

Pleasant Grove City

Financial Statements

For the Fiscal Year Ending June 30, 2010



Pleasant Grove

Utah's City of Trees

PLEASANT GROVE CITY

FINANCIAL STATEMENTS

For the Year Ending June 30, 2010



Prepared by:
Pleasant Grove City, Finance Department

PLEASANT GROVE CITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Pleasant Grove City Corporation
Pleasant Grove, UT

December 29, 2010

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 Pleasant Grove City, Utah, (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated December 29, 2010 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* and should be considered in assessing the results of our audit.

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

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generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pleasant Grove City, we offer readers of Pleasant Grove City's financial statements this narrative overview and analysis of the financial activities of Pleasant Grove City for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The total net assets of the Pleasant Grove City decreased 1.28% to \$100,808,816. Due to the economic difficulties, reserves were drawn to partially compensate for shortfalls in tax revenues in the governmental funds. In the proprietary funds, additional debt service payments began during fiscal year 2010. Rate increases implemented on November 30, 2010 will provide the revenue necessary to meet future obligations.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,925,041. Of this amount \$3,147,192 (45.45%) is available for spending at the government's discretion (unreserved fund balance).
- Total governmental fund balance decreased by \$3,651,362 during the year. While a portion of this decrease was to fund current operation in the General Fund, most of the reduction was due to the following factors: expenditure of bond proceeds, expenditure of capital project reserves for capital projects, and a transfer from the General Fund to the Capital Projects fund.
- Utah law restricts an amount a municipality can maintain in its General Fund unreserved fund balance to 18% of the next year's budgeted revenue. As of June 30, 2010 the City exceeds this amount by \$565,571. However, the City is budgeting to use \$622,541 of this amount for FY 2011 operations, and the General Fund will be in compliance with fund balance limitations.
- During the year, the City incurred additional debt in the form of two capital leases to acquire equipment totaling \$231,595 and additional water shares associated with the piping of the Murdock canal. However, overall long-term debt for the City decreased by \$1,850,135.

REPORT OVERVIEW

This discussion and analysis is intended to serve as an introduction to Pleasant Grove City's basic financial statements. Pleasant Grove City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes 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 Pleasant Grove City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Pleasant Grove City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Pleasant Grove City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Pleasant Grove City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 14 & 15 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pleasant Grove City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The City maintains the following five individual governmental funds:

- General
- Debt Service
- Redevelopment Agency
- Capital Projects
- Municipal Building Authority

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, Redevelopment Agency, and Capital Projects funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is elsewhere in this report.

The governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds –Pleasant Grove City maintains one type of proprietary fund, which is an enterprise fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Pleasant Grove City uses enterprise funds to account for its Storm Drain Utility, Water Utility, and Sewer Utility.

The basic proprietary fund financial statements can be found on pages 20-22 of this report

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Required Supplementary Information (RSI) – This section contains budget to actual statements for the City’s General Fund as well as other major funds. The RSI section begins on page 53.

Supplementary Section – In addition to the above mentioned statements and reports, this report also presents other supplementary information and a statistical section, which give additional and more detailed information to the reader. The supplemental section includes individual fund financial statements for the City’s non-major funds. The supplementary section begins on page 56.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Pleasant Grove City, assets exceed liabilities by \$100,808,816.

By far the largest portion of the City of Pleasant Grove’s net assets (84.02%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

The following table summarizes the City’s net assets.

PLEASANT GROVE CITY NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
	Current and other assets	13,985,118	18,860,870	8,272,319	12,780,341	22,257,437
Capital assets	83,762,163	81,886,753	65,268,178	62,736,537	149,030,341	144,623,290
Total Assets	97,747,281	100,747,623	73,540,497	75,516,878	171,287,778	176,264,503
Long-term debt outstanding	37,291,496	38,328,237	26,574,695	27,359,951	63,866,191	65,688,188
Other liabilities	6,436,107	7,722,267	176,664	733,364	6,612,771	8,455,631
Total Liabilities	43,727,603	46,050,504	26,751,359	28,093,315	70,478,962	74,143,819
Net Assets						
Invested in capital assets, net of related debt	47,247,874	47,283,107	40,000,567	39,174,820	87,248,441	86,457,927
Restricted	3,215,720	4,379,474	2,639,065	-	5,854,785	4,379,474
Unrestricted	3,556,084	3,034,538	4,149,506	8,248,743	7,705,590	11,283,283
Total net assets	54,019,678	54,697,119	46,789,138	47,423,563	100,808,816	102,120,684

An additional portion of the City’s net assets (6.97%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$7,705,590 may be used to meet the government’s ongoing obligations to citizens and creditors.

As of June 30, 2010, the City is able report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Analysis of the City’s Operations – The following table provides a summary of the City’s operations for the year ended June 30, 2010. Net Assets for governmental activities decreased by 677,441, which is a decrease of \$3,519,022 from the previous year. Business-type activities decreased by \$634,426, which represents an decrease of

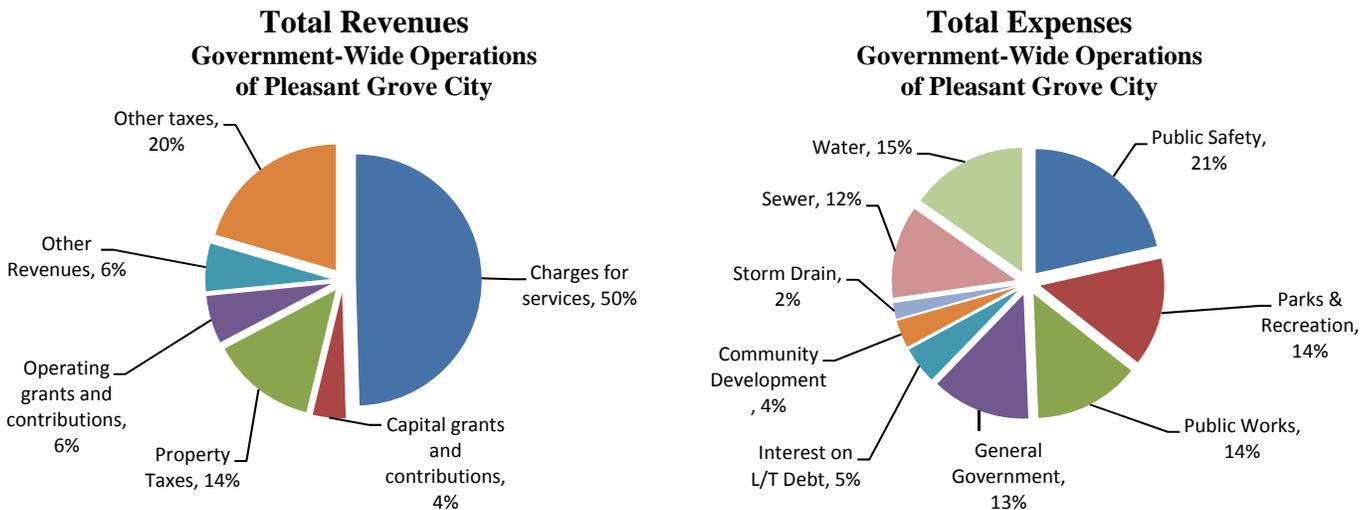
\$1,041,517 from the previous year. One of the factors contributing to a decrease in Net Assets in Governmental Funds is the Capital grants and contributions. Capital contributions consist of infrastructure built by developers and donated to the City as well as impact fee revenues. Economic conditions have led to reduced capital contributions.

PLEASANT GROVE CITY'S CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	5,593,749	5,206,395	6,410,065	5,694,099	12,003,814	10,900,494
Operating grants and contributions	431,762	670,668	-	-	431,762	670,668
Capital grants and contributions	1,844,667	6,064,459	560,205	1,309,985	2,404,872	7,374,444
General Revenues:						
Taxes	8,406,552	8,415,790	-	-	8,406,552	8,415,790
Other Revenues	1,473,202	640,249	39,551	160,399	1,512,753	800,648
Total revenues	17,749,932	20,997,561	7,009,821	7,164,483	24,759,753	28,162,044
Expenses						
General Government	3,344,440	4,664,459	-	-	3,344,440	4,664,459
Community Services	938,823	-	-	-	938,823	-
Public Works	3,594,180	3,452,810	-	-	3,594,180	3,452,810
Public Safety	5,601,452	5,257,438	-	-	5,601,452	5,257,438
Parks & Recreation	3,680,548	3,280,182	-	-	3,680,548	3,280,182
Interest on L/T Debt	1,267,930	1,501,092	-	-	1,267,930	1,501,092
Water	-	-	3,976,228	3,608,987	3,976,228	3,608,987
Storm Drain	-	-	533,621	475,737	533,621	475,737
Sewer	-	-	3,134,398	2,672,668	3,134,398	2,672,668
Total Expenses	18,427,373	18,155,981	7,644,247	6,757,392	26,071,620	24,913,373
Increase (decrease) in net assets	(677,441)	2,841,580	(634,426)	407,091	(1,311,867)	3,248,671
Net asset, beginning	54,697,119	51,855,539	47,423,564	47,016,474	102,120,683	98,872,013
Net assets, ending	\$ 54,019,678	\$ 54,697,119	\$ 46,789,138	\$ 47,423,565	\$100,808,816	\$102,120,684

The largest source of revenue from charges for services is fees charged to the City’s utility funds to reimburse the governmental funds for services performed. Property taxes are the primary source of general revenue. Most of the City’s operating grants are related to public safety grants and class C road funds, while capital grants consist mostly of donated infrastructure assets.

The following two graphs display Pleasant Grove’s government-wide revenues and expenses for the fiscal year ended June 30, 2010.



Financial Analysis of Government’s Funds

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.

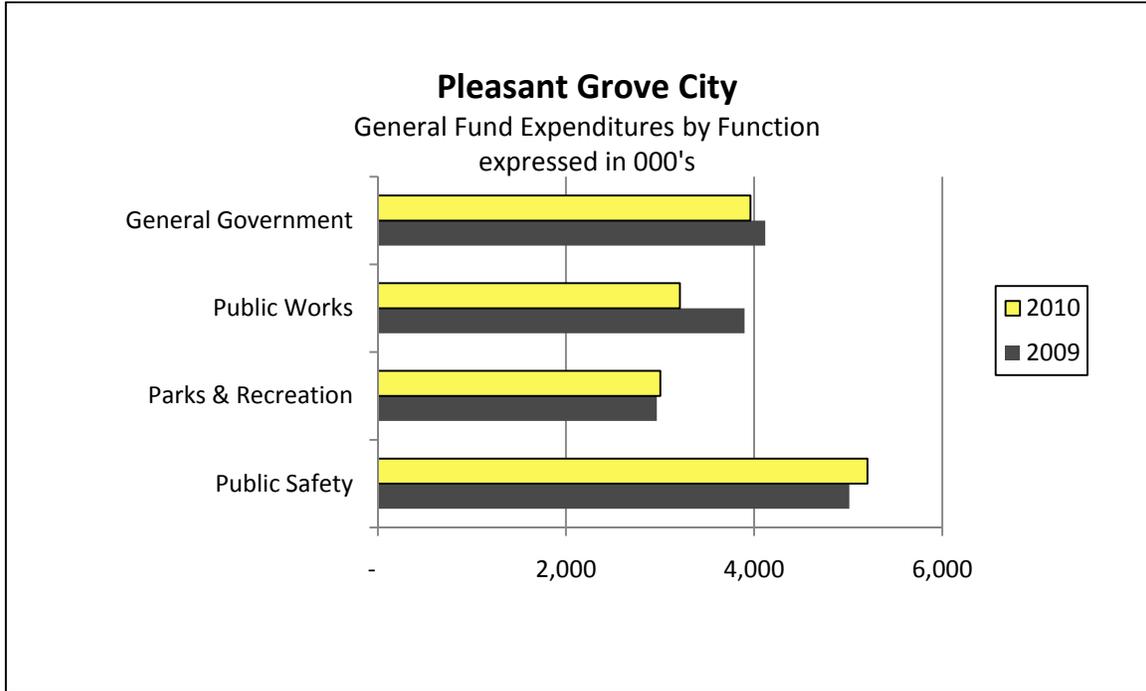
At the end of the current fiscal year, the City’s governmental funds reported combined fund balances of \$6,925,041. \$3,147,192 of this total amount (45%) constitutes unreserved fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance in the general fund was \$3,229,508, while total fund balance reached \$6,126,029.

Taxes are the largest source of revenue in the General Fund, representing 53% of total General Fund revenues. The largest component is sales tax, which represents 44% of total tax revenue and 23% of total General Fund revenue. Revenues in the General Fund decreased from last year by \$44,766, while expenditures decreased \$605,406.

The following chart compares general fund expenditures by function between 2009 and 2010.



Other Governmental Funds

The fund balance in the Redevelopment Agency fund increased by \$418,263 during the year, but it still has a deficit balance of (\$498,171). The City will continue to work to get a positive balance in this fund. Property tax increment revenues increase from \$313,295 in 2009 to \$515,185 in 2010. This is an increase of 64%.

The City incurred capital project expenditures totaling \$2,597,484 during the year. The Capital Project fund is solely for the purpose of collecting funds for the construction of capital projects. Revenue sources include impact fees of \$192,681. Impact fees are restricted to projects governed by the laws of the State of Utah, thus these balances are reserved.

Enterprise Funds. The City maintains enterprise funds to account for the business-type activities of the City. The information is found in the government-wide financial statements, but in more detail.

Net assets of the water decreased from \$25,185,230 to \$24,485,860. Sewer net assets decreased from \$14,972,155 to \$14,940,430. Storm Drain net assets decreased from

\$7,266,179 to \$7,362,848. Overall, in the enterprise funds, net assets decreased by 1.34%.

General Fund Budgetary Highlights

During the fiscal year, the General Fund’s original budget was amended from an original budgeted expenditure total of \$16,535,269 to final budgeted expenditures of \$16,859,549. These increases can be briefly summarized as follows:

- General Government increased by \$43,887.
- Public Safety increased by \$33,217.
- Public Works increased by \$50,260.
- Parks and Recreation increased by \$163,942.
- Community Services increased by \$32,975.

The increased budgeted expenditures were funded by decreasing transfers to capital projects and using fund balance.

Capital Assets and Debt Administration

Capital Assets. The City of Pleasant Grove’s investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$149,030,342 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, construction in progress, and water rights. The total increase in the City’s investment in fixed assets for the current year was 3.05% (2.29% increase in governmental activities and a 4.04% for business-type activities).

**Pleasant Grove City Capital Assets
(net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 42,207,469	\$ 40,934,725	\$ 1,820,579	\$ 1,677,125	\$ 44,028,048	\$ 42,611,850
Water Shares	-	-	1,981,938	1,871,303	1,981,938	1,871,303
Buildings	9,481,729	9,785,305	-	-	9,481,729	9,785,305
Improvements	-	-	-	-	-	-
Equipment	2,325,294	1,551,397	205,612	257,855	2,530,906	1,809,252
Infrastructure	29,747,671	27,168,503	61,260,050	58,930,256	91,007,721	86,098,759
Const in Progress	-	2,446,823	-	-	-	2,446,823
Total Capital Assets	\$ 83,762,163	\$ 81,886,753	\$ 65,268,179	\$ 62,736,539	\$ 149,030,342	\$ 144,623,292

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

- Contributed infrastructure assets - \$1,050,106
- Secondary water assets - \$2,537,356
- 2000 West construction - \$2,344,727.
- Road Overlays - \$1,325,300

Additional information on the City’s capital assets can be found in the footnotes to this financial report.

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$58,439,000. \$53,674,000 is secured by specific revenue sources, while total general obligation bonds outstanding total \$4,765,000.

**Pleasant Grove City Outstanding Debt
General Obligation and Revenue Bonds (000's)**

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
	General obligation bonds	\$ 4,765,000	\$ 4,885,000	\$ -	\$ -	\$ 4,765,000
Revenue bonds	27,738,500	28,991,500	25,935,500	26,773,500	53,674,000	55,765,000
Total bonded debt	<u>\$ 32,503,500</u>	<u>\$ 33,876,500</u>	<u>\$ 25,935,500</u>	<u>\$ 26,773,500</u>	<u>\$ 58,439,000</u>	<u>\$ 60,650,000</u>

- The City’s total outstanding debt decreased by \$1,850,135 during the current fiscal year.
- The City entered into two capital leases, both for equipment, totaling \$231,595.
- Pleasant Grove City maintains a “AA” rating for its sales tax bonds and a “AA-“ rating for its general obligation bonds. During the year, Fitch downgraded the rating for its excise tax bonds from “A+” to “A” in large part due to volatility in Class C road fund revenue.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$49,710,889 which is significantly in excess of the City’s outstanding general obligation debt. In addition, state statutes allows for an additional 4% to be used for water, sewer, or other revenue bond projects thus resulting in a debt limit of 8% of total taxable value. Total limitation is \$99,421,778, which again significantly exceeds the outstanding debt.

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Utah County (of which Pleasant Grove is the fourth largest city) was 8.0%. This compares with a state unemployment rate of 7.6% and a national rate of 9.3%. The previous year's rates were 5.6%, 5.7%, and 9.5% respectively.
- The General Fund budget for the fiscal year-ending June 30, 2011 reflects a decrease of \$1,241,197 from the year ending, June 30, 2010. \$941,507 of that amount was related to capital road project expenditures.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Pleasant Grove'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: Pleasant Grove City, Finance Director, 70 South 100 East, Pleasant Grove, UT 84062.

BASIC FINANCIAL STATEMENTS

Pleasant Grove



Utah's City of Trees

PLEASANT GROVE CITY

Statement of Net Assets

June 30, 2010

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 5,084,183	\$ 4,406,197	\$ 9,490,380
Restricted Cash	3,128,652	2,227,916	5,356,568
Receivables	4,878,287	745,513	5,623,800
Inventories	-	53,466	53,466
Other Current Assets	321,879	99,318	421,197
Bond Issuance Costs (Net)	572,117	739,908	1,312,025
Capital Assets:			
Land	42,207,469	1,820,579	44,028,048
Water Shares	-	1,981,938	1,981,938
Buildings	9,481,729	-	9,481,729
Improvements	29,747,671	61,260,050	91,007,721
Machinery & Equipment	2,325,294	205,612	2,530,906
Total Assets	97,747,281	73,540,497	171,287,778
LIABILITIES			
Accounts Payable	1,815,018	26,042	1,841,060
Bond Interest Payable	236,112	129,451	365,563
Retainage Payable	40,466	21,171	61,637
Deposits	1,564,248	-	1,564,248
Deferred Revenue	2,780,263	-	2,780,263
Long-term Liabilities			
Due Within One Year	1,584,849	912,625	2,497,474
Due in More Than One Year	35,706,647	25,662,070	61,368,717
Total Liabilities	43,727,603	26,751,359	70,478,962
NET ASSETS			
Invested in Capital Assets, net of related debt	47,247,874	40,000,567	87,248,441
Restricted for:			
Roads & Impact Fees	1,001,049	411,149	1,412,198
E911 and Library	803,259	-	803,259
Debt Service	1,411,412	2,227,916	3,639,328
Unrestricted	3,556,084	4,149,506	7,705,590
Total Net Assets	\$ 54,019,678	\$ 46,789,138	\$ 100,808,816

See accompanying notes.

PLEASANT GROVE CITY

Statement of Activities

For the Year Ended June 30, 2010

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental:							
General Government	\$ 3,344,440	\$ 1,991,886	\$ -	\$ -	\$ (1,352,554)	\$ -	\$ (1,352,554)
Community Services	938,823	331,414	-	-	(607,409)	-	(607,409)
Public Works	3,594,180	1,064,824	-	1,727,777	(801,579)	-	(801,579)
Public Safety	5,601,452	808,065	396,415	62,928	(4,334,044)	-	(4,334,044)
Parks and Recreation	3,680,548	1,397,560	35,347	53,962	(2,193,679)	-	(2,193,679)
Interest on Long-Term Debt	1,267,930	-	-	-	(1,267,930)	-	(1,267,930)
Total Governmental Activities	18,427,373	5,593,749	431,762	1,844,667	(10,557,195)	-	(10,557,195)
Business-type:							
Water	3,976,228	3,045,454	-	216,080	-	(714,694)	(714,694)
Sewer	3,134,398	2,961,398	-	118,574	-	(54,426)	(54,426)
Storm Drain	533,621	403,213	-	225,551	-	95,143	95,143
Total Business-type Activities	7,644,247	6,410,065	-	560,205	-	(673,977)	(673,977)
Total Primary Government	26,071,620	12,003,814	431,762	2,404,872	(10,557,195)	(673,977)	(11,231,172)
General Revenues:							
Property Taxes					3,345,829	-	3,345,829
Sales and Use Tax					3,308,260	-	3,308,260
Franchise Tax					1,085,751	-	1,085,751
Other Taxes					666,710	-	666,710
Miscellaneous Revenue					1,463,280	-	1,463,280
Unrestricted Investment Earnings					9,923	39,551	49,474
Total General Revenues and Transfers					9,879,754	39,551	9,919,305
Change in Net Assets					(677,441)	(634,426)	(1,311,867)
Net Assets -- Beginning					54,697,119	47,423,564	102,120,683
Net Assets -- Ending					\$ 54,019,678	\$ 46,789,138	\$ 100,808,816

See accompanying notes.

PLEASANT GROVE CITY

Balance Sheet Governmental Funds June 30, 2010

	<u>Special Revenue</u>		<u>Capital Projects</u>	Nonmajor	Total
	<u>General</u>	<u>RDA</u>	<u>Construction</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS					
Cash & Cash Equivalents	\$ 4,244,776	\$ -	\$ 726,420	\$ 112,986	\$ 5,084,183
Restricted Cash	2,764,877	-	363,775	-	3,128,652
Receivables (net)					
Property Tax	2,951,886	215,666	-	-	3,167,552
Sales Tax	616,011	-	-	-	616,011
Other	449,913	-	94,000	-	543,913
Intergovernmental	521,054	-	-	-	521,054
Special Assessment Receivable	29,757	-	-	-	29,757
Due from other funds	498,170	-	-	-	498,170
Other Current Assets	27,395	-	-	-	27,395
Prepaid Expenses	294,483	-	-	-	294,483
Total Assets	<u>12,398,322</u>	<u>215,666</u>	<u>1,184,196</u>	<u>112,986</u>	<u>13,911,170</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and Accrued Liabilities	\$ 1,815,018	\$ -	\$ -	\$ -	\$ 1,815,018
Construction Bonds and Refunds	1,564,248	-	-	-	1,564,248
Retainage Payable	40,466	-	-	-	40,466
Due to Other Funds	-	498,170	-	-	498,170
Deferred Revenue	2,852,560	215,666	-	-	3,068,226
Total Liabilities	<u>6,272,292</u>	<u>713,836</u>	<u>-</u>	<u>-</u>	<u>6,986,128</u>
FUND BALANCES					
Reserved for:					
Trust Funds	285,960	-	-	-	285,960
Self Insurance	276,169	-	-	-	276,169
Debt Service	1,202,932	-	208,480	-	1,411,412
E911 Funds	749,292	-	-	-	749,292
Library Grants	53,967	-	-	-	53,967
Class C Road Funds	328,201	-	-	-	328,201
2000 West Construction	-	-	155,295	-	155,295
Impact Fees	-	-	517,553	-	517,553
Unreserved, Reported In					
General Fund	3,229,508	-	-	-	3,229,508
Special Revenue Funds	-	(498,170)	-	40,030	(458,140)
Debt Service Funds	-	-	-	72,956	72,956
Capital Project Funds	-	-	302,868	-	302,868
Total Fund Balances	<u>6,126,029</u>	<u>(498,170)</u>	<u>1,184,196</u>	<u>112,986</u>	<u>6,925,041</u>
Total Liabilities and Fund Balances	<u>\$ 12,398,322</u>	<u>\$ 215,666</u>	<u>\$ 1,184,196</u>	<u>\$ 112,986</u>	<u>\$ 13,911,170</u>

See accompanying notes.

PLEASANT GROVE CITY

Reconciliation of The Balance Sheet of Governmental Funds To The Statement of Net Assets For the Year Ended June 30, 2010

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

Total fund balances - governmental fund types	\$ 6,925,041
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	83,762,163
Property taxes levied in prior years but not yet received are reported as deferred revenue in the governmental funds, but are recorded as revenues in the prior year's net assets in the statement of activities.	287,963
Governmental funds report the effects of bond issuance costs, whereas these amounts are deferred and shown as net amortization in the statement of activities	572,118
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(36,778,720)
Compensated absences are not due and payable in the current period and are not reported as fund liabilities in the funds.	(516,253)
Post retirement benefits are not due and payable in the current period and are not reported as fund liabilities in the funds.	(232,634)
Net assets of governmental activities	<u><u>\$ 54,019,678</u></u>

See accompanying notes.

PLEASANT GROVE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	General	Special Revenue Redevelopment Agency	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,724,493	\$ 515,185	\$ -	\$ 353,728	\$ 8,593,406
Licenses & Permits	211,757	-	-	-	211,757
Intergovernmental	1,397,878	-	-	-	1,397,878
Charges for Services	4,234,381	-	-	-	4,234,381
Fines & Forfeitures	554,127	-	-	-	554,127
Interest	9,692	-	21,526	232	31,450
Impact Fees	-	-	192,681	-	192,681
Miscellaneous	310,185	-	130,323	-	440,508
Total Revenues	14,442,513	515,185	344,530	353,960	15,656,188
EXPENDITURES					
Current					
General Government	3,048,453	96,922	-	-	3,145,375
Community Services	912,375	-	-	-	912,375
Public Works	3,210,997	-	-	-	3,210,997
Public Safety	5,204,546	-	-	-	5,204,546
Parks and Recreation	3,003,433	-	-	-	3,003,433
Capital Outlay & Projects	-	-	2,597,484	-	2,597,484
Debt Service					
Principal Retirement	515,000	535,000	203,000	120,000	1,373,000
Interest and Fees	256,305	790,459	171,797	198,833	1,417,394
Total Expenditures	16,151,109	1,422,381	2,972,281	318,833	20,864,604
Excess (Deficiency) of Revenues over Expenditures	(1,708,596)	(907,196)	(2,627,751)	35,127	(5,208,416)
Other Financing Sources (Uses)					
Developer Contributions	-	1,325,459	-	-	1,325,459
Bond Proceeds	-	-	231,595	-	231,595
Transfers In	-	-	353,395	-	353,395
Transfers Out	(353,395)	-	-	-	(353,395)
Total Other Financing Sources/(Uses)	(353,395)	1,325,459	584,990	-	1,557,054
Net Change in Fund Balance	(2,061,991)	418,263	(2,042,762)	35,127	(3,651,362)
Fund Balances - July 1	8,188,020	(916,433)	3,226,957	77,859	10,576,403
Fund Balances - June 30	\$ 6,126,029	\$ (498,170)	\$ 1,184,196	\$ 112,986	\$ 6,925,041

See accompanying notes.

PLEASANT GROVE CITY
 Reconciliation of The Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To The Statement of Activities
 For the Year Ended June 30, 2010

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

Net Change in Fund Balance -- Total Governmental Funds	\$(3,651,362)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,203,042
Contributions of capital assets not reported in the funds.	672,369
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	95,919
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,243,524
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(240,933)</u>
Change in net assets of governmental activities	<u><u>\$ (677,441)</u></u>

See accompanying notes.

PLEASANT GROVE CITY

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Storm Drain Fund	
ASSETS				
Current Assets				
Cash & Cash Equivalents	\$ 888,595	\$ 3,457,621	\$ 59,981	\$ 4,406,198
Accounts Receivable	360,746	340,146	44,621	745,512
Inventories	53,466	-	-	53,466
Other Current Assets	-	99,318	-	99,318
Total Current Assets	1,302,807	3,897,085	104,602	5,304,493
Noncurrent Assets				
Restricted Cash	2,159,736	68,180	-	2,227,916
Bond Issuance Costs	824,727	52,316	12,196	889,239
Accumulated Amortization	(112,338)	(32,418)	(4,575)	(149,331)
Capital Assets				
Land	1,328,742	25,000	466,837	1,820,579
Water Shares	1,981,938	-	-	1,981,938
Buildings and Structures	26,492	39,005	-	65,497
Infrastructure and Improvements	51,729,152	14,495,971	7,838,355	74,063,478
Machinery and Equipment	341,154	203,430	225,439	770,023
Less Accumulated Depreciation	(9,454,839)	(3,018,682)	(959,814)	(13,433,336)
Capital Assets (Net of Accum Depreciation)	45,952,639	11,744,724	7,570,816	65,268,179
Total Noncurrent Assets	48,824,764	11,832,802	7,578,437	68,236,003
Total Assets	50,127,571	15,729,887	7,683,038	73,540,496
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	22,030	2,919	1,093	26,042
Interest Payable	122,786	5,472	1,193	129,451
Retainage Payable	21,171	-	-	21,171
Current Portion Bonds Payable	794,725	99,600	18,300	912,625
Total Current Liabilities	960,712	107,991	20,586	1,089,289
Noncurrent Liabilities				
Compensated Absences	28,465	28,465	5,605	62,536
Bonds Payable	24,652,534	653,000	294,000	25,599,534
Total Noncurrent Liabilities	24,681,000	681,465	299,605	25,662,070
Total Liabilities	25,641,711	789,457	320,190	26,751,359
NET ASSETS				
Invested in Capital Assets, net of related debt	21,749,927	10,992,124	7,258,516	40,000,567
Restricted for:				
Impact Fees	248,624	162,525	-	411,149
Debt Service	2,159,736	68,180	-	2,227,916
Unrestricted	327,573	3,717,601	104,332	4,149,506
Total Net Assets	\$ 24,485,860	\$ 14,940,430	\$ 7,362,848	\$ 46,789,138

See accompanying notes.

PLEASANT GROVE CITY

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Storm Drain Fund	
OPERATING REVENUES				
Charges for Services				
Operations	\$ -	\$ -	\$ 403,213	\$ 403,213
Pledged as Security for Revenue Bonds	3,045,455	2,959,931	-	6,005,386
Special Assessment Revenue	-	1,467	-	1,467
Total Operating Revenue	<u>3,045,455</u>	<u>2,961,398</u>	<u>403,213</u>	<u>6,410,066</u>
OPERATING EXPENSES				
Salaries and Benefits	395,372	377,076	128,984	901,432
Costs of Services and Supplies	798,587	1,834,574	127,289	2,760,450
General and Administrative	673,202	659,949	88,055	1,421,206
Depreciation and Amortization	1,096,118	237,643	181,162	1,514,922
Total Operating Expenses	<u>2,963,278</u>	<u>3,109,242</u>	<u>525,490</u>	<u>6,598,011</u>
Operating Income (Loss)	<u>82,177</u>	<u>(147,845)</u>	<u>(122,277)</u>	<u>(187,945)</u>
NON-OPERATING REVENUES (EXPENSES)				
Impact Fees	99,668	68,432	14,367	182,466
Interest	15,321	22,702	1,528	39,551
Amortization of Bond Issuance Costs	(33,643)	(4,012)	(610)	(38,265)
Interest Expense	(979,304)	(21,144)	(7,521)	(1,007,970)
Total Non-Operating Revenue (Expenses)	<u>(897,959)</u>	<u>65,978</u>	<u>7,763</u>	<u>(824,218)</u>
Net Income (Loss) Before Contributions and Transfers	<u>(815,782)</u>	<u>(81,867)</u>	<u>(114,514)</u>	<u>(1,012,163)</u>
CONTRIBUTIONS AND TRANSFERS				
Developer Contributions	116,412	50,142	211,184	377,737
Total Contributions & Operating Transfers	<u>116,412</u>	<u>50,142</u>	<u>211,184</u>	<u>377,737</u>
CHANGE IN NET ASSETS	<u>(699,370)</u>	<u>(31,725)</u>	<u>96,669</u>	<u>(634,425)</u>
Total Net Assets - Beginning	<u>25,185,230</u>	<u>14,972,155</u>	<u>7,266,179</u>	<u>47,423,564</u>
Total Net Assets - Ending	<u>\$ 24,485,860</u>	<u>\$ 14,940,430</u>	<u>\$ 7,362,848</u>	<u>\$ 46,789,138</u>

See accompanying notes.

PLEASANT GROVE CITY

Statement of Cash Flows

Proprietary Funds

For The Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drain Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 3,076,493	\$ 2,921,653	\$ 404,325	\$ 6,402,471
Payments to Suppliers	(1,279,812)	(1,788,162)	(127,289)	(3,195,263)
Interfund Services	(673,203)	(659,949)	(88,055)	(1,421,207)
Payments to Employees	(378,080)	(360,293)	(127,139)	(865,511)
Net cash provided (used) by operating activities	<u>745,398</u>	<u>113,250</u>	<u>61,841</u>	<u>920,489</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Impact fees	99,668	68,432	14,367	182,466
Purchase of capital assets	(2,705,766)	(455,626)	(363,202)	(3,524,593)
Proceeds from capital debt	15,083			15,083
Principal paid on capital debt	(724,800)	(95,800)	(17,400)	(838,000)
Interest paid on capital debt	(1,131,906)	(37,010)	(14,725)	(1,183,642)
Net cash provided (used) by capital and related financing activities	<u>(4,447,721)</u>	<u>(520,004)</u>	<u>(380,960)</u>	<u>(5,348,686)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest Income	15,321	22,702	1,528	39,551
Net increase (decrease) in cash and cash equivalents	<u>(3,687,002)</u>	<u>(384,052)</u>	<u>(317,591)</u>	<u>(4,388,645)</u>
Cash and cash equivalents - beginning of year	6,735,333	3,909,853	377,572	11,022,758
Cash and cash equivalents - end of year	<u>\$ 3,048,331</u>	<u>\$ 3,525,801</u>	<u>\$ 59,981</u>	<u>\$ 6,634,113</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	<u>\$ 82,177</u>	<u>\$ (147,845)</u>	<u>\$ (122,277)</u>	<u>\$ (187,945)</u>
Adjustments to reconcile operating income to net cash provided (Used) by operating activities:				
Depreciation expense	1,096,118	237,643	181,162	1,514,922
(Increase) decrease in receivables	56,253	(39,745)	1,112	17,620
(Increase) decrease in inventory	8,828	-	-	8,828
Increase (decrease) in accounts payable	(29,502)	-	-	(29,502)
Increase (decrease) in accrued liabilities	(485,767)	46,412	-	(439,355)
Increase (decrease) in accrued vacation and sick leave	17,292	16,783	1,846	35,921
Total Adjustments	<u>663,221</u>	<u>261,094</u>	<u>184,119</u>	<u>1,108,434</u>
Net cash provided (used) by operating activities	<u>\$ 745,398</u>	<u>\$ 113,250</u>	<u>\$ 61,841</u>	<u>\$ 920,489</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	116,412	50,142	211,184	377,737

See accompanying notes.

**NOTES TO THE FINANCIAL
STATEMENTS**

Pleasant Grove



Utah's City of Trees

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pleasant Grove City Corporation (the City) 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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

Pleasant Grove City Corporation was incorporated under laws of the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the mayor and a city council. They are assisted by a finance director who is currently responsible for the financial matters of the City, including money management, accounts payable, financial statements, and accounts receivable.

The City provides the following services as mandated by law: public safety, judicial services, highways and streets, sanitation, parks, cemetery, water, sewer, storm drain, public improvements, planning and zoning, and general administrative services.

The City owns one-third of Fox Hollow Golf Course (formerly Tri-City Golf Course). The accounts of the golf course are excluded from the accompanying financial statements because the entity is autonomous and has a self-elected board of directors responsible for its operations and the hiring of its management personnel. The golf course was established in 1973 by American Fork City, Pleasant Grove City, and Lehi City. The three cities formed a separate legal entity known as the Tri-City Golf Course Interlocal Agency to cooperatively own, operate, and maintain the golf course. During 2008, the Agency issued bonds of \$4,880,000. The City is guarantor for one-third of this debt. The City's franchise fees are collateral.

Blended Component Units.

The Municipal Building Authority was created by the City during fiscal year 1995 and is governed by the City's mayor and council. 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 with the City and will be retired through lease payments from the City. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a blended component unit.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY (Continued)

The Redevelopment Agency is governed by a separate governing board, who are the City's mayor and council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit.

The Municipal Building Authority and the Redevelopment Agency are considered blended component units since the governing board in each case is the same governing board of the City.

The Municipal Building Authority and the Redevelopment Agency are presented as special revenue funds in the financial statements.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (if any), even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY (Continued)

C. Measurement Focus, Basis of Accounting and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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.

The *redevelopment agency* special revenue fund accounts for the activities of the agency, a blended component unit of the city. The agency is an entity established to further public purpose in the community and renewal of particular city areas.

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the City’s water operations.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY (Continued)

The *sewer fund* accounts for the activities of the City’s sewer operations.

The *storm drain fund* accounts for the activities of the City’s storm drain operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by the various enterprise funds for providing administrative services for such funds. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principle ongoing operations.

Additionally, the government reports the following fund types:

The *municipal building authority* special revenue fund accounts for the activities of the municipal building authority.

The *debt service fund* accounts for accumulation of financial resources for the payment of principal and interest on the City’s general obligation debt.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of amounts deposited with the Utah Public Treasurer’s Investment Fund, treasury bills of the U.S. Government, and money market funds. Investments are stated at fair value, which approximates cost.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either “due to other funds” or “due from other funds.”

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY *(Continued)*

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services, and also cash held for construction performance bonds.

Restricted resources, rather than unrestricted resources, are used first to fund related appropriations.

5. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The interest capitalized during the year is \$144,231.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY (Continued)

<u>Assets</u>	<u>Years</u>
Buildings and structures	25-40
Improvements other than buildings	20-25
Infrastructure	20
Machinery and equipment	5-10

6. Compensated Absences

City employees accrue vacation, comp time, and sick leave throughout the year. Unpaid vacation over 120 hours expires at the end of the calendar year. Vacation time and comp time are accrued in full as they are incurred. Any unused sick leave is converted to compensated absences at a rate of 25 percent at year-end. A liability for these amounts is reported in the financial statements.

7. Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax, which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on all business personal property on January 1 and real estate and improvement taxes are levied on January 1 and are payable by November 30. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The city council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The council must set a tax rate by June 22 each year. The county treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

8. Long-term obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the accrual debt proceeds received, are reported as debt service expenditures.

Interest expense is shown separately in the governmental activities, and none is included in the functions of the governmental activities.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital-related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Cost of capital assets	\$99,890,628
Accumulated depreciation	(<u>16,128,465</u>)
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets – governmental activities</i>)	<u>\$83,762,163</u>

Long-term debt transactions:

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements. All liabilities (both current and long-term) are reported in the statement of net assets.

Bonds and capital leases payable	(\$36,542,609)
Bond interest payable	(<u>236,111</u>)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$36,778,720)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$ 3,723,511
Depreciation expense	(<u>2,520,469</u>)
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,203,042</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued,

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

whereas these amounts are deferred and amortized in the statement of activities.”

Debt issued or retired:	
Issuance of Long-term debt	(\$231,595)
Change in accrued interest	13,195
Principal paid on bonds and capital leases	1,509,269
Issuance cost amortization	<u>(47,345)</u>
Total debt incurred	<u>\$1,243,524</u>

Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and are not reported in governmental funds.

Post Retirement Benefits	\$ 22,305
Compensated absences	<u>(263,238)</u>
Total	<u>(\$ 240,933)</u>

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the city council in May, the city administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held, at which time the taxpayers’ comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The city administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The city council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Deposits

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The City considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, the City’s custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2010
Checking & Savings Accounts	Insured	\$ 250,000
Checking & Savings Accounts	Uninsured and Uncollateralized	2,443,284
		\$2,693,284

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Investments

The City’s investments are managed through participation in the State Public Treasurer’s Investment Fund. The City also has funds in bond accounts at US Bank invested in money market mutual funds and at Wells Fargo invested in the Public Treasurer’s Investment Fund. As of June 30, 2010 The City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurers’ Investment Fund	Less than 1 year	\$ 8,830,379
U.S. Bank – First American Treasury Obligation Fund	Less than 1 year	<u>3,794,572</u> <u>\$12,624,951</u>

Investments–Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments–Credit Risk. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of deposits, U.S. treasury obligations, U.S. agency issues, high-grade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices.

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

At June 30 2010, the City had the following quality ratings:

Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 8,830,379	\$ -	\$ -	\$ -	\$ 8,830,379
U.S. Bank – First American Treasury Obligations Fund	3,794,572	3,794,572			
Total investment	\$ 12,624,951	\$ 3,794,570	\$ -	\$ -	\$ 8,830,379

Investments – Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

NOTE 5 - RECEIVABLES

Receivables as of year end for the government's individual major fund and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General	Capital Projects	RDA	Water	Sewer	Storm Drain	Total
Accounts	\$ 112,051			\$371,577	\$342,313	\$ 44,869	\$ 870,810
Property tax	2,951,886		215,666				3,167,552
Sales tax	616,011						616,011
Other	339,023	94,000					433,023
Intergovernmental	521,054						521,054
Special assessment	29,757						29,757
Less: Allowance for uncollectible accounts	(1,161)			(10,831)	(2,167)	(248)	(14,407)
Total	\$ 4,568,621	\$ 94,000	\$215,666	\$360,746	\$340,146	\$ 44,621	\$ 5,623,800

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (RDA fund)	\$ -	\$ 215,666
Property taxes receivable (general fund)	287,963	2,534,840
Special assessment receivable (general fund)	29,757	
Total deferred/unearned revenue for governmental funds	\$317,720	\$2,750,506

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of year-end is as follows:

Due to/from other funds:		
<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Redevelopment Agency	<u>\$498,170</u>

The inter-fund balance between the RDA and the general fund is not expected to be repaid within one year.

	<u>Capital Projects</u>
Transfer Out:	
General	<u>\$353,395</u>

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

NOTE 7 – CAPITAL ASSETS

Primary Government	<u>Beginning</u>			<u>Ending</u>
Governmental activities:	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated:				
Construction in Progress	\$ 2,446,823	\$ -	\$ 2,446,823	\$ -
Land	40,934,725	1,272,744	-	42,207,469
Total capital assets not being depreciated	<u>43,381,548</u>	<u>1,272,744</u>	<u>2,446,823</u>	<u>42,207,469</u>
Capital assets being depreciated:				
Buildings	13,034,543	56,788	-	13,091,331
Machinery and equipment	4,112,942	1,172,803	-	5,285,745
Infrastructure	34,965,716	4,340,367	-	39,306,083
Total capital assets being depreciated	<u>52,113,201</u>	<u>5,569,958</u>	<u>-</u>	<u>57,683,159</u>
Less accumulated depreciation for:				
Buildings	3,249,238	360,364	-	3,609,602
Machinery and equipment	2,561,545	398,906	-	2,960,451
Infrastructure	7,797,213	1,761,199	-	9,558,412
Total accumulated depreciation	<u>13,607,996</u>	<u>2,520,469</u>	<u>-</u>	<u>16,128,465</u>
Total capital assets, being depreciated, net	<u>38,505,205</u>	<u>3,049,489</u>	<u>-</u>	<u>41,554,694</u>
Governmental activities capital assets, net	<u>\$ 81,886,753</u>	<u>\$ 4,322,233</u>	<u>\$ 2,446,823</u>	<u>\$ 83,762,163</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Water Shares	1,871,303	110,635		1,981,938
Land	1,677,125	143,454		1,820,579
Total capital assets not being depreciated	<u>3,548,428</u>	<u>254,089</u>	-	<u>3,802,517</u>
Capital assets being depreciated:				
Buildings	65,497	-		65,497
Improvements	70,271,005	3,792,473		74,063,478
Machinery and equipment	770,023	-		770,023
Total capital assets being depreciated	<u>71,106,525</u>	<u>3,792,473</u>	-	<u>74,898,998</u>
Less accumulated depreciation for:				
Buildings	65,497	-		65,497
Improvements	11,340,749	1,462,679		12,803,428
Machinery and equipment	512,168	52,243		564,411
Total accumulated depreciation	<u>11,918,414</u>	<u>1,514,922</u>	-	<u>13,433,336</u>
Total capital assets, being depreciated, net	<u>59,188,111</u>	<u>2,277,551</u>	-	<u>61,465,662</u>
Business-type activities capital assets, net	<u>\$ 62,736,539</u>	<u>\$ 2,531,640</u>	\$ -	<u>\$ 65,268,179</u>

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

Governmental activities:

General government	\$ 49,264
Public safety	302,153
Highways and public improvements	1,693,289
Parks and recreation	475,763
Total depreciation expense - governmental activities	<u>\$ 2,520,469</u>

Business-type activities:

Water	\$ 1,096,117
Sewer	237,643
Storm Drain	181,162
Total depreciation expense - Business-Type Activities	<u>\$ 1,514,922</u>
Total depreciation expense	<u>\$ 4,035,391</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 - LEASE COMMITMENTS

The City entered into an installment purchase agreement during 2009 for fourteen public safety vehicles. The intent of the City and the seller is to treat this as an operating lease agreement with the vehicles being traded in at the end of two years. According to the agreement, the subsequent years' payment schedule is as follows:

Year ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 90,116	\$ 12,504	\$ 102,610
2012	<u>237,201</u>	<u>9,061</u>	<u>246,262</u>
	<u>\$327,317</u>	<u>\$21,565</u>	<u>\$348,882</u>

The City signed a municipal lease agreement in 2010 for three public safety vehicles. The intent of the City and lessor is to trade these vehicles in at the end of two years. The lease will be treated as an operating lease. The future payment schedule is:

Year ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 25,343	\$ 2,945	\$ 28,288
2012	<u>63,892</u>	<u>2,108</u>	<u>66,000</u>
	<u>\$ 89,235</u>	<u>\$ 5,053</u>	<u>\$ 94,288</u>

During the year, the amount paid for this lease was \$22,500.

The City signed a municipal lease agreement in 2008 for ten public safety vehicles. The intent of the City and the seller is to treat this as an operating lease agreement with the vehicles being traded in every two years. According to the agreement, the subsequent years' payment schedule is as follows:

Year ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,339	\$ 10,530	\$ 65,869
2012	58,647	7,222	65,869
2013	<u>62,153</u>	<u>3,716</u>	<u>65,869</u>
	<u>\$176,139</u>	<u>\$ 21,468</u>	<u>\$197,607</u>

During the year, the amount paid for this lease was \$68,621.

The City signed a municipal lease agreement in 2008 for a digital video mirror system for four public safety vehicles. The intent of the City is to treat this as an operating lease.

The subsequent years' payment schedule is as follows:

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 - LEASE COMMITMENTS (Continued)

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u> 2011	<u>\$ 6,223</u>	<u>\$ 627</u>	<u>\$ 6,850</u>

During the year, the amount paid for this lease was \$13,700.

NOTE 9 – CAPITAL LEASES

The City executed capital leases in July 2009 for purchase of a Tiller Quint Ladder Truck and related equipment for the fire department, and also for an asphalt zipper for the streets department.

Assets under capital leases are: Equipment	\$1,145,063
Accumulated Amortization	<u>76,337)</u>
Total	<u>\$1,068,726</u>

Amortization of capital assets purchased under capital leases is included in depreciation.

The present value of future minimum capital lease payments as of year-end is:

Year Ended	Ladder	Equipment	Asphalt
<u>June 30</u>	<u>Truck</u>	<u>Equipment</u>	<u>Zipper</u>
2011	\$ 116,851	\$ 23,385	\$ 28,089
2012	116,851	23,385	28,089
2013	116,851	23,385	28,089
2014	116,851	23,386	28,089
2015	116,851	-	28,089
2016	<u>437,329</u>	<u>-</u>	<u>-</u>
Total minimum lease payment	1,021,584	93,541	140,445
Less amounts representing interest	<u>(207,898)</u>	<u>(10,400)</u>	<u>(14,500)</u>
Present value of minimum lease payments	<u>\$ 813,686</u>	<u>\$ 83,141</u>	<u>\$ 125,945</u>

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PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT

Changes in long-term debt:

The following is a summary of bond, capital lease and other debt transactions for the City for the year ended June 30, 2010.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities:					
Post-employment benefits	\$ 254,939	\$ -	\$ (22,305)	\$ 232,634	\$ 22,813
Compensated absences	253,015	263,238	-	516,253	-
C Road revenue bonds	1,050,000	-	(515,000)	535,000	535,000
C Road revenue bonds	4,310,000	-	-	4,310,000	-
Premium on C Road bonds	102,575	-	(12,822)	89,753	12,822
General obligation bonds	4,885,000	-	(120,000)	4,765,000	125,000
Premium on GO bonds	27,740	-	(1,156)	26,584	1,156
Sales tax revenue bonds	3,846,500	-	(203,000)	3,643,500	213,500
Tax increment & revenue bonds	19,785,000	-	(535,000)	19,250,000	560,000
Capital lease	913,468	231,595	(122,291)	1,022,772	114,558
Note payable - Utah County	2,900,000	-	-	2,900,000	-
Total	<u>\$ 38,328,237</u>	<u>\$ 494,833</u>	<u>\$ (1,531,574)</u>	<u>\$ 37,291,496</u>	<u>\$ 1,584,849</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Compensated absences	\$ 28,138	\$ 34,397	\$ -	\$ 62,535	\$ -
Water revenue bonds	24,936,000	-	(690,000)	24,246,000	730,000
Premium on water revenue bonds	586,451	-	(24,874)	561,577	24,874
Sewer revenue bonds	189,000	-	(61,000)	128,000	63,000
Sales tax revenue bonds	1,648,500	-	(87,000)	1,561,500	91,500
Notes payable-Provo Reservoir	-	15,083	-	15,083	3,251
Total	<u>\$ 27,388,089</u>	<u>\$ 49,480</u>	<u>\$ (862,874)</u>	<u>\$ 26,574,695</u>	<u>\$ 912,625</u>

Bonds payable at June 30, 2010, are comprised of the following individual issues:

Sewer Revenue Bonds:

\$553,000 Sewer Revenue Bonds Series 2001 due in annual installments of \$46,000 to \$65,000 through February 2012; interest is 4% payable annually.

\$ 128,000

Water Revenue Bonds:

\$150,000 Water Revenue Bond Series 2002A, 0% interest, payable in annual installments of \$7,000 to \$18,000 until December 2018.

90,000

\$1,700,000 Water Revenue Bond Series 2002B, payable in annual installments of \$63,000 to \$111,000 until December 2022: 3.04% interest payable semiannually.

1,217,000

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

\$1,520,000 Water Revenue Bonds Series 2004, 1.700% interest, payable in annual installments of \$64,000 to \$75,000 until December 1, 2025.	1,255,000
\$449,000 Water Revenue Bond Series 1994, due in annual installments of \$21,000 to \$24,000 through January 1, 2016; interest at .57% payable annually.	\$139,000
\$352,000 Water Revenue Bonds Series 2006, due in annual installments of \$15,000 to \$21,000 through December 1, 2026; interest at 1.70% annually.	305,000
\$10,725,000 Water Revenue Bonds Series 2008 (secondary water), payable in annual installments of \$225,000 to \$730,000 until December, 2034; interest at 4.0% to 5.25% payable semi-annually.	10,500,000
\$11,540,000 Water Revenue Bonds Series 2006B, due in annual installments of \$250,000 to \$775,000 through December 1, 2031; interest from 4.1% to 5.0%.	10,740,000
Tax Increment and Revenue Bonds	
\$19,785,000 Bonds for community renewal projects due in annual payments of \$535,000 to \$1,285,000 through December 1, 2031; interest at 4.05%.	19,250,000
C Road Revenue Bonds:	
\$4,500,000 2001 “C” Road Bonds due in annual installments of \$557,905 to \$561,505 through January 15, 2011; interest at 4.0% to 4.35%, payable semi-annually.	535,000
\$4,390,000 2008 “C” Road Bonds due in one annual installment of \$80,000 on January 15, 2009 and more annual installments of \$530,000 to \$705,000 from January 15, 2012 to January 15, 2018; interest at 4.0% to 5.0%, payable semi-annually.	4,310,000
Sales Tax Revenue Bonds:	
\$7,070,000 Sales Tax Revenue Bonds Series 2002: principal payments in annual installments of \$250,000 to \$525,000 through June, 2023; interest from 3.0% to 5.25% payable semi-annually; this bond is allocated to different funds as follows: Capital Projects 70%, Water 12%, Sewer 12%, and Storm Drain 6%.	5,205,000

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

General Obligation Bonds:

\$5,000,000 General Obligation Bonds Series 2008 due in annual installments of \$115,000 to \$350,000 through October, 2031; interest from 4.0% to 4.25%, payable semiannually. \$4,765,000

Note Payable

\$2,900,000 Note Payable to Utah County for 20th West Improvements - repayment will be from future impact fees and other fees to be collected from developers and property owners – there is no repayment schedule at this time. 2,900,000

Note Payable

Two notes payable to Provo Reservoir Water Users to purchase “full” water shares in the amount of \$10,558 and to purchase “late” water shares for \$4,525, with respective annual payments of \$164 and \$82 at 4 % interest until March 2035. 15,083

The annual requirements to amortize bonds outstanding as of June 30, 2010, including interest, are as follows:

C Road Revenue Bonds

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 535,000</u>	<u>\$ 23,272</u>	<u>\$ 558,272</u>

Water Revenue Bonds – 1994

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 23,000	\$ 792	\$ 23,792
2012	23,000	661	23,661
2013	23,000	530	23,530
2014	23,000	399	23,399
2015	23,000	268	23,268
2016	<u>24,000</u>	<u>137</u>	<u>24,137</u>
	<u>\$139,000</u>	<u>\$ 2,787</u>	<u>\$141,787</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

Water Revenue Bonds – 2002A

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 9,000	\$ 0	\$ 9,000
2012	9,000	0	9,000
2013	9,000	0	9,000
2014	9,000	0	9,000
2015	9,000	0	9,000
2016	9,000	0	9,000
2017	9,000	0	9,000
2018	9,000	0	9,000
2019	<u>18,000</u>	<u>0</u>	<u>18,000</u>
	<u>\$ 90,000</u>	<u>\$ 0</u>	<u>\$ 90,000</u>

Water Revenue Bonds – 2008

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 250,000	\$ 504,737	\$ 754,737
2012	260,000	494,538	754,538
2013	275,000	483,837	758,837
2014	275,000	472,838	747,838
2015	285,000	461,281	746,281
2016	300,000	448,850	748,850
2017	310,000	435,888	745,888
2018	325,000	421,175	746,175
2019	350,000	404,300	754,300
2020	365,000	387,337	752,337
2021	385,000	370,463	755,463
2022	400,000	352,800	752,800
2023	420,000	334,087	754,087
2024	440,000	314,200	754,200
2025	460,000	292,525	752,525
2026	485,000	268,900	753,900
2027	505,000	244,150	749,150
2028	540,000	217,350	757,350
2029	565,000	188,344	753,344
2030	595,000	157,894	752,894
2031	625,000	125,869	750,869
2032	660,000	92,137	752,137
2033	695,000	56,569	751,569
2034	<u>730,000</u>	<u>19,162</u>	<u>749,162</u>
	<u>\$10,500,000</u>	<u>\$7,549,231</u>	<u>\$18,049,231</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

Water Revenue Bonds – 2002B

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	78,000	36,997	114,997
2012	80,000	34,626	114,626
2013	83,000	32,194	115,194
2014	85,000	29,670	114,670
2015	88,000	27,086	115,086
2016	90,000	24,411	114,411
2017	93,000	21,675	114,675
2018	96,000	18,848	114,848
2019	99,000	15,930	114,930
2020	102,000	12,920	114,920
2021	104,000	9,819	113,819
2022	108,000	6,658	114,658
2023	<u>111,000</u>	<u>3,374</u>	<u>114,374</u>
	<u>\$1,217,000</u>	<u>\$274,208</u>	<u>\$1,491,208</u>

Water Revenue Bonds – 2004

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	69,000	21,335	90,335
2012	70,000	20,162	90,162
2013	71,000	18,972	89,972
2014	73,000	17,765	90,765
2015	74,000	16,524	90,524
2016	75,000	15,266	90,266
2017	76,000	13,991	89,991
2018	78,000	12,699	90,699
2019	79,000	11,373	90,373
2020	80,000	10,030	90,030
2021	81,000	8,670	89,670
2022	83,000	7,293	90,293
2023	84,000	5,882	89,882
2024	86,000	4,454	90,454
2025	87,000	2,992	89,992
2026	<u>89,000</u>	<u>1,513</u>	<u>90,513</u>
	<u>\$1,255,000</u>	<u>\$188,921</u>	<u>\$1,443,921</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

Water Revenue Bonds – 2006

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	16,000	5,185	21,185
2012	16,000	4,913	20,913
2013	16,000	4,641	20,641
2014	16,000	4,369	20,369
2015	17,000	4,097	21,097
2016	17,000	3,808	20,808
2017	17,000	3,519	20,519
2018	18,000	3,230	21,230
2019	18,000	2,924	20,924
2020	18,000	2,618	20,618
2021	18,000	2,312	20,312
2022	19,000	2,006	21,006
2023	19,000	1,683	20,683
2024	19,000	1,360	20,360
2025	20,000	1,037	21,037
2026	20,000	697	20,697
2027	<u>21,000</u>	<u>357</u>	<u>21,357</u>
	<u>\$ 305,000</u>	<u>\$48,756</u>	<u>\$ 353,756</u>

Water Revenue Bonds – 2006B

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	285,000	508,888	793,888
2012	300,000	497,187	797,187
2013	300,000	485,187	785,187
2014	325,000	471,062	796,062
2015	350,000	454,187	804,187
2016	350,000	436,688	786,688
2017	375,000	418,553	793,553
2018	400,000	400,987	800,987
2019	410,000	384,331	794,331
2020	430,000	366,738	796,738
2021	450,000	347,925	797,925
2022	485,000	326,125	811,125
2023	515,000	301,125	816,125
2024	520,000	275,250	795,250
2025	545,000	248,625	793,625
2026	575,000	220,625	795,625
2027	605,000	191,125	796,125

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

Water Revenue Bonds – 2006B (Continued)

2028	635,000	160,125	795,125
2029	670,000	127,500	797,500
2030	700,000	93,250	793,250
2031	740,000	57,250	797,250
2032	<u>775,000</u>	<u>19,385</u>	<u>794,385</u>
	<u>\$10,740,000</u>	<u>\$6,792,118</u>	<u>\$17,532,118</u>

Sewer Revenue Bonds – 2001

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	63,000	5,120	68,120
2012	<u>65,000</u>	<u>2,600</u>	<u>67,600</u>
	<u>\$128,000</u>	<u>\$ 7,720</u>	<u>\$ 135,720</u>

Sales Tax Revenue Bonds Series 2002

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	305,000	234,194	539,194
2012	315,000	222,175	537,175
2013	330,000	209,275	539,275
2014	340,000	195,662	535,662
2015	355,000	181,106	536,106
2016	375,000	165,406	540,406
2017	390,000	148,573	538,573
2018	410,000	129,133	539,133
2019	430,000	107,082	537,082
2020	455,000	84,648	539,648
2021	475,000	61,862	536,862
2022	500,000	37,975	537,975
2023	<u>525,000</u>	<u>12,863</u>	<u>537,863</u>
	<u>\$5,205,000</u>	<u>\$1,789,954</u>	<u>\$ 6,994,954</u>

Tax Increment and Revenue Bonds

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	560,000	768,285	1,328,285
2012	580,000	745,200	1,325,200
2013	605,000	721,204	1,326,204

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

Tax Increment and Revenue Bonds (Continued)

2014	630,000	696,195	1,326,195
2015	655,000	670,174	1,325,174
2016	680,000	643,140	1,323,140
2017	710,000	614,992	1,324,992
2018	740,000	585,630	1,325,630
2019	770,000	555,053	1,325,053
2020	800,000	523,260	1,323,260
2021	830,000	490,252	1,320,252
2022	865,000	455,929	1,320,929
2023	900,000	420,188	1,320,188
2024	935,000	383,029	1,318,029
2025	975,000	344,351	1,319,351
2026	1,015,000	304,054	1,319,054
2027	1,055,000	262,136	1,317,136
2028	1,095,000	218,599	1,313,599
2029	1,140,000	173,340	1,313,340
2030	1,190,000	126,158	1,316,158
2031	1,235,000	77,051	1,312,051
2032	<u>1,285,000</u>	<u>26,021</u>	<u>1,311,021</u>
	<u>\$19,250,000</u>	<u>\$9,804,241</u>	<u>\$29,054,241</u>

C Road Revenue Bond

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	-	210,888	210,888
2012	560,000	210,887	770,887
2013	585,000	182,888	767,888
2014	610,000	156,562	766,562
2015	645,000	126,063	771,063
2016	675,000	93,812	768,812
2017	705,000	61,750	766,750
2018	<u>530,000</u>	<u>26,500</u>	<u>556,500</u>
	<u>\$4,310,000</u>	<u>\$1,069,350</u>	<u>\$5,379,350</u>

General Obligation Bond

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	125,000	191,982	316,982
2012	130,000	186,883	316,883
2013	135,000	181,582	316,582

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

<u>General Obligation Bond (Continued)</u>			
2014	145,000	175,983	320,983
2015	150,000	170,082	320,082
2016	155,000	163,983	318,983
2017	165,000	157,582	322,582
2018	175,000	150,783	325,783
2019	180,000	143,682	323,682
2020	190,000	136,283	326,283
2021	200,000	128,482	328,482
2022	210,000	120,283	330,283
2023	220,000	111,682	331,682
2024	235,000	102,524	337,524
2025	245,000	92,804	337,804
2026	255,000	82,679	337,679
2027	270,000	72,047	342,047
2028	285,000	60,809	345,809
2029	300,000	48,662	348,662
2030	315,000	35,594	350,594
2031	330,000	21,887	351,887
2032	350,000	7,438	357,438
	<u>\$4,765,000</u>	<u>\$2,543,716</u>	<u>\$7,308,716</u>

<u>Provo Reservoir Water Users Loan</u>			
<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3251	\$ 526	\$ 3777
2012	264	555	819
2013	275	545	820
2014	286	534	820
2015	297	522	819
2016	309	510	819
2017	322	498	820
2018	334	485	820
2019	348	472	820
2020	362	458	820
2021	376	444	820
2022	473	347	820
2023	492	328	820
2024	512	308	820
2025	533	287	820
2026	554	266	820

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

Provo Reservoir Water Users Loan (Continued)

2027	576	244	820
2028	599	221	820
2029	623	197	820
2030	648	172	820
2031	673	147	820
2032	701	119	820
2033	729	91	820
2034	758	62	820
2035	<u>788</u>	<u>32</u>	<u>820</u>
	<u>\$15,083</u>	<u>\$8,370</u>	<u>\$23,464</u>

Subsequent 5-Year Debt Disclosure

The combined principal amounts of general Long-term Bonds and Enterprise Fund Bonds payable for the next 5 years and to maturity are as follows:

Year ended <u>June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2011	2,321,252	2,512,201	4,833,453
2012	2,408,264	2,420,387	4,828,651
2013	2,432,275	2,320,855	4,753,130
2014	2,531,286	2,221,039	4,752,325
2015	2,651,297	2,111,390	4,762,687
2016	2,750,309	1,996,011	4,746,320
2017	2,850,322	1,877,021	4,727,343
2018	2,781,334	1,749,470	4,530,804
2019	2,354,348	1,625,453	3,979,801
2020	2,440,362	1,524,292	3,964,654
2021	2,543,376	1,420,229	3,963,605
2022	2,670,473	1,309,416	3,979,889
2023	2,794,492	1,191,212	3,985,704
2024	2,235,512	1,081,125	3,316,637
2025	2,332,533	982,624	3,315,157
2026	2,439,554	878,734	3,318,288
2027	2,456,576	769,750	3,226,326
2028	2,555,599	657,104	3,212,703
2029	2,675,623	538,043	3,213,666
2030	2,800,648	413,068	3,213,716
2031	2,930,673	282,204	3,212,877
2032	3,070,701	145,100	3,215,801
2033	695,729	56,660	752,389
2034	730,768	19,224	749,992
2035	777	32	809
Total	<u>58,454,083</u>	<u>30,102,644</u>	<u>88,556,727</u>
Unknown Payment Schedule	<u>2,900,000</u>	<u>-</u>	<u>2,900,000</u>
	<u>\$ 61,354,083</u>	<u>\$ 30,102,644</u>	<u>\$ 91,456,727</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 - RETIREMENT PLAN

Local Governmental - Cost Sharing

Plan Description. Pleasant Grove City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Public Safety Retirement System (Public Safety System) and Firefighters System for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

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 Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Pleasant Grove City is required to contribute a percent of covered salary to the respective systems, 11.660% to the Noncontributory, and 23.340% to the Public Safety Noncontributory and 13.490% to the Firefighters System. The contribution rates are the actuarially determined rates. The contribution requirements of the system are authorized by statute and specified by the Board.

Pleasant Grove City contributions to the Noncontributory Retirement System for June 30, 2010, 2009 and 2008 were \$320,234, \$318,537 and \$315,520, respectively; for the Public Safety Retirement System the contributions for June 30, 2010, 2009 and 2008 were \$235,501, \$232,016, and \$283,707, respectively; and for the Firefighters System the contributions for June 30, 2010, 2009 and 2008 were \$77,946, \$74,149, and \$25,657, respectively.

401-K Plan

Central Bank administers a 401(k) plan invested with John Hancock Life Insurance Co. During the year, the city changed the contribution rates to 5.74% for regular employees and 3.91% for firefighters. The contributions for June 30, 2010, 2009, and 2008 were \$286,983, \$419,647, and \$362,975, respectively.

Pleasant Grove City Post-employment Benefit Plan

The City in prior years had a post-employment benefit package for employees. The medical benefits include the payment of health insurance premiums for a maximum of ten years or until the employee is eligible for Medicare. The employer pays an amount based on the premiums incurred during the last month of employment. Allowing for annual inflation, the employee reimburses the City for

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 - RETIREMENT PLAN (Continued)

premium costs above the calculated amount at retirement.

The plan was terminated in 2009. Only three employees are still receiving benefits. The liability is recorded on the Statement of Net Assets as a governmental non-current liability.

The benefits are paid out of current operations (unfunded). The amount paid in the current year is \$28,848, in the previous year \$12,080, and the 2nd previous year \$10,743. The obligation of the plan at year end is \$232,634.

NOTE 12 – CONTINGENCIES AND SUBSEQUENT EVENTS

In 2006, the city issued \$19,785,000 in CDA Tax Increment Revenue Bonds. The proceeds purchased land to be developed. The developer has not begun construction, but has agreed to pay the city an amount to cover debt service on the bonds. Because more than 10% of the debt service comes from revenues, other than City generated tax revenues, these bonds as of November 30, 2010 no longer qualify for tax-exempt status. The interest rate will also increase from 4.05% to 6.4% at this date.

In July 2010, the City signed a lease purchase agreement for nine police vehicles for \$122,070.

Litigation - The City is a defendant in certain legal actions and pending actions, or in process for miscellaneous 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 cases will not have an adverse material affect on the City's financial statements.

In preparing these financial statements, Pleasant Grove City has evaluated events and transactions for potential recognition of disclosure through December 29, 2010, the date the financial statements were available to be issued.

NOTE 13 - RESTRICTED AND RESERVED FUND BALANCES

	General	Capital Projects	Water	Sewer
An amount is set aside for Impact Fees	\$ -	\$ 517,553	\$ 248,624	\$ 162,525
Unspent portion of road funds	328,201	155,295	-	-
Funds held for debt services	1,202,932	208,480	2,159,736	68,180
Funds reserved for Emergency 911 operations	749,292	-	-	-
Funds reserved for Library	53,967	-	-	-
Reserved funds held in trust for others	285,960	-	-	-
Reserved funds held for self-insurance	276,169	-	-	-
Total Reserved	<u>\$ 2,896,521</u>	<u>\$ 881,328</u>	<u>\$ 2,408,360</u>	<u>\$ 230,705</u>

PLEASANT GROVE CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for some of these risks. Various policies are purchased through insurance agencies to cover life, health, workers' compensation, and other employee related policies. The City also participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust, which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. The plan covers liability, theft, damages and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. Settled claims resulting from these risks have not exceeded its coverage in any of the past three fiscal years.

NOTE 15 - REDEVELOPMENT AGENCY

The Pleasant Grove City Redevelopment Agency was established to further public purposes in the redevelopment of certain City areas. For the year ended June 30, 2010, the following activity occurred in the City's Redevelopment Agency:

Tax increment collection from other taxing agencies for various project areas	\$ 515,184
Tax increment paid to other taxing agencies	-
Outstanding loans to finance CRA projects	19,748,170
Amounts expended for land site improvements and preparation costs	-
Amounts expended for administrative costs and interest paid	790,459

NOTE 16 – OTHER DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds as part of the general purpose financial statements, including:

Deficit fund balance in the redevelopment agency fund	(\$498,170)
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NOTE 17 – RESTRICTED CASH

Restricted cash represents bond proceeds and bond escrow funds which have been segregated for payment of outstanding bonds and for construction disbursements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Pleasant Grove



Utah's City of Trees

PLEASANT GROVE CITY

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 2,560,000	\$ 2,360,000	\$ 2,381,001	\$ 21,001
Sales & Use Tax	3,625,000	3,350,000	3,308,260	(41,740)
Other Taxes	2,140,000	2,135,518	2,035,232	(100,286)
Licenses & Permits	324,000	235,750	211,757	(23,993)
Intergovernmental Revenue	1,446,145	1,482,147	1,397,878	(84,269)
Charges for Services	2,924,400	2,917,200	2,762,267	(154,933)
Administrative Fees	1,561,000	1,561,000	1,472,114	(88,886)
Court Fines	463,000	483,000	554,127	71,127
Other Revenues	469,723	437,220	319,877	(117,343)
Total Revenue	<u>15,513,268</u>	<u>14,961,835</u>	<u>14,442,513</u>	<u>(519,322)</u>
EXPENDITURES				
Current				
General Government	3,160,163	3,204,050	3,048,453	155,597
Community Services	933,370	966,345	912,375	53,970
Public Works	3,364,576	3,414,836	3,210,997	203,839
Public Safety	5,353,987	5,387,204	5,204,546	182,658
Parks and Recreation	2,951,867	3,115,809	3,003,433	112,376
Debt Service				
Principal Retirement	515,000	515,000	515,000	-
Interest and Fiscal Charges	256,306	256,305	256,305	-
Total Expenditures	<u>16,535,269</u>	<u>16,859,549</u>	<u>16,151,109</u>	<u>708,440</u>
Excess (Deficiency) of revenues Over Expenditures	<u>(1,022,001)</u>	<u>(1,897,714)</u>	<u>(1,708,596)</u>	<u>189,118</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	<u>(273,016)</u>	<u>(73,016)</u>	<u>(353,395)</u>	<u>(280,379)</u>
Total Other Financing Sources (Uses)	<u>(273,016)</u>	<u>(73,016)</u>	<u>(353,395)</u>	<u>(280,379)</u>
Net Change in Fund Balance	(1,295,017)	(1,970,730)	(2,061,991)	(91,261)
Fund Balance - July 1	8,188,020	8,188,020	8,188,020	-
Fund Balance - June 30	<u>\$ 6,893,003</u>	<u>\$ 6,217,290</u>	<u>\$ 6,126,029</u>	<u>\$ (91,261)</u>

See accompanying notes.

PLEASANT GROVE CITY
 Redevelopment Agency Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 280,000	\$ 280,000	\$ 515,185	\$ 235,185
Total Revenue	<u>280,000</u>	<u>280,000</u>	<u>515,185</u>	<u>235,185</u>
EXPENDITURES				
General Government	282,000	375,500	96,922	278,578
Debt Service				
Principal Retirement	535,000	535,000	535,000	-
Interest and Fees	790,459	790,459	790,459	-
Total Expenditures	<u>1,607,459</u>	<u>1,700,959</u>	<u>1,422,381</u>	<u>278,578</u>
Excess (Deficiency) of revenues Over Expenditures	<u>(1,327,459)</u>	<u>(1,420,959)</u>	<u>(907,196)</u>	<u>513,763</u>
OTHER FINANCING SOURCES (USES)				
Developer Contributions	1,327,459	1,327,459	1,325,459	(2,000)
Total Other Financing Sources (Uses)	<u>1,327,459</u>	<u>1,327,459</u>	<u>1,325,459</u>	<u>(2,000)</u>
Net Change in Fund Balance	-	(93,500)	418,263	511,763
Fund Balance - July 1	(916,433)	(916,433)	(916,433)	-
Fund Balance - June 30	<u>\$ (916,433)</u>	<u>\$ (1,009,933)</u>	<u>\$ (498,170)</u>	<u>\$ 511,763</u>

See accompanying notes.

SUPPLEMENTARY SCHEDULES

Pleasant Grove



Utah's City of Trees

PLEASANT GROVE CITY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue		
	Municipal		
	Bldg Authority	Debt Service	Total
ASSETS			
Cash & Cash Equivalents	\$ 40,030	\$ 72,956	\$ 112,986
Total Assets	<u>\$ 40,030</u>	<u>\$ 72,956</u>	<u>\$ 112,986</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and Accrued Liabilities	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for Debt Services	-	72,956	72,956
Unreserved Fund Balance	40,030	-	40,030
Total Fund Balances	<u>40,030</u>	<u>72,956</u>	<u>112,986</u>
Total Liabilities and Fund Balances	<u>\$ 40,030</u>	<u>\$ 72,956</u>	<u>\$ 112,986</u>

PLEASANT GROVE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2010

	<u>Special Revenue</u>		
	<u>Municipal</u>		<u>Total</u>
	<u>Bldg Authority</u>	<u>Debt Service</u>	
REVENUES			
Property Taxes	\$ -	\$ 353,728	\$ 353,728
Interest	-	232	232
Total Revenues	<u>-</u>	<u>353,960</u>	<u>353,960</u>
EXPENDITURES			
Debt Service			
Principal	-	120,000	120,000
Interest and Fees	-	198,833	198,833
Total Expenditures	<u>-</u>	<u>318,833</u>	<u>318,833</u>
Excess (Deficiency) of			
Revenues over Expenditures	<u>-</u>	<u>35,127</u>	<u>35,127</u>
Net Change in Fund Balance	-	35,127	35,127
Fund Balances - July 1	40,030	37,829	77,859
Fund Balances - June 30	<u>\$ 40,030</u>	<u>\$ 72,956</u>	<u>\$ 112,986</u>

OTHER REPORTS

Pleasant Grove



Utah's City of Trees



GILBERT & STEWART
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A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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

The Honorable Mayor and City Council
Pleasant Grove City Corporation
Pleasant Grove, UT

December 29, 2010

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pleasant Grove City, as of and for the year ended June 30, 2010, which collectively comprise Pleasant Grove City's basic financial statements and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

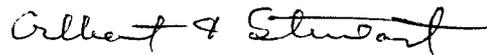
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pleasant Grove City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of Pleasant Grove City, in the Communication with Those Charged with Governance dated December 29, 2010.

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



GILBERT & STEWART
Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT
ON LEGAL COMPLIANCE WITH APPLICABLE
UTAH STATE LAWS AND REGULATIONS**

The Honorable Mayor and City Council
Pleasant Grove City Corporation
Pleasant Grove, UT

December 29, 2010

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 Pleasant Grove City Corporation for the year ended June 30, 2010, and have issued our report thereon dated December xx, 2010. As part of our audit, we have audited Pleasant Grove City Corporation's compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions as applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Funds (Utah State Tax Commission)

The City also received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Pleasant Grove City Corporation's financial statements.)

Arts (Utah Arts Council)
Community Library Enhancement Fund (State Library)

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

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

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

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

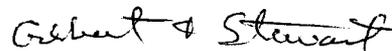
Our audit does not provide a legal determination on the City's compliance with these requirements.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the Communication with Those Charged with Governance. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Pleasant Grove City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2010.

The City's written response to the findings identified in our audit is described in the Communication with Those Charged with Governance. We did not audit the City's response and, accordingly, we express no opinion on it.

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



GILBERT & STEWART
Certified Public Accountants