718,202. The Tooele City Mayor and City Council unanimously believe, upon advice of the City Attorney and outside legal counsel (which advice is privileged) that Tooele City's pre-trial and post-trial motions were improperly denied and that the Judgment is legally insupportable. Tooele City intends to vigorously pursue all available appeals. Tooele City has assembled an appellate team to pursue the appeals and has currently appropriated funds necessary to do so. As of June 30, 2013, the total amount of the judgment has been accrued in the accompanying financial statements in the amount of \$20,718,202 as a special item and is a recognized subsequent event in accordance with generally accepted accounting principles.

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. No action has occurred on this case in over five years.

Tooele City has leased a City-owned agricultural property located near Vernon, Utah, to a private sod farmer, Aposhian Sod Farms, Inc. ("Plaintiff") since approximately 1991, pursuant to a lease entitled Vernon Ranch Management Agreement and Grazing Lease ("Agreement"). On November 20, 2012, Tooele City, through outside legal counsel, provided written notice that the Agreement had terminated under its terms on December 31, 2007. On January 18, 2013, Tooele City, through counsel, provided written notice of no-cause termination of the Agreement, as an alternative termination to the November 20, 2012 notice of expiration. On May 8, 2013 Tooele City filed a complaint (1) seeking a Declaratory judgment regarding the termination of the Agreement and (2) for Unlawful Detainer. Plaintiff filed a counterclaim seeking damages under the Agreement for value of Plaintiff's sod crop. Tooele City negotiated with Plaintiff an agreement for Plaintiff's full and complete exit from the Tooele City property, to be accomplished no later than December 10, 2013. Discovery is in process. A trial in this matter will determine what damages, if any, are owned by Tooele City to Plaintiff. The above-referenced exit agreement allowed Plaintiff to mitigate its damages by harvesting all the sod for which Plaintiff could claim damages, and removing Plaintiff's irrigation equipment. Detailed photographic evidence prepared by Tooele City shows that little, if any harvestable sod remains. The financial statements do not reflect any adjustments pending the outcome of this litigation.

**TOOELE CITY CORPORATION**  
**Notes to Financial Statements (continued)**

**18. LITIGATION (continued)**

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.

**19. RECLASSIFICATIONS AND ADJUSTMENTS**

In fiscal year 2013 the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the City has removed the unamortized bond issuance costs at the government-wide level by adjusting all prior periods affected. Governmental activities removed \$543,490 and business-type activities removed \$274,990 of bond issuance costs.

During the current year, it was determined the City had not recorded a reduction and allowance for the note receivable during the year ended June 30, 2012 which had been settled with land. This reduced the notes receivable by \$465,000, increased the allowance for doubtful accounts and bad debt expense by \$285,000, respectively, and increased land by \$465,000 on the government wide financial statements. Further, accrued interest and interest income for the Downtown Redevelopment Agency fund was adjusted by \$126,273, respectively; the allowance for doubtful accounts and bad debt expense were adjusted by \$248,471, respectively. To correct this, the capital assets, notes receivable and accrued interest beginning balances and net position have been adjusted. The effect of this correction on net position in the Government Wide Financial Statements is reflected below.

During the current year the Class "C" Road Fund met the criteria to be classified as a major governmental fund. The Class "C" Road Fund's beginning fund balance of \$1,147,121 as of July 1, 2012 has been reclassified from a nonmajor to a major governmental fund.

	Government Wide Financial Statements		Governmental Funds	
	Governmental Activities	Business-Type Activities	Other Major Funds	Non Major Funds
Net position/fund balances as originally stated July 1, 2012	\$ 110,341,612	\$ 69,447,278	\$ 17,284,769	\$ 4,752,958
Reclassification of Class "C" Road Fund balance	-	-	1,147,121	(1,147,121)
Adjustments to interest income related to note receivable	126,273	-	-	126,273
Allowance and bad debt expense related to note receivable	(533,471)	-	-	(248,471)
Bond issuance costs previously capitalized have been expensed in accordance with GASB's 63 and 65	(543,490)	(274,990)	-	-
Net restatement	(950,688)	(274,990)	1,147,121	(1,269,319)
Net position/fund balances as restated - July 1, 2012	\$ 109,390,924	\$ 69,172,288	\$ 18,431,890	\$ 3,483,639
			Proprietary Funds	
			Water Fund	Sewer Fund
Net position as originally stated July 1, 2012			\$ 36,299,689	\$ 24,948,696
Bond issuance costs previously capitalized have been expensed in accordance with GASB's 63 and 65			(64,806)	(210,184)
Net restatement			(64,806)	(210,184)
Net position as restated - July 1, 2012			\$ 36,234,883	\$ 24,738,512

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOOELE CITY CORPORATION**  
**Postemployment Benefit Plan - Schedule of Funding Progress**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (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%
7/1/2012	\$ -	\$ 2,545,799	\$ 2,545,799	0.0%	\$ 5,719,611	44.51%

## **OTHER SUPPLEMENTARY INFORMATION**

**TOOELE CITY CORPORATION**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	Special Revenue Funds					Capital Projects Funds		Totals
	Par Tax Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Public Safety Capital Projects Fund	
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ 118,093	\$ 326,221	\$ 901,454	\$ -	\$ -	\$ 1,345,768
Receivables:								
Assessments	71,166	-	-	-	-	-	-	71,166
Taxes	-	-	80,000	80,000	-	-	-	160,000
Restricted cash and cash equivalents	625,124	86,351	-	136,111	-	554,176	868,538	2,270,300
<b>Total assets</b>	696,290	86,351	198,093	542,332	901,454	554,176	868,538	3,847,234
<b>Liabilities:</b>								
Accrued liabilities	-	-	540	-	-	-	-	540
<b>Total liabilities</b>	-	-	540	-	-	-	-	540
<b>Deferred inflows of resources:</b>								
Unavailable revenue - property taxes	-	-	80,000	80,000	-	-	-	160,000
<b>Total deferred inflows of resources</b>	-	-	80,000	80,000	-	-	-	160,000
<b>Fund balances:</b>								
Restricted								
Public safety	-	-	-	-	-	-	868,538	868,538
Park development	-	-	-	-	-	484,119	-	484,119
Recreation and arts	696,290	-	-	-	-	-	-	696,290
Debt service	-	86,351	-	136,111	-	70,057	-	292,519
Assigned								
Redevelopment agency projects	-	-	117,553	326,221	-	-	-	443,774
Debt service fund	-	-	-	-	901,454	-	-	901,454
<b>Total fund balances</b>	696,290	86,351	117,553	462,332	901,454	554,176	868,538	3,686,694
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 696,290	\$ 86,351	\$ 198,093	\$ 542,332	\$ 901,454	\$ 554,176	\$ 868,538	\$ 3,847,234

**TOOELE CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	Special Revenue Funds					Capital Project Funds		Totals
	Par Tax Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Public Safety Capital Projects Fund	
<b>Revenues:</b>								
Taxes	\$ 359,608	\$ -	\$ 75,260	\$ 82,795	\$ -	\$ -	\$ -	\$ 517,663
Interest income	2,701	695	347	24,496	5,543	3,086	4,726	41,594
Impact fees	-	-	-	-	-	175,863	39,229	215,092
Miscellaneous revenue	23,438	-	-	-	-	-	-	23,438
Rental income	-	564,023	-	-	-	-	-	564,023
<b>Total revenues</b>	<b>385,747</b>	<b>564,718</b>	<b>75,607</b>	<b>107,291</b>	<b>5,543</b>	<b>178,949</b>	<b>43,955</b>	<b>1,361,810</b>
<b>Expenditures:</b>								
General government	194,650	-	13,710	21,779	-	1,912	2,525	234,576
Capital outlay	18,352	-	-	-	-	75,622	-	93,974
Debt service:								
Principal - bonds	-	-	-	-	998,822	-	-	998,822
Principal - capital lease	-	-	-	-	-	-	-	-
Interest	-	-	-	56,250	849,822	-	-	906,072
Trustee fees	-	-	-	-	8,200	-	-	8,200
<b>Total expenditures</b>	<b>213,002</b>	<b>-</b>	<b>13,710</b>	<b>78,029</b>	<b>1,856,844</b>	<b>77,534</b>	<b>2,525</b>	<b>2,241,644</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>172,745</b>	<b>564,718</b>	<b>61,897</b>	<b>29,262</b>	<b>(1,851,301)</b>	<b>101,415</b>	<b>41,430</b>	<b>(879,834)</b>
<b>Other financing sources (uses) including transfers:</b>								
Operating transfers in	-	-	-	-	1,853,081	-	-	1,853,081
Operating transfers (out)	-	(564,024)	-	(136,111)	-	(70,057)	-	(770,192)
<b>Total other financing sources (uses) including transfers:</b>	<b>-</b>	<b>(564,024)</b>	<b>-</b>	<b>(136,111)</b>	<b>1,853,081</b>	<b>(70,057)</b>	<b>-</b>	<b>1,082,889</b>
<b>Net change in fund balances</b>	<b>172,745</b>	<b>694</b>	<b>61,897</b>	<b>(106,849)</b>	<b>1,780</b>	<b>31,358</b>	<b>41,430</b>	<b>203,055</b>
<b>Fund balances, beginning of year</b>	<b>523,545</b>	<b>85,657</b>	<b>55,656</b>	<b>691,379</b>	<b>899,674</b>	<b>522,818</b>	<b>827,108</b>	<b>3,605,837</b>
<b>Prior period adjustment (see note 19)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(122,198)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(122,198)</b>
<b>Fund balances, end of year</b>	<b>\$ 696,290</b>	<b>\$ 86,351</b>	<b>\$ 117,553</b>	<b>\$ 462,332</b>	<b>\$ 901,454</b>	<b>\$ 554,176</b>	<b>\$ 868,538</b>	<b>\$ 3,686,694</b>

**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, 2013**

	<u>Par Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 300,000	\$ 359,608	\$ 59,608
Interest income	4,500	2,701	(1,799)
Miscellaneous revenues	7,500	23,438	15,938
Rental income	-	-	-
<b>Total Revenues</b>	<u>312,000</u>	<u>385,747</u>	<u>73,747</u>
<b>Expenditures:</b>			
General government	175,000	194,650	(19,650)
Community development	-	-	-
Capital outlay	400,000	18,352	381,648
Debt service:			
Interest on long-term debt	-	-	-
<b>Total expenditures</b>	<u>575,000</u>	<u>213,002</u>	<u>361,998</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(263,000)</u>	<u>172,745</u>	<u>435,745</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers (out)	-	-	-
<b>Total other financing sources (uses) including transfers:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	(263,000)	172,745	435,745
<b>Fund balance, beginning of year</b>	<u>523,545</u>	<u>523,545</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 260,545</u>	<u>\$ 696,290</u>	<u>\$ 435,745</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, 2013**

	<u>Municipal Building Authority</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Interest income	300	695	395
Miscellaneous revenues	-	-	-
Rental income	564,024	564,023	(1)
<b>Total Revenues</b>	<u>564,324</u>	<u>564,718</u>	<u>394</u>
<b>Expenditures:</b>			
General government	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Interest on long-term debt	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>564,324</u>	<u>564,718</u>	<u>394</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers (out)	<u>(564,024)</u>	<u>(564,024)</u>	<u>-</u>
<b>Total other financing sources (uses) including transfers:</b>	<u>(564,024)</u>	<u>(564,024)</u>	<u>-</u>
<b>Net change in fund balance</b>	300	694	394
<b>Fund balance, beginning of year</b>	<u>85,657</u>	<u>85,657</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 85,957</u>	<u>\$ 86,351</u>	<u>\$ 394</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, 2013**

	<u>Industrial Park Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 85,000	\$ 75,260	\$ (9,740)
Interest income	-	347	347
Miscellaneous revenues	-	-	-
Rental income	-	-	-
<b>Total Revenues</b>	<u>85,000</u>	<u>75,607</u>	<u>(9,393)</u>
<b>Expenditures:</b>			
General government	85,000	13,710	71,290
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Interest on long-term debt	-	-	-
<b>Total expenditures</b>	<u>85,000</u>	<u>13,710</u>	<u>71,290</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>61,897</u>	<u>61,897</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers (out)	-	-	-
<b>Total other financing sources (uses) including transfers:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	-	61,897	61,897
<b>Fund balance, beginning of year</b>	<u>55,656</u>	<u>55,656</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 55,656</u>	<u>\$ 117,553</u>	<u>\$ 61,897</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, 2013**

	<u>Downtown Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 175,000	\$ 82,795	\$ (92,205)
Interest income	3,850	24,496	20,646
<b>Total revenues</b>	<u>178,850</u>	<u>107,291</u>	<u>(71,559)</u>
<b>Expenditures:</b>			
General government	-	21,779	(21,779)
Interest on long-term debt	-	56,250	(56,250)
<b>Total expenditures</b>	<u>-</u>	<u>78,029</u>	<u>(78,029)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>178,850</u>	<u>29,262</u>	<u>(149,588)</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers in	<u>(136,111)</u>	<u>(136,111)</u>	<u>-</u>
<b>Total other financing sources (uses) including transfers:</b>	<u>(136,111)</u>	<u>(136,111)</u>	<u>-</u>
<b>Net change in fund balance</b>	42,739	(106,849)	(149,588)
<b>Fund balance, beginning of year</b>	<u>899,674</u>	<u>691,379</u>	<u>208,295</u>
<b>Prior period adjustment (see note 19)</b>	<u>-</u>	<u>(122,198)</u>	<u>122,198</u>
<b>Fund balance, end of year</b>	<u>\$ 942,413</u>	<u>\$ 462,332</u>	<u>\$ 480,081</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, 2013**

	<u>Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Interest income	\$ 5,000	\$ 5,543	\$ 543
<b>Total revenues</b>	<u>5,000</u>	<u>5,543</u>	<u>543</u>
<b>Expenditures:</b>			
Principal retirement	1,000,000	998,822	1,178
Interest on long-term debt	849,840	849,822	18
Trustee fees	8,250	8,200	50
<b>Total expenditures</b>	<u>1,858,090</u>	<u>1,856,844</u>	<u>1,246</u>
<b>Excess (deficiency) of revenues         over (under) expenditures</b>	<u>(1,853,090)</u>	<u>(1,851,301)</u>	<u>1,789</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers in	<u>2,003,090</u>	<u>1,853,081</u>	<u>(150,009)</u>
<b>Total other financing sources (uses)         including transfers:</b>	<u>2,003,090</u>	<u>1,853,081</u>	<u>(150,009)</u>
<b>Net change in fund balance</b>	150,000	1,780	(148,220)
<b>Fund balance - beginning of year</b>	<u>899,674</u>	<u>899,674</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 1,049,674</u>	<u>\$ 901,454</u>	<u>\$ (148,220)</u>

**TOOELE CITY CORPORATION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Major Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Capital Projects Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental revenue	\$ 33,258	\$ 28,500	\$ (4,758)
Interest income	35,750	33,050	(2,700)
<b>Total revenues</b>	69,008	61,550	(7,458)
<b>Expenditures:</b>			
Capital projects			
Capital outlay	5,560,992	441,717	5,119,275
Debt service:			
Principal - capital lease	36,758	36,758	-
Interest	17,250	17,250	-
<b>Total expenditures</b>	5,615,000	495,725	5,119,275
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(5,545,992)	(434,175)	5,111,817
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers in	820,586	970,586	150,000
Private contributions	-	10,800	10,800
<b>Total other financing sources (uses) including transfers:</b>	820,586	981,386	160,800
<b>Net change in fund balance</b>	(4,725,406)	547,211	5,272,617
<b>Fund balance - beginning of year</b>	6,131,356	6,131,356	-
<b>Fund balance - end of year</b>	\$ 1,405,950	\$ 6,678,567	\$ 5,272,617

**TOOELE CITY CORPORATION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Nonmajor Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Park Improvements Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Interest income	\$ 3,500	\$ 3,086	\$ (414)
Impact fees	106,250	175,863	69,613
<b>Total revenues</b>	<u>109,750</u>	<u>178,949</u>	<u>69,199</u>
<b>Expenditures:</b>			
General government	5,000	1,912	3,088
Capital projects			
Capital outlay	300,000	75,622	224,378
<b>Total expenditures</b>	<u>305,000</u>	<u>77,534</u>	<u>227,466</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(195,250)</u>	<u>101,415</u>	<u>296,665</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers out	(50,000)	(70,057)	(20,057)
<b>Total other financing sources (uses) including transfers:</b>	<u>(50,000)</u>	<u>(70,057)</u>	<u>(20,057)</u>
<b>Net change in fund balance</b>	(245,250)	31,358	276,608
<b>Fund balance - beginning of year</b>	<u>522,818</u>	<u>522,818</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 277,568</u>	<u>\$ 554,176</u>	<u>\$ 276,608</u>

**TOOELE CITY CORPORATION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Nonmajor Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Public Safety Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Interest income	\$ 7,000	\$ 4,726	\$ (2,274)
Impact fees	30,000	39,229	9,229
<b>Total revenues</b>	<u>37,000</u>	<u>43,955</u>	<u>6,955</u>
<b>Expenditures:</b>			
General government	500,000	2,525	497,475
Capital projects			
Capital outlay	<u>270,000</u>	<u>-</u>	<u>270,000</u>
<b>Total expenditures</b>	<u>770,000</u>	<u>2,525</u>	<u>767,475</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(733,000)</u>	<u>41,430</u>	<u>774,430</u>
<b>Other financing sources (uses) including transfers:</b>			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses) including transfers:</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	(733,000)	41,430	774,430
<b>Fund balance - beginning of year</b>	<u>827,108</u>	<u>827,108</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 94,108</u>	<u>\$ 868,538</u>	<u>\$ 774,430</u>

**TOOELE CITY CORPORATION**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2013**

	<b>Storm Water</b>	<b>Totals</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,481,196	\$ 2,481,196
Receivables:		
Accounts - net of allowance	54,773	54,773
Total current assets	2,535,969	2,535,969
Noncurrent assets		
Land	280,067	280,067
Infrastructure - storm drainage	4,338,967	4,338,967
Accumulated depreciation	(218,562)	(218,562)
Total noncurrent assets	4,400,472	4,400,472
<b>Total assets</b>	<b>6,936,441</b>	<b>6,936,441</b>
<b>Liabilities:</b>		
Accounts payable	2,785	2,785
<b>Total liabilities</b>	<b>2,785</b>	<b>2,785</b>
<b>Net position:</b>		
Net investment in capital assets	4,400,472	4,400,472
Unrestricted	2,533,184	2,533,184
<b>Total net position</b>	<b>6,933,656</b>	<b>6,933,656</b>
<b>Total liabilities and net position</b>	<b>\$ 6,936,441</b>	<b>\$ 6,936,441</b>

**TOOELE CITY CORPORATION**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Storm Water</u>	<u>Totals</u>
<b>Operating revenues:</b>		
Utility sales	\$ 451,807	\$ 451,807
<b>Total operating revenues</b>	<u>451,807</u>	<u>451,807</u>
<b>Operating expenditures:</b>		
Contracted services	25,000	25,000
Operations and maintenance	54,379	54,379
Administration	7,800	7,800
Depreciation	111,172	111,172
<b>Total operating expenses</b>	<u>198,351</u>	<u>198,351</u>
<b>Operating income</b>	<u>253,456</u>	<u>253,456</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	12,492	12,492
<b>Total non-operating revenues (expenses)</b>	<u>12,492</u>	<u>12,492</u>
<b>Change in net position</b>	265,948	265,948
Net position - beginning of year	<u>6,667,708</u>	<u>6,667,708</u>
<b>Net position - end of year</b>	<u>\$ 6,933,656</u>	<u>\$ 6,933,656</u>

**TOOELE CITY CORPORATION**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Storm Water</b>	<b>Totals</b>
<b>Cash flows provided by operating activities:</b>		
Receipts from customers and users	\$ 448,796	\$ 448,796
Payments for operations and maintenance	(60,274)	(60,274)
Payment for interfund services provided	(25,000)	(25,000)
<b>Net cash provided by operating activities</b>	<b>363,522</b>	<b>363,522</b>
<b>Cash flows used by capital and related financing activities:</b>		
Purchase of capital assets	(28,493)	(28,493)
<b>Net cash used by capital and related financing activities</b>	<b>(28,493)</b>	<b>(28,493)</b>
<b>Cash flows provided by investing activities:</b>		
Interest earned	12,492	12,492
<b>Net cash provided by investing activities</b>	<b>12,492</b>	<b>12,492</b>
<b>Net increase in cash and cash equivalents</b>	<b>347,521</b>	<b>347,521</b>
Cash and cash equivalents - beginning of year	2,133,675	2,133,675
<b>Cash and cash equivalents - end of year</b>	<b>\$ 2,481,196</b>	<b>\$ 2,481,196</b>
<b>Cash flows provided by operating activities:</b>		
Operating income	\$ 253,456	\$ 253,456
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization	111,172	111,172
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in assets:</b>		
Accounts receivable	(3,011)	(3,011)
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	1,905	1,905
<b>Net cash provided by operating activities</b>	<b>\$ 363,522</b>	<b>\$ 363,522</b>
<b>Represented on the balance sheet as:</b>		
Cash - unrestricted	\$ 2,481,196	\$ 2,481,196
Cash - restricted	-	-
	<b>\$ 2,481,196</b>	<b>\$ 2,481,196</b>

**TOOELE CITY CORPORATION**  
**Combining Statement of Changes in Assets and Liabilities - Agency Fund**  
**June 30, 2013**

	<u>Balance at Beginning of the Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of of the Year</u>
<b><u>Agency Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 351,360	\$ 461,216	\$ (423,216)	\$ 389,360
<b>Total assets</b>	<u>\$ 351,360</u>	<u>\$ 461,216</u>	<u>\$ (423,216)</u>	<u>\$ 389,360</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 421,594	\$ (418,934)	\$ 2,660
Refunds payable and others	351,360	470,116	(434,776)	386,700
<b>Total liabilities</b>	<u>\$ 351,360</u>	<u>\$ 891,710</u>	<u>\$ (853,710)</u>	<u>\$ 389,360</u>



**Haynie &  
Company**

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS  
OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL  
COMPLIANCE AUDIT GUIDE**

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

**Report on Compliance**

We have audited Tooele City Corporation's (the City) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

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

Cash Management	Transfers from Utility Enterprise Funds
Budgetary Compliance	Conflicts of Interest
Fund Balance	Nepotism
Utah Retirement System Compliance	Government Records Access Management Act
Impact Fees	Utah Public Finance Website
B & C Road Funds	Open and Public Meetings Act

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

B & C Road Funds (Department of Transportation)

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

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, 2013.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be 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 in internal control over compliance described in the accompanying Schedule of Findings and Responses as findings 2013-1 through 2013-3 to be material weaknesses.

We noted certain other matters that we reported to management of the City in a separate letter dated December 17, 2013.

**Tooele City Corporation's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of Report**

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



Salt Lake City, Utah  
December 17, 2013



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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tooele City Corporation (the City), as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control 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 in internal control over compliance described in the accompanying Schedule of Findings and Responses as findings 2013-1 through 2013-3 to be material weaknesses.

**Compliance and Other Matters**

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

**INDEPENDENT AUDITOR'S 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 the City in a separate letter dated December 17, 2013.

**Tooele City Corporation's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Salt Lake City, Utah  
December 17, 2013

**TOOELE CITY CORPORATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2013**

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS**

**MATERIAL WEAKNESSES**

**2013 - 1 BOND ISSUANCE FOR GOVERNMENTAL AND PROPRIETARY FUNDS**

**Finding**

During the prior fiscal year the City refunded bonds and replaced such bonds with new bond issuances. The transactions for these bond refundings in both the governmental and proprietary funds required adjustment during the current year audit. In addition the City was required to implement GASB 63 and 65, which resulted in significant audit adjustments, to the presentation of the bonds in the financial statements.

**Recommendation**

Management should record all prior and current year audit journal entries. In addition we recommend management review all current and newly issued GASB standards and implement those in a timely manner.

**Response - Tooele City Corporation**

We concur with the auditor's recommendation and will record all prior and current year audit journal entries. In addition we will review all current and newly issued GASB standards and implement those in a timely manner.

**2013 - 2 TRANSFER OF LAND**

**Finding**

During the year, the City recorded a transfer of land from the General Fund to the Depot Redevelopment Agency Fund as a purchase of assets. This resulted in a material adjustment in the Depot Redevelopment Agency to reclassify the purchase to a transfer in accordance with GASB.

**Recommendation**

Management should review all future land transactions and transfers and account for the transaction in accordance with GASB standards.

**Response - Tooele City Corporation**

We concur with the auditor's recommendation and will review all future land transactions and transfers to assure they are consistent with GASB standards.

**2013 - 3 NOTE RECEIVABLE AND LAND TRANSACTIONS**

**Finding**

During the current year, it was determined the City had not recorded a reduction and allowance for the note receivable for the year ended June 30, 2012 which had been settled with land. This reduced the notes receivable increased the allowance for doubtful accounts and bad debt expense, and increased land by \$465,000 on the government wide financial statements. Further, accrued interest and interest income for the Downtown Redevelopment Agency fund were reduced. The effect of this correction on the financial statements resulted in material adjustments during the audit.

**Recommendation**

Management should review all future receivables and land transactions and assure amounts are included in the proper period and accounted for in accordance with GASB standards.

**Response - Tooele City Corporation**

We concur with the auditor's recommendation and will review all future receivables and land transactions and assure amounts are included in the proper period in accordance with GASB standards.