Pleasant Grove City

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

Pleasant Grove

Utah's City of Trees

PLEASANT GROVE CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ending June 30, 2013

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 27, 2013
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, 2013, 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 been 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, 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 is reported in this CAFR as a special revenue fund.

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.

70 South 100 East • Pleasant Grove, Utah 84062 • Phone (801) 785-5045 • Fax (801) 785-8923

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, solid waste, 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. The City's population is currently 34,519. This is an increase from population estimated by the 2010 census of 1,010. The City's population increased rapidly from 2000 – 2007 but has moderated significantly since that time. We anticipate the population in Pleasant Grove to continue to increase at a steady rate with an ultimate buildout population of approximately 55,000.

After several years of minimal growth in building revenue and tax revenue, economic activity saw significant growth in fiscal year 2013. Sales tax revenue reached $3,848,755, which is just less than the historical high reached in 2008 of $3,855,044. Building permit revenues totaled $405,974, which is an increase of 116.86% over fiscal year 2012. The City is committed to use conservative budget principles, particularly related to building-related fees. These increased revenues will be used to fund growth-related costs and projects, rather than used to increase the City's base budget. As we look to the future, we anticipate fiscal year 2014 to be another year of increasing revenue both in taxes and growth-related fees.

MAJOR INITIATIVES

Long-Range Planning. Pleasant Grove is dedicated to the adherence of forward-looking principles 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:

- **Capital Replacement.** The City recognizes the potential liability of deteriorating facilities, equipment and infrastructure. Through the development of master plans and capital facilities plans these areas of concern are being addressed. Most of these facilities are in the City's enterprise funds and are being funded through user fees, impact fees, and the issuance of bonds, when necessary. To replace capital equipment, the City has budgeted $461,450 for the 2014 fiscal year.

  City streets are another area of concern related to capital replacement. Many needs exist and they will be addressed in the most efficient manner possible when considering costs, fees, and the tax burden on City residents. As of July 1, 2013, Pleasant Grove City increased the municipal energy & use tax charged to customers of the gas and electric utilities. This tax increase will generate approximately $195,000 per year. These additional funds will be used to increase the streets maintenance budget.

- **5-Year Utility Fund Budgets.** The City embarked on a major utility rate study to get the City's rates 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.

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 2012-13, the City had several significant projects. Some of these projects are listed below:

1. <u>Storm Water Improvements.</u> During the year, the City issued $5,500,000 in storm water revenue bonds. The proceeds from these bonds were used to purchase 40 acres of land in the center of the City. This property will be planned and developed over the next several years to provide a regional storm water detention basin.

2. 700 South Sewer Line. The sewer line running under 700 South was replaced to significantly increase capacity. This project was necessary to provide adequate services to businesses as they continue to locate in the City's commercial business district. The project was completed at a total cost of $940,023.

3. State Street Waterline. Development along State Street required the construction of a new waterline underneath State Street. The total cost of this project was $135,944.

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. With the improving economy, we are seeing greater interest in construction in the City's commercial areas. Currently under construction is the new world headquarters for doTerra essential oils as well as a Walmart Neighborhood Market.

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 space 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 slowdown in growth over the past few years. The fund balance in the City's General Fund increased by $502,425 during the fiscal year, to end at $4,960,180. Much of the increase in fund balance was due to departments spending $619,113 less than what was budgeted. The City's intent is to use the General Fund surplus to fund certain capital projects in fiscal year 2014. The General fund's unassigned balance of $2,686,406 represents 19.48% of the fiscal year 2014 budgeted General fund revenues.

The General fund's balance has decreased $6,197,075 from its balance of five years ago. The great majority of this difference is due to the inclusion of significant unspent bond proceeds in the fund balances from 2008. During the same five-year period, the City's governmental funds revenues increased from $17,770,683 to $18,106,319 and expenditures decreased from $26,195,253 to $17,817,974. The large decrease in expenditures between the two periods is due to $7.2m expended in 2008 toward the construction of a City recreation facility. Growth in proprietary funds has increased over this same period. Proprietary fund operating revenues increased from $5,962,617 to $11,802,122 as compared to fiscal year 2008, while operating expenses rose from $5,635,577 to $10,183,956. One significant factor in the increase in revenue and expenditures is the creation of a Sanitation fund. These transactions were previously accounted for in the General fund.

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, 2013, 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.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA awarded a Certificate of Achievement of Excellence in Financial Reporting to Pleasant Grove City for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

We would like to thank the 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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pleasant Grove City

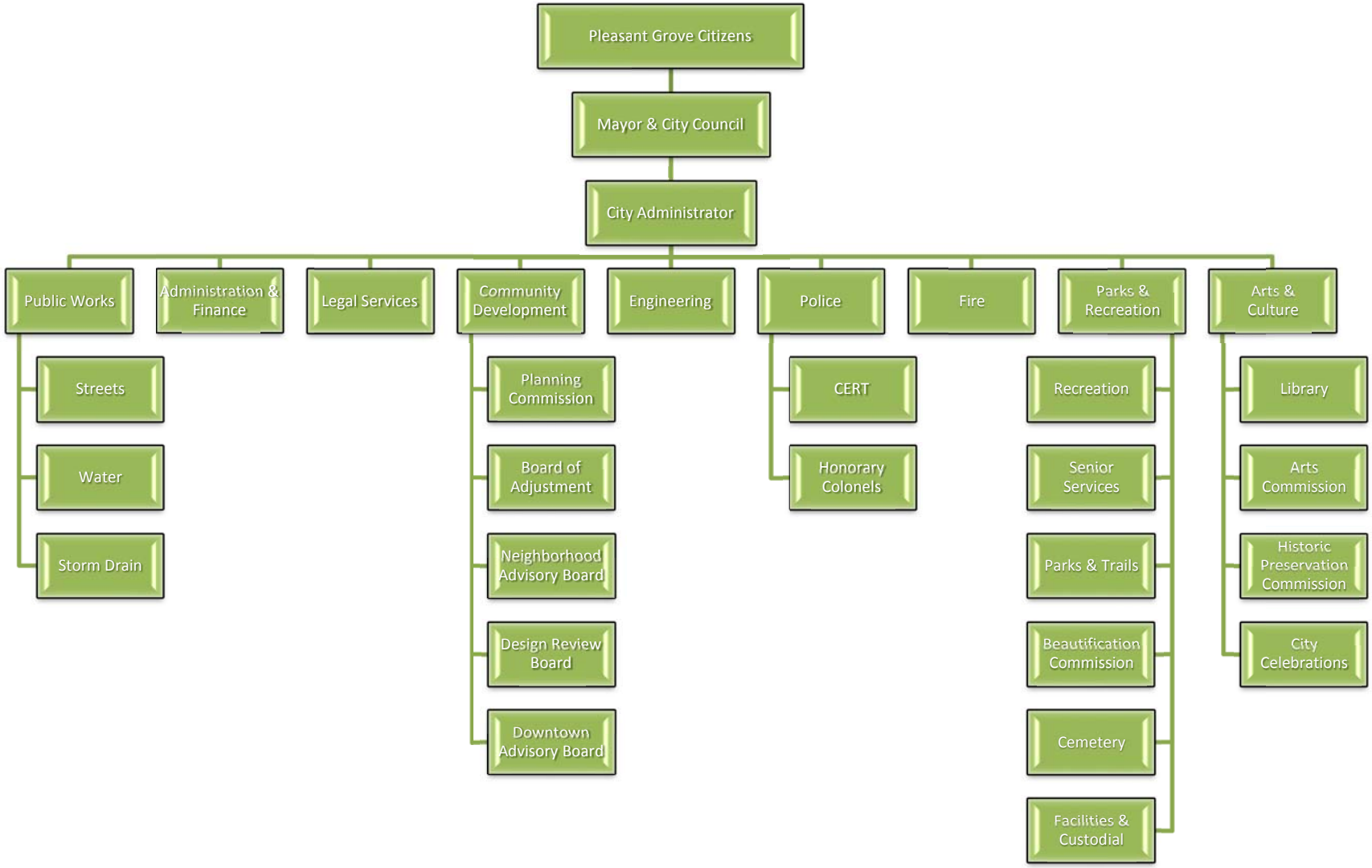
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

PLEASANT GROVE CITY ORGANIZATION CHART



ELECTED AND APPOINTED OFFICIALS

Pleasant Grove

Utah's City of Trees

Pleasant Grove City
Mayor and City Council

Mayor Bruce Call

Cindy Boyd

Lee Jensen

Cyd LeMone

Jay Meacham

Kimberly Robinson

Pleasant Grove City
Appointed Officials

City Administrator..... J. Scott Darrington
City Treasurer..... Karen Bezzant
Leisure Services Director .....Deon Giles
Arts & Culture Director..... April Harrison
City Recorder.....Kathy Kresser
City Engineer.....Degen Lewis
Finance Director .....Dean Lundell
Police Chief ..... Michael Smith
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
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT

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

December 26, 2013

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Grove City Corporation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Grove City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the redevelopment agency special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
(801) 756-9666
FAX (801) 756-9667

PROVO OFFICE
190 WEST 800 NORTH #100
PROVO, UT 84601
(801) 377-5300
FAX (801) 373-5622

HEBER OFFICE
2 SOUTH MAIN, SUITE 2A
HEBER, UT 84032
(435) 654-6477
FAX (801) 373-5622

WWW.GILBERTANDSTEWART.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasant Grove City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013 on our consideration of Pleasant Grove 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pleasant Grove City's internal control over financial reporting and compliance.

GILBERT & STEWART, CPA, PC

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, 2013.

FINANCIAL HIGHLIGHTS

- The total net position of Pleasant Grove City increased 3.73% to $113,065,526. A significant contributors to this increase was $2,168,574 in infrastructure contributions. The City also received a cash contribution of $1,560,582. This contribution was to cover debt service expenditures for debt issued by the Redevelopment Agency of Pleasant Grove.

- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $6,264,273. Of this amount $2,686,406 (42.88%) is available for spending at the government's discretion (unassigned fund balance).

- Total governmental fund balance increased by $578,792 during the year. The majority of the increase was generated in the General Fund. This surplus will be primarily used to fund capital projects in fiscal year 2014.

- Utah law restricts an amount a municipality can maintain in its General Fund unreserved fund balance to 25% of the next year's budgeted revenue. As of June 30, 2013 the City's unassigned fund balance equals 19.48% of next year's revenue.

- During the year, the City issued a series of new bonds. Cash proceeds from the bonds totaled $5,589,652 and the bonds are secured by storm drain revenue. Proceeds from the bonds were used to acquire land for storm water detention.

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 position presents information on all of Pleasant Grove City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the fiscal year reported. All changes in net position 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 Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The City maintains the following ten individual governmental funds:

- General
- Redevelopment Agency
- Capital Projects

- Dispatch
- Swimming Pool
- Community Center
- Cultural Arts
- 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 Water, Sewer, Storm Drain, and Sanitation. Water, Sewer, and Storm Drain are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 33-35 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 36 of this report.

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 72, and the statistical section begins on page 82. The final section includes reports from the City's external auditors related to the City's internal controls and compliance with State and federal laws and regulations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Pleasant Grove City, assets exceed liabilities by $113,065,526.

By far the largest portion of the City of Pleasant Grove's net position (87.67%) 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 position.

PLEASANT GROVE CITY NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 13,311,789	$ 13,114,467	$ 17,708,656	$ 11,412,969	$ 31,020,445	$ 24,527,436
Capital assets	82,342,275	83,202,121	76,693,071	75,490,745	159,035,346	158,692,866
Total Assets	95,654,064	96,316,588	94,401,727	86,903,714	190,055,791	183,220,302
Long-term debt outstanding	33,009,406	34,440,454	37,301,889	32,858,398	70,311,295	67,298,852
Other liabilities	6,366,392	6,623,791	312,578	302,947	6,678,970	6,926,738
Total Liabilities	39,375,798	41,064,245	37,614,467	33,161,345	76,990,265	74,225,590
Net Position						
Net Investment in capital assets	50,796,063	50,312,266	48,323,213	47,174,521	99,119,276	97,486,787
Restricted	3,055,847	2,774,179	2,536,718	1,638,462	5,592,565	4,412,641
Unrestricted	2,426,356	2,165,898	5,927,329	4,929,386	8,353,685	7,095,284
Total net position	$ 56,278,266	$ 55,252,343	$ 56,787,260	$ 53,742,369	$ 113,065,526	$ 108,994,712

An additional portion of the City's net position (4.95%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $8,353,685 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2013, the City is able to report positive balances in all three categories of net position, 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, 2013.

PLEASANT GROVE CITY'S CHANGE IN NET POSITION

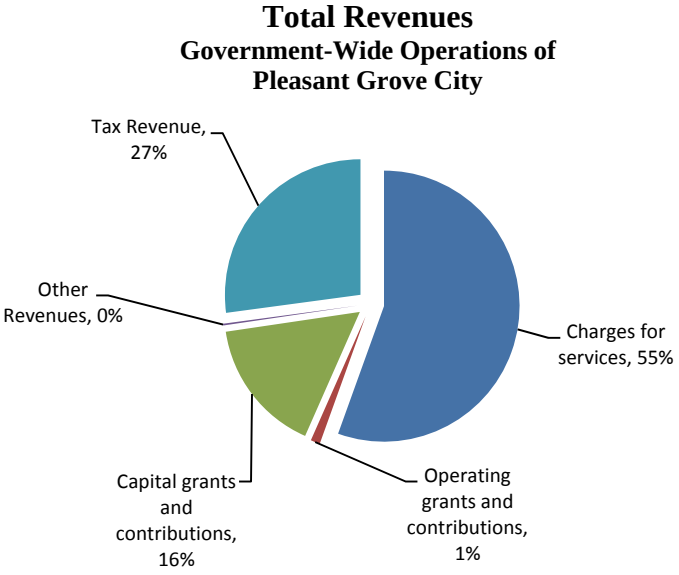
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	$ 5,143,118	$ 4,669,373	$ 11,802,122	$ 10,339,377	$ 16,945,240	$ 15,008,750
Operating grants and contributions	375,553	529,163	43,285	-	418,838	529,163
Capital grants and contributions	2,581,140	1,902,949	2,726,152	6,964,918	5,307,292	8,867,867
General Revenues:						
Taxes	9,044,884	8,808,475	-	-	9,044,884	8,808,475
Other Revenues	1,594,889	1,747,913	35,156	22,644	1,630,045	1,770,557
Total revenues	18,739,584	17,657,873	14,606,715	17,326,939	33,346,299	34,984,812
Expenses						
General Government	2,975,119	3,126,391	-	-	2,975,119	3,126,391
Community Services	1,234,330	995,320	-	-	1,234,330	995,320
Public Works	2,423,915	2,336,820	-	-	2,423,915	2,336,820
Public Safety	5,633,654	5,496,325	-	-	5,633,654	5,496,325
Parks & Recreation	3,957,787	3,820,282	-	-	3,957,787	3,820,282
Interest on L/T Debt	1,488,856	1,664,916	-	-	1,488,856	1,664,916
Water	-	-	5,517,248	5,085,893	5,517,248	5,085,893
Storm Drain	-	-	3,631,525	3,380,025	3,631,525	3,380,025
Sewer	-	-	1,089,211	857,127	1,089,211	857,127
Sanitation	-	-	1,323,840	1,319,654	1,323,840	1,319,654
Total Expenses	17,713,661	17,440,054	11,561,824	10,642,699	29,275,485	28,082,753
Increase (decrease) in net assets	1,025,923	217,819	3,044,891	6,684,240	4,070,814	6,902,059
Net position, beginning	55,252,343	55,034,524	53,742,369	47,058,129	108,994,712	102,092,653
Net position, ending	$ 56,278,266	$ 55,252,343	$ 56,787,260	$ 53,742,369	$113,065,526	$108,994,712

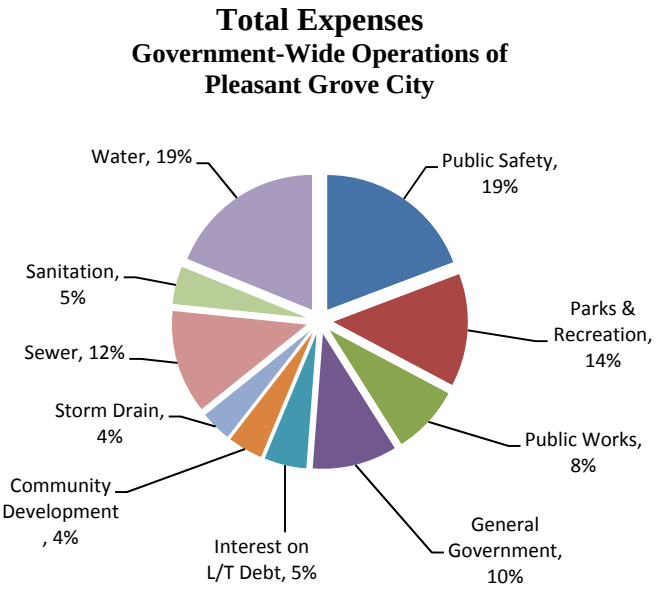
Net Position for governmental activities increased by $1,025,923, which is an increase of $808,104 from the previous year. Business-type activities increased by $3,044,891,

which represents a decrease of $3,639,349 from the previous year. The reason for the significant difference was a large transfer of assets from the Manila Water company in fiscal year 2012. This was a one-time transaction that did not occur again in fiscal year 2013. One factor contributing to an increase in Net Position 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.

Taxes are the primary source of general revenue. 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. 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, 2013.





Financial Analysis of Governmental Funds

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of $6,264,273. $2,686,406 of this total amount (43%) constitutes unassigned fund balance, which is available for spending at the government's discretion.

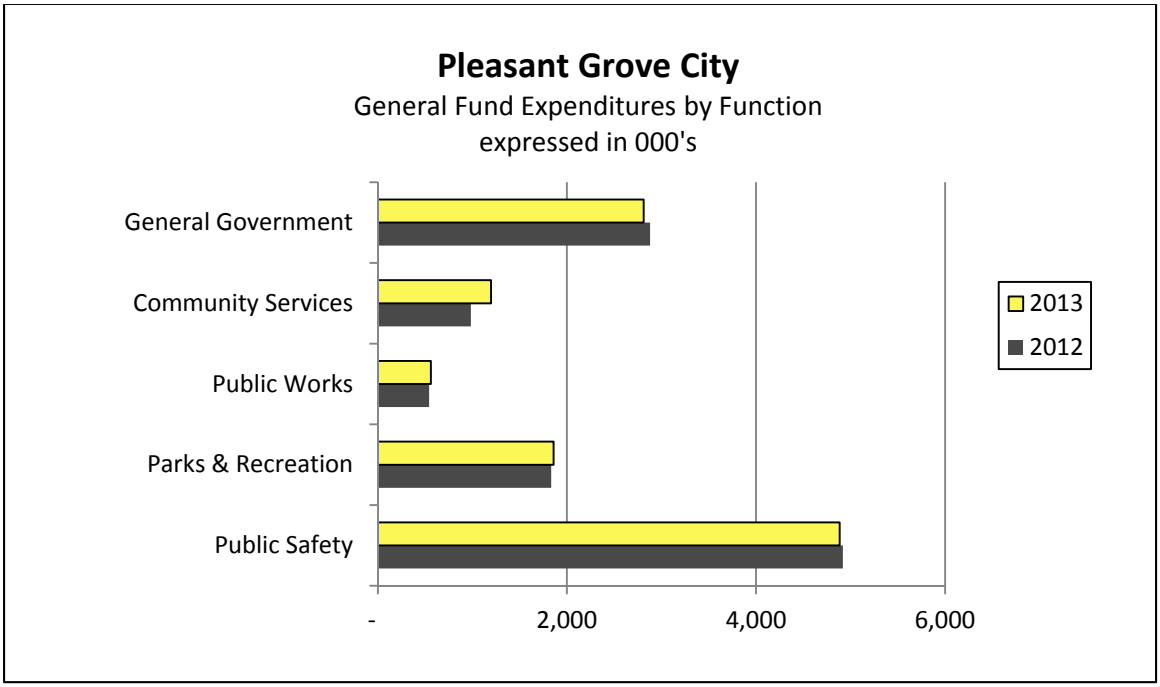
The remainder of fund balance is classified as one of the following: nonspendable, restricted, committed, or assigned. Nonspendable fund balance refers to resources that either cannot be spent because of their form or cannot be spent because they must remain intact. Restricted fund balance means that 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 $2,686,406, while total fund balance reached $4,960,180.

Taxes are the largest source of revenue in the General Fund, representing 64% of total General Fund revenues. The largest component is sales tax, which represents 44% of total tax revenue and 28% of total General Fund revenue. Overall, revenues increased by 4.46% and expenditures increased by 3.69%. The majority of the increased expenditures were related to wage and benefit increases for employees.

The following chart compares general fund expenditures by function between 2012 and 2013



Other Governmental Funds
The fund balance in the Redevelopment Agency fund increased by $153,578 during the year to bring the fund to a positive balance of $14,507. Property tax increment revenues increased from $183,533 in 2012 to $184,874 in 2013. The City currently has only one RDA area.

$813,981 was spent from the Capital Projects fund on capital outlays during the year. This fund is used to collect funds for the construction of capital projects and to pay for debt associated with capital equipment. Revenue sources include impact fees of $854,758. 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 position of the Water Fund increased from $31,251,791 to $31,625,379. Sewer net position increased from $14,183,471 to $15,561,741. Storm Drain net position increased from $8,306,701 to $9,598,359. This increase was larger than normal in large part due to a contribution of $497,900 from North Utah County Conservancy District to fund a portion of the Battlecreek/Grovecreek storm drain pipeline. Finally, Sanitation Fund net position increased from $406 to $1,781. Overall, in the enterprise funds, net position increased by $3,044,891.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budgeted expenditure total of $11,990,198 to final budgeted expenditures of $12,189,882. These increases can be briefly summarized as follows:

- General Government increased by $23,887.
- Public Safety increased by $179,725.
- Public Works decreased by $36,423.
- Parks and Recreation increased by $9,695.
- Community Services increased by $22,800.

The largest increase in budgeted expenditures was related to grants. The City's guideline 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, 2013, amounts to $159,035,346 (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 capital assets (net of depreciation) was 0.22% (1.03% decrease for governmental activities and a 1.59% increase for business-type activities).

Pleasant Grove City Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 44,118,519	$ 43,538,519	$ 3,161,080	$ 2,510,092	$ 47,279,599	$ 46,048,611
Water Shares	-	-	1,981,938	1,981,938	1,981,938	1,981,938
Buildings	8,780,419	9,158,016	-	-	8,780,419	9,158,016
Equipment	2,652,285	2,472,069	237,320	212,551	2,889,605	2,684,620
Infrastructure	26,791,052	28,033,517	71,262,028	67,236,200	98,053,080	95,269,717
Const in Progress	-	-	50,705	3,549,964	50,705	3,549,964
Total Capital Assets	$ 82,342,275	$ 83,202,121	$ 76,693,071	$ 75,490,745	$ 159,035,346	$ 158,692,866

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

- Contributed infrastructure assets - $1,670,674
- Storm Drain System Improvements - $900,296
- State St Water Line - $135,944
- 700 South Sewer Line - $940,023

Additional information on the City's capital assets can be found in note 7 on pages 53-54 of this report.

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of $65,043,000. $60,668,000 is secured by specific revenue sources, while total general obligation bonds outstanding total $4,375,000. 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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	$ 4,375,000	$ 4,510,000	$ -	$ -	$ 4,375,000	$ 4,510,000
Revenue bonds	24,075,000	25,437,000	36,593,000	32,207,000	60,668,000	57,644,000
Total bonded debt	$ 28,450,000	$ 29,947,000	$ 36,593,000	$ 32,207,000	$ 65,043,000	$ 62,154,000

- The City's total outstanding bond debt increased $2,889,000 during the current fiscal year. New bonds were issued with a total par amount of $5,500,000, and $2,611,000 of bonds were retired during the year.

- The City issued one series of bonds during the year. $5,500,000 in bonds were issued in May 2013. Proceeds from the bonds were used to purchase land for storm water detention.

- Pleasant Grove City maintains a "AA" rating for its sales tax bonds and a "AA-" rating for its general obligation bonds. Standard and Poor's raised its rating of the City's water revenue bonds to "A" from "BBB+" based on the system's "improved debt service coverage and liquidity position during the past two years."

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 $80,624,000 which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allows for an additional 8% to be used for water, sewer, or other revenue bond projects thus resulting in a debt limit of 12% of total taxable value. Total limitation is $241,872,000, which again significantly exceeds the level of outstanding debt.

Additional information on the City's long-term debt can be found in note 10 on pages 56-71 of this 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 4.3%. This rate is slightly lower than the state unemployment rate of 4.6%, while the national rate was 7.0%. The previous year's rates were 5.0%, 5.2%, and 7.9% respectively.
- The General Fund budgeted operating expenditures for the fiscal year-ending June 30, 2014 reflects an increase of $871,626 from the year ending, June 30, 2013. A significant portion of this increase is a result of the increase in the City's

municipal energy sales and use tax from 5.051% to 6.0%. This additional revenue will be dedicated to road maintenance.

- 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 $7.75 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

Utah's City of Trees

PLEASANT GROVE CITY

Statement of Net Position

June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 5,841,374	$ 5,873,931	$ 11,715,305
Restricted Cash	2,126,612	8,860,057	10,986,669
Receivables	4,348,512	1,230,930	5,579,442
Inventories	-	46,854	46,854
Other Current Assets	241,153	306,702	547,855
Bond Issuance Costs (Net)	754,138	991,862	1,746,000
Other Noncurrent Assets	-	398,320	398,320
Capital Assets:			
Land	44,118,519	3,161,080	47,279,599
Water Shares	-	1,981,938	1,981,938
Buildings	8,780,419	-	8,780,419
Improvements	26,791,052	71,262,028	98,053,080
Machinery & Equipment	2,652,285	237,320	2,889,605
Construction in Progress	-	50,705	50,705
Total Assets	95,654,064	94,401,727	190,055,791
LIABILITIES			
Accounts Payable	1,697,130	37,535	1,734,665
Bond Interest Payable	221,452	275,043	496,495
Deposits	1,656,596	-	1,656,596
Unearned Revenue	2,791,214	-	2,791,214
Long-term Liabilities			
Due Within One Year	2,143,197	1,201,975	3,345,172
Due in More Than One Year	30,866,209	36,099,914	66,966,123
Total Liabilities	39,375,798	37,614,467	76,990,265
NET POSITION			
Net Investment in Capital Assets	50,796,063	48,323,213	99,119,276
Restricted for:			
Roads	1,671,666	-	1,671,666
Impact Fees	551,624	1,518,230	2,069,854
Library	55,522	-	55,522
Dispatch	301,819	-	301,819
Debt Service	113,972	1,018,488	1,132,460
Other	361,244	-	361,244
Unrestricted	2,426,356	5,927,329	8,353,685
Total Net Position	$ 56,278,266	$ 56,787,260	$ 113,065,526

See accompanying notes.

PLEASANT GROVE CITY

Statement of Activities

For the Year Ended June 30, 2013

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 Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
Primary Government							
Governmental:							
General Government	$ 2,975,119	$ 2,278,266	$ 8,000	$ -	$ (688,853)	$ -	$ (688,853)
Community Services	1,234,330	405,974	-	-	(828,356)	-	(828,356)
Public Works	2,423,915	4,303	-	2,202,254	(217,358)	-	(217,358)
Public Safety	5,633,654	844,009	341,378	61,798	(4,386,469)	-	(4,386,469)
Parks and Recreation	3,957,787	1,610,566	26,175	317,088	(2,003,958)	-	(2,003,958)
Interest on Long-Term Debt	1,488,856				(1,488,856)	-	(1,488,856)
Total Governmental Activities	17,713,661	5,143,118	375,553	2,581,140	(9,613,850)	-	(9,613,850)
Business-type:							
Water	5,517,248	4,958,793	9,485	910,843	-	361,873	361,873
Sewer	3,631,525	4,279,524	-	719,697	-	1,367,696	1,367,696
Storm Drain	1,089,211	1,238,590	33,800	1,095,612	-	1,278,791	1,278,791
Sanitation	1,323,840	1,325,215	-	-	-	1,375	1,375
Total Business-type Activities	11,561,824	11,802,122	43,285	2,726,152	-	3,009,735	3,009,735
Total Primary Government	29,275,485	16,945,240	418,838	5,307,292	(9,613,850)	3,009,735	(6,604,115)
General Revenues:							
Property Taxes					3,225,839	-	3,225,839
Sales and Use Tax					3,848,755	-	3,848,755
Franchise Tax					1,654,391	-	1,654,391
Other Taxes					315,899	-	315,899
Miscellaneous Revenue					1,571,347	-	1,571,347
Unrestricted Investment Earnings					23,542	35,156	58,698
Total General Revenues and Transfers					10,639,773	35,156	10,674,929
Change in Net Position					1,025,923	3,044,891	4,070,814
Net Position -- Beginning					55,252,343	53,742,369	108,994,712
Net Position -- Ending					$ 56,278,266	$ 56,787,260	$ 113,065,526

See accompanying notes.

PLEASANT GROVE CITY

Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue Redevelopment Agency	Capital Projects Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash & Cash Equivalents	$ 4,612,301	14,503	$ 761,393	$ 453,177	$ 5,841,374
Restricted Cash	2,012,640	4	-	113,968	2,126,612
Receivables (net)	-				
Property Tax	2,885,192	184,874	-	-	3,070,066
Sales Tax	695,808	-	-	-	695,808
Other	309,175	-	9,806	-	318,981
Intergovernmental	247,486	-	-	-	247,486
Special Assessment Receivable	16,171	-	-	-	16,171
Other Current Assets	289	-	-	-	289
Prepaid Items	240,864	-	-	-	240,864
Total Assets	11,019,926	199,381	771,199	567,145	12,557,651
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and Accrued Liabilities	$ 1,648,372	$ -	$ -	$ 48,758	$ 1,697,130
Construction Bonds and Refunds	1,656,596	-	-	-	1,656,596
Unearned Revenue	2,754,778	184,874	-	-	2,939,652
Total Liabilities	6,059,746	184,874	-	48,758	6,293,378
FUND BALANCES					
Nonspendable					
Prepaid Items	240,864	-	-	-	240,864
Restriced for					
Donations	361,244	-	-	-	361,244
Debt Service	-	4	-	113,968	113,972
Dispatch	-	-	-	301,819	301,819
Impact Fees	-	-	551,624	-	551,624
Library Grants	-	-	-	55,522	55,522
Class C Road Funds	1,671,666	-	-	-	1,671,666
Assigned to					
Debt Service	-	-	-	4,737	4,737
Capital Projects	-	-	219,575	-	219,575
Swimming Pool	-	-	-	16,673	16,673
Community Center	-	-	-	18,849	18,849
Cultural Arts	-	-	-	6,819	6,819
Redevelopment	-	14,503	-	-	14,503
Unassigned	2,686,406	-	-	-	2,686,406
Total Fund Balances	4,960,180	14,507	771,199	518,387	6,264,273
Total Liabilities and Fund Balances	$ 11,019,926	$ 199,381	$ 771,199	$ 567,145	$ 12,557,651

See accompanying notes.

PLEASANT GROVE CITY

Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Position
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental fund types	$ 6,264,273
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	82,342,275
Property taxes levied in prior years but not yet received are reported as unearned revenue in the governmental funds, but are recorded as revenues in the prior year's net position in the statement of activities.	132,267
Governmental funds report the effects of bond issuance costs, whereas these amounts are deferred and shown as net amortization in the statement of activities.	754,138
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.	16,171
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(32,521,802)
Compensated absences are not due and payable in the current period and are not reported as fund liabilities in the funds.	(586,227)
Post retirement benefits are not due and payable in the current period and are not reported as fund liabilities in the funds.	(122,829)
Net position of governmental activities	$ 56,278,266

See accompanying notes.

PLEASANT GROVE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General	Special Revenue: Redevelopment Agency	Capital Projects: Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 8,654,821	$ 184,874	$ -	$ 318,084	$ 9,157,779
Licenses & Permits	479,981	-	-	-	479,981
Intergovernmental	1,140,796	-	-	225,744	1,366,540
Charges for Services	2,706,533	-	-	1,305,717	4,012,250
Fines & Forfeitures	353,866	-	-	-	353,866
Interest	19,186	12	2,284	2,060	23,542
Impact Fees	-	-	854,758	-	854,758
Miscellaneous	212,689	1,560,582	80,000	4,333	1,857,604
Total Revenues	13,567,872	1,745,468	937,042	1,855,938	18,106,320
EXPENDITURES					
Current					
General Government	2,811,044	31,308	40,784	-	2,883,136
Community Services	1,196,956	-	-	-	1,196,956
Public Works	559,959	-	5,839	-	565,798
Public Safety	4,885,882	-	99,837	490,413	5,476,132
Parks and Recreation	1,859,428	-	6,770	1,543,483	3,409,681
Capital Outlay & Projects	257,500	-	813,981	-	1,071,481
Debt Service					
Principal Retirement	-	511,000	172,162	986,000	1,669,162
Interest and Fees	-	1,049,582	44,967	451,079	1,545,628
Total Expenditures	11,570,769	1,591,890	1,184,340	3,470,975	17,817,974
Excess (Deficiency) of Revenues over Expenditures	1,997,103	153,578	(247,298)	(1,615,037)	288,346
Other Financing Sources (Uses)					
Sale of Capital Assets	10,765	-	-	-	10,765
Proceeds from Capital Lease	-	-	279,681	-	279,681
Transfers In	-	-	450,456	1,405,797	1,856,253
Transfers Out	(1,505,443)	-	(350,810)	-	(1,856,253)
Total Other Financing Sources/(Uses)	(1,494,678)	-	379,327	1,405,797	290,446
Net Change in Fund Balance	502,425	153,578	132,029	(209,240)	578,792
Fund Balances - July 1	4,457,755	(139,072)	639,171	727,627	5,685,481
Fund Balances - June 30	$ 4,960,180	$ 14,506	$ 771,200	$ 518,387	$ 6,264,273

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, 2013

Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balance -- Total Governmental Funds	$ 578,792
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 depreciation exceeded capital outlays in the current period.	(1,595,241)
Contributions of capital assets not reported in the funds.	735,396
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(112,896)
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 position. 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.	1,387,710
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.	32,162
Change in net position of governmental activities	$ 1,025,923

See accompanying notes.

PLEASANT GROVE CITY

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Property Taxes	$ 2,630,000	$ 2,630,000	$ 2,835,776	$ 205,776
Sales & Use Tax	3,837,245	3,922,245	3,848,755	(73,490)
Other Taxes	2,005,000	2,005,000	1,970,290	(34,710)
Licenses & Permits	310,750	310,750	479,981	169,231
Intergovernmental Revenue	1,083,660	1,179,254	1,140,796	(38,458)
Charges for Services	737,600	793,325	927,201	133,876
Administrative Fees	1,840,139	1,840,139	1,779,332	(60,807)
Court Fines	480,500	480,500	353,866	(126,634)
Other Revenues	214,011	206,208	231,875	25,667
Total Revenue	13,138,905	13,367,421	13,567,872	200,451
EXPENDITURES				
Current				
General Government	2,964,054	2,987,941	2,811,044	176,897
Community Services	953,649	1,133,374	1,196,956	(63,582)
Public Works	1,114,639	1,078,216	817,459	260,757
Public Safety	4,981,836	4,991,531	4,885,882	105,649
Parks and Recreation	1,976,020	1,998,820	1,859,428	139,392
Total Expenditures	11,990,198	12,189,882	11,570,769	619,113
Excess (Deficiency) of revenues Over Expenditures	1,148,707	1,177,539	1,997,103	819,564
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-		-	-
Operating Transfers Out	(1,505,436)	(1,525,350)	(1,505,443)	19,907
Sale of Capital Assets	-	-	10,765	10,765
Total Other Financing Sources (Uses)	(1,505,436)	(1,525,350)	(1,494,678)	30,672
Net Change in Fund Balance	(356,729)	(347,811)	502,425	850,236
Fund Balance - July 1	4,457,755	4,457,755	4,457,755	-
Fund Balance - June 30	$ 4,101,026	$ 4,109,944	$ 4,960,180	$ 850,236

See accompanying notes.

PLEASANT GROVE CITY

Redevelopment Agency Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 150,000	$ 150,000	$ 184,874	$ 34,874
Interest	-	-	12	12
Miscellaneous	1,560,583	1,560,583	1,560,582	(1)
Total Revenue	1,710,583	1,710,583	1,745,468	34,885
EXPENDITURES				
General Government	-	50,000	31,308	18,692
Debt Service				
Principal Retirement	511,000	511,000	511,000	-
Interest and Fees	1,051,582	1,051,582	1,049,582	2,000
Bond Issuance Costs	-	-	-	-
Total Expenditures	1,562,582	1,612,582	1,591,890	20,692
Excess (Deficiency) of revenues Over Expenditures	148,001	98,001	153,578	55,577
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	148,001	98,001	153,578	55,577
Fund Balance - July 1	(139,072)	(139,072)	(139,072)	-
Fund Balance - June 30	$ 8,929	$ (41,071)	$ 14,506	$ 55,577

See accompanying notes.

PLEASANT GROVE CITY

Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Drain Fund	Sanitation Fund	Total
ASSETS					
Current Assets					
Cash & Cash Equivalents	$ 2,576,984	$ 2,452,766	$ 844,181	$ -	$ 5,873,931
Accounts Receivable	481,902	460,405	148,215	140,408	1,230,930
Inventories	46,854	-	-	-	46,854
Other Current Assets	161,046	62,066	83,590	-	306,702
Due from Other Funds	-	138,627	-	-	138,627
Total Current Assets	3,266,786	3,113,864	1,075,986	140,408	7,597,044
Noncurrent Assets					
Restricted Cash	1,017,227	-	7,842,830	-	8,860,057
Bond Issuance Costs	863,803	61,737	349,582	-	1,275,122
Accumulated Amortization	(218,129)	(42,219)	(22,912)	-	(283,260)
Other Noncurrent Assets	-	-	398,320	-	398,320
Capital Assets					
Land	1,328,742	25,000	1,807,338	-	3,161,080
Water Shares	1,981,938	-	-	-	1,981,938
Buildings and Structures	26,492	39,005	-	-	65,497
Infrastructure and Improvements	60,150,183	16,502,799	12,450,012	-	89,102,994
Machinery and Equipment	512,287	203,430	239,610	-	955,327
Construction in Progress	38,569	6,894	5,242	-	50,705
Less Accumulated Depreciation	(13,226,795)	(3,788,760)	(1,608,915)	-	(18,624,470)
Capital Assets (Net of Accum Depreciation)	50,811,416	12,988,368	12,893,287	-	76,693,071
Total Noncurrent Assets	52,474,317	13,007,886	21,461,107	-	86,943,310
Total Assets	55,741,103	16,121,750	22,537,093	140,408	94,540,354
LIABILITIES					
Current Liabilities					
Accounts Payable and Accrued Liabilities	11,859	7,235	18,441	-	37,535
Interest Payable	122,154	1,064	151,825	-	275,043
Due to Other Funds	-	-	-	138,627	138,627
Current Portion Bonds Payable	914,432	55,233	232,310	-	1,201,975
Total Current Liabilities	1,048,445	63,532	402,576	138,627	1,653,180
Noncurrent Liabilities					
Compensated Absenses	43,263	37,512	17,825	-	98,600
Bonds Payable (net of anamortized premium and deferred amount on refunding)	23,024,016	458,965	12,518,333	-	36,001,314
Total Noncurrent Liabilities	23,067,279	496,477	12,536,158	-	36,099,914
Total Liabilities	24,115,724	560,009	12,938,734	138,627	37,753,094
NET POSITION					
Net Investment in Capital Assets	27,518,642	12,493,688	8,310,883	-	48,323,213
Restricted for:	-				
Impact Fees	794,573	561,855	161,802	-	1,518,230
Debt Service	1,017,227	-	1,261	-	1,018,488
Unrestricted	2,294,937	2,506,198	1,124,413	1,781	5,927,329
Total Net Position	$ 31,625,379	$ 15,561,741	$ 9,598,359	$ 1,781	$ 56,787,260

See accompanying notes.

PLEASANT GROVE CITY

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Drain Fund	Sanitation Fund	Total
OPERATING REVENUES					
Charges for Services					
Operations	$ -	$ 4,276,956	$ -	$ 1,325,215	$ 5,602,171
Pledged as Security for Revenue Bonds	4,958,793	-	1,238,590	-	6,197,383
Special Assessment Revenue	-	2,568	-	-	2,568
Total Operating Revenue	4,958,793	4,279,524	1,238,590	1,325,215	11,802,122
OPERATING EXPENSES					
Salaries and Benefits	493,055	394,926	214,549	-	1,102,530
Costs of Services and Supplies	1,788,561	2,357,386	147,047	1,083,844	5,376,838
General and Administrative	766,548	605,364	167,424	239,996	1,779,332
Depreciation and Amortization	1,401,867	271,555	251,834	-	1,925,256
Total Operating Expenses	4,450,031	3,629,231	780,854	1,323,840	10,183,956
Operating Income (Loss)	508,762	650,293	457,736	1,375	1,618,166
NON-OPERATING REVENUES (EXPENSES)					
Interest	11,715	10,574	12,867	-	35,156
Amortization of Bond Issuance Costs	(35,933)	(2,162)	(10,561)	-	(48,656)
Interest Expense	(1,031,284)	(132)	(297,796)	-	(1,329,212)
Grant Revenue	9,485	-	33,800	-	43,285
Total Non-Operating Revenue (Expenses)	(1,046,017)	8,280	(261,690)	-	(1,299,427)
Net Income (Loss) Before Contributions and Transfers	(537,255)	658,573	196,046	1,375	318,739
CONTRIBUTIONS AND TRANSFERS					
Impact Fees	816,592	355,613	120,769	-	1,292,974
Developer Contributions	94,251	364,084	974,843	-	1,433,178
Total Contributions & Operating Transfers	910,843	719,697	1,095,612	-	2,726,152
CHANGE IN NET POSITION	373,588	1,378,270	1,291,658	1,375	3,044,891
Total Net Position - Beginning	31,251,791	14,183,471	8,306,701	406	53,742,369
Total Net Position - Ending	$ 31,625,379	$ 15,561,741	$ 9,598,359	$ 1,781	$ 56,787,260

See accompanying notes.

PLEASANT GROVE CITY

Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Storm Drain Utility	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 4,948,919	$ 4,281,421	$ 1,214,532	$ 1,320,255	$ 11,765,127
Payments to Suppliers	(1,796,903)	(2,357,386)	(147,047)	(1,083,844)	(5,385,180)
Interfund Services	(766,548)	(605,364)	(167,424)	(239,996)	(1,779,332)
Payments to Employees	(492,665)	(396,595)	(214,943)	-	(1,104,203)
Net cash provided (used) by operating activities	1,892,803	922,076	685,118	(3,585)	3,496,412
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Impact fees	733,859	355,613	120,769	-	1,210,241
Purchase of capital assets	(300,046)	(946,917)	(951,810)	-	(2,198,773)
Loans from/(to) other funds	-	(3,585)	-	3,585	-
Proceeds from capital debt	-	-	5,589,652	-	5,589,652
Contribution from NUWCD	-	-	49,790	-	49,790
Proceeds from grants received	9,485	-	157,754	-	167,239
Payment of bond issuance costs		-	(134,703)	-	(134,703)
Principal paid on capital debt	(860,875)	(45,600)	(207,800)	-	(1,114,275)
Interest paid on capital debt	(1,066,999)	(14,282)	(277,047)	-	(1,358,328)
Net cash provided (used) by capital and related financing activities	(1,484,576)	(654,771)	4,346,605	3,585	2,210,843
CASH FLOW FROM INVESTING ACTIVITIES					
Interest Income	11,715	10,574	12,867	-	35,156
Net increase (decrease) in cash and cash equivalents	419,942	277,879	5,044,590	-	5,742,411
Cash and cash equivalents - beginning of year	3,174,269	2,174,887	3,642,421	-	8,991,577
Cash and cash equivalents - end of year	$ 3,594,211	$ 2,452,766	$ 8,687,011	$ -	$ 14,733,988
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income (Loss)	$ 508,762	$ 650,293	$ 457,736	$ 1,375	$ 1,618,166
Adjustments to reconcile operating income to net cash provided (Used) by operating activities:					
Depreciation expense	1,401,867	271,555	251,834	-	1,925,256
(Increase) decrease in receivables	(9,874)	1,898	(24,058)	(4,960)	(36,994)
(Increase) decrease in inventory	(8,342)	-	-	-	(8,342)
Increase (decrease) in accrued liabilities	3,056	1,274	413	-	4,743
Increase (decrease) in accrued vacation and sick leave	(2,666)	(2,944)	(807)	-	(6,417)
Total Adjustments	1,384,041	271,783	227,382	(4,960)	1,878,246
Net cash provided (used) by operating activities	$ 1,892,803	$ 922,076	$ 685,118	$ (3,585)	$ 3,496,412
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	$ 94,251	$ 364,084	$ 476,943	$ -	$ 935,278

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

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 Unit.

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.

NOTE 1 – SUMMARY *(Continued)*

The Redevelopment Agency is considered a blended component unit since the governing board is the same governing board of the City.

The Redevelopment Agency is presented as a special revenue fund in the financial statements.

Complete financial statements for the component unit 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 position and the statements of changes in net position) 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 a 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 accrual 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

NOTE 1 – SUMMARY *(Continued)*

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.

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.

The *sanitation fund* accounts for the activities of the City's sanitation 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:

NOTE 1 – SUMMARY *(Continued)*

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. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents 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.

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."

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

NOTE 1 – SUMMARY *(Continued)*

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 $25,849. The total interest cost incurred for the year is $2,900,689.

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

6. 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 position. 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*)

7. Deferred outflows/inflows of resources

Beginning with 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, but postponed until 2014 the implementation of Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

8. Net Position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund

NOTE 1 – SUMMARY *(Continued)*

balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund balance policies

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 non-spendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

- **Non-spendable**. 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 non-spendable.

- **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 enabling legislation. Restricted fund balance amounts include the following:
  a) Unspent Donations
  b) Debt Service
  c) Unspent Dispatch Funds
  d) Unspent Impact Fees
  e) Unspent Library Grants
  f) 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, swimming pool, community center, and cultural arts and redevelopment 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.

The City has a policy for the General Fund to maintain a minimum fund balance of 15 percent of revenues.

E. Revenue and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. 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. Up to 960 hours of unused sick leave is converted to compensated absences at a rate of 25 percent at separation. A liability for these amounts is reported in the financial statements.

3. 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

NOTE 1 – SUMMARY *(Continued)*

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 unearned 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.

4. Proprietary funds operating and non-operating revenues and expenses

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 principal ongoing operations. The principal operating revenues of the water, sewer, storm drain, and sanitation funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. 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. <u>Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position</u>

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

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

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

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 position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	$106,088,261
Accumulated depreciation	(23,745,986)
Net adjustment to increase *fund balance -total governmental funds* to arrive at *net position – governmental activities)*	$82,342,275

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 position.

Bonds and capital leases payable	($32,300,350)
Bond interest payable	(221,452)
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net position – governmental activities*	($32,521,802)

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 position 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	$ 1,084,348
Depreciation expense	(2,679,589)
Net adjustment to increase *net changes in fund balances-total governmental funds* to arrive at *changes in net position of governmental activities*	($ 1,595,241)

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

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 position. 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."

Long-Term Debt Issued or Retired		
Change in Accrued Interest	$	44,068
Principal Paid		1,669,162
Issuance Cost Amortization		(55,243)
Payment of Bond Issuance Costs		-
Issuance of New Debt		(279,681)
Old Debt Retirement		-
Defeasance of Old Debt		-
Premium/Defeasance Amort		9,404
Net Adjustment	$	1,387,710

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	$	23,674
Compensated Absences		8,488
Total	$	32,162

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.

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING *(continued)*

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.

E. 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.

F. Budget appropriations for any department may be reduced by resolution.

G. 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.

H. Encumbrances lapse at year end. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget 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, 2013, the City's custodial credit risk for deposits was as follows:

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

Depository Account	Custodial Credit Risk	Balance June 30, 2013
Checking Accounts	Insured	$ 250,000
Checking Accounts	Uninsured and Uncollateralized	6,813,084
Savings Accounts	Insured	250,000
Savings Accounts	Uninsured and Uncollateralized	1,401,396
		$ 8,714,480

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 escrow accounts at US Bank invested in money market mutual funds and in the Public Treasurer's Investment Fund. As of June 30, 2013, The City had the following investments:

Investment	Custodial Credit Risk Amount Insured	Maturities	Fair Value
Utah Public Treasurers' Investment Fund	$ -	Less than 1 year	$10,431,459
U.S. Bank - First American Government Money Market Fund	-	Less than 1 year	790,573
U.S. Bank - Money Market Fund	250,000	Less than 1 year	1,076,720
U.S. Bank - PTIF	-	Less than 1 year	2,176,441
			$14,475,193

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

Investments–Credit Risk. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of deposits, U.S. treasury obligations, U.S. agency issues, high-grade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

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

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 2013, the City had the following quality ratings:

		Quality Ratings			
Investments	Fair Value	AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	$ 10,431,459	$ -	$ -	$ -	$ 10,431,459
U.S. Bank - First American Treasury Money Market Fund	4,043,734	790,573			3,253,161
Total Investment	$ 14,475,193	$ 790,573	$ -	$ -	$ 13,684,620

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.

Public Treasurers Investment Fund – External Investment Pool. The City invests in the external investment pool which is administered by the Treasurer of the State of Utah. State agencies, municipalities, counties, and local governments within the state are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized, which are high-grade securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis.

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

Twice a year, at June 30 and December 31, the investments are valued at fair value.

As of June 30, 2013, the City had $10,431,459 invested in the PTIF which had a fair value of $10,483,842 for an unrealized gain of $52,383. Due to the insignificance of this amount in relation to the funds affected by the unrealized gain, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

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:

Governmental funds report *unearned 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.

Receivable:	General	RDA	Construction	Water	Sewer	Storm Drain	Sanitation	Total
Accounts	$ -	$ -	$ -	$ 492,149	$ 464,263	$ 149,142	$ 142,651	$ 1,248,205
Property Tax	2,885,192	184,874	-	-	-	-	-	3,070,066
Sales Tax	695,808	-	-	-	-	-	-	695,808
Other	309,175	-	9,806	-	-	-	-	318,981
Intergovernmental	247,486	-	-	-	-	-	-	247,486
Special Assessment	16,171	-	-	-	-	-	-	16,171
Less: Allowance for uncollectible accounts	-	-	-	(10,247)	(3,858)	(927)	(2,243)	(17,275)
Total	$ 4,153,832	$ 184,874	$ 9,806	$ 481,902	$ 460,405	$ 148,215	$ 140,408	$ 5,579,442

At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (RDA fund)	$ -	$ 184,874
Property taxes receivable (general fund)	132,267	2,606,340
Special assessment receivable (general fund)	16,171	
Total unearned revenue for governmental funds	$148,438	$2,791,214

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
Sewer	Sanitation	$138,627

Inter-fund Transfers:

	Transfer Out		
	General	Construction	Total
Transfer In:			
Construction	$ 450,456	$ -	$ 450,456
Nonmajor Govtl. Funds	1,054,987	350,810	1,405,797
Total Transfer Out	$ 1,505,443	$ 350,810	$ 1,856,253

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

Governmental activities:	Cost	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	$ -	$ -	$ -	$ -
Land	43,538,519	580,000	-	44,118,519
Total capital assets not being depreciated	43,538,519	580,000	-	44,118,519
Capital assets being depreciated:				
Buildings	13,497,611	-	-	13,497,611
Machinery and equipment	5,997,549	615,488	43,000	6,570,037
Infrastructure	41,277,839	624,255	-	41,902,094
Total capital assets being depreciated	60,772,999	1,239,743	43,000	61,969,742
Less accumulated depreciation for:				
Buildings	4,339,595	377,597	-	4,717,192
Machinery and equipment	3,525,479	435,273	43,000	3,917,752
Infrastructure	13,244,323	1,866,719	-	15,111,042
Total accumulated depreciation	21,109,397	2,679,589	43,000	23,745,986
Total Assets, Net	$ 83,202,121	$ (859,846)	$ -	$ 82,342,275

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	$ 3,549,965	$ 50,705	$ 3,549,965	$ 50,705
Water Shares	1,981,938	-	-	1,981,938
Land	2,510,092	650,988	-	3,161,080
Total capital assets not being depreciated	8,041,995	701,693	3,549,965	5,193,723
Capital assets being depreciated:				
Buildings	65,497	-	-	65,497
Improvements	880,462	74,865	-	955,327
Machinery and equipment	83,202,005	5,900,989	-	89,102,994
Total capital assets being depreciated	84,147,964	5,975,854	-	90,123,818
Less accumulated depreciation for:				
Buildings	65,497	-	-	65,497
Improvements	667,911	50,096	-	718,007
Machinery and equipment	15,965,806	1,875,160	-	17,840,966
Total accumulated depreciation	16,699,214	1,925,256	-	18,624,470
Business-type activities capital assets, net	$ 75,490,745	$ 4,752,291	$ 3,549,965	$ 76,693,071

NOTE 7 – CAPITAL ASSETS (*Continued)*

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

Governmental activities:	
General government	$ 47,323
Public Works	1,807,071
Public Safety	339,503
Parks and Recreation	485,692
Total depreciation expense - governmental activities	$ 2,679,589
Business-type activities:	
Water	$ 1,401,867
Sewer	271,555
Storm Drain	251,834
Sanitation	-
Total depreciation expense - Business-Type Activities	$ 1,925,256
Total depreciation expense	$ 4,604,845

NOTE 8 - LEASE COMMITMENTS

The City entered into an agreement with Suntrust Equipment Finance and Leasing Corp in 2011 which is treated partially as a capital lease and partially as an operating lease. The portion the City treats as an operating lease is for copiers, computer equipment, and nine police vehicles. The lease term is for 5 years, but the City intends to trade in the vehicles after three years. For the operating lease portion, the subsequent years payments are:

Year ended June 30	Principal	Interest	Total
2014	$ 92,671	$ 7,972	$ 100,643
2015	94,770	5,873	100,643
2016	87,877	3,727	91,604
2017	76,659	1,737	78,396
	$ 351,977	$ 19,309	$ 371,286

In July, 2012, the City signed a lease agreement for 12 vehicles, computer equipment, and fitness equipment. Most of these items are on a capital lease, but five of the vehicles will be on an operating lease. For the operating lease portion, the subsequent payments are:

Year ended June 30	Principal	Interest	Total
2014	$ 28,967	$ 3,118	$ 32,085
2015	29,842	2,583	32,425
2016	110,177	2,033	112,210
	$ 168,986	$ 7,734	$ 176,720

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. In 2011, the city signed two new leases for the purchase of seven Public Safety vehicles.

In July, 2012 the City signed a lease agreement for 12 vehicles, computer equipment, and fitness equipment. Most of these items are on a capital lease, but five of the vehicles will be on an operating lease.

Assets under capital leases are:	Equipment	$1,443,614
	Accumulated Amortization	(371,777)
	Total	$1,071,837

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	Vehicles
2014	$ 116,851	$ 55,778	$ 28,089	$ 66,302
2015	116,851	32,734	28,089	45,831
2016	437,329	33,222	-	55,246
2017	-	10,906	-	60,152
2018	-	-	-	37,725
Total minimum lease payment	671,031	132,640	56,178	265,256
Less amounts representing interest	(84,698)	(5,394)	(3,047)	(14,168)
Present value of minimum lease payments	$ 586,333	$ 127,246	$ 53,131	$ 251,088

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, 2013.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities:					
Post-employment benefits	$ 146,503	$ -	$ (23,674)	$ 122,829	$ 26,169
Compensated absences	594,716	318,608	(327,097)	586,227	327,097
C Road revenue bonds	3,750,000	-	(585,000)	3,165,000	610,000
Premium on C Road bonds	64,109	-	(12,822)	51,287	-
General obligation bonds	4,510,000	-	(135,000)	4,375,000	145,000
Premium on GO bonds	24,272	-	(1,156)	23,116	-
Sales tax revenue bonds	3,304,000	-	(266,000)	3,038,000	269,500
Premium on Sales Tax Refunding	90,518	-	(9,613)	80,905	-
Less deferred amount on refunding	(133,594)	-	14,187	(119,407)	-
Tax increment & revenue bonds	18,383,000	-	(511,000)	17,872,000	541,000
Capital leases	910,279	279,681	(172,162)	1,017,798	224,431
Note payable - Utah County	2,796,651	-	-	2,796,651	-
Total	$ 34,440,454	$ 598,289	$ (2,029,337)	$ 33,009,406	$ 2,143,197

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Business-Type Activities:					
Compensated Absences	$ 105,015	$ 49,774	(56,189)	$ 98,600	$ 56,189
Water Revenue Bonds	23,741,000	-	$ (815,000)	22,926,000	845,000
Premium on water revenue bonds	511,829	-	(24,874)	486,955	-
Storm water revenue bonds	7,050,000	5,500,000	(185,000)	12,365,000	185,000
Premium on storm water revenue bonds	41,447	89,652	(2,558)	128,541	-
Sales tax revenue bonds	1,416,000	-	(114,000)	1,302,000	115,500
Premium on Sales Tax Refunding	38,795	-	(4,120)	34,675	-
Less deferred amount on refunding	(57,256)	-	6,080	(51,176)	-
Note payable- Provo Reservoir	11,568	-	(275)	11,293	286
Total	$ 32,858,398	$ 5,639,426	$ (1,195,936)	$ 37,301,888	$ 1,201,975

Bonds payable at June 30, 2013, 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.	$ 6,865,000
$5,500,000 Storm Water Revenue Bonds Series 2013 due in annual installments of $125,000 to $320,000, through July, 2038; interest is from 2% to 4% payable semiannually.	5,500,000

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

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.	63,000
$1,700,000 Water Revenue Bond Series 2002B, payable in annual installments of $63,000 to $111,000 until December 2022: 3.04% interest payable semiannually.	976,000
$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.	1,045,000
$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.	70,000
$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.	240,000
$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.	9,715,000
$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%.	9,855,000
$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.	962,000
Tax Increment and Revenue Refunding Bonds- Series 2011	
$18,383,000 Bonds for community renewal projects due in annual payments of $511,000 to $802,000 through December 1, 2021; with a balloon payment of $12,560,000 in December 2021; interest at 5.790%.	17,872,000

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

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.	3,165,000
Sales Tax Revenue Refunding Bonds: $4,390,000 Sales Tax Revenue Refunding Bonds, series 2012; Principal payments in annual installments of $50,000 to $490,000 through December, 2022; interest from 2.0% to 3.0% payable semi-annually. This bond is allocated to different funds As follows: Capital Projects 70%, Water 12%, Sewer 12%, and Storm Drain 6%.	4,340,000
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.	4,375,000
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 no repayment 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.	11,293

The annual requirements to amortize bonds outstanding as of June 30, 2013, including interest, are as follows:

Water Revenue Bonds – 1994

Year Ended June 30,	Principal	Interest	Total
2014	$ 23,000	$ 399	$ 23,399
2015	23,000	268	23,268
2016	24,000	137	24,137
	$ 70,000	$ 804	$ 70,804

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

Water Revenue Bonds – 2010

Year Ended June 30,	Principal	Interest	IRS Subsidy	Net Total
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
	$ 962,000	$ 281,759	$ (98,616)	$ 1,145,143

Water Revenue Bonds – 2002A

Year Ended June 30,	Principal	Interest	Total
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
	$ 63,000	$ -	$ 63,000

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

Water Revenue Bonds – 2008

Year Ended June 30,	Principal	Interest	Total
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
	$ 9,715,000	$ 6,066,119	$ 15,781,119

Water Revenue Bonds – 2002B

Year Ended June 30,	Principal	Interest	Total
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
	$ 976,000	$ 170,391	$ 1,146,391

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

Water Revenue Bonds – 2004

Year Ended June 30,	Principal	Interest	Total
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
	$ 1,045,000	$ 128,452	$ 1,173,452

Water Revenue Bonds – 2006

Year Ended June 30,	Principal	Interest	Total
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
	$ 240,000	$ 30,007	$ 270,007

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

Water Revenue Bonds – 2006B

Year Ended June 30,	Principal	Interest	Total
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
	$ 9,855,000	$ 5,300,856	$ 15,155,856

Tax Increment and Revenue Bonds

Year Ended June 30,	Principal	Interest	Total
2014	$ 541,000	$ 1,019,127	$ 1,560,127
2015	572,000	986,906	1,558,906
2016	605,000	952,831	1,557,831
2017	640,000	916,789	1,556,789
2018	677,000	878,661	1,555,661
2019	717,000	838,305	1,555,305
2020	758,000	795,604	1,553,604
2021	802,000	750,242	1,552,242
2022	12,560,000	363,612	12,923,612
	$ 17,872,000	$ 7,502,077	$ 25,374,077

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

C Road Revenue Bond

Year Ended June 30,	Principal	Interest	Total
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
	$ 3,165,000	$ 464,687	$ 3,629,687

General Obligation Bond

Year Ended June 30,	Principal	Interest	Total
2014	$ 145,000	$ 175,983	$ 320,983
2015	150,000	170,082	320,082
2016	155,000	163,983	318,983
2017	165,000	157,583	322,583
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
	$ 4,375,000	$ 1,983,270	$ 6,358,270

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

	Provo Reservoir Water Users Loan		
Year Ended June 30,	Principal	Interest	Total
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
	$ 11,293	$ 6,744	$ 18,037

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

Storm Water Revenue Bonds Series 2011

Year Ended June 30,	Principal	Interest	Total
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
	$ 6,865,000	$ 3,992,028	$10,857,028

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

Storm Water Revenue Bonds Series 2013

Year Ended June 30,	Principal	Interest	Total
2014	$ -	$ 117,694	$ 117,694
2015	125,000	170,288	295,288
2016	135,000	167,688	302,688
2017	165,000	164,688	329,688
2018	165,000	161,388	326,388
2019	170,000	158,037	328,037
2020	175,000	154,369	329,369
2021	180,000	149,700	329,700
2022	185,000	144,225	329,225
2023	190,000	138,600	328,600
2024	195,000	132,825	327,825
2025	200,000	126,900	326,900
2026	210,000	120,750	330,750
2027	215,000	114,375	329,375
2028	220,000	107,575	327,575
2029	230,000	100,550	330,550
2030	235,000	93,575	328,575
2031	245,000	86,375	331,375
2032	250,000	78,950	328,950
2033	255,000	71,375	326,375
2034	265,000	63,575	328,575
2035	275,000	54,100	329,100
2036	285,000	42,900	327,900
2037	300,000	31,200	331,200
2038	310,000	19,000	329,000
2039	320,000	6,400	326,400
	$ 5,500,000	$ 2,777,102	$ 8,277,102

Storm Water Revenue Bonds Series 2013

Year Ended June 30,	Principal	Interest	Total
2014	$ -	$ 117,694	$ 117,694
2015	125,000	170,288	295,288
2016	135,000	167,688	302,688
2017	165,000	164,688	329,688
2018	165,000	161,388	326,388
2019	170,000	158,037	328,037
2020	175,000	154,369	329,369
2021	180,000	149,700	329,700
2022	185,000	144,225	329,225
2023	190,000	138,600	328,600
2024	195,000	132,825	327,825
2025	200,000	126,900	326,900

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

Subsequent 5-Year Debt Disclosure

The combined principal and interest amounts of the City's bonds and notes for the next 5 years and to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 2,711,286	$ 2,865,127	$ 5,576,413
2015	2,968,297	2,801,822	5,770,119
2016	3,087,309	2,675,955	5,763,264
2017	3,218,322	2,547,179	5,765,501
2018	3,152,334	2,410,924	5,563,258
2019	2,736,348	2,277,999	5,014,347
2020	2,834,362	2,165,338	4,999,700
2021	2,957,376	2,045,104	5,002,480
2022	14,809,473	1,577,835	16,387,308
2023	2,344,492	1,127,019	3,471,511
2024	1,801,512	1,042,474	2,843,986
2025	1,875,533	964,977	2,840,510
2026	1,963,554	883,264	2,846,818
2027	1,940,576	796,869	2,737,445
2028	2,037,599	708,022	2,745,621
2029	2,134,623	613,451	2,748,074
2030	2,231,648	514,181	2,745,829
2031	2,342,673	409,856	2,752,529
2032	2,449,701	300,007	2,749,708
2033	1,320,729	212,529	1,533,258
2034	1,380,758	150,537	1,531,295
2035	680,788	104,095	784,883
2036	705,000	73,775	778,775
2037	740,000	41,650	781,650
2038	310,000	19,000	329,000
2039	320,000	6,400	326,400
Total	$ 65,054,293	$ 29,335,389	$ 94,389,682
Unknown Payment Schedule	2,796,651	-	2,796,651
	$ 67,850,944	$ 29,335,389	$ 97,186,333

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

Advance Refunding

In 2012, the City issued $4,390,000 in sales tax revenue refunding bonds with interest rates from 2.0% to 3.0%. The proceeds were used to advance refund $4,255,000 of outstanding 2002 sales tax revenue bonds. The net proceeds of $4,457,675 (including a $137,325 premium and $15,000 from the city, and after payment of issuance costs of $84,650) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2002 bonds are considered defeased and the liability (except for the final payment of $330,000) has been removed from the statement of net position. The call date for the 2002 bonds was December, 2012. The balance of these bonds were paid and cancelled then.

NOTE 11 - RETIREMENT PLAN

Defined Benefit Plan

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, 12.740% to the Contributory, 16.040% to the Noncontributory, and 30.450% to the Public Safety Noncontributory and 17.710% 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.

NOTE 11 - RETIREMENT PLAN *(Continued)*

Defined Contribution Plan

Certain employees hired after July 1, 2011 can choose to participate in a defined contribution plan under Internal Revenue Code Section 401(k), rather than the defined benefit plan. Employees covered by the Local Government Retirement System have a contribution of up to 12% of covered salaries automatically made by the City. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement.

The required contributions and amounts received for fiscal year 2013 and the two previous years are detailed in the following table:

	Employer Paid for Employee Contributions	Employer Contributions	Salary Subject to Retirement Contributions
Contributory Systems:			
Local Government			
2013	$ -	$ 4,802	$ 56,092
2012	-	918	12,097
2011	-	-	-
Noncontributory System:			
Local Government			
2013	$ -	$ 412,007	$ 2,552,365
2012	-	344,055	2,498,650
2011	-	357,523	2,259,180
Public Safety Systems:			
Other Division A Noncontributory Tier 1			
2013	$ -	$ 341,565	$ 1,217,919
2012	-	277,760	1,207,124
2011	-	268,234	870,811
Firefighters System:			
Division A Tier 1			
2013	$ 98,733	$ 17,450	$ 726,812
2012	94,521	3,140	696,784
2011	94,024	10,746	530,915
Defined Contributions Systems:			
401(k) Plan			
2013	$ 1,532	$ -	
2012	292	-	
2011	-	-	

The contributions for the year were paid by the due date and were equal to the required contributions.

NOTE 11 - RETIREMENT PLAN *(Continued)*

401-K Plan-Other

National Benefit Services administers a 401(k) plan invested with John Hancock Life Insurance Co. The contributions for June 30, 2013, 2012, and 2011 were $154,298, $225,834, and $243,543, 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.

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

The benefits are paid out of current operations (unfunded). The amount paid in the current year is $23,674, in the previous year $28,541, and the second previous year $31,445. The obligation of the plan at year end is $122,829.

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 $240,000.

The city completed payment of about $5,700,000 on a contract in July, 2013 to buy land to upgrade the storm drain system.

The city has four projects under construction at the end of the year:

	Spent in FY 2013	Total Estimated Cost	Estimated Completion Date
1100 West 2600 North Detention Basin	$ 5,242	$ 85,000	12/31/2014
200 South 700 West Waterline Upsize	20,242	450,000	6/30/2014
2013 Insituform Contract	6,894	210,000	8/31/2013
Grove Creek Feeder Line	18,327	280,000	4/30/2014

NOTE 12 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (*Continued)*

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 26, 2013, 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, 2012, the following activity occurred in the City's Redevelopment Agency:

Tax increment collection from other taxing agencies for various project areas	$ 184,874
Tax increment paid to other taxing agencies	-
Outstanding loans to finance CRA projects	17,872,000
Amounts expended for land site improvements and preparation costs	-
Amounts expended for administrative costs and interest paid	1,049,582

OTHER SUPPLEMENTARY INFORMATION

Pleasant Grove

Utah's City of Trees

PLEASANT GROVE CITY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue						
	Dispatch	Swimming Pool	Community Center	Cultural Arts	Library	Debt Service	Total
ASSETS							
Cash & Cash Equivalents	$ 310,888	$ 37,034	$ 38,177	$ 6,819	$ 55,522	$ 4,737	$ 453,177
Restricted for Debt Services	-	-	-	-	-	113,968	113,968
Total Assets	$ 310,888	$ 37,034	$ 38,177	$ 6,819	$ 55,522	$ 118,705	$ 567,145
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and Accrued Liabilities	$ 9,069	$ 20,361	$ 19,328	$ -	$ -	$ -	$ 48,758
Total Liabilities	9,069	20,361	19,328	-	-	-	48,758
FUND BALANCES							
Restricted Fund Balance							
E911 Dispatch Services	301,819	-	-	-	-	-	301,819
Library Purposes	-	-	-	-	55,522	-	55,522
Debt Service	-	-	-	-	-	113,968	113,968
Assigned Fund Balance	-	16,673	18,849	6,819		4,737	47,078
Total Fund Balances	301,819	16,673	18,849	6,819	55,522	118,705	518,387
Total Liabilities and Fund Balances	$ 310,888	$ 37,034	$ 38,177	$ 6,819	$ 55,522	$ 118,705	$ 567,145

PLEASANT GROVE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2013

	Special Revenue						
	Dispatch	Swimming Pool	Community Center	Cultural Arts	Library	Debt Service	Total
REVENUES							
Property Taxes	$ -	$ -	$ -	$ -	$ -	$ 318,084	$ 318,084
Intergovernmental	217,533	-	-	-	8,211	-	225,744
Charges for Services	-	224,951	993,048	87,718	-		1,305,717
Interest	1,663	-	-	-	233	164	2,060
Other Revenue	-	-	-	274	4,059	-	4,333
Total Revenues	219,196	224,951	993,048	87,992	12,503	318,248	1,855,938
EXPENDITURES							
Current							
Public Safety	490,413	-	-	-	-	-	490,413
Parks and Recreation	-	387,266	1,043,108	103,558	9,551	-	1,543,483
Debt Service							
Principal	-	-	-	-	-	986,000	986,000
Interest and Fees	-	-	-	-	-	451,079	451,079
Total Expenditures	490,413	387,266	1,043,108	103,558	9,551	1,437,079	3,470,975
Excess (Deficiency) of Revenues over Expenditures	(271,217)	(162,315)	(50,060)	(15,566)	2,952	(1,118,831)	(1,615,037)
Othr Financing Sources (Uses)							
Transfers In	63,095	168,000	36,888	17,616	-	1,120,198	1,405,797
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	63,095	168,000	36,888	17,616	-	1,120,198	1,405,797
Net Change in Fund Balance	(208,122)	5,685	(13,172)	2,050	2,952	1,367	(209,240)
Fund Balances - July 1	509,941	10,987	32,021	4,768	52,571	117,339	727,627
Fund Balances - June 30	$ 301,819	$ 16,672	$ 18,849	$ 6,818	$ 55,523	$ 118,706	$ 518,387

PLEASANT GROVE CITY

Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Impact Fees	$ 150,000	$ 275,000	$ 854,758	$ 579,758
Interest	-	-	2,284	2,284
Miscellaneous	-	80,000	80,000	-
Total Revenue	150,000	355,000	937,042	582,042
CAPITAL EXPENDITURES				
General Government	50,163	146,354	161,053	(14,699)
Public Works	248,730	510,730	422,951	87,779
Public Safety	239,901	249,901	217,998	31,903
Parks and Recreation	65,393	214,687	165,209	49,478
Debt Service				
Principal Retirement	180,147	180,147	172,162	7,985
Interest and Fees	45,600	45,600	44,967	633
Total Expenditures	829,934	1,347,419	1,184,340	163,079
Excess (Deficiency) of revenues Over Expenditures	(679,934)	(992,419)	(247,298)	745,121
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	175,000	279,856	279,681	(175)
Transfers In	473,950	493,864	450,456	(43,408)
Transfer Out	(350,810)	(350,810)	(350,810)	-
Total Other Financing Sources (Uses)	298,140	422,910	379,327	(43,583)
Net Change in Fund Balance	(381,794)	(569,509)	132,029	701,538
Fund Balance - July 1	639,171	639,171	639,171	-
Fund Balance - June 30	$ 257,377	$ 69,662	$ 771,200	$ 701,538

PLEASANT GROVE CITY

Dispatch Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 200,000	$ 205,346	$ 217,533	$ 12,187
Interest	1,500	1,500	1,663	163
Total Revenue	201,500	206,846	219,196	12,350
EXPENDITURES				
Public Safety	415,050	491,396	490,413	983
Total Expenditures	415,050	491,396	490,413	983
Excess (Deficiency) of revenues Over Expenditures	(213,550)	(284,550)	(271,217)	13,333
OTHER FINANCING SOURCES (USES)				
Transfers In	63,100	63,100	63,095	(5)
Total Other Financing Sources (Uses)	63,100	63,100	63,095	(5)
Net Change in Fund Balance	(150,450)	(221,450)	(208,122)	13,328
Fund Balance - July 1	509,941	509,941	509,941	-
Fund Balance - June 30	$ 359,491	$ 288,491	$ 301,819	$ 13,328

PLEASANT GROVE CITY

Swimming Pool Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Charges for Services	$ 227,500	$ 227,500	$ 224,951	$ (2,549)
Total Revenue	227,500	227,500	224,951	(2,549)
EXPENDITURES				
Parks & Recreation	395,500	395,500	387,266	8,234
Total Expenditures	395,500	395,500	387,266	8,234
Excess (Deficiency) of revenues Over Expenditures	(168,000)	(168,000)	(162,315)	5,685
OTHER FINANCING SOURCES (USES)				
Transfers In	168,000	168,000	168,000	-
Total Other Financing Sources (Uses)	168,000	168,000	168,000	-
Net Change in Fund Balance	-	-	5,685	5,685
Fund Balance - July 1	10,987	10,987	10,987	-
Fund Balance - June 30	$ 10,987	$ 10,987	$ 16,672	$ 5,685

PLEASANT GROVE CITY

Community Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Charges for Services	$ 913,804	$ 1,001,304	$ 993,048	$ (8,256)
Total Revenue	913,804	1,001,304	993,048	(8,256)
EXPENDITURES				
Parks & Recreation	950,690	1,038,190	1,043,108	(4,918)
Total Expenditures	950,690	1,038,190	1,043,108	(4,918)
Excess (Deficiency) of revenues Over Expenditures	(36,886)	(36,886)	(50,060)	(13,174)
OTHER FINANCING SOURCES (USES)				
Transfers In	36,886	36,886	36,888	2
Total Other Financing Sources (Uses)	36,886	36,886	36,888	2
Net Change in Fund Balance	-	-	(13,172)	(13,172)
Fund Balance - July 1	32,021	32,021	32,021	-
Fund Balance - June 30	$ 32,021	$ 32,021	$ 18,849	$ (13,172)

PLEASANT GROVE CITY

Cultural Arts
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Charges for Services	$ 94,900	$ 94,900	$ 87,718	$ (7,182)
Donations	-	-	274	274
Total Revenue	94,900	94,900	87,992	(6,908)
EXPENDITURES				
Parks & Recreation	103,590	103,590	103,558	32
Total Expenditures	103,590	103,590	103,558	32
Excess (Deficiency) of revenues Over Expenditures	(8,690)	(8,690)	(15,566)	(6,876)
OTHER FINANCING SOURCES (USES)				
Transfers In	17,612	17,612	17,616	4
Total Other Financing Sources (Uses)	17,612	17,612	17,616	4
Net Change in Fund Balance	8,922	8,922	2,050	(6,872)
Fund Balance - July 1	4,768	4,768	4,768	-
Fund Balance - June 30	$ 13,690	$ 13,690	$ 6,818	$ (6,872)

PLEASANT GROVE CITY

Library Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ 7,800	$ 8,211	$ 411
Interest	250	250	233	(17)
Miscellaneous	4,000	4,000	4,059	59
Total Revenue	4,250	12,050	12,503	453
EXPENDITURES				
Parks & Recreation	4,250	12,050	9,551	2,499
Total Expenditures	4,250	12,050	9,551	2,499
Excess (Deficiency) of revenues Over Expenditures	-	-	2,952	2,952
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	2,952	2,952
Fund Balance - July 1	52,571	52,571	52,571	-
Fund Balance - June 30	$ 52,571	$ 52,571	$ 55,523	$ 2,952

PLEASANT GROVE CITY

Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variances with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 318,083	$ 318,083	$ 318,084	$ 1
Interest	-	-	164	164
Total Revenue	318,083	318,083	318,248	165
EXPENDITURES				
Debt Service				
Principal Retirement	986,000	986,000	986,000	-
Interest and Fees	452,281	452,281	451,079	1,202
Total Expenditures	1,438,281	1,438,281	1,437,079	1,202
Excess (Deficiency) of revenues Over Expenditures	(1,120,198)	(1,120,198)	(1,118,831)	1,367
OTHER FINANCING SOURCES (USES)				
Transfers In	1,120,198	1,120,198	1,120,198	-
Total Other Financing Sources (Uses)	1,120,198	1,120,198	1,120,198	-
Net Change in Fund Balance	-	-	1,367	1,367
Fund Balance - July 1	117,339	117,339	117,339	-
Fund Balance - June 30	$ 117,339	$ 117,339	$ 118,706	$ 1,367

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 **84-89**
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 **90-98**
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 **99-103**
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 **104-106**
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 **107-108**
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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net Investment in Capital Assets	$ 40,560	$ 43,699	$ 48,368	$ 42,280	$ 44,835	$ 47,283	$ 47,248	$ 49,239	$ 50,312	$ 50,796
Restricted	1,700	1,606	1,890	2,309	6,435	4,379	3,216	2,857	2,774	3,056
Unrestricted	3,039	4,978	5,657	3,126	585	3,035	3,556	2,939	2,166	2,426
Total government activities net position	45,300	50,283	55,915	47,715	51,856	54,697	54,020	55,035	55,252	56,278
Business-type activities										
Net Investment in Capital Assets	21,347	24,701	28,265	37,316	40,270	39,175	40,001	40,329	47,175	48,324
Restricted	-	-	-	-	-	-	2,639	1,731	1,638	2,536
Unrestricted	5,919	5,661	6,796	7,269	6,747	8,249	4,150	4,998	4,929	5,927
Total business-type activities net position	27,265	30,362	35,061	44,585	47,016	47,424	46,789	47,058	53,742	56,787
Primary government										
Net Investment in Capital Assets	61,907	68,399	76,633	79,596	85,105	86,458	87,248	89,568	97,487	99,120
Restricted	1,700	1,606	1,890	2,309	6,435	4,379	5,855	4,588	4,412	5,592
Unrestricted	8,958	10,640	12,453	10,395	7,331	11,283	7,706	7,937	7,095	8,353
Total primary government net position	$ 72,565	$ 80,645	$ 90,976	$ 92,300	$ 98,872	$ 102,121	$ 100,809	$ 102,093	$ 108,994	$ 113,065

PLEASANT GROVE CITY

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	$ 2,687	$ 3,386	$ 3,961	$ 4,057	$ 4,689	$ 4,664	$ 3,344	$ 3,213	$ 3,127	$ 2,975
Community Services	-	-	-	-	-	-	939	826	995	1,234
Public Works	2,159	2,048	2,289	18,451	2,150	3,453	3,594	3,586	2,337	2,424
Public Safety	3,487	3,611	3,792	4,268	5,302	5,257	5,601	5,452	5,496	5,634
Parks & Recreation	2,041	2,093	2,464	2,481	2,686	3,280	3,681	3,469	3,820	3,958
Interest on long-term debt	644	502	517	899	1,453	1,501	1,268	1,672	1,665	1,489
Total governmental activities expense	11,018	11,639	13,021	30,156	16,280	18,156	18,427	18,218	17,440	17,714
Business-type activities										
Water	2,194	2,297	2,004	2,451	3,089	3,609	3,976	4,548	5,086	5,517
Sewer	1,932	2,087	2,369	2,411	2,609	2,673	3,134	3,521	3,380	3,632
Storm Drain	258	318	385	375	475	476	534	581	857	1,089
Sanitation	-	-	-	-	-	-	-	-	1,320	1,324
Total business-type activities expense	4,384	4,702	4,758	5,236	6,173	6,757	7,644	8,650	10,643	11,562
Total primary government expenses	15,402	16,342	17,779	35,393	22,453	24,913	26,072	26,868	28,083	29,276
Program Revenues										
Governmental activities:										
Charges for services:										
General government	3,569	3,099	3,234	3,485	3,556	3,171	1,992	1,758	2,071	2,278
Community Services	-	-	-	-	-	-	331	293	187	406
Public Works	526	45	52	41	-	-	1,065	1,359	-	4
Public Safety	1,744	1,890	2,143	2,478	2,794	976	808	734	871	844
Parks & Recreation	605	845	904	907	855	1,060	1,398	1,456	1,541	1,611
Operating grants and contributions	1,210	1,230	1,235	1,222	195	671	432	544	529	376
Capital grants and contributions	1,816	3,149	3,498	5,348	4,382	6,064	1,845	3,151	1,903	2,581
Total governmental activities programs revenues	9,469	10,259	11,066	13,481	11,781	11,942	7,870	9,295	7,102	8,100
Business-type activities:										
Charges for services:										
Water	2,394	1,920	2,255	2,504	3,147	3,070	3,045	3,479	4,165	4,959
Sewer	2,363	1,931	2,026	2,184	2,416	2,229	2,961	3,253	3,886	4,280
Storm Drain	264	285	291	363	400	395	403	591	968	1,239
Sanitation	-	-	-	-	-	-	-	-	1,320	1,325
Capital grants and contributions	3,396	3,509	4,691	9,055	2,174	1,310	560	1,579	6,965	2,769
Total business-type activities program revenues	8,416	7,645	9,263	14,106	8,137	7,004	6,970	8,902	17,304	14,572
Total primary governmental program revenues	17,885	17,904	20,329	27,587	19,918	18,946	14,840	18,197	24,406	22,672

PLEASANT GROVE CITY
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	$ (1,548)	$ (1,381)	$ (1,956)	$ (16,675)	$ (4,499)	$ (6,214)	$ (10,557)	$ (8,923)	$ (10,338)	$ (9,614)
Business-type activities	4,032	2,943	4,506	8,870	1,964	247	(674)	252	6,661	3,010
Total primary government net expense	2,484	1,562	2,550	(7,805)	(2,535)	(5,968)	(11,231)	(8,671)	(3,677)	(6,604)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	2,563	2,488	2,560	2,789	2,925	3,338	3,346	2,969	3,151	3,226
Sales taxes	2,241	2,540	3,108	3,774	3,855	3,498	3,308	3,523	3,752	3,849
Franchise taxes	895	1,161	1,362	1,418	1,529	1,580	1,086	1,160	1,593	1,654
Other taxes	-	-	-	-	-	-	667	686	312	316
Investment earnings	106	156	307	388	262	231	10	24	22	11
Miscellaneous	-	20	88	150	56	409	1,463	1,576	1,726	1,584
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	5,804	6,364	7,587	8,475	8,639	9,056	9,880	9,938	10,556	10,640
Business-type activities:										
Investment earnings	62	131	259	654	467	160	40	17	23	35
Total business-type activities	62	153	540	654	467	160	40	17	23	35
Total primary government	5,866	6,518	8,127	9,129	9,107	9,216	9,919	9,955	10,579	10,675
Change in Net Position										
Governmental activities	4,256	4,983	5,632	(8,200)	4,141	2,842	(677)	1,015	218	1,026
Business-type activities	4,094	3,096	5,045	9,524	2,431	407	(634)	269	6,684	3,045
Total primary government	$ 8,350	$ 8,080	$ 10,677	$ 1,324	$ 6,572	$ 3,249	$ (1,312)	$ 1,284	$ 6,902	$ 4,071

PLEASANT GROVE CITY

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable										
Prepaid Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 274	$ 276	$ 241
Restricted for										
Donations	-	-	-	-	-	-	286	298	338	361
Class C Road Funds	331	63	232	351	4,886	2,888	328	1,620	1,740	1,672
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	3,145	3,421	964	2,510	5,586	4,512	3,230	2,011	2,104	2,686
Total general fund	$ 3,476	$ 3,823	$ 3,205	$ 5,306	$ 11,157	$ 8,188	$ 6,126	$ 4,203	$ 4,458	$ 4,960
All Other Governmental Funds										
Restriced for										
Debt Service	-	-	-	-		-	208	200	134	114
Dispatch	-	-	-	-		-	-	685	510	302
Library Grants	-	-	-	-		-	-	54	53	55
Impact Fees	1,369	1,543	1,095	1,288	871	709	673	-	-	552
Assigned to										
MBA	823	618	493	-	40	40	40	40	-	-
Debt Service	417	367	219	69	-	38	73	86	117	5
Capital Projects	135	1,617	4,316	3,355	-	2,517	303	1,036	506	219
Swimming Pool	-	-	-	-	-	-	-	5	11	17
Community Center	-	-	-	-	-	-	-	-	32	19
Cultural Arts	-	-		-	-	-	-	-	5	7
Redevelopment	-	-	-	-	-	-	-	-	-	14
Unassigned	(1,696)	(1,571)	(1,572)	(390)	(1,330)	(916)	(498)	(275)	(140)	-
Total all other governmental funds	$ 1,048	$ 2,574	$ 4,551	$ 4,322	$ (419)	$ 2,388	$ 799	$ 1,831	$ 1,228	$ 1,304

PLEASANT GROVE CITY

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 5,401	$ 5,937	$ 6,844	$ 7,811	$ 8,297	$ 8,318	$ 8,593	$ 8,453	$ 8,745	$ 9,158
Licenses, fees, and permits	987	945	838	914	488	285	212	254	260	480
Intergovernmental	1,076	1,089	1,251	1,453	1,318	1,506	1,398	1,713	2,012	1,367
Charges for services	3,979	4,302	4,715	4,222	5,881	4,027	4,234	4,602	3,665	4,012
Fines and penalties	403	545	577	1,589	512	556	554	406	541	354
Investment earnings	-	-	-	-	-	-	31	24	25	23
Impact fees	1,094	1,172	965	883	556	253	193	170	213	855
Miscellaneous	532	744	772	792	717	687	441	344	1,926	1,857
Total Revenues	13,472	14,735	15,964	17,665	17,771	15,631	15,656	15,966	17,387	18,106
Expenditures										
General government	2,745	3,233	3,763	4,038	4,642	4,398	3,145	3,152	2,927	2,883
Community Development	-	-	-	-	-	-	912	872	984	1,197
Public Works	2,216	1,634	2,137	21,807	3,681	5,745	3,211	1,933	552	566
Public Safety	3,385	3,843	3,890	4,240	5,154	5,969	5,205	5,388	5,781	5,476
Parks and Recreation	2,151	2,432	3,438	2,839	10,676	5,473	3,003	3,013	3,313	3,410
Capital outlay	-	-	-	-	-	-	2,597	791	1,128	1,071
Debt service										
Principal	1,710	1,235	1,218	1,851	668	886	1,373	1,652	19,658	1,669
Other	-	-	-	-	217	-	-	-	327	-
Interest	567	484	497	803	1,157	1,371	1,417	1,633	1,655	1,546
Total expenditures	12,775	12,862	14,944	35,578	26,195	23,843	20,865	18,434	36,325	17,818
Excess of revenues over (under) expenditures	697	1,873	1,020	(17,913)	(8,425)	(8,212)	(5,208)	(2,468)	(18,938)	288

PLEASANT GROVE CITY

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Issuance of long term debt	-	-	-	19,785	9,534	3,813	232	-	18,588	280
Contributions	-	-	88	-	-	4,237	1,325	1,548	-	-
Sale of capital assets	-	-	251	-	-	-	-	29	2	11
Transfers in	481	1,409	3,096	761	350	850	353	3,423	1,995	1,856
Transfers out	(481)	(1,409)	(3,096)	(761)	(350)	(850)	(353)	(3,423)	(1,995)	(1,856)
Total other financing sources (uses)	-	-	339	19,785	9,534	8,050	1,557	1,577	18,590	291
Net change in fund balances	$ 697	$ 1,873	$ 1,359	$ 1,872	$ 1,110	$ (161)	$ (3,651)	$ (891)	$ (348)	$ 579
Debt service as a percentage of noncapital expenditures	18%	13%	11%	7%	7%	9%	15%	19%	61%	19%

PLEASANT GROVE CITY

Assessed Value and Estimate Actual Value of Taxable Property
Last Six 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
2008	$ 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	60.35%
2009	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	60.59%
2010	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	64.01%
2011	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	63.61%
2012	907,493,921	37,807,763	273,473,233	11,213,083	38,340,394	23,502,948	1,291,831,342	0.002256	2,034,326,368	63.50%
2013	884,678,708	4,901,512	235,485,237	84,445,189	37,354,730	24,629,403	1,271,494,779	0.002315	2,015,590,980	63.08%

Source: Utah State Tax Commission
Notes: Data for Years Previous to 2008 Unavailable

PLEASANT GROVE CITY

Direct and Overlapping Property Tax Rates
Last Ten 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
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
2012	2.035	0.280	2.315	8.828	1.324	0.029	0.455
2013	1.968	0.269	2.237	8.699	1.259	0.028	0.446

Source: Utah State Tax Commission

PLEASANT GROVE CITY

Principal Property Tax Payers
Current Year and Four Years ago

	2013			2009		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
BW Inc	$ 11,970,700	1	0.94%			
Pleasant Springs, LLC	11,028,270	2	0.87%			
Pacificorp	10,845,858	3	0.85%	$ 8,993,112	1	0.615%
Thorneberry, LTD	9,283,230	4	0.73%	5,610,550		0.384%
Questar	9,161,851	5	0.72%			
Jacqueline A Dowdy	9,110,700	6	0.72%			
Green Grove Apartments	7,576,250	7	0.60%	7,497,270	3	0.513%
Quail Run Partners, LLC	7,276,600	8	0.57%			
Pen & Ink, LTD	7,199,235	9	0.57%	7,041,763	4	0.482%
Barnard PG, LLC	6,309,800	10	0.50%			
Amsource Pleasant Grove, LC				7,991,800	2	0.547%
Continental Pipe Manufacturing Co				6,975,200	5	0.477%
Qwest				6,628,352	6	0.454%
Pleasant Development, LLC				5,872,500	7	0.402%
DMB Investments				5,793,000	8	0.396%
Firmage Grove, LC				5,523,000	10	0.378%
Total	$ 89,762,494		7.060%	$ 67,926,547		4.649%

Source: Utah County
Note: Data for Years Previous to 2009 Unavailable

PLEASANT GROVE CITY

Property Tax Levied and Collections
Last Eight Fiscal 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
2006	$ 2,037,866	$ 1,866,118	91.57%	$ 171,748	$ 2,037,866	100.00%	N/A	N/A
2007	2,154,385	1,977,393	91.78%	176,992	2,154,385	100.00%	N/A	N/A
2008	2,150,726	1,924,586	89.49%	226,140	2,150,726	100.00%	N/A	N/A
2009	2,635,201	2,336,693	88.67%	297,953	2,634,646	99.98%	N/A	N/A
2010	2,741,579	2,425,620	88.48%	308,450	2,734,070	99.73%	315,959	11.52%
2011	2,871,198	2,588,246	90.15%	262,210	2,850,456	99.28%	130,727	4.55%
2012	2,881,705	2,660,568	92.33%	187,630	2,848,198	98.84%	241,759	8.39%
2013	2,909,989	2,669,886	91.75%	-	2,669,886	91.75%	132,267	4.55%

Source: Utah County
Note: Data for Years Previous to 2006 Unavailable

PLEASANT GROVE CITY

Ratios of General Bonded Debt Outstanding
Last Six Fiscal Years

Calendar Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2008	$ -	$ -	$ -	$ -	$ -
2009	4,885,000	-	4,885,000	0.197%	152.66
2010	4,765,000	-	4,765,000	0.209%	144.39
2011	4,640,000	-	4,640,000	0.211%	138.47
2012	4,510,000	-	4,510,000	0.222%	130.97
2013	4,375,000	-	4,375,000	0.217%	126.74

Source: Utah County

PLEASANT GROVE CITY

Taxable Sales by Category
Last Four Fiscal Years

	Fiscal Year			
	2013	2012	2011	2010
Automobile	40,772,800	38,173,001	33,950,700	31,807,500
Grocery	36,869,000	38,167,647	39,570,400	39,884,300
Utility/Communication	31,018,600	30,193,491	29,617,100	29,361,500
Construction/Home Improvement	15,007,900	12,455,329	9,950,700	6,688,500
Restaurant	9,384,400	10,319,663	8,708,500	7,926,200
Eating & drinking establishments	5,597,700	4,933,840	3,580,100	540,600
Gas Station	2,850,300	4,704,282	4,239,000	3,793,300
Industrial Equipment	2,817,700	22,082,327	17,417,800	2,922,000
Health/Nutrician	2,809,900	2,822,552	2,510,500	2,248,800
Department Store	2,359,500	2,759,682	3,306,000	2,778,700
Household Goods	2,024,000	2,083,668	N/A	N/A
Entertainment	1,874,200	1,726,299	2,075,600	1,023,900
Technology	1,423,600	1,362,133	4,427,200	1,651,000
Mail Order	1,385,600	1,403,103	1,755,000	669,400
Shipping	1,288,300	N/A	N/A	N/A
Fitness	1,149,900	N/A	N/A	N/A
All Other Outlets	47,544,200	40,502,125	41,477,300	154,620,400
Totals	$ 206,177,600	$ 213,689,142	$ 202,585,900	$ 285,916,100
City direct sales tax rate	1.00%	1.00%	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
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%
2012	1.000%	0.800%	4.950%
2013	1.000%	0.800%	4.950%

Sources: Utah State Tax Commission

PLEASANT GROVE CITY
Principal Sales Tax Remitters
Fiscal Years 2010 and 2013

Fiscal Year 2013	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
Metro Ready Mix	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	$ 891,894	**Total**	$ 767,998
Total Citywide Collections	$ 2,061,776	Total Citywide Collections	$ 1,659,142
Top 10 as a Percentage of Total Collections	43.26%	Top 10 as a Percentage of Total Collections	46.29%
Top 10 as a Percentage of Total Revenue[2]	11.59%	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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water Sales	$ 1,583,366	$ 1,597,464	$ 2,025,963	$ 2,186,376	$ 2,296,950	$ 1,938,812	$ 1,671,055	$ 2,113,172	$ 2,381,503	$ 2,726,070
Secondary Water	65,490	82,700	102,732	175,285	680,637	991,627	1,181,043	1,316,610	1,730,614	2,099,510
Other	279,663	239,936	239,365	142,725	169,438	139,503	193,357	49,023	53,426	120,684
Totals	$ 1,928,519	$ 1,920,100	$ 2,368,060	$ 2,504,386	$ 3,147,025	$ 3,069,944	$ 3,045,455	$ 3,478,805	$ 4,165,543	$ 4,946,264

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	Sales Tax Revenue	Other Long-Term Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2004	908	3,330	4,774	1,373	174	-	-	3,392	1,277	409	-	-	15,637	N/A	N/A
2005	614	2,910	4,599	1,124	77	-	-	3,476	1,197	294	-	-	14,291	N/A	N/A
2006	313	2,475	4,420	862	35	201	-	4,601	1,115	379	-	21	14,401	N/A	N/A
2007	-	2,020	4,235	-	-	219	19,785	16,492	1,029	363	-	23	44,143	N/A	N/A
2008	5,029	6,050	4,043	-	-	223	19,785	15,896	940	347	-	25	52,313	N/A	N/A
2009	4,886	5,463	3,847	-	913	3,408	19,785	26,182	848	330	-	28	65,662	N/A	N/A
2010	4,792	4,935	3,644	-	1,023	3,649	19,250	24,808	128	-	1,561	78	62,229	N/A	N/A
2011	4,665	4,387	3,430	-	908	3,474	18,690	25,036	65	7,093	1,470	102	69,218	12.23%	2,066
2012	4,534	3,814	3,260	-	910	3,539	18,383	24,252	-	7,091	1,398	117	65,783	10.58%	1,910
2013	4,398	3,216	2,999	-	1,018	3,506	17,872	23,424	-	12,494	1,285	99	70,311	11.48%	2,037

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, 2013

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Alpine School District	$ 373,595,000	9.10%	$ 33,984,382
Utah County	1,680,000	5.48%	92,136
Central Utah Water Cons. District	267,433,944	1.08%	2,880,094
Subtotal, overlapping debt			36,956,613
City direct debt			33,009,406
Total direct and overlapping debt			$ 69,966,019

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 2013

Assessed value (in thousands)	$ 2,015,591
Debt limit (4% of assessed value)	80,624
Debt applicable to limit:	
General obligation bonds	(4,375)
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	(4,375)
Legal debt margin	$ 76,249

	Fiscal Year					
	2008	2009	2010	2011	2012	2012
Debt limit	$ 90,684	$ 98,952	$ 91,304	$ 87,920	$ 81,373	$ 80,624
Total net debt applicable to limit	(5,000)	(4,885)	(4,765)	(4,640)	(4,510)	(4,375)
Legal debt margin	$ 85,684	$ 94,067	$ 86,539	$ 83,280	$ 76,863	$ 76,249
Total net debt applicable to the limit as a percentage of debt limit	5.51%	4.94%	5.22%	5.28%	5.54%	5.43%

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						Storm Water 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
2004	2,398	1,649	749	92	53	5.15	-	-	-	-	-	N/A	-	-	-	0.00
2005	2,505	1,739	766	94	55	5.13	-	-	-	-	-	N/A	-	-	-	0.00
2006	2,776	2,141	635	92	53	4.36	-	-	-	-	-	N/A	-	-	-	0.00
2007	3,298	1,633	1,665	163	395	2.98	-	-	-	-	-	N/A	3,774	265	611	4.31
2008	3,594	1,715	1,879	432	619	1.79	-	-	-	-	-	N/A	3,855	275	1,066	2.88
2009	3,318	1,833	1,484	462	1,066	0.97	-	-	-	-	-	N/A	3,498	280	1,057	2.62
2010	3,160	1,867	1,293	690	1,102	0.72	-	-	-	-	-	N/A	3,308	825	1,036	1.78
2011	3,637	2,304	1,333	733	1,078	0.74	-	-	-	-	-	N/A	3,523	865	1,222	1.69
2012	4,911	2,765	2,146	758	1,052	1.19	1,233	486	747	-	164	4.55	3,752	895	1,279	1.73
2013	5,787	3,048	2,739	815	1,052	1.47	1,372	529	843	185	270	1.85	3,849	861	1,169	1.90

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
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
2012	3,752	315	167	7.78	317	130	187	1.00	954	560	211	1.24
2013	3,849	350	119	8.21	321	145	176	1.00	991	585	183	1.29

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 Six 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%
2011	34,435	621,512,350	18,049	5.3%
2012	34,519	612,229,952	17,736	4.5%

Note 1: Data for Years Previous to 2007 Unavailable
Note 2: Unemployment Rate is for Utah County

PLEASANT GROVE CITY

Principal Employers
Current Year and Seven Years Ago

	2013	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
Accelerated Payment Tech.	50-99	
Alpine Pediatrics	50-99	50-99
Brundage Bone Pumping		50-99
Daybreak Training Services	50-99	50-99
JD Steel Co	50-99	
Lincoln Academy	50-99	
Mission Health Services	50-99	
Netsteps, LLC	50-99	
Quail Run Primary School	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
US Mechanical Limited	50-99	
Utah Pacific Bridge & Steel	50-99	
Warburtons	50-99	
Westroc, Inc.		50-99

Source: Utah Department of Workforce Services
Note 1: Data for Years Previous to 2006 Unavailable
Note 2: The State of Utah only tracks employees by range of employees. Therefore, we are not able to report each employer as a percentage of total employment.

PLEASANT GROVE CITY

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

	Full-time-Equivalent Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	3.0	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	3.0	3.0	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	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0	7.0
Police										
Officers	31.0	31.0	29.0	32.0	33.0	26.0	25.0	25.0	25.0	25.0
Civilians	4.0	6.0	6.0	7.0	8.0	7.0	8.0	8.0	8.0	8.0
Fire										
Firefighters and officers	3.0	4.0	4.0	3.0	4.0	5.0	14.0	15.0	15.0	15.0
Refuse collections										
Other public works										
Engineering	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Streets	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Storm Drain	1.0	1.0	1.0	2.0	2.0	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	1.0	1.0
Redevelopment	-	-	1.0	1.0	-	-	-	-	-	-
Parks and recreation	10.0	10.0	12.0	12.0	15.0	15.0	15.0	15.0	15.0	15.0
Library	1.0	1.0	1.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Water/Sewer	7.0	8.0	8.0	8.0	9.0	9.0	10.0	10.0	10.0	10.0
Total	81.0	86.0	87.0	93.0	100.0	94.0	104.0	105.0	104.0	105.0

Source: Pleasant Grove City

PLEASANT GROVE CITY

Operating Indicators by Function/Program
Last Two Fiscal Years

Function/Program	Fiscal Year 2011	2012	2013
General government			
Building permits issued	178	260	361
Building inspections conducted	1,713	1,714	4,215
Police			
Physical arrests	1608	1,359	581
Parking violations	327	4	-
Traffic violations	3,302	4,608	2,798
Fire			
Emergency responses	859	1,388	1,199
Number of Transports	592	573	500
Average Response Time (Minutes)	5	5	4:14
Other public works			
Potholes repaired (tons of asphalt)	410	431	457
Parks and recreation			
Daily program participants	12,761	11,813	12,298
Community center admissions	147,356	135,866	141,540
Water			
New connections	41	64	143
Water main breaks	66	82	127
Average daily consumption (thousands of gallons)	2,623	2,821	2,709

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

PLEASANT GROVE CITY

Capital Asset Statistics by Function/Program
Last Two Fiscal Years

Function/Program	Fiscal Year 2011	2012	2013
Police			
Stations	1	1	1
Patrol units	25	25	26
Fire Stations	1	1	1
Other public works			
Streets (miles)	111	205	117
Streetlights	1,070	3,974	1,150
Storm Drain (miles)	69	101	72
Parks and recreation			
Acreage	92	92	92
Playgrounds	8	8	8
Baseball/softball diamonds	7	7	7
Soccer/football fields	9	9	9
Community centers	1	1	1
Water			
Culinary Water Lines (miles)	136	151	152
Irrigation Water Lines (miles)	103	104	105
Fire Hydrants	N/A	1,223	1,240
Culinary Storage (thou. of gallons)	11,000	11,000	11,000
Irrigation Storage (thou. of gallons)	22,732	22,732	22,732
Wastewater			
Sanitary sewers (miles)	N/A	110	110

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

OTHER REPORTS

Pleasant Grove

Utah's City of Trees

GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

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

Honorable Mayor and City Council
Pleasant Grove City
Pleasant Grove, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pleasant Grove City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pleasant Grove City's basic financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
(801) 756-9666
FAX (801) 756-9667

PROVO OFFICE
190 WEST 800 NORTH #100
PROVO, UT 84601
(801) 377-5300
FAX (801) 373-5622

HEBER OFFICE
2 SOUTH MAIN, SUITE 2A
HEBER, UT 84032
(435) 654-6477
FAX (801) 373-5622

WWW.GILBERTANDSTEWART.COM

Purpose of this Report

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

GILBERT & STEWART

Gilbert & Stewart

Certified Public Accountants
December 26, 2013

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RANDEL A HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

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

Honorable Mayor and City Council
Pleasant Grove City
Pleasant Grove, Utah

REPORT ON COMPLIANCE

We have audited Pleasant Grove City'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, 2013.

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

Cash Management
Budgetary Compliance
Fund Balance
Justice Courts
Impact Fees
Utah Retirement System Compliance
Transfers from Utility Enterprise Funds
Government Records Access Management Act
Conflicts of Interest
Nepotism
Utah Public Finance Website
Open & Public Meetings Act
State Loans and Grants

The City received the following major assistance programs from the State of Utah during the year ended June 30, 2013:

B&C Roads
E 911 Fees

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *State of Utah legal Compliance Audit Guide.* Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
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City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements

Opinion

In our opinion, Pleasant Grove City complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A deficiency in internal control over compliance 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, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

We did note certain deficiencies which we are submitting for your consideration. This matter is described in the accompanying letter to management.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying letter to management. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

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

GILBERT & STEWART

Gilbert & Stewart

Certified Public Accountants
December 26, 2013