Pleasant Grove City

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Pleasant Grove

Utah's City of Trees

PLEASANT GROVE CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ending June 30, 2011

Pleasant Grove

Utah's City of Trees

Prepared by:
Pleasant Grove City, Finance Department

PLEASANT GROVE CITY

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INTRODUCTORY SECTION

Pleasant Grove
Utah's City of Trees

December 23, 2011
The Honorable Mayor and
Members of the City Council
Pleasant Grove City, Utah

Re: Finance Officer's transmittal letter and report on financial statements.

The Comprehensive Annual Financial Report (CAFR) of Pleasant Grove City (the City) for the fiscal year ended June 30, 2011, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require the City to issue a report on its financial position and activity, and this report be annually audited by an independent firm of certified public accountants. We believe the information, as presented, is accurate in all material aspects, and is presented in a manner designed to set forth fairly, in all material respects, the financial position and results of operations of the City as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included.

This CAFR has been prepared by the Pleasant Grove City Finance Division. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity (the City) includes all of the funds of the primary government (i.e., the City as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Pleasant Grove Redevelopment Agency and Pleasant Grove Municipal Building Authority are reported in this CAFR as special revenue funds.

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

Governmental Structure

Pleasant Grove operates under the six member council form of government. Powers under this form of government are vested in a council consisting of six members, one of which is the mayor. The mayor is the City's chief executive officer, and thus all employees report to him or her. The mayor votes as a voting member of the council on any matter for which there is a tie vote of the other council members, or when the council is voting on whether to appoint or dismiss a city administrator. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The Council Members are elected at large and serve staggered four-year terms. They are assisted by a city administrator, who under the direction of the mayor, is responsible for establishing and implementing City policies and overseeing the day-to-day operations of the government.

The City provides the full range of municipal services normally associated with a municipality. In brief, the general governmental functions include police and fire protection; park construction and maintenance; street construction and maintenance; public improvements; engineering; building inspection; planning and zoning; and administrative services. The City also operates the following enterprise utility funds: water, storm drain, and sewer.

Economic Condition and Outlook

Pleasant Grove City, incorporated in 1855, is located in the northern portion of Utah County. The City is a rapidly growing suburban community encompassing 9.17 square miles. As of the 2010 census, the City's population is currently 33,509. This is a decrease from the estimated population estimated in 2009 of 1,500, but is a 43% increase since the year 2000. The population in Pleasant Grove is anticipated to continue to increase at a steady rate with an ultimate buildout population of approximately 55,000.

Like most governmental entities, the City has been affected by the current, difficult economic environment. Certain revenues such as sales tax and development fees have decreased substantially, and as a result general fund budgets have been reduced from previous years' levels. As a response to decreased revenue levels, the City has reduced its full-time employees by 5.5 positions for the fiscal year 2012 budget. The City is committed to long-term financial stability, and will continue to monitor revenue levels and budget accordingly.

MAJOR INITIATIVES

Long-Range Planning. Pleasant Grove is dedicated to the adherence of forward-looking principals that keep the City in a position to be prepared for future events. With these principals in mind, the City is focused on several matters to plan and prepare for future events. Some of these are listed below:

- **Storm Drain Environmental Requirements.** Strict federal guidelines regarding the protection of waterways have necessitated the City to make operational changes and capital investment to ensure full compliance with these guidelines. In conjunction with the City's recently completed rate study, funding has been increased to not only comply but to be proactive in the protection of the areas waterways.

- **5-Year Utility Fund Budgets.** The City embarked on a major utility rate study to get the City's rate in line with future needs. This rate study resulted in significant rate increases to the citizens of Pleasant Grove and will be implemented over a four-year period. In order to avoid such large adjustments in the future, 5-year budgets will be maintained for all utility funds and will be included in the City's annual budget document. Rates will then be evaluated each year taking into account all future expenditures for operations, debt and capital improvements.

- **CAFR Preparation.** 2011 is the first year that Pleasant Grove City has prepared a Comprehensive Annual Financial Report. The City's desire to prepare this report comes from both elected officials and City management. The additional information included in this report, above financial statements previously provided, will assist the City in planning for future results.

Capital Projects. The City's Staff, following specific directives of the City Council and Mayor, have been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that the citizens of Pleasant Grove are able to live and work in a desirable environment. During FY 2010-11, the City had several significant projects. Some of these projects are listed below:

1. Culinary Water System. Pleasant Grove received a $1 million low-interest loan from the State of Utah toward the upgrading of the City's culinary water system. Proceeds from this loan will be used to upsize waterlines and replace lead joints in various areas in the City.

2. Grove Creek/Battle Creek pipeline. Beginning last year, the Provo Reservoir Water Users Company embarked on a project to enclose the Murdock Canal. In order for the City to continue directing a portion of the spring run off water into the canal, an underground pipeline must be built to connect the debris basins at the mouths of Grove Creek Canyon and Battle Creek Canyon. The estimated cost of

these pipelines is $3 million. The City issued storm drain revenue bonds in June of 2011 in part to fund the construction of this project.

3. Spring Run Off. Each year, Pleasant Grove is at risk to spring run off flooding due to its location at the base of Mt. Timpanogas. This spring was one of the wettest ever recorded and thus significant effort was made to avoid any flooding. $206,305 was spent towards these prevention efforts. The majority of these costs, $154,729, will be reimbursed by FEMA as the event was given a federal disaster declaration by President Obama.

Economic Development. The City Council recognizes the need to develop the City's economic base in order to provide the necessary services, i.e., recreation, roads, water, etc. to its citizens. Efforts are being made by the City to attract new businesses and to promote the type of activities that will enhance the quality of life in the community. These businesses include restaurants, office buildings, and other retail businesses. During the year 2 new businesses, Sammy's and Simply Splendid, have opened in the City's historic downtown area.

The Pleasant Grove Redevelopment Agency was established for the purpose of encouraging new development within the City. Two of the three areas established by the Agency have expired with the remaining area, the Gateway Community Development area set to expire in 2031. The City will continue to encourage development through the use of redevelopment areas.

The City's main commercial corridor, the Interchange Area currently contains 260,000 sq ft of office space. We anticipate additional office to be constructed along with retail, hotel, residential, and other tax-generating properties. This area still contains 438 acres of undeveloped land with easy access to State Street, Pleasant Grove Boulevard, North County Boulevard and Interstate 15.

FINANCIAL INFORMATION

Pleasant Grove's financial statements reflect the rapid growth of the City. The fund balance in the City's General Fund decreased by $1,923,094 during the fiscal year, to end at $4,202,936. Much of the decrease in fund balance was for the establishment of two new funds in the City: Dispatch and Library Grants. The activities associated with these two funds, were previously accounted for in the General fund. During the year, $803,259 was transferred from the General fund to these two funds. This amount represents the cumulate amount of revenue over expenditures received by these activities over their respective lives. Additionally, a one-time transfer of $1,148,639 was made from the General fund to the Capital Projects fund for one-time capital expenditures. The General fund's unassigned balance of $2,010,785 represents 15.67% of the fiscal year 2012 budgeted General fund revenues.

The General fund's balance has increased $997,993 from its balance of five years ago. During the same five-year period, the City's governmental funds revenues increased from $15,963,555 to $15,966,313 and expenditures increased from $14,943,675 to $18,434,149. The largest increase in expenditures between the two periods is debt service payments as the result of bonds issued in 2006 by the Pleasant Grove Redevelopment Agency. The debt service payment made in fiscal year 2011 was $1,547,893 and is associated with an equal payment from the developer of the project, which is shown under *Other Financing Sources*. Growth in proprietary funds has increased during this period as well. Proprietary fund operating revenues increased from $4,572,439 to $7,318,227 as compared to fiscal year 2006, while operating expenses rose from $4,580,478 to $7,486,536.

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place and to document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluations. The audit for the fiscal year ended June 30, 2011, disclosed no material internal control weaknesses or material violations of laws and regulations.

The City's budget serves as the foundation for its financial planning and control. City Management prepares a proposed annual budget which is presented to the City Council for review no later than the first council meeting in May. The Council is required to hold a public hearing on the proposed budget and to adopt the final budget prior to

June 22, unless the City proposes a property tax in excess of its certified tax rate. In that case, a tentative budget is adopted and is in force until a public hearing is held to approve the increase.

A budget is prepared for each fund, and the General Fund is further divided into departments. Department heads may make transfers of appropriations within a department. Transfers in appropriations between departments, or increases in revenues require the approval of the City Council. Activities of the general fund, special revenue funds, debt service funds and capital project funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level where expenditures cannot legally exceed the appropriate amount) is at the department level within the General Fund and the fund level for all other funds.

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

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The firm of Gilbert & Stewart was selected to perform this audit. This audit was designed to meet the requirements set forth in the Utah State statutes. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the financial statements is included in the financial section of this report.

Acknowledgments

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

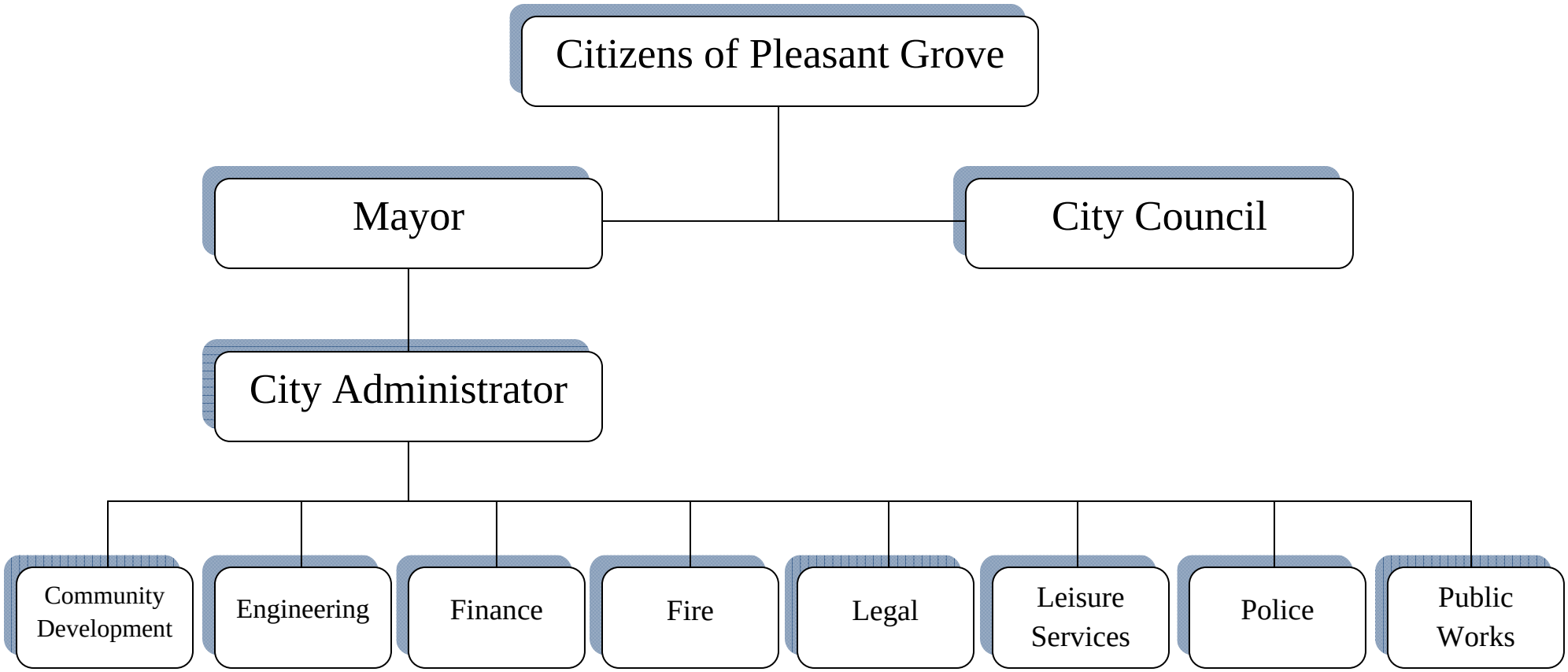
The preparation of the CAFR on a timely basis could not have been accomplished without the efforts and dedication of the City staff. We would like to express our appreciation to them and other personnel from various agencies and authorities who assisted in its preparation.

Respectfully submitted,

J. Scott Darrington
City Administrator

Dean Lundell
Finance Director

PLEASANT GROVE CITY
ORGANIZATION CHART



ELECTED AND APPOINTED OFFICIALS

Pleasant Grove City
Mayor and City Council

Mayor Bruce Call

Cindy Boyd Kimberly Robinson

Val Danklef Lee Jensen Jeff Wilson

Pleasant Grove City
Appointed Officials

City Administrator..... J. Scott Darrington
City Treasurer..... Karen Bezzant
Leisure Services Director .....Deon Giles
City Recorder.....Kathy Kresser
City Engineer.....Degen Lewis
Finance Director ..... Dean Lundell
Police Chief ..... Tom Paul
City Attorney ..... Christine Peterson
Fire Chief.....Marc Sanderson
Public Works Director.....Lynn Walker
Community Development Director..... Ken Young

FINANCIAL SECTION

GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A HEATON, CPA
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INDEPENDENT AUDITOR'S REPORT

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

December 21, 2011

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 Pleasant Grove City as of June 30, 2011, 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 our report dated December 21, 2011 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

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

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 introductory section, combining and individual non-major fund financial statements, and the statistical section 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of 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, 2011.

FINANCIAL HIGHLIGHTS

- The total net assets of Pleasant Grove City increased 1.25% to $102,092,653. Significant contributors to this increase were: $1,781,106 in infrastructure contributed by developers and a cash contribution of $1,547,893 from a single developer. This contribution was to cover debt service expenditures for debt issued by the Redevelopment Agency of Pleasant Grove. Overall principal payments in governmental debt totaled $1,433,500.

- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $6,033,839. Of this amount $1,735,939 (28.77%) is available for spending at the government's discretion (unassigned fund balance).

- Total governmental fund balance decreased by $891,203 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 previously accumulated fund balance being used for capital projects.

- 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, 2011 the City's unassigned fund balance equals 15.67% of next year's revenue.

- During the year, the City incurred additional debt by issuing two series' of bonds. The first occurred in December with the issuance of $1,000,000 in Build America Bonds. The proceeds were used to replace and upsize old waterlines in the City. $7,050,000 in bonds were also issued in June towards improvements in the City's storm drain infrastructure. Both of these bonds are secured by revenue pledges from the respective utility funds.

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 25 & 26.

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 eight individual governmental funds:

- General
- Redevelopment Agency
- Capital Projects
- Municipal Building Authority
- Dispatch
- Swimming Pool
- Library
- Debt Service

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 available elsewhere in this report.

The governmental fund financial statements can be found on pages 27-30 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. All of Pleasant Grove's proprietary funds are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 31-33 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 34 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 special revenue funds. The RSI section begins on page 66.

Other Information – 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 as well as budget to actual statements for the City's other governmental funds. The statistical section gives various financial and demographic data of the City, including trend analysis for certain financial data. The supplementary section begins on page 69, and the statistical section begins on page 77.

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 $102,0952,653.

By far the largest portion of the City of Pleasant Grove's net assets (87.73%) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 11,806,458	$ 13,985,118	$ 14,623,934	$ 8,272,319	$ 26,430,392	$ 22,257,437
Capital assets	84,116,073	83,762,163	66,424,645	65,268,178	150,540,718	149,030,341
Total Assets	95,922,531	97,747,281	81,048,579	73,540,497	176,971,110	171,287,778
Long-term debt outstanding	35,553,994	37,291,496	33,765,987	26,574,695	69,319,981	63,866,191
Other liabilities	5,334,013	6,436,107	224,463	176,664	5,558,476	6,612,771
Total Liabilities	40,888,007	43,727,603	33,990,450	26,751,359	74,878,457	70,478,962
Net Assets						
Invested in capital assets, net of related debt	49,238,849	47,247,874	40,329,309	40,000,567	89,568,158	87,248,441
Restricted	2,856,415	3,215,720	1,730,968	2,639,065	4,587,383	5,854,785
Unrestricted	2,939,260	3,556,084	4,997,852	4,149,506	7,937,112	7,705,590
Total net assets	$ 55,034,524	$ 54,019,678	$ 47,058,129	$ 46,789,138	$102,092,653	$100,808,816

An additional portion of the City's net assets (4.49%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $7,937,112 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2011, 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 governmental and business-type activities separately.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended June 30, 2011.

PLEASANT GROVE CITY'S CHANGE IN NET ASSETS

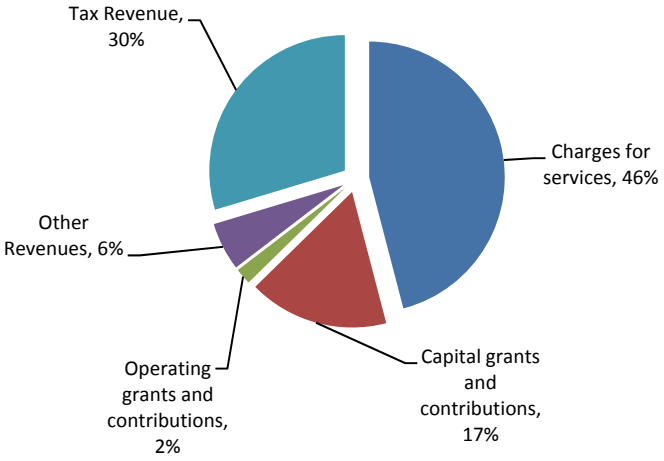
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	$ 5,599,963	$ 5,593,749	$ 7,322,533	$ 6,410,065	$ 12,922,496	$ 12,003,814
Operating grants and contributions	543,997	431,762	-	-	543,997	431,762
Capital grants and contributions	3,150,315	1,844,667	1,579,014	560,205	4,729,329	2,404,872
General Revenues:						
Taxes	8,338,310	8,406,552	-	-	8,338,310	8,406,552
Other Revenues	1,600,101	1,473,202	17,139	39,551	1,617,240	1,512,753
Total revenues	19,232,686	17,749,932	8,918,686	7,009,821	28,151,372	24,759,753
Expenses						
General Government	3,212,991	3,344,440	-	-	3,212,991	3,344,440
Community Services	826,103	938,823	-	-	826,103	938,823
Public Works	3,585,751	3,594,180	-	-	3,585,751	3,594,180
Public Safety	5,452,324	5,601,452	-	-	5,452,324	5,601,452
Parks & Recreation	3,469,153	3,680,548	-	-	3,469,153	3,680,548
Interest on L/T Debt	1,671,518	1,267,930	-	-	1,671,518	1,267,930
Water	-	-	4,547,177	3,976,228	4,547,177	3,976,228
Storm Drain	-	-	3,521,435	533,621	3,521,435	533,621
Sewer	-	-	581,083	3,134,398	581,083	3,134,398
Total Expenses	18,217,840	18,427,373	8,649,695	7,644,247	26,867,535	26,071,620
Increase (decrease) in net assets	1,014,846	(677,441)	268,991	(634,426)	1,283,837	(1,311,867)
Net asset, beginning	54,019,678	54,697,119	46,789,138	47,423,564	100,808,816	102,120,683
Net assets, ending	$ 55,034,524	$ 54,019,678	$ 47,058,129	$ 46,789,138	$ 102,092,653	$ 100,808,816

Net Assets for governmental activities increased by $1,014,846, which is an increase of $1,692,287 from the previous year. Business-type activities increased by $268,991, which represents an increase of $903,417 from the previous year. One of the factors contributing to an increase 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.

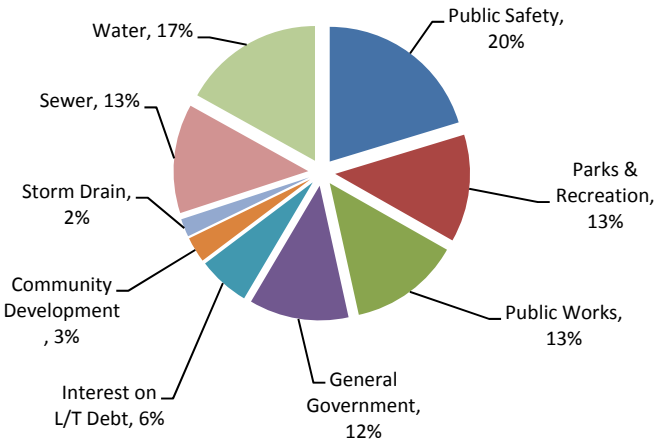
The largest source of revenue from charges for services is fees charged to the City's utility funds to reimburse the governmental funds for services performed. Taxes are the primary source of general revenue. Most of the City's operating grants are related to public safety grants and class C road funds,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

The following two graphs display Pleasant Grove's government-wide revenues and expenses for the fiscal year ended June 30, 2011.

Total Revenues
Government-Wide Operations of Pleasant Grove City



Total Expenses
Government-Wide Operations of Pleasant Grove City



Financial Analysis of Governmental Funds

<u>Governmental Funds.</u> 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 $6,033,839. $1,735,939 of this total amount (29%) constitutes unassigned fund balance, which is available for spending at the government's discretion.

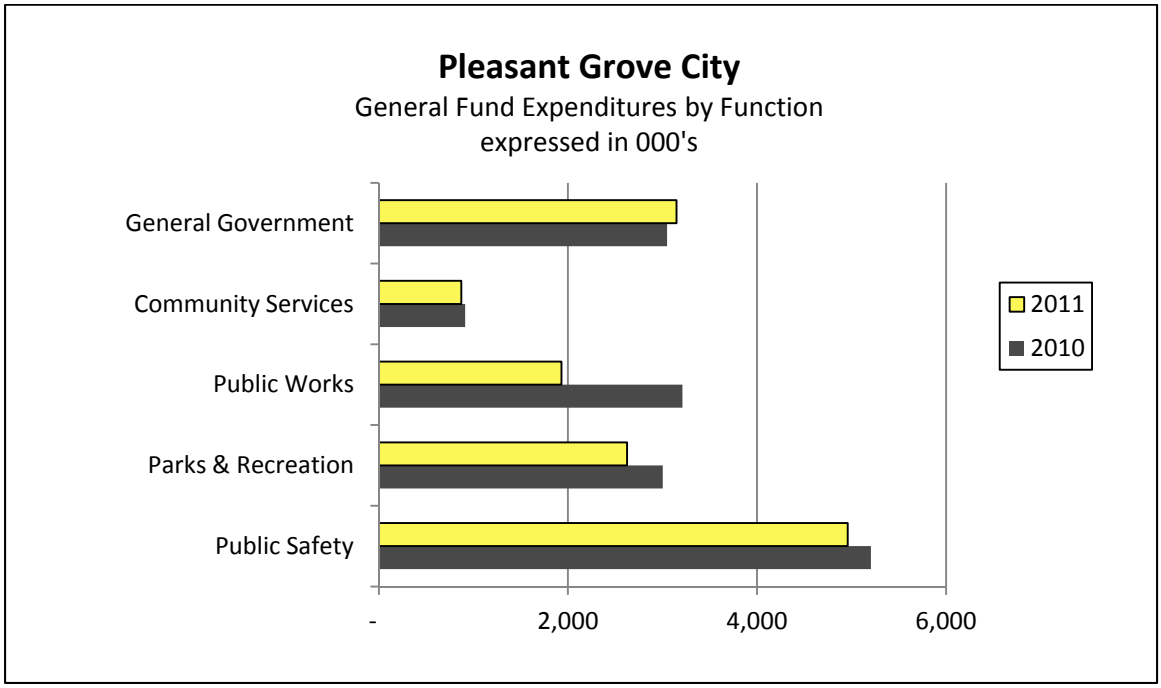
The remainder of fund balance is classified as one of the following: nonspendable, restricted, committed, or assigned. Nonspendable fund balance refers to resources that either cannot be spent because of their form or cannot be spent because they must remain intact. Restricted fund balance means that the resources have externally enforceable limitations on their use. Committed fund balance occurs when the City has placed self-imposed limitations on its use. Assigned fund balance comes from the establishment of an intended use for certain funds by the City.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was $2,010,785, while total fund balance reached $4,202,936.

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 45% of total tax revenue and 24% of total General Fund revenue. Revenues in the General Fund decreased from last year by $328,462, while expenditures decreased $2,473,729. The largest decrease in expenditure was in road projects, for which the City spent $1.3 million less in 2011 than in 2010. Road funds are received annually in consistent amounts, but are spent based on annual need and according to capital facility plans.

The following chart compares general fund expenditures by function between 2010 and 2011.



Other Governmental Funds
The fund balance in the Redevelopment Agency fund increased by $223,324 during the year, but it still has a deficit balance of ($274,846). The City will continue to work to get a positive balance in this fund. Property tax increment revenues decreased from $515,185 in 2010 to $226,823 in 2011 as one of the City's three RDA areas expired. This is a decrease of 56%. One of the remaining two areas expired in 2011, leaving only one RDA area going forward.

The City spent 791,105 on capital outlays 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 $169,971. 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 increased from $24,485,860 to $25,484,356. Sewer net assets decreased from $14,940,430 to $13,565,429. During the year, the Sewer fund transferred $1,417,525 into the Water fund. This transfer was made to stabilize the Water Fund until recently adopted rates have been fully implemented. Storm Drain net assets increased from $7,362,848 to 8,008,344. Overall, in the enterprise funds, net assets decreased by 0.57%.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budgeted expenditure total of $14,368,763 to final budgeted expenditures of $14,719,749. These increases can be briefly summarized as follows:

- General Government increased by $134,166.
- Public Safety increased by $123,343.
- Public Works decreased by $51,222.
- Parks and Recreation increased by $101,450.
- Community Services increased by $43,249.

The largest increase in budgeted expenditures was related to grants. The City's policy is to generally not budget grant revenue until the funds are received. During the year, the City received certain state and federal grants. The budget was increased to authorize the expenditure of these funds.

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, 2011, amounts to $150,540,718 (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 1.015% (0.42% increase in governmental activities and a 1.78% for business-type activities).

Pleasant Grove City Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 43,014,442	$ 42,207,469	$ 1,820,579	$ 1,820,579	$ 44,835,021	$ 44,028,048
Water Shares	-	-	1,981,938	1,981,938	1,981,938	1,981,938
Buildings	9,169,814	9,481,729	-	-	9,169,814	9,481,729
Equipment	2,244,891	2,325,294	234,407	205,612	2,479,298	2,530,906
Infrastructure	29,677,131	29,747,671	61,661,465	61,260,050	91,338,596	91,007,721
Const in Progress	9,795	-	726,256	-	736,051	-
Total Capital Assets	$ 84,116,073	$ 83,762,163	$ 66,424,645	$ 65,268,179	$ 150,540,718	$ 149,030,342

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

- Contributed infrastructure assets - $1,781,106
- Storm Drain System Improvements - $643,737
- Water System Improvements - $648,750
- Sewer Distribution Pipe Lining - $176,872

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 $64,154,000. $59,514,000 is secured by specific revenue sources, while total general obligation bonds outstanding total $4,640,000. The chart on the following page displays the City's long-term debt transactions for the year.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 4,640,000	$ 4,765,000	$ -	$ -	$ 4,640,000	$ 4,765,000
Revenue bonds	26,430,000	27,738,500	33,084,000	25,935,500	59,514,000	53,674,000
Total bonded debt	$ 31,070,000	$ 32,503,500	$ 33,084,000	$ 25,935,500	$ 64,154,000	$ 58,439,000

- The City's total outstanding bond debt increased by $5,715,000 during the current fiscal year. New bonds were issued with a total par amount of $8,050,000, and $2,335,000 of bonds were retired during the year.

- The City issued two series of bonds during the year. $1,000,000 of water revenue bonds were issued to work towards the replacement of aging and undersized waterlines. $7,050,000 of storm drain bonds were issued for the construction of two pipelines and for the acquisition of land for future storm water detention.

- Pleasant Grove City maintains a "AA" rating for its sales tax bonds and a "AA-" rating for its general obligation bonds. The City's water revenue bond rating was downgraded from "A+" to "BBB+" by Standard and Poor's (S&P) during the year primarily due to revenues falling short of projections. The issues related to the downgrade have been addressed by the City in the in the implementation of a comprehensive rate evaluation put in place in December 2010.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total assessed value. The current limitations for the City are $87,920,000 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 $263,760,000, which again significantly exceeds the level of 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 fifth largest city) was 7.7%. This rate equals the state unemployment rate of 7.7%, while the national rate was 9.0%. The previous year's rates were 8.0%, 7.6%, and 9.3% respectively.

- The General Fund budgeted expenditures for the fiscal year-ending June 30, 2012 reflects a decrease of $2,666,609 from the year ending, June 30, 2011. $2,310,938 of the decrease is due to the establishment of three new funds for activities which were previously included in the General Fund. These new funds are: Cultural Arts, Recreation, and Sanitation.
- The City completed a comprehensive utility rate study in December of 2010. The study analyzed all of the City's utility rates (culinary water, pressurized irrigation, sewer, and storm drain) and recommended rate levels through 2014. These rates are adjusted each July. While rates vary based on usage and lot size, most residents will pay approximately $10.70 more per month this year as opposed to the previous year.

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 CITY

Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 4,402,776	$ 3,380,351	$ 7,783,127
Restricted Cash	2,088,084	9,069,484	11,157,568
Receivables	4,350,076	1,095,801	5,445,877
Inventories	-	17,076	17,076
Other Current Assets	436,080	146,815	582,895
Bond Issuance Costs (Net)	529,442	914,407	1,443,849
Capital Assets:			
Land	43,014,442	1,820,579	44,835,021
Water Shares	-	1,981,938	1,981,938
Buildings	9,169,814	-	9,169,814
Improvements	29,677,131	61,661,465	91,338,596
Machinery & Equipment	2,244,891	234,407	2,479,298
Construction in Progress	9,795	726,256	736,051
Total Assets	95,922,531	81,048,579	176,971,110
LIABILITIES			
Accounts Payable	1,393,052	63,666	1,456,718
Bond Interest Payable	288,070	150,796	438,866
Retainage Payable	-	10,001	10,001
Deposits	964,434	-	964,434
Deferred Revenue	2,688,457	-	2,688,457
Long-term Liabilities			
Due Within One Year	1,638,967	917,764	2,556,731
Due in More Than One Year	33,915,027	32,848,223	66,763,250
Total Liabilities	40,888,007	33,990,450	74,878,457
NET ASSETS			
Invested in Capital Assets, net of related debt	49,238,849	40,329,309	89,568,158
Restricted for:			
Roads	1,619,577	-	1,619,577
Impact Fees	-	241,792	241,792
Library	54,088	-	54,088
Dispatch	684,671	-	684,671
Debt Service	200,262	1,489,176	1,689,438
Other	297,817	-	297,817
Unrestricted	2,939,260	4,997,852	7,937,112
Total Net Assets	$ 55,034,524	$ 47,058,129	$ 102,092,653

See accompanying notes.

PLEASANT GROVE CITY

Statement of Activities

For the Year Ended June 30, 2011

Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Total
Primary Government							
Governmental:							
General Government	$ 3,212,991	$ 1,758,361	$ -	$ -	$ (1,454,630)	$ -	$ (1,454,630)
Community Services	826,103	293,236	-	-	(532,867)	-	(532,867)
Public Works	3,585,751	1,358,586		2,878,470	651,305	-	651,305
Public Safety	5,452,324	734,029	537,639	177,731	(4,002,925)	-	(4,002,925)
Parks and Recreation	3,469,153	1,455,751	6,358	94,114	(1,912,930)	-	(1,912,930)
Interest on Long-Term Debt	1,671,518				(1,671,518)	-	(1,671,518)
Total Governmental Activities	18,217,840	5,599,963	543,997	3,150,315	(8,923,565)	-	(8,923,565)
Business-type:							
Water	4,547,177	3,478,805	-	642,876	-	(425,496)	(425,496)
Sewer	3,521,435	3,253,184	-	300,144	-	31,893	31,893
Storm Drain	581,083	590,544	-	635,994	-	645,455	645,455
Total Business-type Activities	8,649,695	7,322,533	-	1,579,014	-	251,852	251,852
Total Primary Government	26,867,535	12,922,496	543,997	4,729,329	(8,923,565)	251,852	(8,671,713)
General Revenues:							
Property Taxes					2,969,219	-	2,969,219
Sales and Use Tax					3,522,835	-	3,522,835
Franchise Tax					1,160,074	-	1,160,074
Other Taxes					686,182	-	686,182
Miscellaneous Revenue					1,576,022	-	1,576,022
Unrestricted Investment Earnings					24,079	17,139	41,218
Total General Revenues and Transfers					9,938,411	17,139	9,955,550
Change in Net Assets					1,014,846	268,991	1,283,837
Net Assets -- Beginning					54,019,678	46,789,138	100,808,816
Net Assets -- Ending					$ 55,034,524	$ 47,058,129	$ 102,092,653

See accompanying notes.

PLEASANT GROVE CITY

Balance Sheet
Governmental Funds
June 30, 2011

	General	Special Revenue RDA	Capital Projects Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash & Cash Equivalents	$ 2,478,621	-	$ 1,035,826	$ 888,328	$ 4,402,775
Restricted Cash	1,887,822	-	200,262	-	2,088,084
Receivables (net)					
Property Tax	2,824,091	164,281	-	-	2,988,372
Sales Tax	640,430	-	-	-	640,430
Other	353,056	-	-	-	353,056
Intergovernmental	343,816	-	-	-	343,816
Special Assessment Receivable	24,402	-	-	-	24,402
Due from other funds	274,846	-	-	-	274,846
Other Current Assets	161,323	-	-	-	161,323
Prepaid Expenses	274,757	-	-	-	274,757
Total Assets	9,263,164	164,281	1,236,088	888,328	11,551,861
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and Accrued Liabilities	$ 1,374,385	$ -	$ -	$ 18,667	$ 1,393,052
Construction Bonds and Refunds	964,434	-	-	-	964,434
Retainage Payable	-	-	-	-	-
Due to Other Funds	-	274,846	-	-	274,846
Deferred Revenue	2,721,409	164,281	-	-	2,885,690
Total Liabilities	5,060,228	439,127	-	18,667	5,518,022
FUND BALANCES					
Nonspendable					
Prepaid Expenses	274,757	-	-	-	274,757
Restricted for					
Donations	297,817	-	-	-	297,817
Debt Service	-	-	200,262	-	200,262
Dispatch	-	-	-	684,671	684,671
Library Grants	-	-	-	54,088	54,088
Class C Road Funds	1,619,577	-	-	-	1,619,577
Assigned to					
Municipal Building Authority	-	-	-	40,030	40,030
Debt Service	-	-	-	86,114	86,114
Capital Projects	-	-	1,035,826	-	1,035,826
Swimming Pool	-	-	-	4,758	4,758
Unassigned	2,010,785	(274,846)	-	-	1,735,939
Total Fund Balances	4,202,936	(274,846)	1,236,088	869,661	6,033,839
Total Liabilities and Fund Balances	$ 9,263,164	$ 164,281	$ 1,236,088	$ 888,328	$ 11,551,861

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, 2011

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances - governmental fund types	$ 6,033,839
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	84,116,073
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.	172,832
Governmental funds report the effects of bond issuance costs, whereas these amounts are deferred and shown as net amortization in the statement of activities	529,442
Special assessments revenue is recognized as it is received in the governmental funds, while in the statement of activities, it is recognized once it is receivable	24,402
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(35,165,294)
Compensated absences are not due and payable in the current period and are not reported as fund liabilities in the funds.	(512,159)
Post retirement benefits are not due and payable in the current period and are not reported as fund libilities in the funds.	(164,611)
Net assets of governmental activities	$ 55,034,524

See accompanying notes.

PLEASANT GROVE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	General	Special Revenue: Redevelopment Agency	Capital Projects: Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 7,869,772	$ 226,823	$ -	$ 356,846	$ 8,453,441
Licenses & Permits	253,576	-	-	-	253,576
Intergovernmental	1,481,788	-	-	231,687	1,713,475
Charges for Services	4,405,755	-	-	196,740	4,602,495
Fines & Forfeitures	405,773	-	-	-	405,773
Interest	13,432	-	7,148	3,499	24,079
Impact Fees	-	-	169,971	-	169,971
Miscellaneous	340,881	-	24	2,598	343,503
Total Revenues	14,770,977	226,823	177,143	791,370	15,966,313
EXPENDITURES					
Current					
General Government	3,148,783	3,499	-	-	3,152,282
Community Services	871,520	-	-	-	871,520
Public Works	1,931,224	-	2,000	-	1,933,224
Public Safety	4,960,105	-	-	428,156	5,388,261
Parks and Recreation	2,625,512	-	-	387,300	3,012,812
Capital Outlay & Projects	-	-	791,105	-	791,105
Debt Service					
Principal Retirement	91,055	560,000	103,349	897,303	1,651,707
Interest and Fees	49,181	987,893	-	596,164	1,633,238
Total Expenditures	13,677,380	1,551,392	896,454	2,308,923	18,434,149
Excess (Deficiency) of Revenues over Expenditures	1,093,597	(1,324,569)	(719,311)	(1,517,553)	(2,467,836)
Other Financing Sources (Uses)					
Developer Contributions	-	1,547,893	-	-	1,547,893
Sale of Fixed Assets	28,740	-	-	-	28,740
Transfers In	-	-	1,148,639	2,274,228	3,422,867
Transfers Out	(3,045,431)	-	(377,436)	-	(3,422,867)
Total Other Financing Sources/(Uses)	(3,016,691)	1,547,893	771,203	2,274,228	1,576,633
Net Change in Fund Balance	(1,923,094)	223,324	51,892	756,675	(891,203)
Fund Balances - July 1	6,126,030	(498,170)	1,184,196	112,986	6,925,042
Fund Balances - June 30	$ 4,202,936	$ (274,846)	$ 1,236,088	$ 869,661	$ 6,033,839

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balance -- Total Governmental Funds	$ (891,203)
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.	(1,426,560)
Contributions of capital assets not reported in the funds.	1,781,106
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(91,365)
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.	1,570,751
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.	72,117
Change in net assets of governmental activities	$ 1,014,846

See accompanying notes.

PLEASANT GROVE CITY

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drain Fund	Total
ASSETS				
Current Assets				
Cash & Cash Equivalents	$ 1,647,423	$ 1,732,928	$ -	$ 3,380,351
Accounts Receivable	599,468	403,955	92,378	1,095,801
Inventories	17,076	-	-	17,076
Other Current Assets	-	90,727	56,088	146,815
Due from Other Funds	-	49,598	-	49,598
Total Current Assets	2,263,967	2,277,208	148,466	4,689,641
Noncurrent Assets				
Restricted Cash	2,402,361	68,180	6,598,943	9,069,484
Bond Issuance Costs	854,382	52,316	196,569	1,103,267
Accumulated Amortization	(146,655)	(36,430)	(5,775)	(188,860)
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	52,499,904	14,897,376	8,589,765	75,987,045
Machinery and Equipment	420,922	203,430	225,439	849,791
Construction in Progress	302,144	-	424,112	726,256
Less Accumulated Depreciation	(10,586,616)	(3,265,249)	(1,154,596)	(15,006,461)
Capital Assets (Net of Accum Depreciation)	45,973,526	11,899,562	8,551,557	66,424,645
Total Noncurrent Assets	49,083,614	11,983,628	15,341,294	76,408,536
Total Assets	51,347,581	14,260,836	15,489,760	81,098,177
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	46,411	3,504	13,751	63,666
Interest Payable	130,859	3,234	16,703	150,796
Due to Other Funds	-	-	49,598	49,598
Retainage Payable	10,001	-	-	10,001
Current Portion Bonds Payable	820,938	102,800	19,177	942,915
Total Current Liabilities	1,008,209	109,538	99,229	1,216,976
Noncurrent Liabilities				
Compensated Absences	40,419	35,669	14,253	90,341
Bonds Payable	24,814,597	550,200	7,367,934	32,732,731
Total Noncurrent Liabilities	24,855,016	585,869	7,382,187	32,823,072
Total Liabilities	25,863,225	695,407	7,481,416	34,040,048
NET ASSETS				
Invested in Capital Assets, net of related debt	20,337,992	12,227,928	7,763,389	40,329,309
Restricted for:				
Impact Fees	26,732	144,044	71,016	241,792
Debt Service	1,420,996	68,180	-	1,489,176
Unrestricted	3,698,636	1,125,277	173,939	4,997,852
Total Net Assets	$ 25,484,356	$ 13,565,429	$ 8,008,344	$ 47,058,129

See accompanying notes.

PLEASANT GROVE CITY

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

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drain Fund	Total
OPERATING REVENUES				
Charges for Services				
Operations	$ -	$ -	$ -	$ -
Pledged as Security for Revenue Bonds	3,478,805	3,248,878	590,544	7,318,227
Total Operating Revenue	3,478,805	3,248,878	590,544	7,318,227
OPERATING EXPENSES				
Salaries and Benefits	420,752	372,102	140,593	933,447
Costs of Services and Supplies	1,126,496	2,320,335	118,835	3,565,666
General and Administrative	757,096	547,434	109,767	1,414,297
Depreciation and Amortization	1,131,778	246,567	194,781	1,573,126
Total Operating Expenses	3,436,122	3,486,438	563,976	7,486,536
Operating Income (Loss)	42,683	(237,560)	26,568	(168,309)
NON-OPERATING REVENUES (EXPENSES)				
Impact Fees	152,065	75,612	61,639	289,316
Interest	6,468	10,631	40	17,139
Special Assessment Revenue	-	4,306	-	4,306
Amortization of Bond Issuance Costs	(34,317)	(4,012)	(1,201)	(39,530)
Interest Expense	(1,076,742)	(30,985)	(15,905)	(1,123,632)
Grant Revenue	-	-	56,088	56,088
Total Non-Operating Revenue (Expenses)	(952,526)	55,552	100,661	(796,313)
Net Income (Loss) Before Contributions and Transfers	(909,843)	(182,008)	127,229	(964,622)
CONTRIBUTIONS AND TRANSFERS				
Developer Contributions	490,814	224,532	518,267	1,233,613
Transfers In	1,417,525	-	-	1,417,525
Transfers Out	-	(1,417,525)	-	(1,417,525)
Total Contributions & Operating Transfers	1,908,339	(1,192,993)	518,267	1,233,613
CHANGE IN NET ASSETS	998,496	(1,375,001)	645,496	268,991
Total Net Assets - Beginning	24,485,860	14,940,430	7,362,848	46,789,138
Total Net Assets - Ending	$ 25,484,356	$ 13,565,429	$ 8,008,344	$ 47,058,129

See accompanying notes.

PLEASANT GROVE CITY

Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Drain Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	$ 3,235,083	$ 3,185,069	$ 542,787	$ 6,962,939
Payments to Suppliers	(1,089,346)	(2,320,336)	(118,835)	(3,528,517)
Interfund Services	(781,864)	(547,434)	(109,767)	(1,439,065)
Payments to Employees	(407,140)	(364,314)	(132,287)	(903,741)
Net cash provided (used) by operating activities	956,733	(47,015)	181,898	1,091,616
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	1,417,525	-	-	1,417,525
Transfers Out	-	(1,417,525)	-	(1,417,525)
Net Cash Provided (Used) by Noncapital Financing Activ	1,417,525	(1,417,525)	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Impact fees	152,065	75,612	61,639	289,316
Purchase of capital assets	(648,750)	(176,872)	(643,737)	(1,469,359)
Loans from/(to) other funds	-	(49,598)	49,598	-
Proceeds from capital debt	1,000,000	-	7,093,249	8,093,249
Proceeds from Special Assessments	-	12,897		12,897
Payment of bond issuance costs	(29,655)	-	(171,373)	(201,028)
Principal paid on capital debt	(786,851)	(99,600)	(18,300)	(904,751)
Interest paid on capital debt	(1,106,647)	(33,223)	(14,052)	(1,153,922)
Manila Water Impact Fees	40,565	-	-	40,565
Net cash provided (used) by capital and related financing activities	(1,379,273)	(270,784)	6,357,024	4,706,967
CASH FLOW FROM INVESTING ACTIVITIES				
Interest Income	6,468	10,631	40	17,139
Net increase (decrease) in cash and cash equivalents	1,001,453	(1,724,693)	6,538,962	5,815,722
Cash and cash equivalents - beginning of year	3,048,331	3,525,801	59,981	6,634,113
Cash and cash equivalents - end of year	$ 4,049,784	$ 1,801,108	$ 6,598,943	$ 12,449,835
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	$ 42,683	$ (237,560)	$ 26,568	$ (168,309)
Adjustments to reconcile operating income to net cash provided (Used) by operating activities:				
Depreciation expense	1,131,778	246,567	194,781	1,573,126
(Increase) decrease in receivables	(238,721)	(63,810)	(47,757)	(350,288)
(Increase) decrease in inventory	36,392	-	-	36,392
Increase (decrease) in accrued liabilities	(28,480)	-	-	(28,480)
Increase (decrease) in accrued vacation and sick leave	13,081	7,788	8,306	29,175
Total Adjustments	914,050	190,545	155,330	1,259,925
Net cash provided (used) by operating activities	$ 956,733	$ (47,015)	$ 181,898	$ 1,091,616
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	490,814	224,532	518,267	1,233,613

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Pleasant Grove
Utah's City of Trees

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. 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 tax revenues 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.

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.

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 s*pecial 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 *Construction fund is a* c*apital projects fund* and accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

The government reports the following major proprietary funds:

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

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 *special revenue funds* are used to account for proceeds of specific revenue sources (other than sources for major capital projects) that are legally restricted to expenditures for specified purposes.

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. **<u>Assets, Liabilities, and Net Assets or Equity</u>**

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."

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.

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 $26,622.

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

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

NOTE 1 - SUMMARY (*Continued*)

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.

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.

NOTE 1 - SUMMARY (*Continued*)

9. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB statement 54, *Fund Balance Reporting in Governmental Fund Types Definitions*. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports nonspendable balances, then restricted, then committed, and so forth. The City's governmental funds beginning balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

- **Nonspendable**. This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually require to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

- **Restricted**. This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enable legislation. Restricted fund balance amounts include the following:
  a) Unspent Donations
  b) Debt Service
  c) Unspent Dispatch Funds
  d) Unspent Library Grants
  e) Unspent Class C road funds

- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the City Council. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City Council has not committed any fund balance amounts.

- **Assigned.** This category includes governmental fund balance amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the City's administration comprised of the City administrative council. The City has assigned debt service, capital projects, municipal building authority, and swimming pool requirements.

NOTE 1 - SUMMARY (*Continued*)

- **Unassigned.** Residual balances in the Governmental Funds are classified as unassigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources. Of the unrestricted resources, committed resources will be used first, followed by assigned resources, and then unassigned resources.

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.

Cost of capital assets	$102,654,585
Accumulated depreciation	(18,538,512)
Net adjustment to increase *fund balance -total governmental funds* to arrive at *net assets – governmental activities)*	$84,116,073

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.

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

Bonds and capital leases payable	($34,877,224)
Bond interest payable	(288,070)
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	($35,165,294)

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	$ 1,113,250
Depreciation expense	(2,539,810)
Net adjustment to increase *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 1,426,560

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

Debt issued or retired:	
Change in accrued interest	$ 51,958
Principal paid on bonds and capital leases	1,665,384
Issuance cost amortization	(42,675)
Total debt incurred	$ 1,570,751

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	$ 68,023
Compensated absences	4,094
Total	$ 72,117

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.

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, 2011, the City's custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2011
Checking Accounts	Insured	$ 1,718,211
Savings Accounts	Insured	250,000
Savings Accounts	Uninsured and Uncollateralized	717,659
		$ 2,685,870

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, 2011 The City had the following investments:

Investment	Maturities	Fair Value
Utah Public Treasurers' Investment Fund	Less than 1 year	$ 6,389,563
U.S. Bank – First American Treasury Obligation Fund	Less than 1 year	9,898,671
		$16,288,234

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-

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

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.

At June 30 2011, the City had the following quality ratings:

		Quality Ratings			
Investments	Fair Value	AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	$ 6,389,564	$ -	$ -	$ -	$ 6,389,564
U.S. Bank – First American Treasury Obligations Fund	9,898,670	9,898,670			
Total investment	$ 16,288,234	$ 9,898,670	$ -	$ -	$ 6,389,564

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:

Receivable:	General	RDA	Water	Sewer	Storm Drain	Total
Accounts	$ 140,171	$ -	$ 608,002	$ 407,755	$ 92,966	$ 1,248,894
Property Tax	2,824,091	164,281				2,988,372
Sales Tax	640,430					640,430
Other	215,774					215,774
Intergovernmental	343,816					343,816
Special Assessment	24,402					24,402
Less: Allowance for uncollectible accounts	(2,889)		(8,534)	(3,800)	(588)	(15,811)
Total	$ 4,185,795	$ 164,281	$ 599,468	$ 403,955	$ 92,378	$ 5,445,877

NOTE 5 - RECEIVABLES *(Continued)*

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)	$ -	$ 164,281
Property taxes receivable (general fund)	172,831	2,524,176
Special assessment receivable (general fund)	24,402	
Total deferred/unearned revenue for governmental funds	$197,233	$2,688,457

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:

Receivable fund	Payable Fund	Amount
General	Redevelopment Agency	$274,846

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

Inter-fund Transfers:

	Transfer Out			
	General	Construction	Business Type	Total
Transfer In:				
Construction	$ 1,148,639	$ -	$ -	$ 1,148,639
Nonmajor Govtl. Funds	2,015,373	377,436		2,392,809
Business Type			1,417,525	1,417,525
Total Transfer Out	$ 3,164,012	$ 377,436	$ 1,417,525	$ 4,958,973

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	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction in Progress	$ -	$ 9,796	$ -	$ 9,796
Land	42,207,469	806,973	-	43,014,442
Total capital assets not being depreciated	42,207,469	816,769	-	43,024,238
Capital assets being depreciated:				
Buildings	13,091,331	48,417	-	13,139,748
Machinery and equipment	5,285,745	269,671	130,397	5,425,019
Infrastructure	39,306,083	1,759,497	-	41,065,580
Total capital assets being depreciated	57,683,159	2,077,585	130,397	59,630,347
Less accumulated depreciation for:				
Buildings	3,609,602	360,332	-	3,969,934
Machinery and equipment	2,960,451	349,440	129,763	3,180,128
Infrastructure	9,558,412	1,830,038	-	11,388,450
Total accumulated depreciation	16,128,465	2,539,810	129,763	18,538,512
Total capital assets, being depreciated, net	41,554,694	(462,225)	634	41,091,835
Governmental activities capital assets, net	$ 83,762,163	$ 354,544	$ 634	$ 84,116,073

	Beginning			Ending
Business-type activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction in Progress	$ -	$ 726,254	$ -	$ 726,254
Water Shares	1,981,938	-	-	1,981,938
Land	1,820,579	-	-	1,820,579
Total capital assets not being depreciated	3,802,517	726,254	-	4,528,771
Capital assets being depreciated:				
Buildings	65,497	-	-	65,497
Improvements	74,063,478	1,923,568	-	75,987,046
Machinery and equipment	770,023	79,770	-	849,793
Total capital assets being depreciated	74,898,998	2,003,338	-	76,902,336
Less accumulated depreciation for:				
Buildings	65,497	-	-	65,497
Improvements	12,803,428	1,522,152	-	14,325,580
Machinery and equipment	564,411	50,974	-	615,385
Total accumulated depreciation	13,433,336	1,573,126	-	15,006,462
Total capital assets, being depreciated, net	61,465,662	430,212	-	61,895,874
Business-type activities capital assets, net	$ 65,268,179	$ 1,156,466	$ -	$ 66,424,645

NOTE 7 – CAPITAL ASSETS (*Continued)*

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

Governmental activities:	
General government	$ 45,970
Community Services	-
Public Works	1,751,370
Public Safety	269,204
Parks and Recreation	473,266
Total depreciation expense - governmental activities	$ 2,539,810
Business-type activities:	
Water	$ 1,131,778
Sewer	246,567
Storm Drain	194,781
Total depreciation expense - Business-Type Activities	$ 1,573,126
Total depreciation expense	$ 4,112,936

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 30-Jun	Principal	Interest	Total
2012	$ 237,201	$ 9,061	$ 246,262

During the year, the amount paid for this lease was $102,610.

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 30-Jun	Principal	Interest	Total
2012	$ 63,892	$ 2,108	$ 66,000

During the year, the amount paid for this lease was $28,288.

NOTE 8 - LEASE COMMITMENTS *(Continued)*

The City signed a municipal lease agreement in 2010 for nine 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 June 30	Principal	Interest	Total
2012	$ 65,950	$ 7,393	$ 73,343
2013	48,609	5,144	53,753
2014	50,266	3,487	53,753
2015	51,981	1,772	53,753
	$ 216,806	$ 17,796	$ 234,602

During the year, the amount paid for this lease was $73,743.

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	(76,337)
	Total	$1,068,726

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 30-Jun	Ladder Truck	Equipment	Asphalt Zipper
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	437,329	-	-
Total minimum lease payment	904,733	70,156	112,356
Less amounts representing interest	(162,780)	(6,337)	(9,913)
Present value of minimum lease payments	$ 741,953	$ 63,819	$ 102,443

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, 2011.

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Government Activities					
Post-employment Benefits	$ 232,634	-	$ (68,023)	$ 164,611	$ 28,294
Compensated Absences	516,253	-	(4,094)	512,159	-
C Road Revenue Bonds	535,000	-	(535,000)	-	-
C Road Revenue Bonds	4,310,000	-		4,310,000	560,000
Premium on C Road bonds	89,753	-	(12,822)	76,931	-
General obligation bonds	4,765,000	-	(125,000)	4,640,000	130,000
Premium on GO bonds	26,584	-	(1,157)	25,427	-
Sales tax revenue bonds	3,643,500	-	(213,500)	3,430,000	220,500
Tax increment & revenue bonds	19,250,000	-	(560,000)	18,690,000	580,000
Capital Lease	1,022,772	-	(114,557)	908,215	120,173
Note payable- Utah County	2,900,000	-	(103,349)	2,796,651	-
Total	$ 37,291,496	-	$ (1,737,502)	$ 35,553,994	$ 1,638,967

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Business-Type Activited					
Compensated Absences	$ 62,535	$ 27,806	-	$ 90,341	-
Water Revenue Bonds	24,246,000	1,000,000	$ (747,000)	24,499,000	$ 758,000
Premium on water revenue bonds	561,577	-	(24,873)	536,704	-
Sewer revenue bonds	128,000	-	(63,000)	65,000	65,000
Storm water revenue bonds	-	7,050,000	-	7,050,000	-
Premium on storm water revenue bonds	-	43,249	(139)	43,110	
Sales tax revenue bonds	1,561,500	-	(91,500)	1,470,000	94,500
Note payable- Provo Reservoir	15,083	-	(3,251)	11,832	264
Total	$ 26,574,695	$ 8,121,055	$ (929,763)	$ 33,765,987	$ 917,764

Bonds payable at June 30, 2011, are comprised of the following individual issues:

Storm Water Revenue Bonds:
$7,050,000 Storm Water Revenue Bonds Series 2011, due in annual installments of $185,000 to $440,000, through July, 2037; Interest is from 2.0% to 4.0% payable semiannually. $ 7,050,000

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. 65,000

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. 81,000

NOTE 10 – LONG-TERM DEBT *(Continued)*

$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.	1,139,000
$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.	1,186,000
$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.	116,000
$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.	272,000
$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.	10,250,000
$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%.	10,455,000
$1,000,000 Water Revenue Bonds Series 2010, payable in annual installments of $38,000 to $64,000 until December 1, 2031; interest at 2.71% payable semiannually. This is a Build America Bond, federally taxable, and has a 35% interest rate subsidy from the Internal Revenue Service. This subsidy will be recorded as revenue when received.	1,000,000
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%.	18,690,000
C Road Revenue Bonds:	
$4,390,000 2008 “C” Road Bonds due in annual installments 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

NOTE 10 – LONG-TERM DEBT *(Continued)*

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%.	4,900,000
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.	$4,640,000
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 interest rate and norepayment schedule at this time.	2,796,651
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.	11,832

The annual requirements to amortize bonds outstanding as of June 30, 2011, including interest, are as follows:

Water Revenue Bonds – 1994

Year Ended June 30,	Principal	Interest	Total
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	24,000	137	24,137
	$ 116,000	$ 1,995	$ 117,995

NOTE 10 – LONG-TERM DEBT *(Continued)*

Water Revenue Bonds – 2010

Year Ended June 30,	Principal	Interest	IRS Subsidy	Net Total
2012	$ -	$ 25,594	$ (8,958)	$ 16,636
2013	38,000	27,100	(9,485)	55,615
2014	39,000	26,070	(9,124)	55,946
2015	40,000	25,013	(8,755)	56,258
2016	42,000	23,929	(8,375)	57,554
2017	43,000	22,791	(7,977)	57,814
2018	44,000	21,626	(7,569)	58,057
2019	45,000	20,433	(7,152)	58,281
2020	46,000	19,214	(6,725)	58,489
2021	47,000	17,967	(6,289)	58,678
2022	49,000	16,694	(5,843)	59,851
2023	50,000	15,366	(5,378)	59,988
2024	51,000	14,011	(4,904)	60,107
2025	53,000	12,629	(4,420)	61,209
2026	54,000	11,192	(3,917)	61,275
2027	56,000	9,729	(3,405)	62,324
2028	57,000	8,211	(2,874)	62,337
2029	59,000	6,667	(2,333)	63,334
2030	61,000	5,068	(1,774)	64,294
2031	62,000	3,415	(1,195)	64,220
2032	64,000	1,734	(607)	65,127
	$ 1,000,000	$ 334,453	$ (117,059)	$ 1,217,394

Water Revenue Bonds – 2002A

Year Ended June 30,	Principal	Interest	Total
2012	$ 9,000	$ -	$ 9,000
2013	9,000	-	9,000
2014	9,000	-	9,000
2015	9,000	-	9,000
2016	9,000	-	9,000
2017	9,000	-	9,000
2018	9,000	-	9,000
2019	18,000	-	18,000
	$ 81,000	$ -	$ 81,000

NOTE 10 – LONG-TERM DEBT *(Continued)*

Water Revenue Bonds – 2008

Year Ended June 30,	Principal	Interest	Total
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	730,000	19,162	749,162
	$ 10,250,000	$ 7,044,494	$ 17,294,494

Water Revenue Bonds – 2002B

Year Ended June 30,	Principal	Interest	Total
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	111,000	3,374	114,374
	$ 1,139,000	$ 237,211	$ 1,376,211

NOTE 10 – LONG-TERM DEBT *(Continued)*

Water Revenue Bonds – 2004

Year Ended June 30,	Principal	Interest	Total
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	89,000	1,513	90,513
	$ 1,186,000	$ 167,586	$ 1,353,586

Water Revenue Bonds – 2006

Year Ended June 30,	Principal	Interest	Total
2012	$ 16,000	$ 4,684	$ 20,684
2013	16,000	4,352	20,352
2014	16,000	4,080	20,080
2015	17,000	3,808	20,808
2016	17,000	3,519	20,519
2017	17,000	3,230	20,230
2018	18,000	2,941	20,941
2019	18,000	2,635	20,635
2020	18,000	2,329	20,329
2021	18,000	2,023	20,023
2022	19,000	1,717	20,717
2023	19,000	1,394	20,394
2024	19,000	1,071	20,071
2025	20,000	784	20,784
2026	20,000	408	20,408
2027	4,000	68	4,068
	$ 272,000	$ 39,043	$ 311,043

NOTE 10 – LONG-TERM DEBT *(Continued)*

Water Revenue Bonds – 2006B

Year Ended June 30,	Principal	Interest	Total
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
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	775,000	19,385	794,385
	$ 10,455,000	$ 6,283,230	$ 16,738,230

Sewer Revenue Bonds – 2001

Year Ended June 30,	Principal	Interest	Total
2012	$ 65,000	$ 2,600	$ 67,600

NOTE 10 – LONG-TERM DEBT *(Continued)*

Sales Tax Revenue Bonds Series 2002

Year Ended June 30,	Principal	Interest	Total
2012	$ 315,000	$ 222,175	$ 537,175
2913	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	525,000	12,863	537,863
	$ 4,900,000	$ 1,555,760	$ 6,455,760

Tax Increment and Revenue Bonds

Year Ended June 30,	Principal	Interest	Total
2012	$ 580,000	$ 745,200	$ 1,325,200
2013	605,000	721,204	1,326,204
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	1,285,000	26,021	1,311,021
	$ 18,690,000	$ 9,035,956	$ 27,725,956

NOTE 10 – LONG-TERM DEBT *(Continued)*

C Road Revenue Bond

Year Ended June 30,	Principal	Interest	Total
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	530,000	26,500	556,500
	$ 4,310,000	$ 858,462	$ 5,168,462

General Obligation Bond

Year Ended June 30,	Principal	Interest	Total
2012	$ 130,000	$ 186,883	$ 316,883
2013	135,000	181,582	316,582
2014	145,000	175,983	320,983
2015	150,000	170,082	320,082
2016	155,000	163,983	318,983
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
	$ 4,475,000	$ 2,194,152	$ 6,669,152

NOTE 10 – LONG-TERM DEBT *(Continued)*

	Provo Reservoir Water Users Loan		
Year Ended June 30,	Principal	Interest	Total
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	819
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
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	788	32	820
	$ 11,832	$ 7,844	$ 19,676

NOTE 10 – LONG-TERM DEBT *(Continued)*

Storm Water Revenue Bonds Series 2011

Year Ended June 30,	Principal	Interest	Total
2012	$ -	$ 163,609	$ 163,609
2013	185,000	269,906	454,906
2014	185,000	265,281	450,281
2015	195,000	259,531	454,531
2016	200,000	252,631	452,631
2017	205,000	247,325	452,325
2018	210,000	242,394	452,394
2019	215,000	236,813	451,813
2020	220,000	230,556	450,556
2021	230,000	223,519	453,519
2022	235,000	216,256	451,256
2023	245,000	207,831	452,831
2024	255,000	197,831	452,831
2025	265,000	187,431	452,431
2026	275,000	176,631	451,631
2027	285,000	165,431	450,431
2028	300,000	153,731	453,731
2029	310,000	141,531	451,531
2030	325,000	128,628	453,628
2031	340,000	114,913	454,913
2032	350,000	100,244	450,244
2033	370,000	84,494	454,494
2034	385,000	67,738	452,738
2035	405,000	49,963	454,963
2036	420,000	30,875	450,875
2037	440,000	10,450	450,450
	$ 7,050,000	$ 4,425,543	$ 11,475,543

NOTE 10 – LONG-TERM DEBT *(Continued)*

Subsequent 5-Year Debt Disclosure

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

Year Ended June 30,	Principal	Interest	Total
2012	$ 2,408,264	$ 2,609,361	$ 5,017,625
2013	2,655,275	2,617,572	5,272,847
2014	2,755,286	2,512,101	5,267,387
2015	2,886,297	2,395,645	5,281,942
2016	2,992,309	2,272,282	5,264,591
2017	3,098,322	2,146,848	5,245,170
2018	3,035,334	2,013,201	5,048,535
2019	2,614,348	1,882,410	4,496,758
2020	2,706,362	1,773,773	4,480,135
2021	2,820,376	1,661,426	4,481,802
2022	2,954,473	1,542,077	4,496,550
2023	3,089,492	1,414,120	4,503,612
2024	2,541,512	1,292,678	3,834,190
2025	2,650,533	1,182,431	3,832,964
2026	2,768,554	1,066,268	3,834,822
2027	2,780,577	944,621	3,725,198
2028	2,912,599	819,046	3,731,645
2029	3,044,623	686,241	3,730,864
2030	3,186,648	546,764	3,733,412
2031	3,332,673	400,532	3,733,205
2032	3,484,701	247,078	3,731,779
2033	1,065,729	141,154	1,206,883
2034	1,115,768	86,962	1,202,730
2035	405,777	49,995	455,772
2036	420,000	30,875	450,875
2037	440,000	10,450	450,450
Total	$ 64,165,832	$ 32,345,911	$ 96,511,743
Unknown Payment Schedule	2,796,651	-	2,796,651
	$ 66,962,483	$ 32,345,911	$ 99,308,394

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, 13.370% to the Noncontributory, and 26.1300% to the Public Safety Noncontributory and 16.770% 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, 2011, 2010 and 2009 were $357,523, $320,234, and $318,537 respectively; for the Public Safety Retirement System the contributions for June 30, 2011, 2010 and 2009 were $268,234, $235,501, and $232,016 respectively; and for the Firefighters System the contributions for June 30, 2011, 2010 and 2009 were $104,770, $77,946, and $74,149, respectively.

401-K Plan

National Benefit Services 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, 2011, 2010, and 2009 were $243,543, $286,983, and $419,647, 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 premium costs above the calculated amount at retirement.

NOTE 11 - RETIREMENT PLAN *(Continued)*

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 $31,445, in the previous year $28,848, and the 2nd previous year $12,080. The obligation of the plan at year end is $164,611.

NOTE 12 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Pleasant Grove City is a one-third owner of Fox Hollow Golf Course, along with American Fork 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 tax revenues are collateral. During the year, the City subsidized Fox Hollow to help with both debt service and operations in the amount of $219,424.

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 increased from 4.05% to 6.4% at this date.

On July 11, 2011, the city signed a municipal lease agreement for $521,406. Payments of $126,875 to $101,371 at an interest rate of 2.2650% will be paid until July 11, 2016. Part of this lease will be $78,811 for 4 police vehicles and be treated as a capital lease. This remainder of $442,595 for 9 police vehicles and office equipment will be treated as an operating lease.

The city has several projects under construction at the end of the year: (1) $3,000,000 Battlecreek / Grovecreek piping project which is 14% complete: (2) $193,000 Building energy upgrades which is 5% complete: (3) $66,859 Wade Springs project which is 74% complete: (4) $968,500 Drinking water line replacement project which is 24% complete: and $275,625 Fugal well project which is 9% complete.

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 21, 2011, the date the financial statements were available to be issued.

NOTE 13 – 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 14 - 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, 2011, the following activity occurred in the City's Redevelopment Agency:

Tax increment collection from other taxing agencies for various project areas	$ 226,823
Tax increment paid to other taxing agencies	-
Outstanding loans to finance CRA projects	18,964,846
Amounts expended for land site improvements and preparation costs	-
Amounts expended for administrative costs and interest paid	1,003,354

NOTE 15 – 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	($274,846)

REQUIRED SUPPLEMENTARY INFORMATION

PLEASANT GROVE CITY

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Property Taxes	$ 2,460,000	$ 2,460,000	$ 2,500,682	$ 40,682
Sales & Use Tax	3,350,000	3,350,000	3,522,835	172,835
Other Taxes	1,920,000	1,920,000	1,846,255	(73,745)
Licenses & Permits	235,750	235,750	253,576	17,826
Intergovernmental Revenue	1,308,600	1,549,770	1,481,788	(67,982)
Charges for Services	2,917,900	3,005,596	2,847,586	(158,010)
Administrative Fees	1,527,000	1,527,000	1,501,035	(25,965)
Court Fines	483,000	483,000	405,773	(77,227)
Other Revenues	281,250	287,870	411,447	123,577
Total Revenue	14,483,500	14,818,986	14,770,977	(48,009)
EXPENDITURES				
Current				
General Government	3,140,473	3,274,639	3,148,783	125,856
Community Services	861,744	904,993	871,520	33,473
Public Works	2,600,428	2,549,206	1,931,224	617,982
Public Safety	4,955,458	5,078,801	4,960,105	118,696
Parks and Recreation	2,670,424	2,771,874	2,625,512	146,362
Debt Service				
Principal Retirement	91,055	91,055	91,055	-
Interest and Fiscal Charges	49,181	49,181	49,181	-
Total Expenditures	14,368,763	14,719,749	13,677,380	1,042,369
Excess (Deficiency) of revenues Over Expenditures	114,737	99,237	1,093,597	994,360
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(1,175,838)	(2,769,097)	(3,045,431)	(276,334)
Sale of Capital Assets	-	-	28,740	28,740
Total Other Financing Sources (Uses)	(1,175,838)	(2,769,097)	(3,016,691)	(247,594)
Net Change in Fund Balance	(1,061,101)	(2,669,860)	(1,923,094)	746,766
Fund Balance - July 1	6,126,030	6,126,030	6,126,030	-
Fund Balance - June 30	$ 5,064,929	$ 3,456,170	$ 4,202,936	$ 746,766

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, 2011

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 495,000	$ 495,000	$ 226,823	$ (268,177)
Total Revenue	495,000	495,000	226,823	(268,177)
EXPENDITURES				
General Government	14,000	19,000	3,499	15,501
Debt Service				
Principal Retirement	560,000	560,000	560,000	-
Interest and Fees	768,285	987,893	987,893	-
Total Expenditures	1,342,285	1,566,893	1,551,392	15,501
Excess (Deficiency) of revenues Over Expenditures	(847,285)	(1,071,893)	(1,324,569)	(252,676)
OTHER FINANCING SOURCES (USES)				
Developer Contributions	1,328,285	1,547,893	1,547,893	-
Total Other Financing Sources (Uses)	1,328,285	1,547,893	1,547,893	-
Net Change in Fund Balance	481,000	476,000	223,324	(252,676)
Fund Balance - July 1	(498,170)	(498,170)	(498,170)	-
Fund Balance - June 30	$ (17,170)	$ (22,170)	$ (274,846)	$ (252,676)

See accompanying notes.

OTHER SUPPLEMENTARY INFORMATION

Pleasant Grove
Utah's City of Trees

PLEASANT GROVE CITY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue					
	Municipal Bldg Authority	Dispatch	Swimming Pool	Library	Debt Service	Total
ASSETS						
Cash & Cash Equivalents	$ 40,030	$ 688,832	$ 19,264	$ 54,088	$ 86,114	$ 888,328
Total Assets	$ 40,030	$ 688,832	$ 19,264	$ 54,088	$ 86,114	$ 888,328
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and Accrued Liabilities	$ -	$ 4,161	$ 14,506	$ -	$ -	$ 18,667
Total Liabilities	-	4,161	14,506	-	-	18,667
FUND BALANCES						
Restricted for						
Dispatch	-	684,671	-	-	-	684,671
Library Grants	-	-	-	54,088	-	54,088
Assigned to						
Municipal Building Authority	40,030	-	-	-	-	40,030
Debt Service	-	-	-	-	86,114	86,114
Swimming Pool	-	-	4,758	-	-	4,758
Total Fund Balances	40,030	684,671	4,758	54,088	86,114	869,661
Total Liabilities and Fund Balances	$ 40,030	$ 688,832	$ 19,264	$ 54,088	$ 86,114	$ 888,328

PLEASANT GROVE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2011

	Special Revenue					
	Municipal Bldg Authority	Dispatch	Swimming Pool	Library	Debt Service	Total
REVENUES						
Property Taxes	$ -	$ -	$ -	$ -	$ 356,846	$ 356,846
Intergovernmental	-	223,291	-	8,396	-	231,687
Charges for Services	-	-	196,740	-		196,740
Interest	-	2,144	-	169	1,186	3,499
Other Revenue	-	-	-	2,598	-	2,598
Total Revenues	-	225,435	196,740	11,163	358,032	791,370
EXPENDITURES						
Current						
General Government	-	-	-	-	-	-
Public Safety	-	428,156	-	-		428,156
Public Works	-	-	-	-	-	-
Parks and Recreation	-	-	376,258	11,042	-	387,300
Debt Service						
Principal	-	-	-	-	897,303	897,303
Interest and Fees	-	-	-	-	596,164	596,164
Total Expenditures	-	428,156	376,258	11,042	1,493,467	2,308,923
Excess (Deficiency) of Revenues over Expenditures	-	(202,721)	(179,518)	121	(1,135,435)	(1,517,553)
Othr Financing Sources (Uses)						
Transfers In	-	887,392	184,276	53,967	1,148,593	2,274,228
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	887,392	184,276	53,967	1,148,593	2,274,228
Net Change in Fund Balance	-	684,671	4,758	54,088	13,158	756,675
Fund Balances - July 1	40,030	-	-	-	72,956	112,986
Fund Balances - June 30	$ 40,030	$ 684,671	$ 4,758	$ 54,088	$ 86,114	$ 869,661

PLEASANT GROVE CITY

Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Impact Fees	$ 150,000	$ 150,000	$ 169,971	$ 19,971
Intercompany	193,000	231,600	-	(231,600)
Interest	-	2,000	7,148	5,148
Miscellaneous	-	-	24	24
Total Revenue	343,000	383,600	177,143	(206,457)
CAPITAL EXPENDITURES				
General Government	250,000	651,037	415,581	235,456
Public Works	-	84,835	61,826	23,009
Public Safety	-	226,938	226,937	1
Parks and Recreation	-	63,231	88,761	(25,530)
Debt Service				
Principal Retirement	-	103,350	103,349	1
Total Expenditures	250,000	1,129,391	896,454	232,937
Excess (Deficiency) of revenues Over Expenditures	93,000	(745,791)	(719,311)	26,480
OTHER FINANCING SOURCES (USES)				
Transfers In	20,000	770,000	1,148,639	378,639
Transfer Out	(377,436)	(377,436)	(377,436)	-
Total Other Financing Sources (Uses)	(357,436)	392,564	771,203	378,639
Net Change in Fund Balance	(264,436)	(353,227)	51,892	405,119
Fund Balance - July 1	1,184,196	1,184,196	1,184,196	-
Fund Balance - June 30	$ 919,760	$ 830,969	$ 1,236,088	$ 405,119

PLEASANT GROVE CITY

Dispatch Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 200,000	$ 227,715	$ 223,291	$ (4,424)
Interest	5,000	5,000	2,144	(2,856)
Total Revenue	205,000	232,715	225,435	(7,280)
EXPENDITURES				
Public Safety	418,100	445,815	428,156	17,659
Total Expenditures	418,100	445,815	428,156	17,659
Excess (Deficiency) of revenues Over Expenditures	(213,100)	(213,100)	(202,721)	10,379
OTHER FINANCING SOURCES (USES)				
Transfers In	138,100	887,392	887,392	-
Total Other Financing Sources (Uses)	138,100	887,392	887,392	-
Net Change in Fund Balance	(75,000)	674,292	684,671	10,379
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	$ (75,000)	$ 674,292	$ 684,671	$ 10,379

PLEASANT GROVE CITY

Swimming Pool Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Charges for Services	$ 270,000	$ 219,600	$ 196,740	$ (22,860)
Total Revenue	270,000	219,600	196,740	(22,860)
EXPENDITURES				
Parks & Recreation	398,000	387,600	376,258	11,342
Total Expenditures	398,000	387,600	376,258	11,342
Excess (Deficiency) of revenues Over Expenditures	(128,000)	(168,000)	(179,518)	(11,518)
OTHER FINANCING SOURCES (USES)				
Transfers In	128,000	168,000	184,276	16,276
Total Other Financing Sources (Uses)	128,000	168,000	184,276	16,276
Net Change in Fund Balance	-	-	4,758	4,758
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	$ -	$ -	$ 4,758	$ 4,758

PLEASANT GROVE CITY

Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ 8,396	$ 8,396	$ -
Interest	250	250	169	(81)
Miscellaneous	4,000	4,000	2,598	(1,402)
Total Revenue	4,250	12,646	11,163	(1,483)
EXPENDITURES				
Parks & Recreation	4,250	12,646	11,042	1,604
Total Expenditures	4,250	12,646	11,042	1,604
Excess (Deficiency) of revenues Over Expenditures	-	-	121	121
OTHER FINANCING SOURCES (USES)				
Transfers In	-	53,967	53,967	-
Total Other Financing Sources (Uses)	-	53,967	53,967	-
Net Change in Fund Balance	-	53,967	54,088	121
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	$ -	$ 53,967	$ 54,088	$ 121

PLEASANT GROVE CITY

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

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 319,383	$ 319,383	$ 356,846	$ 37,463
Interest	-	-	1,186	1,186
Total Revenue	319,383	319,383	358,032	38,649
EXPENDITURES				
Debt Service				
Principal Retirement	931,834	931,834	897,303	34,531
Interest and Fees	654,723	654,723	596,164	58,559
Total Expenditures	1,586,557	1,586,557	1,493,467	93,090
Excess (Deficiency) of revenues Over Expenditures	(1,267,174)	(1,267,174)	(1,135,435)	131,739
OTHER FINANCING SOURCES (USES)				
Transfers In	1,267,174	1,267,174	1,148,593	(118,581)
Total Other Financing Sources (Uses)	1,267,174	1,267,174	1,148,593	(118,581)
Net Change in Fund Balance	-	-	13,158	13,158
Fund Balance - July 1	72,956	72,956	72,956	-
Fund Balance - June 30	$ 72,956	$ 72,956	$ 86,114	$ 13,158

STATISTICAL SECTION

Statistical Section

This part of Pleasant Grove City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents **Page**

Financial Trends **79-84**
These Schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity **85-92**
These schedules contain information to help the reader assess the city's most significant local revenue sources, property tax, sales tax, and water revenue.

Debt Capacity **93-97**
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information **98-100**
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Operating Information **101-102**
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

PLEASANT GROVE CITY
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	$ 36,911	$ 40,560	$ 43,699	$ 48,368	$ 42,280	$ 44,835	$ 47,283	$ 47,248	$ 49,239
Restricted	1,045	1,700	1,606	1,890	2,309	6,435	4,379	3,216	2,857
Unrestricted	3,088	3,039	4,978	5,657	3,126	585	3,035	3,556	2,939
Total government activities net assets	41,044	45,300	50,283	55,915	47,715	51,856	54,697	54,020	55,035
Business-type activities									
Invested in capital assets, net of related debt	17,839	21,347	24,701	28,265	37,316	40,270	39,175	40,001	40,329
Restricted	-	-	-	-	-	-	-	2,639	1,731
Unrestricted	5,333	5,919	5,661	6,796	7,269	6,747	8,249	4,150	4,998
Total business-type activities net assets	23,172	27,265	30,362	35,061	44,585	47,016	47,424	46,789	47,058
Primary government									
Invested in capital assets, net of related debt	54,750	61,907	68,399	76,633	79,596	85,105	86,458	87,248	89,568
Restricted	1,045	1,700	1,606	1,890	2,309	6,435	4,379	5,855	4,588
Unrestricted	8,421	8,958	10,640	12,453	10,395	7,331	11,283	7,706	7,937
Total primary government net assets	$ 64,216	$ 72,565	$ 80,645	$ 90,976	$ 92,300	$ 98,872	$ 102,121	$ 100,809	$ 102,093

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003

PLEASANT GROVE CITY

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	$ 5,796	$ 2,687	$ 3,386	$ 3,961	$ 4,057	$ 4,689	$ 4,664	$ 3,344	$ 3,213
Community Services	-	-	-	-	-	-	-	939	826
Public Works	877	2,159	2,048	2,289	18,451	2,150	3,453	3,594	3,586
Public Safety	3,002	3,487	3,611	3,792	4,268	5,302	5,257	5,601	5,452
Parks & Recreation	1,926	2,041	2,093	2,464	2,481	2,686	3,280	3,681	3,469
Interest on long-term debt	675	644	502	517	899	1,453	1,501	1,268	1,672
Total governmental activities expense	12,275	11,018	11,639	13,021	30,156	16,280	18,156	18,427	18,218
Business-type activities									
Water	2,167	2,194	2,297	2,004	2,451	3,089	3,609	3,976	4,548
Sewer	1,825	1,932	2,087	2,369	2,411	2,609	2,673	3,134	3,521
Storm Drain	263	258	318	385	375	475	476	534	581
Total business-type activities expense	4,256	4,384	4,702	4,758	5,236	6,173	6,757	7,644	8,650
Total primary government expenses	16,531	15,402	16,342	17,779	35,393	22,453	24,913	26,072	26,868
Program Revenues									
Governmental activities:									
Charges for services:									
General government	3,194	3,569	3,099	3,234	3,485	3,556	3,171	1,992	1,758
Community Services	-	-	-	-	-	-	-	331	293
Public Works	211	526	45	52	41	-	-	1,065	1,359
Public Safety	1,641	1,744	1,890	2,143	2,478	2,794	976	808	734
Parks & Recreation	298	605	845	904	907	855	1,060	1,398	1,456
Operating grants and contributions	1,137	1,210	1,230	1,235	1,222	195	671	432	544
Capital grants and contributions	3,135	1,816	3,149	3,498	5,348	4,382	6,064	1,845	3,151
Total governmental activities programs revenues	9,615	9,469	10,259	11,066	13,481	11,781	11,942	7,870	9,295
Business-type activities:									
Charges for services:									
Water	1,579	2,394	1,920	2,255	2,504	3,147	3,070	3,045	3,479
Sewer	1,991	2,363	1,931	2,026	2,184	2,416	2,229	2,961	3,253
Storm Drain	256	264	285	291	363	400	395	403	591
Capital grants and contributions	1,642	3,396	3,509	4,691	9,055	2,174	1,310	560	1,579
Total business-type activities program revenues	5,468	8,416	7,645	9,263	14,106	8,137	7,004	6,970	8,902
Total primary governmental program revenues	15,083	17,885	17,904	20,329	27,587	19,918	18,946	14,840	18,197

PLEASANT GROVE CITY

Changes in Net Assets (continued)
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue									
Governmental activities	$ (2,660)	$ (1,548)	$ (1,381)	$ (1,956)	$ (16,675)	$ (4,499)	$ (6,214)	$ (10,557)	$ (8,923)
Business-type activities	1,212	4,032	2,943	4,506	8,870	1,964	247	(674)	252
Total primary government net expense	(1,448)	2,484	1,562	2,550	(7,805)	(2,535)	(5,968)	(11,231)	(8,671)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	2,456	2,563	2,488	2,560	2,789	2,925	3,338	3,346	2,969
Sales taxes	2,202	2,241	2,540	3,108	3,774	3,855	3,498	3,308	3,523
Franchise taxes	806	895	1,161	1,362	1,418	1,529	1,580	1,086	1,160
Other taxes	-	-	-	-	-	-	-	667	686
Investment earnings	118	106	156	307	388	262	231	10	24
Miscellaneous	64	-	20	88	150	56	409	1,463	1,576
Transfers	-	-	-	-	-	-	-	-	-
Total governmental activities	5,647	5,804	6,364	7,587	8,475	8,639	9,056	9,880	9,938
Business-type activities:									
Investment earnings	59	62	131	259	654	467	160	40	17
Total business-type activities	59	62	153	540	654	467	160	40	17
Total primary government	5,706	5,866	6,518	8,127	9,129	9,107	9,216	9,919	9,955
Change in Net Assets									
Governmental activities	2,987	4,256	4,983	5,632	(8,200)	4,141	2,842	(677)	1,015
Business-type activities	1,271	4,094	3,096	5,045	9,524	2,431	407	(634)	269
Total primary government	$ 4,258	$ 8,350	$ 8,080	$ 10,677	$ 1,324	$ 6,572	$ 3,249	$ (1,312)	$ 1,284

Notes: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

PLEASANT GROVE CITY

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable										
Prepaid Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 274
Restricted for										
Donations	-	-	-	-	-	-	-	-	286	298
Class C Road Funds	445	620	331	63	232	351	4,886	2,888	328	1,620
Debt Service	-	-	-	-	-	-	-	-	1,203	-
Dispatch	-	-	-	-	350	450	624	720	749	-
Library Grants	-	-	-	-	214	219	55	62	54	-
Other	-	-	-	339	1,445	1,776	6	6	276	-
Unassigned	2,014	2,324	3,145	3,421	964	2,510	5,586	4,512	3,230	2,011
Total general fund	$ 2,459	$ 2,944	$ 3,476	$ 3,823	$ 3,205	$ 5,306	$ 11,157	$ 8,188	$ 6,126	$ 4,203
All Other Governmental Funds										
Restriced for										
Debt Service	-	-	-	-	-	-		-	208	200
Dispatch	-	-	-	-	-	-		-	-	685
Library Grants	-	-	-	-	-	-		-	-	54
Impact Fees	293	424	1,369	1,543	1,095	1,288	871	709	673	-
Assigned to										
MBA	1,226	1,020	823	618	493	-	40	40	40	40
Debt Service	-	918	417	367	219	69	-	38	73	86
Capital Projects	457	362	135	1,617	4,316	3,355	-	2,517	303	1,036
Swimming Pool	-	-	-	-	-	-	-	-	-	5
Unassigned	(1,980)	(1,843)	(1,696)	(1,571)	(1,572)	(390)	(1,330)	(916)	(498)	(275)
Total all other governmental funds	$ (4)	$ 881	$ 1,048	$ 2,574	$ 4,551	$ 4,322	$ (419)	$ 2,388	$ 799	$ 1,831

PLEASANT GROVE CITY

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 5,403	$ 5,103	$ 5,401	$ 5,937	$ 6,844	$ 7,811	$ 8,297	$ 8,318	$ 8,593	$ 8,453
Licenses, fees, and permits	338	782	987	945	838	914	488	285	212	254
Intergovernmental	843	4,228	1,076	1,089	1,251	1,453	1,318	1,506	1,398	1,713
Charges for services	2,766	3,733	3,979	4,302	4,715	4,222	5,881	4,027	4,234	4,602
Fines and penalties	400	447	403	545	577	1,589	512	556	554	406
Investment earnings	140	-	-	-	-	-	-	-	31	24
Impact fees	165	425	1,094	1,172	965	883	556	253	193	170
Miscellaneous	374	479	532	744	772	792	717	687	441	344
Total Revenues	10,428	15,198	13,472	14,735	15,964	17,665	17,771	15,631	15,656	15,966
Expenditures										
General government	1,587	5,836	2,745	3,233	3,763	4,038	4,642	4,398	3,145	3,152
Community Development	-	-	-	-	-	-	-	-	912	872
Public Works	1,466	1,597	2,216	1,634	2,137	21,807	3,681	5,745	3,211	1,933
Public Safety	3,695	3,403	3,385	3,843	3,890	4,240	5,154	5,969	5,205	5,388
Parks and Recreation	1,894	1,954	2,151	2,432	3,438	2,839	10,676	5,473	3,003	3,013
Economic Development	75	-	-	-	-	-	-	-	-	-
Capital outlay	6,617	-	-	-	-	-	-	-	2,597	791
Debt service										
Principal	964	7,245	1,710	1,235	1,218	1,851	668	886	1,373	1,652
Other	-	162	-	-	-	-	217	-	-	-
Interest	721	570	567	484	497	803	1,157	1,371	1,417	1,633
Total expenditures	17,018	20,767	12,775	12,862	14,944	35,578	26,195	23,843	20,865	18,434
Excess of revenues over (under) expenditures	(6,590)	(5,570)	697	1,873	1,020	(17,913)	(8,425)	(8,212)	(5,208)	(2,468)

PLEASANT GROVE CITY

Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses)										
Issuance of long term debt	3,628	6,014	-	-	-	19,785	9,534	3,813	232	-
Contributions	1,400	-	-	-	88	-	-	4,237	1,325	1,548
Sale of capital assets	-	64	-	-	251	-	-	-	-	29
Transfers in	895	848	481	1,409	3,096	761	350	850	353	3,423
Transfers out	(318)	(848)	(481)	(1,409)	(3,096)	(761)	(350)	(850)	(353)	(3,423)
Total other financing sources (uses)	5,605	6,078	-	-	339	19,785	9,534	8,050	1,557	1,577
Net change in fund balances	$ (985)	$ 509	$ 697	$ 1,873	$ 1,359	$ 1,872	$ 1,110	$ (161)	$ (3,651)	$ (891)
Debt service as a percentage of noncapital expenditures	16%	38%	18%	13%	11%	7%	7%	9%	15%	19%

PLEASANT GROVE CITY

Assessed Value and Estimate Actual Value of Taxable Property
Last Four Fiscal Years

Fiscal Year	Primary Residential	Secondary Residential	Commercial and Industrial	Other Real Property	Personal Property	Centrally Assessed	Total Taxable Value	Total Direct Tax Rate	Estimated Actual Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2007	$ 1,098,671,419	$ 1,203,622	$ 191,471,159	$ 27,674,050	$ 28,143,211	$ 21,012,035	$ 1,368,175,496	0.001608	$ 2,267,088,475	60.349
2008	1,191,562,784	1,569,868	222,627,106	29,580,081	30,988,017	22,552,289	1,498,880,145	0.001806	2,473,795,150	60.590
2009	1,003,932,289	58,982,013	321,972,770	11,263,299	42,497,550	22,552,289	1,461,200,210	0.001943	2,282,599,356	64.015
2010	977,523,070	44,401,724	305,599,654	6,437,648	41,112,027	23,130,861	1,398,204,984	0.002085	2,197,996,587	63.613

Source: Utah County(Based on a Calendar Year)
Notes: Data for Years Previous to 2007 Unavailable
Data is for Calendar Year 2010

PLEASANT GROVE CITY

Direct and Overlapping Property Tax Rates
Last Nine Fiscal Years
(rate per $1,000 of assessed value)

	City Direct Rates			Overlapping Rates			
Fiscal Year	Basic Rates	General Obligation Debt Service	Total Direct Rate	Alpine School District	Utah County	No UT Co Water Conservancy	Central Utah Water Conservancy District
2003	2.617	-	2.617	7.884	1.411	0.036	0.358
2004	2.477	-	2.477	8.119	1.425	0.035	0.353
2005	2.349	-	2.349	8.082	1.391	0.033	0.400
2006	2.033	-	2.033	6.883	1.262	0.028	0.357
2007	1.608	-	1.608	6.937	1.000	0.022	0.302
2008	1.566	0.240	1.806	7.057	1.105	0.022	0.286
2009	1.696	0.247	1.943	7.541	1.203	0.024	0.400
2010	1.830	0.255	2.085	8.220	1.294	0.026	0.421
2011	1.981	0.275	2.256	8.812	1.342	0.028	0.436

Source: Utah State Tax Commission
Note: Data for Years Previous to 2003 Unavailable

PLEASANT GROVE CITY

Principal Property Tax Payers
Current Year and One Year ago

	2010			2009		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Pacificorp	$ 10,059,857	1	0.719%	$ 8,993,112	1	0.615%
Amsource Pleasant Grove, LC	7,557,949	2	0.541%	7,991,800	2	0.547%
Green Grove Apartments, LP	7,497,270	3	0.536%	7,497,270	3	0.513%
Pen & Ink, LTD	7,439,625	4	0.532%	7,041,763	4	0.482%
Continental Pipe Manufacturing Co	6,753,526	5	0.483%	6,975,200	5	0.477%
Pleasant Grove Partners, LLC	5,640,286	6	0.403%			
Qwest	5,612,893	7	0.401%	6,628,352	6	0.454%
Thorneberry, LTD	5,610,550	8	0.401%	5,610,550	8	0.384%
Firmage Grove, LC	5,208,570	9	0.373%	5,523,000	10	0.378%
Questar Gas	5,205,490	10	0.372%			
Pleasant Development, LLC				5,872,500	7	0.402%
DMB Investments				5,793,000	8	0.396%
Total	$ 66,586,016		4.762%	$ 67,926,547		4.649%

Source: Utah County(Based on a Calendar Year)
Note: Data for Years Previous to 2009 Unavailable

PLEASANT GROVE CITY

Property Tax Levied and Collections
Last Ten Calendar Years

Calendar Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2005	$ 2,037,866	$ 1,866,118	91.57%	$ 112,772	$ 1,978,890	97.11%	N/A	N/A
2006	2,154,385	1,977,393	91.78%	141,038	2,118,431	98.33%	N/A	N/A
2007	2,150,726	1,924,586	89.49%	126,975	2,051,561	95.39%	N/A	N/A
2008	2,635,201	2,336,693	88.67%	169,910	2,506,603	95.12%	N/A	N/A
2009	2,741,579	2,425,620	88.48%	193,930	2,619,551	95.55%	315,959	11.52%
2010	2,871,198	2,588,246	90.15%	223,370	2,811,616	97.92%	130,727	4.55%

Source: Utah County (Based on a Calendar Year)
Note: Data for Years Previous to 2009 Unavailable

PLEASANT GROVE CITY

Taxable Sales by Category
Last Two Fiscal Years

	Fiscal Year 2011	Fiscal Year 2010
Grocery	$ 39,570,400	$ 39,884,300
Automobile	33,950,700	31,807,500
Utility/Communication	29,617,100	29,361,500
Industrial Equipment	17,417,800	2,922,000
Construction/Home Improvement	9,950,700	6,688,500
Restaurant	8,708,500	7,926,200
Technology	4,427,200	1,651,000
Gas Station	4,239,000	3,793,300
Eating & drinking establishments	3,580,100	540,600
Department Store	3,306,000	2,778,700
Health/Nutrician	2,510,500	2,248,800
Entertainment	2,075,600	1,023,900
Mail Order	1,755,000	669,400
All Other Outlets	41,477,300	34,618,500
Totals	$ 202,585,900	$ 165,914,200
City direct sales tax rate	1.00%	1.00%

Source: Utah State Tax Commission
Note: Data for Years Previous to 2010 Unavailable

PLEASANT GROVE CITY

Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	Pleasant Grove City Direct Rate	Utah County	State of Utah
2002	1.000%	0.250%	5.000%
2003	1.000%	0.250%	5.000%
2004	1.000%	0.250%	5.000%
2005	1.000%	0.250%	5.000%
2006	1.000%	0.250%	5.000%
2007	1.000%	0.500%	5.000%
2008	1.000%	0.550%	5.000%
2009	1.000%	0.800%	4.900%
2010	1.000%	0.800%	4.950%
2011	1.000%	0.800%	4.950%

Sources: Utah State Tax Commission

PLEASANT GROVE CITY
Sales Tax Revenue Payers by Industry
Fiscal Years 2010 and 2011

Fiscal Year 2011	Sales Tax[1]	Fiscal Year 2010	Sales Tax[1]
BMW of Pleasant Grove	N/A	AT & T Mobility	N/A
Lansing Building Products	N/A	BMW of Pleasant Grove	N/A
Maceys	N/A	Maceys	N/A
Northwest Pipe Company	N/A	Northwest Pipe Company	N/A
Pacificorp	N/A	Pacificorp	N/A
Questar Gas	N/A	Questar Gas	N/A
Shamrock Group, LLC	N/A	Shamrock Group, LLC	N/A
Smiths Food & Drug	N/A	Smiths Food & Drug	N/A
UT State Alcoholic Beverage Control	N/A	T Mobile	N/A
Verizon Wireless	N/A	Verizon Wireless	N/A
Total	$ 931,818	**Total**	$ 767,998
Total Citywide Collections	$ 2,025,858	Total Citywide Collections	$ 1,659,142
Top 10 as a Percentage of Total Collections	46.00%	Top 10 as a Percentage of Total Collections	46.29%
Top 10 as a Percentage of Total Revenue[2]	13.23%	Top 10 as a Percentage of Total Revenue[2]	10.90%

Source: Utah State Tax Commission
Note: Data for Years Previous to 2010 Unavailable

[1]Utah State law prohibits the disclosure of retail sales figures for individual businesses. Top 10 taxpayers are listed alphabetically.
[2]The distribution formula set forth by the Utah State legislature provides that 50% of sales tax collections are distributed to the entity in which the tax is collected. The other 50% is distributed statewide based on population. This number represents the 50% point of sale collections as a percentage of total sales tax revenue received.

PLEASANT GROVE CITY
Charges for Water Fees
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Water Sales	$ 1,220,135	$ 1,133,246	$ 1,583,366	$ 1,597,464	$ 2,025,963	$ 2,186,376	$ 2,296,950	$ 1,938,812	$ 1,671,055	$ 2,113,172
Secondary Water	48,710	56,726	65,490	82,700	102,732	175,285	680,637	991,627	1,181,043	1,316,610
Other	224,286	235,839	279,663	239,936	239,365	142,725	169,438	139,503	193,357	49,023
Totals	$ 1,493,131	$ 1,425,811	$ 1,928,519	$ 1,920,100	$ 2,368,060	$ 2,504,386	$ 3,147,025	$ 3,069,944	$ 3,045,455	$ 3,478,805

Source: Pleasant Grove City

Note: Other includes: Irrigation Water Rental, Water Initiation Fee, Installation Fees, Water Turn-On Charges, and Payments for Services

PLEASANT GROVE CITY

Ratios of Outstanding Debt by Type
Last Ten Years
(dollars in thousands except per capita)

	Governmental Activities							Business-type Activities					
Fiscal Year	General Obligation	Excise Tax Road Bond	Sales Tax Revenue	Lease Revenue Bonds	Leases	Other Long-Term Debt	RDA Tax Increment Bond	Water Revenue	Sewer Revenue	Storm Drain Revenue	Total Primary Government	Percentage of Personal Income	Per Capita
2002	$ 1,375	$ 4,125	$ -	$ 1,837	$ 286	$ -	$ -	$ 1,705	$ 553	$ -	$ 9,881	N/A	N/A
2003	908	3,735	4,774	1,373	309	-	-	3,606	1,355	424	16,484	N/A	N/A
2004	313	2,475	4,421	862	35	-	-	4,601	1,115	379	14,201	N/A	N/A
2005	614	2,910	4,599	1,124	77	-	-	3,476	1,197	394	14,391	N/A	N/A
2006	908	3,330	4,774	1,373	174	-	-	3,391	1,277	409	15,636	N/A	N/A
2007	-	2,020	4,235	-	-	-	19,785	16,050	1,029	363	43,482	N/A	N/A
2008	5,000	5,935	4,043	-	-	-	19,785	15,472	940	347	51,522	N/A	N/A
2009	4,885	5,360	3,847	-	913	2,900	19,785	25,595	848	330	64,463	N/A	N/A
2010	4,765	4,845	3,644	-	1,023	2,900	19,250	24,246	128	-	60,801	N/A	N/A
2011	4,640	4,310	3,430	3,430	908	-	18,690	24,528	65	7,050	68,521	12.11%	2,045

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

PLEASANT GROVE CITY

Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Alpine School District	$ 357,220,000	9.29%	$ 33,188,502
Utah County	6,695,000	5.50%	368,397
Central Utah Water Cons. District	276,380,000	1.15%	3,189,886
Subtotal, overlapping debt			36,746,785
City direct debt			4,640,000
Total direct and overlapping debt			$ 41,386,785

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Pleasant Grove City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

PLEASANT GROVE CITY

Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	$	2,197,997
Debt limit (4% of assessed value)		87,920
Debt applicable to limit:		
General obligation bonds		(4,640)
Less: Amount set aside for repayment of general obligation debt		-
Total net debt applicable to limit		(4,640)
Legal debt margin	$	83,280

	Fiscal Year			
	2008	2009	2010	2011
Debt limit	$ 90,684	$ 98,952	$ 91,304	$ 87,920
Total net debt applicable to limit	(5,000)	(4,885)	(4,765)	(4,640)
Legal debt margin	$ 90,684	$ 98,952	$ 91,304	$ 83,280
Total net debt applicable to the limit as a percentage of debt limit	5.51%	4.94%	5.22%	5.28%

Source: Utah County Auditor's Office
Note 1: Data for Years Previous to 2008 Unavailable
Note 2: Debt margin applies only to general obligation bonds.

PLEASANT GROVE CITY

Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

	Water Revenue Bonds						Sewer Revenue Bonds						Tax Increment/Bonds			
				Debt Service						Debt Service				Debt Service		
Fiscal Year	Utility Service Charge	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Utility Service Charge	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenues	Principal	Interest	Coverage
2002	$ 1,589	$ 1,204	$ 385	$ 22	$ 2	16.06	$ 1,902	$ 1,651	$ 250	$ -	$ 3	84.85	$ -	$ -	$ -	0.00
2003	1,582	1,677	(95)	29	33	(1.53)	2,046	1,644	401	-	22	18.15	-	-	-	0.00
2004	2,398	1,649	749	92	53	5.15	2,417	1,719	697	46	20	10.52	-	-	-	0.00
2005	2,505	1,739	766	94	55	5.13	2,643	1,871	771	48	18	11.62	-	-	-	0.00
2006	2,776	2,141	635	92	53	4.36	2,775	2,141	633	46	20	9.56	-	-	-	0.00
2007	3,298	1,633	1,665	163	395	2.98	2,951	2,179	772	52	14	11.65	3,774	265	611	4.31
2008	3,594	1,715	1,879	432	619	1.79	2,780	2,353	427	54	12	6.46	3,855	275	1,066	2.88
2009	3,318	1,833	1,484	462	1,066	0.97	2,374	2,401	(28)	56	10	(0.42)	3,498	280	1,057	2.62
2010	3,160	1,867	1,293	690	1,102	0.72	3,053	2,872	181	58	8	2.76	3,308	825	1,036	1.78
2011	3,637	2,304	1,333	733	1,078	0.74	3,335	3,240	95	61	5	1.44	3,523	865	1,222	1.69

PLEASANT GROVE CITY
Pledged-Revenue Coverage (continued)
Last Ten Fiscal Years
(dollars in thousands)

	Sales Tax Revenue				General Obligation Bonds				Excise Tax Revenue			
		Debt Service				Debt Service				Debt Service		
Fiscal Year	Sales Tax Revenues	Principal	Interest	Coverage	Property Tax Revenues	Principal	Interest	Coverage	Class C Road Revenues	Principal	Interest	Coverage
2002	$ -	$ -	$ -	-	$ -	$ -	$ -	-	$ 728	375	$ 187	1.30
2003	2,202	-	150	14.70	-	-	-	-	794	390	172	1.41
2004	2,241	250	296	4.10	-	-	-	-	873	405	156	1.56
2005	2,540	250	288	4.72	-	-	-	-	699	420	140	1.25
2006	3,108	250	296	5.69	-	-	-	-	842	405	156	1.50
2007	3,774	265	273	7.02	-	-	-	-	942	455	105	1.68
2008	3,855	275	265	7.15	-	-	-	-	997	475	86	1.78
2009	3,498	280	255	6.53	317	115	202	1.00	865	495	66	1.54
2010	3,308	290	245	6.18	317	120	197	1.00	925	595	164	1.22
2011	3,523	305	234	6.53	317	125	192	1.00	982	535	234	1.28

Source: Pleasant Grove City

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

PLEASANT GROVE CITY

Demographic and Economic Statistics
Last Four Calandar Years

Calender Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	30,903	538,387,847	17,422	N/A
2008	32,000	567,664,787	17,740	N/A
2009	33,000	596,941,726	18,089	N/A
2010	33,509	565,847,667	16,886	7.8%

Note 1: Data for Years Previous to 2008 Unavailable
Note 2: Unemployment Rate is for Utah County

PLEASANT GROVE CITY

Principal Employers
Current Year and Five Years Ago

	2011	2006
Employer	Range of Employees	Range of Employees
Alpine School District	300-749	300-749
Auto Meter		100-249
Close to My Heart	100-249	100-249
Horrocks Engineers, Inc.	100-249	
Maceys	100-249	100-249
MOZY Decho Software	100-249	
Niels Fugal Sons Company	100-249	100-249
Pleasant Grove City	100-249	100-249
Alpine Pediatrics	50-99	50-99
Brundage Bone Pumping		50-99
Daybreak Training Services	50-99	50-99
Lincoln Academy	50-99	
Mission Health Services	50-99	
Quail Run Primary School	50-99	
Rocky Mountain Welding	50-99	50-99
ROI Solutions	50-99	
Smith's Food and Drug	50-99	50-99
Southam and Associates		50-99
Tri City Medical Clinic	50-99	50-99
Utah Pacific Bridge & Steel	50-99	
Warburtons	50-99	
Westroc, Inc.		50-99

Source: Utah Department of Workforce Services

PLEASANT GROVE CITY

Full-time-Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Full-time-Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
General government										
Management services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Building	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Legal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Municipal Court	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Police										
Officers	28.0	29.0	31.0	31.0	29.0	32.0	33.0	26.0	25.0	25.0
Civilians	3.0	4.0	4.0	6.0	6.0	7.0	8.0	7.0	8.0	8.0
Fire										
Firefighters and officers	4.0	4.0	3.0	4.0	4.0	3.0	4.0	5.0	14.0	15.0
Refuse collections										
Other public works										
Engineering	-	-	-	-	-	-	-	1.0	1.0	1.0
Streets	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Storm Drain	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Other	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Redevelopment	-	-	-	-	1.0	1.0	-	-	-	-
Parks and recreation	11.0	10.0	10.0	10.0	12.0	12.0	15.0	15.0	15.0	15.0
Library	1.0	1.0	1.0	1.0	1.0	2.0	3.0	3.0	3.0	3.0
Water/Sewer	6.0	7.0	7.0	8.0	8.0	8.0	9.0	9.0	10.0	10.0
Total	75.0	79.0	81.0	86.0	87.0	93.0	100.0	94.0	104.0	105.0

Source: Pleasant Grove City

PLEASANT GROVE CITY

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2011
General government	
Building permits issued	178
Building inspections conducted	1,713
Police	
Physical arrests	1,608
Parking violations	327
Traffic violations	3,302
Fire	
Emergency responses	859
Number of Transports	592
Average Response Time (Minutes)	5
Other public works	
Potholes repaired (tons of asphalt)	410
Parks and recreation	
Total Daily Visits	181,921
Community center admissions	25,522
Water	
New connections	41
Water main breaks	66
Average daily consumption (thousands of gallons)	2,903

Source: Pleasant Grove City
Note: Data for Years Previous to 2011 Unavailable

PLEASANT GROVE CITY

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2011
Police	
Stations	1
Patrol units	16
Fire Stations	1
Other public works	
Streets (miles)	111
Streetlights	1,070
Storm Drain (miles)	69
Parks and recreation	
Acreage	92
Playgrounds	8
Baseball/softball diamonds	7
Soccer/football fields	9
Community centers	1
Water	
Culinary Water Lines (miles)	136
Irrigation Water Lines (miles)	103
Fire Hydrants	50
Storage capacity (thou. of gallons)	11,000

Source: Pleasant Grove City
Note: Data for Years Previous to 2011 Unavailable

OTHER REPORTS

Pleasant Grove
Utah's City of Trees

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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 21, 2011

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, 2011, which collectively comprise Pleasant Grove City's basic financial statements and have issued our report thereon dated December 21, 2011. 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 was not designed to identify all deficiencies in internal control that might be deficiencies, 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.

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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. The results of our tests disclosed no instances of non compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Pleasant Grove City, in the Communication with Those Charged with Governance dated December 21, 2011.

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 COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

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

December 21, 2011

We have audited Pleasant Grove City Corporation's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

Public Debt	B& C Road Funds
Cash Management	Special Districts
Purchasing Requirements	Other General Compliance 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 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)

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

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In our opinion, Pleasant Grove City Corporation, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in a separate letter, Communication with Those Charged with Governance dated December 21, 2011.

The City's written response to the findings identified in our audit is described in the accompanying letter, Communication with Those Charges 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. However, the report is a matter of public record and its distribution is not limited.

GILBERT & STEWART
Certified Public Accountants