

CITY OF PROVIDENCE
FINANCIAL STATEMENTS
June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council City of Providence, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Utah (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2011 financial statements and, in our report dated December 29, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, the respective changes in financial position, and, where applicable, cash flows, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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.

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

Wisma, Smith, Rober & Russell, LLP

Salt Lake City, Utah
December 7, 2012

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

This document is a narrative overview and analysis of the financial activities of City of Providence (the City) for the fiscal year ending June 30, 2012. The City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the City's activities are classified in the following manner: governmental activities include basic services such as highway and public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water, wastewater, and storm water. The government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Financial Highlights

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column and the remaining funds are combined into a column titled "Other Government Funds." A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenues, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Supplementary Information section of this report.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2012 and 2011 follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Cash and cash equivalents	\$ 2,251,305	\$ 2,145,520	\$ 4,158,428	\$ 3,658,347	\$ 6,409,733	\$ 5,803,867
Other current assets	688,835	640,413	230,099	156,465	918,934	796,878
Non-current assets	<u>3,299,015</u>	<u>2,820,321</u>	<u>8,454,373</u>	<u>8,744,564</u>	<u>11,753,388</u>	<u>11,564,885</u>
TOTAL ASSETS	<u>\$ 6,239,155</u>	<u>\$ 5,606,254</u>	<u>\$ 12,842,900</u>	<u>\$ 12,559,376</u>	<u>\$ 19,082,055</u>	<u>\$ 18,165,630</u>
LIABILITIES						
Current liabilities	\$ 693,794	\$ 651,489	\$ 358,536	\$ 301,469	\$ 1,052,330	\$ 952,958
Long term liabilities	<u>-</u>	<u>-</u>	<u>893,000</u>	<u>1,167,000</u>	<u>893,000</u>	<u>1,167,000</u>
TOTAL LIABILITIES	<u>\$ 693,794</u>	<u>\$ 651,489</u>	<u>\$ 1,251,536</u>	<u>\$ 1,468,469</u>	<u>\$ 1,945,330</u>	<u>\$ 2,119,958</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 3,299,015	\$ 2,820,321	\$ 7,277,835	\$ 7,344,668	\$ 10,576,850	\$ 10,164,989
Restricted	1,720,965	1,889,888	905,903	1,043,907	2,626,868	2,933,795
Unrestricted	<u>525,381</u>	<u>244,556</u>	<u>3,407,626</u>	<u>2,702,332</u>	<u>3,933,007</u>	<u>2,946,888</u>
TOTAL NET ASSETS	<u>\$ 5,545,361</u>	<u>\$ 4,954,765</u>	<u>\$ 11,591,364</u>	<u>\$ 11,090,907</u>	<u>\$ 17,136,725</u>	<u>\$ 16,045,672</u>

During the year ended June 30, 2012 there were several significant events that changed the components of net assets. An explanation of these events follows:

Governmental Activities

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Providence, assets exceed liabilities by \$17,136,725.

By far the largest portion of the City's net assets (62%) reflects its investment in capital assets, 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.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities (continued)

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2012 and 2011:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	\$ 869,051	\$ 945,717	\$ 1,891,481	\$ 1,751,369	\$ 2,760,532	\$ 2,697,086
Grants and contributions	474,821	376,609	-	-	474,821	376,609
General revenues						
Taxes	1,751,483	1,597,060	-	-	1,751,483	1,597,060
Interest	30,765	20,712	4,953	8,589	35,718	29,301
Transfers and miscellaneous	35,167	36,774	-	-	35,167	36,774
Total revenues	<u>3,161,287</u>	<u>2,976,872</u>	<u>1,896,434</u>	<u>1,759,958</u>	<u>5,057,721</u>	<u>4,736,830</u>
Expenses						
General government	847,623	912,565	-	-	847,623	912,565
Public works	348,457	352,903	-	-	348,457	352,903
Highway and public safety	982,572	1,256,985	-	-	982,572	1,256,985
Parks and recreation	307,706	251,656	-	-	307,706	251,656
Cemetery	84,333	87,715	-	-	84,333	87,715
Water	-	-	592,707	601,903	592,707	601,903
Wastewater	-	-	732,167	771,645	732,167	771,645
Storm water	-	-	71,103	79,914	71,103	79,914
Total expenses	<u>2,570,691</u>	<u>2,861,824</u>	<u>1,395,977</u>	<u>1,453,462</u>	<u>3,966,668</u>	<u>4,315,286</u>
Change in net assets	590,596	115,048	500,457	306,496	1,091,053	421,544
Beginning net assets	<u>4,954,765</u>	<u>4,839,717</u>	<u>11,090,907</u>	<u>10,784,411</u>	<u>16,045,672</u>	<u>15,624,128</u>
Ending net assets	<u>\$ 5,545,361</u>	<u>\$ 4,954,765</u>	<u>\$ 11,591,364</u>	<u>\$ 11,090,907</u>	<u>\$ 17,136,725</u>	<u>\$ 16,045,672</u>

- In August 2011, Providence City approved a property tax increase. Budgeted revenue from property taxes went from \$402,000 to \$500,000.
- Revenue from sales and use taxes increased \$60,329.
- Revenue from fee in lieu taxes increased \$20,504 (approximately 32%).
- Grants and contribution revenue increased due to an \$89,244 Recreation, Art, Park, and Zoo (RAPZ) grant.
- Revenue from park and road impact fees had a \$30,448 increase over the previous year.
- Revenue from fines and forfeitures decreased \$32,508.
- Cemetery space sales decreased \$18,257.
- Providence City made the following park improvements:
 - Rebuilt the tennis courts as Zollinger Park (\$96,013), replaced the shingles on the snack stand at Zollinger Park (\$10,597), and resurfaced the parking lot at Von Baer Park (\$10,000).

**CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Governmental Activities (continued)

- Providence City has the following infrastructure projects that are in progress:
 - Round-about at the intersection of 100 North and Gateway Drive (\$31,031), Canyon Road expansion (\$27,119), and Center Street culvert and rebuild from 300 East to 400 East (\$488,645).

Business-type activities

For the year ending June 30, 2012, the total revenues for business-type activities were \$1,896,434. Program revenues total \$1,891,481. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$4,953 in interest income. The City had an increase in water sales revenue of \$123,583, largely attributable to a water rate increase in September 2011.

Providence City purchased a pipeline television inspection system for the sewer system (\$75,545); this was attributable to business type activities.

Budgetary Highlights

During the year, the City Council revised the budget four times to make modifications and to accommodate unexpected expenditures.

The General Fund original budget was amended from \$2,946,000 to \$3,290,800; a change of \$344,800 which is a 12% increase. These increases were made for projects in the streets and highways, parks, public works, and planning.

Capital Assets

At June 30, 2012, the City had \$11,743,850 invested in capital assets (net of accumulated depreciation), including land, buildings and systems, improvements, infrastructure (streets, sidewalks, etc.), and machinery and equipment. This amount represents a net increase of \$194,861 or 1.69%.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Capital Assets (continued)

	Capital Assets at Year-end				Total	
	Governmental Activities		Business-Type Activities		2012	2011
	2012	2011	2012	2011		
Land	\$ 733,113	\$ 726,463	\$ 203,604	\$ 203,604	\$ 936,717	\$ 930,067
Construction in process	552,928	139,436	-	-	552,928	139,436
Water Stock	-	-	290,394	290,394	290,394	290,394
Improvements	1,588,222	1,341,690	12,456,484	12,456,484	1,830,109	1,583,577
Buildings	637,053	626,456	241,887	241,887	13,093,537	13,082,940
Equipment	826,685	826,685	516,878	441,333	1,343,563	1,268,018
Infrastructure	4,281,617	4,276,349	-	-	4,281,617	4,276,349
Subtotal	8,619,618	7,937,079	13,709,247	13,633,702	22,328,865	21,570,781
Accumulated depreciation	(5,320,603)	(5,116,758)	(5,264,412)	(4,905,034)	(10,585,015)	(10,021,792)
Capital Assets, net	<u>\$ 3,299,015</u>	<u>\$ 2,820,321</u>	<u>\$ 8,444,835</u>	<u>\$ 8,728,668</u>	<u>\$ 11,743,850</u>	<u>\$ 11,548,989</u>

As noted in the governmental activities section, the City expended \$31,031 on the round-about at 100 North Gateway Drive, \$27,119 on the Canyon Road expansion, and \$488,645 on the Center Street culvert and rebuild from 300 East to 400 East. The City also rebuilt the tennis courts and put new shingles on the snack stand at Zollinger Park, \$96,013 and \$10,597, respectively. The City resurfaced the parking lot at Von Baer Park for \$10,000. In addition, the City purchased a pipeline television inspection system from the sewer fund for \$75,545.

Debt Outstanding

At year-end, the City has \$1,167,000 in revenue bonds versus \$1,384,000 in the prior year, a decrease of \$217,000. There was a total of \$217,000 of debt retired during the year.

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Business Activities:					
Series 2001A bonds	\$ 322,000	\$ -	\$ (134,000)	\$ 188,000	\$ 188,000
Series 2001C bonds	1,062,000	-	(83,000)	979,000	86,000
Total debt	<u>\$ 1,384,000</u>	<u>\$ -</u>	<u>\$ (217,000)</u>	<u>\$ 1,167,000</u>	<u>\$ 274,000</u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

**CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Economic Factors

Property taxes, sales taxes, franchise and phone taxes make up 55.4% of the governmental revenue; licenses and permits 2.7%; intergovernmental (grants and class c road money) 15.0%; fines and forfeitures 4.0%; and charges for services/miscellaneous 22.9%.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at 15 South Main Providence, Utah 84332.

CITY OF PROVIDENCE
STATEMENT OF NET ASSETS
June 30, 2012
With comparative totals for 2011

			Memorandum Totals	
	Governmental Activities	Business-type Activities	2012 Total	2011 Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 517,955	\$ 3,252,525	\$ 3,770,480	\$ 3,172,660
Restricted cash and cash equivalents	1,733,350	905,903	2,639,253	2,631,207
Internal balances	(878)	878	-	-
Accounts receivable (net)	110,409	229,221	339,630	253,547
Taxes receivable	528,586	-	528,586	499,032
Restricted taxes receivable	45,942	-	45,942	44,299
Other current assets	4,776	-	4,776	-
TOTAL CURRENT ASSETS	2,940,140	4,388,527	7,328,667	6,600,745
NONCURRENT ASSETS				
Bond issue costs (net of accumulated amortization)	-	9,538	9,538	15,896
Capital Assets:				
Water shares	-	290,394	290,394	290,394
Construction in progress	552,928	-	552,928	139,436
Land	733,113	203,604	936,717	930,067
Improvements other than buildings	1,588,222	241,887	1,830,109	1,583,577
Buildings	637,053	12,456,484	13,093,537	13,082,940
Machinery and equipment	826,685	516,878	1,343,563	1,268,018
Infrastructure	4,281,617	-	4,281,617	4,276,349
Less accumulated depreciation	(5,320,603)	(5,264,412)	(10,585,015)	(10,021,792)
TOTAL NONCURRENT ASSETS	3,299,015	8,454,373	11,753,388	11,564,885
TOTAL ASSETS	\$ 6,239,155	\$ 12,842,900	\$ 19,082,055	\$ 18,165,630
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 114,975	\$ 63,709	\$ 178,684	\$ 116,279
Other accrued liabilities	53,977	20,827	74,804	74,152
Deferred revenue	524,842	-	524,842	545,527
Noncurrent due within one year	-	274,000	274,000	217,000
TOTAL CURRENT LIABILITIES	693,794	358,536	1,052,330	952,958
NONCURRENT LIABILITIES	-	893,000	893,000	1,167,000
TOTAL LIABILITIES	\$ 693,794	\$ 1,251,536	\$ 1,945,330	\$ 2,119,958
NET ASSETS				
Invested in capital assets, net of related debt	\$ 3,299,015	\$ 7,277,835	\$ 10,576,850	\$ 10,164,989
Restricted				
Debt service and proceeds	-	-	-	735,744
Roads and city improvements	1,720,965	905,903	2,626,868	2,198,051
Unrestricted	525,381	3,407,626	3,933,007	2,946,888
TOTAL NET ASSETS	\$ 5,545,361	\$ 11,591,364	\$ 17,136,725	\$ 16,045,672

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012
With comparative totals for 2011

Functions/Programs	Program Revenues			Changes in Net Assets			Memorandum Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2012 Total	2011 Total
Governmental Activities	\$ 847,623	\$ 211,966	\$ 153	\$ -	\$ (635,504)	\$ -	\$ (635,504)	\$ (603,464)
General government	348,457	55,261	5,038	-	(288,158)	-	(288,158)	(293,276)
Public works	982,572	487,230	-	469,630	(25,712)	-	(25,712)	(409,382)
Highways and public safety	307,706	87,049	-	-	(220,657)	-	(220,657)	(191,063)
Parks and recreation	84,333	27,545	-	-	(56,788)	-	(56,788)	(42,313)
Cemetery	2,570,691	869,051	5,191	469,630	(1,226,819)	-	(1,226,819)	(1,539,498)
TOTAL GOVERNMENT ACTIVITIES								
Business-type Activities								
Water	592,707	955,613	-	-	-	362,906	362,906	201,578
Wastewater	732,167	814,638	-	-	-	82,471	82,471	53,337
Storm water	71,103	121,230	-	-	-	50,127	50,127	42,992
TOTAL BUSINESS -TYPE ACTIVITIES	1,395,977	1,891,481	-	-	-	495,504	495,504	297,907
TOTAL GOVERNMENT	\$ 3,966,668	\$ 2,760,532	\$ 5,191	\$ 469,630	(1,226,819)	495,504	(731,315)	(1,241,591)
General Revenues:								
Taxes								
Property					571,899	-	571,899	464,788
Sales and use					833,310	-	833,310	772,981
Franchise and phone tax					346,274	-	346,274	359,291
Interest and investment earnings					30,765	4,953	35,718	29,301
Miscellaneous					35,167	-	35,167	36,774
Total general revenues					1,817,415	4,953	1,822,368	1,663,135
Change in Net Assets					590,596	500,457	1,091,053	421,544
Net assets at beginning of year					4,954,765	11,090,907	16,045,672	15,624,128
Net assets at end of year					\$ 5,545,361	\$ 11,591,364	\$ 17,136,725	\$ 16,045,672

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2012
With comparative totals for 2011

			Memorandum Totals	
			Total	Total
	General	Total Nonmajor Governmental Funds	Governmental Funds 2012	Governmental Funds 2011
ASSETS				
Cash and cash equivalents	\$ 517,955	\$ -	\$ 517,955	\$ 470,850
Restricted cash and cash equivalents	1,460,689	272,661	1,733,350	1,674,670
Accounts receivable (net)	110,409	-	110,409	97,082
Taxes receivable	528,586	-	528,586	499,032
Restricted taxes receivable	45,942	-	45,942	44,299
Other Current Assets	4,776	-	4,776	-
TOTAL ASSETS	\$2,668,357	\$ 272,661	\$ 2,941,018	\$ 2,785,933
LIABILITIES				
Accounts payable	\$ 114,975	\$ -	\$ 114,975	\$ 48,168
Due to other funds	878	-	878	-
Deferred revenue	524,842	-	524,842	545,527
Other accrued liabilities	53,977	-	53,977	15,611
TOTAL LIABILITIES	694,672	-	694,672	609,306
FUND BALANCES				
Restricted for:				
Roads	685,121	-	685,121	670,760
Perpetual care	189,521	-	189,521	-
Library	77,606	-	77,606	76,687
Capital project funds	-	272,661	272,661	475,119
Impact fees	258,418	-	258,418	433,930
Parks and public property	237,638	-	237,638	233,392
Unassigned	525,381	-	525,381	286,739
TOTAL FUND BALANCES	1,973,685	272,661	2,246,346	2,176,627
TOTAL LIABILITIES AND FUND BALANCES	\$2,668,357	\$ 272,661	\$ 2,941,018	\$ 2,785,933

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

	<u>2012</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances-total governmental funds	\$ 2,246,346
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements	<u>3,299,015</u>
Net assets of governmental activities	<u><u>\$ 5,545,361</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
Year ended June 30, 2012
With comparative totals for 2011

			Memorandum Totals	
			Total Governmental Funds 2012	Total Governmental Funds 2011
	General	Total Nonmajor Governmental Funds		
REVENUES				
Taxes	\$ 1,751,483	\$ -	\$ 1,751,483	\$ 1,597,060
Licenses and permits	86,533	-	86,533	150,927
Intergovernmental	474,668	-	474,668	376,376
Charges for services	657,085	-	657,085	636,849
Fines	125,433	-	125,433	157,941
Other revenues	66,085	-	66,085	57,719
TOTAL REVENUES	3,161,287	-	3,161,287	2,976,872
EXPENDITURES				
Current Operating:				
General government	844,601	-	844,601	865,962
Public works	348,457	-	348,457	352,107
Highway and public improvements	870,437	-	870,437	937,554
Parks and recreation	270,764	-	270,764	217,162
Cemetery	73,120	-	73,120	76,002
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	481,731	202,458	684,189	307,346
TOTAL EXPENDITURES	2,889,110	202,458	3,091,568	2,756,133
Excess of revenues over (under) expenditures	272,177	(202,458)	69,719	220,739
OTHER FINANCING SOURCES (USES)				
Transfers-in	-	-	-	460,000
Transfers-out	-	-	-	(460,000)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	272,177	(202,458)	69,719	220,739
Fund balances at beginning of year	1,701,508	475,119	2,176,627	1,955,888
 Fund balances at end of year	 <u>\$ 1,973,685</u>	 <u>\$ 272,661</u>	 <u>\$ 2,246,346</u>	 <u>\$ 2,176,627</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

	<u>2012</u>
Net change in fund balance, total governmental funds	\$ 69,719
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period	
Capital outlays	684,189
Depreciation expense	<u>(205,495)</u>
	478,694
Repayment of compensated absences are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets. The repaid amounts are as follows:	
Net change in compensated absences	<u>42,183</u>
	<u>42,183</u>
Change in net assets of governmental activities	<u>\$ 590,596</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Current year property taxes	\$ 562,000	\$ 595,000	\$ 571,899	\$ (23,101)
Sales and use taxes	760,800	840,000	833,310	(6,690)
Franchise and phone taxes	360,000	317,000	346,274	29,274
	<u>1,682,800</u>	<u>1,752,000</u>	<u>1,751,483</u>	<u>(517)</u>
Licenses and Permits:				
Business licenses and permits	51,500	68,400	70,117	1,717
Other licenses and permits	14,700	14,900	16,416	1,516
	<u>66,200</u>	<u>83,300</u>	<u>86,533</u>	<u>3,233</u>
Intergovernmental:				
Class "C" road fund allotment	225,000	240,000	237,700	(2,300)
State / local funding	158,800	340,600	231,930	(108,670)
State liquor allotment	-	-	5,038	5,038
	<u>383,800</u>	<u>580,600</u>	<u>474,668</u>	<u>(105,932)</u>
Charges for Services:				
Sanitation	480,500	483,000	487,230	4,230
Parks and public property	38,900	37,400	38,835	1,435
Communication center	54,000	55,000	55,261	261
Burial / cemetery lot fees	23,000	26,500	27,545	1,045
Impact fees	70,000	113,200	48,214	(64,986)
	<u>666,400</u>	<u>715,100</u>	<u>657,085</u>	<u>(58,015)</u>
Fines and forfeitures	114,500	118,800	125,433	6,633
Other Revenues:				
Interest earnings	20,000	23,000	30,765	7,765
Donations	-	-	153	153
Miscellaneous revenue	12,300	18,000	35,167	17,167
	<u>32,300</u>	<u>41,000</u>	<u>66,085</u>	<u>25,085</u>
TOTAL REVENUES	<u><u>\$ 2,946,000</u></u>	<u><u>\$ 3,290,800</u></u>	<u><u>\$ 3,161,287</u></u>	<u><u>\$ (129,513)</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND (CONTINUED)
For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES:				
General Government:				
Administrative	\$ 486,000	\$ 524,100	\$ 483,485	\$ 40,615
Court	111,100	142,300	136,288	6,012
Community development	225,000	224,500	201,771	22,729
Library	25,000	25,000	23,057	1,943
Total General Government	847,100	915,900	844,601	71,299
Public Works:				
Public safety and health	242,800	239,500	230,026	9,474
Public works	116,700	122,300	118,431	3,869
Total Public Works	359,500	361,800	348,457	13,343
Highway and public improvements:				
Streets and highways	825,900	1,030,200	853,522	176,678
Sanitation	480,500	513,000	498,646	14,354
Total Highway and Public Improvements	1,306,400	1,543,200	1,352,168	191,032
Parks, recreation, and public property:				
Parks and recreation	348,300	390,600	270,764	119,836
Cemetery	84,700	79,300	73,120	6,180
Total Parks, Recreation, and Public Property	433,000	469,900	343,884	126,016
TOTAL EXPENDITURES	2,946,000	3,290,800	2,889,110	401,690
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	272,177	272,177
Fund Balance - July 1, 2011	-	-	1,701,508	1,701,508
Fund Balance - June 30, 2012	\$ -	\$ -	\$ 1,973,685	\$ 1,973,685

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Water	Wastewater	Storm Water	Memorandum Totals	
				2012	2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 930,921	\$ 2,088,905	\$ 232,699	\$ 3,252,525	\$ 2,701,810
Restricted cash and cash equivalents	903,295	2,608	-	905,903	956,537
Due from other funds	543	226	109	878	6,779
Accounts receivable (net)	133,567	82,559	13,095	229,221	156,465
TOTAL CURRENT ASSETS	1,968,326	2,174,298	245,903	4,388,527	3,821,591
NONCURRENT ASSETS					
Bond issue costs (net of accumulated amortization)	9,538	-	-	9,538	15,896
Capital Assets:					
Water shares	290,394	-	-	290,394	290,394
Land	165,008	38,596	-	203,604	203,604
Buildings	241,887	-	-	241,887	241,887
Improvements other than building	6,264,265	6,170,588	21,631	12,456,484	12,456,484
Machinery and equipment	189,572	202,400	124,906	516,878	441,333
Less accumulated depreciation	(2,253,034)	(2,892,225)	(119,153)	(5,264,412)	(4,905,034)
TOTAL NONCURRENT ASSETS	4,907,630	3,519,359	27,384	8,454,373	8,744,564
TOTAL ASSETS	\$ 6,875,956	\$ 5,693,657	\$ 273,287	\$ 12,842,900	\$ 12,566,155
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 22,841	\$ 40,514	\$ 354	\$ 63,709	\$ 68,111
Compensated absences	7,122	2,849	1,424	11,395	-
Due to other funds	-	-	-	-	6,779
Interest payable	9,432	-	-	9,432	16,358
Current portion of long-term obligations	274,000	-	-	274,000	217,000
TOTAL CURRENT LIABILITIES	313,395	43,363	1,778	358,536	308,248
NONCURRENT LIABILITIES					
Long-term obligations, net of current portion	893,000	-	-	893,000	1,167,000
TOTAL LIABILITIES	1,206,395	43,363	1,778	1,251,536	1,475,248
NET ASSETS					
Invested in capital assets, net of related debt	3,731,092	3,519,359	27,384	7,277,835	7,344,668
Restricted (see Note G)	903,295	2,608	-	905,903	308,163
Unrestricted	1,035,174	2,128,327	244,125	3,407,626	3,438,076
TOTAL NET ASSETS	5,669,561	5,650,294	271,509	11,591,364	11,090,907
TOTAL LIABILITIES AND NET ASSETS	\$ 6,875,956	\$ 5,693,657	\$ 273,287	\$ 12,842,900	\$ 12,566,155

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the year ended June 30, 2012
With comparative totals for 2011

	Water	Wastewater	Storm Water	Memorandum Totals	
	2012	2011	2012	2011	2011
OPERATING REVENUES					
Charges for services	\$ 904,972	\$ 805,358	\$ 121,230	\$ 1,831,560	\$ 1,707,728
Other operating revenues	11,045	9,280	-	20,325	17,207
TOTAL OPERATING REVENUES	916,017	814,638	121,230	1,851,885	1,724,935
OPERATING EXPENSES					
Direct operating expenses	141,356	473,743	-	615,099	670,517
Personnel services	158,437	52,435	30,582	241,454	207,967
Other operating expenses	9,303	6,582	6,792	22,677	26,650
Professional services	19,415	8,715	2,093	30,223	41,705
Repairs and maintenance	45,470	21,910	9,588	76,968	87,383
Depreciation	168,546	168,782	22,048	359,376	359,618
Amortization - deferred charge	6,358	-	-	6,358	-
TOTAL OPERATING EXPENSES	548,885	732,167	71,103	1,352,155	1,393,840
OPERATING INCOME	367,132	82,471	50,127	499,730	331,095
OTHER INCOME (EXPENSE)					
Impact fees	39,596	-	-	39,596	26,434
Interest revenue	1,145	3,808	-	4,953	8,589
Interest expense	(43,822)	-	-	(43,822)	(59,622)
TOTAL OTHER INCOME (EXPENSE)	(3,081)	3,808	-	727	(24,599)
NET INCOME	364,051	86,279	50,127	500,457	306,496
CHANGE IN NET ASSETS	364,051	86,279	50,127	500,457	306,496
Total net assets - beginning	5,305,510	5,564,015	221,382	11,090,907	10,784,411
Total net assets - ending	\$ 5,669,561	\$ 5,650,294	\$ 271,509	\$ 11,591,364	\$ 11,090,907

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2012
With comparative totals for 2011

	Water	Wastewater	Storm Water	Memorandum Totals	
	2012	2011	2012	2011	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 845,293	\$ 813,027	\$ 120,811	\$ 1,779,131	\$ 1,728,249
Cash paid to suppliers	(208,714)	(521,716)	(18,939)	(749,369)	(793,158)
Cash paid to employees	(151,315)	(49,586)	(29,158)	(230,059)	(207,967)
Net cash provided by operating activities	485,264	241,725	72,714	799,703	727,124
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	(7,322)	6,553	(109)	(878)	-
Net cash flows from (used by) noncapital financing activities	(7,322)	6,553	(109)	(878)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(75,545)	-	(75,545)	(138,454)
Principal payments - bonds	(217,000)	-	-	(217,000)	(208,000)
Interest paid	(50,748)	-	-	(50,748)	(59,622)
Impact fees collected	39,596	-	-	39,596	26,434
Net cash used by capital and related financing activities	(228,152)	(75,545)	-	(303,697)	(379,642)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	1,145	3,808	-	4,953	8,589
Net cash provided by investing activities	1,145	3,808	-	4,953	8,589
Net increase in cash	250,935	176,541	72,605	500,081	356,071
Cash - July 1	1,583,281	1,914,972	160,094	3,658,347	3,302,276
Cash - June 30	\$ 1,834,216	\$ 2,091,513	\$ 232,699	\$ 4,158,428	\$ 3,658,347
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 367,132	\$ 82,471	\$ 50,127	\$ 499,730	\$ 331,095
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	168,546	168,782	22,048	359,376	359,618
Amortization	6,358	-	-	6,358	-
Changes in assets and liabilities:					
Accounts receivable	(70,724)	(1,611)	(419)	(72,754)	3,314
Other assets	6,830	(10,766)	(466)	(4,402)	33,097
Accounts payable	7,122	2,849	1,424	11,395	-
Compensated absences					
Net Cash Provided by Operating Activities	\$ 485,264	\$ 241,725	\$ 72,714	\$ 799,703	\$ 727,124

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), public utilities (water, wastewater, storm water, and sanitation), highways and streets, social services, culture-recreation, public improvements, planning and zoning, economic redevelopment, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. 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. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). The city does not have any component units.

B. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Assets - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

The City has two categories of funds: governmental and proprietary. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following describes the major governmental funds of the City:

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.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (continued)

The following describes the nonmajor governmental fund of the City:

The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is a description of the proprietary funds of the City.

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the water fund, wastewater fund, and storm water fund.

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under 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. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

E. Assets, Liabilities and Equity

1. Deposits and Investments

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

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Equity (continued)

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories 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.

5. Bond Issue Costs

The City incurred bond issue costs in 2001. Those issuance costs are amortized using the straight-line method in the government-wide financial statements and the statement of net assets in the proprietary fund statements for the term of the bonds from which the costs were incurred.

6. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Equity (continued)

6. Capital Assets (continued)

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Utility system improvements	40 - 50
Buildings	20 - 30
Machinery and equipment	5 - 10
Improvements other than buildings	20
Roads and infrastructure	15

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

7. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensated time benefits. Vacation pay and compensated time are accrued when incurred and are reported in other accrued liabilities in the governmental funds balance sheet since they must be used by the end of the following fiscal year.

8. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Equity (continued)

9. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Statements

Proprietary fund equity is classified the same as in the government-wide statements.

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Amounts that are restricted to specific purposes are reported as restricted fund balance. Fund balance is reported as restricted when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Equity (continued)

9. Equity Classifications

Fund Statements (continued)

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority (the City Council) are reported as committed fund balance. The City had no committed fund balances at June 30, 2012.

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The City had no assigned fund balances at June 30, 2012.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

10. Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

11. Property Tax

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

12. Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary activities.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Subsequent Events

Management of the City has evaluated subsequent events through December 7, 2012, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah Cities" by the City of Providence City Council on or before the first scheduled council meeting in May for the following fiscal year, which begins on July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

Budgets may be increased by resolution of the City Council at any time during the year. To change the budget a public hearing is required, but the City may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor.

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

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budget Information (continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. Fund Equity Restrictions

Restricted for Roads - Reserve required to be kept that accounts for the unspent proceeds of class "C" road funds.

Restricted for Library - Amounts generated in the library fund are reserved to be spent to promote updating books and resources, and building improvements for the City library.

Perpetual Care - The City owns and operates a cemetery. The money received from the sale of cemetery spaces is deposited into an interest bearing account for the purpose of capital improvements and maintenance of the cemetery.

Restricted for Capital Projects - The City Council approves resolutions through the budget for providing for funds to be set aside for capital projects for the City.

Restricted for Impact Fees - The City Council passed an ordinance providing for specific impact fees on all new construction. Impact fees include fees for roads, parks, and water. These fees are to be reserved for current and future costs to help defray a portion of the costs that naturally result from increased development.

Restricted for Parks and Public Property - Amounts generated for parks and public property are restricted to be spent on park improvements and additions if needed in the City.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of City funds in a "qualified depository".

The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, \$1,213,661 of the City's bank balances of \$2,409,989 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (continued)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. 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 operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares. As of June 30, 2012, the City had the following investments and maturities:

	<u>Carrying Amount</u>	<u>Market Value</u>
Investments not subject to maturity categorizations:		
Utah Public Treasurer's Investment Fund	\$ 4,024,838	\$4,048,435

The GASB Fair Value factor at June 30, 2012 was 1.00586284.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (continued)

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2012, are as follows:

Cash on hand and on deposit:

Cash on deposit	\$2,361,298
PTIF investment	<u>4,048,435</u>
Total cash and cash equivalents	<u><u>\$6,409,733</u></u>

Cash and cash equivalents per the statement of net assets

Unrestricted	\$3,770,480
Restricted	<u>2,639,253</u>
Total cash and cash equivalents	<u><u>\$6,409,733</u></u>

B. Accounts Receivable

Accounts receivable for the City at June 30, 2012, are as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Governmental Activities:			
Receivables:			
Accounts	\$ 110,409	\$ -	\$ 110,409
Taxes	528,586	-	528,586
Restricted taxes	<u>45,942</u>	<u>-</u>	<u>45,942</u>
Net total receivables	<u><u>\$ 684,937</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 684,937</u></u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

B. Accounts Receivable (continued)

Accounts receivable for the City's business-type activities at June 30, 2012 are as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>	<u>Total</u>
Business type activities:				
Receivables:				
Accounts	\$ 133,567	\$ 82,559	\$ 13,095	\$ 229,221

Management deems all accounts to be materially collectible and thus does not have an allowance for doubtful accounts except for the court receivable.

At June 30, 2012, the City had some interfund receivables and payables. The General fund owed \$543, \$226, and \$109 at year end to the Water, Wastewater, and Storm Water funds, respectively.

C. Restricted Assets

The total restricted assets on the balance sheet are comprised of the following cash and cash equivalents and receivables.

General fund:

Accounts receivable - Class C	\$ 45,942
Cash - perpetual care	189,521
Cash - park impact fees	242,310
Cash - Class C road	692,834
Cash - road impact fees	231,504
Cash - restricted donation	1,866
Cash - veterans memorial donations	12,968
Cash - capital projects	12,080
Cash - library donations	77,606
Total general fund	<u>1,506,631</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

C. Restricted Assets (continued)

Capital projects fund	272,661
Enterprise funds:	
Water fund:	
Cash - revenue bond sinking/reserve	661,152
Cash - bond proceeds	193,624
Cash - impact fees	48,519
Total water fund	<u>903,295</u>
Sewer fund:	
Cash - impact fees	2,608
Total enterprise funds	<u>905,903</u>
Total restricted assets	<u><u>\$2,685,195</u></u>

D. Capital Assets

A summary of changes in capital assets for the governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 726,463	\$ 6,650	\$ -	\$ 733,113
Construction in progress	<u>139,436</u>	<u>554,011</u>	<u>(140,519)</u>	<u>552,928</u>
Total capital assets not being depreciated	865,899	560,661	(140,519)	1,286,041
Capital assets, being depreciated				
Improvements other than building	1,341,690	106,013	140,519	1,588,222
Buildings	626,456	10,597	-	637,053
Machinery and equipment	826,685	-	-	826,685
Infrastructure	<u>4,276,349</u>	<u>6,918</u>	<u>(1,650)</u>	<u>4,281,617</u>
Total capital assets being depreciated	7,071,180	123,528	138,869	7,333,577
Less accumulated depreciation	<u>(5,116,758)</u>	<u>(205,495)</u>	<u>1,650</u>	<u>(5,320,603)</u>
Total capital assets being depreciated, net	<u>1,954,422</u>	<u>(81,967)</u>	<u>140,519</u>	<u>2,012,974</u>
Total capital assets, net	<u><u>\$2,820,321</u></u>	<u><u>\$ 478,694</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,299,015</u></u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Capital Assets (continued)

Depreciation Expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

General Government	\$ 45,205
Public works	-
Highways and public safety	112,135
Parks and Recreation	36,942
Cemetery	<u>11,213</u>

Total Depreciation Expense	<u><u>\$ 205,495</u></u>
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A summary of changes in capital assets to the business activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital assets, not being depreciated				
Land	\$ 203,604	\$ -	\$ -	\$ 203,604
Water Stock	<u>290,394</u>	<u>-</u>	<u>-</u>	<u>290,394</u>
Total capital assets				
not being depreciated	493,998	-	-	493,998
Capital assets, being depreciated				
Buildings	241,887	-	-	241,887
Improvements other				
than buildings	12,456,484	-	-	12,456,484
Machinery and equipment	<u>441,333</u>	<u>75,545</u>	<u>-</u>	<u>516,878</u>
Total capital assets				
being depreciated	13,139,704	75,545	-	13,215,249
Less accumulated depreciation	<u>(4,905,034)</u>	<u>(359,378)</u>	<u>-</u>	<u>(5,264,412)</u>
Total capital assets				
being depreciated, net	<u>8,234,670</u>	<u>(283,833)</u>	<u>-</u>	<u>7,950,837</u>
Net book value	<u><u>\$8,728,668</u></u>	<u><u>\$ (283,833)</u></u>	<u><u>\$ -</u></u>	<u><u>\$8,444,835</u></u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Capital Assets (continued)

Depreciation expense was charged to funds as follows:

Business-Type Activities:

Water fund	\$ 168,547
Wastewater fund	168,782
Storm water	<u>22,049</u>
Total Depreciation Expense	<u>\$ 359,378</u>

E. Deferred Revenue and Deposits

Deferred revenues and deposits consisted of the following at June 30, 2012:

Deferred revenue property tax	\$ 481,360
Bond deposits	3,102
Utility deposits	13,680
Digging deposits	2,250
Power deposits	<u>24,450</u>
Total deferred revenue	<u>\$ 524,842</u>

F. Long-Term Liabilities

Water Revenue Bond, Series 2001A. The government issued a series 2001 bond to provide funds for improvements and construction of water projects. Interest is due on January 1st and principal and interest are paid on July 1st of each year. The bonds mature on July 1, 2012. The interest rate is 5.00%:

Water Revenue Bonds 2001A			
5.00%			
Year ended			
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 188,000</u>	<u>\$ 4,700</u>	<u>\$ 192,700</u>
Totals	<u>\$ 188,000</u>	<u>\$ 4,700</u>	<u>\$ 192,700</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

F. Long-Term Liabilities (continued)

Water Revenue Bond, Series 2001C. The government issued a series 2001 bond to provide funds for improvements and construction of water projects. Interest and principal are paid on May 1st of each year. The bonds mature on May 1, 2022. The interest rate is 2.90%:

Water Revenue Bonds 2001C			
2.90%			
Year ended			
June 30,	Principal	Interest	Total
2013	\$ 86,000	\$ 28,391	\$ 114,391
2014	88,000	25,897	113,897
2015	91,000	23,345	114,345
2016	93,000	20,706	113,706
2017	96,000	18,009	114,009
2018 - 2022	<u>525,000</u>	<u>46,545</u>	<u>571,545</u>
Totals	<u><u>\$ 979,000</u></u>	<u><u>\$ 162,893</u></u>	<u><u>\$1,141,893</u></u>

The interest expense for the Water Revenue bonds of \$36,622 has been charged as a direct expense to the Public Works Department in the Statement of Activities.

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the business activities:

	Balance			Balance	Amounts
	July 1, 2011	Additions	Reductions	June 30, 2012	Due Within
					One Year
Business-Type Activities:					
Series 2001A Water Bonds	\$ 322,000	\$ -	\$ (134,000)	\$ 188,000	\$ 188,000
Series 2001C Water Bonds	<u>1,062,000</u>	<u>-</u>	<u>(83,000)</u>	<u>979,000</u>	<u>86,000</u>
Total Debt	<u><u>\$ 1,384,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (217,000)</u></u>	<u><u>\$ 1,167,000</u></u>	<u><u>\$ 274,000</u></u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

G. Restricted Fund Equity

The amounts reported on the balance sheet identified as restricted fund balance and on the proprietary funds statement of net assets as restricted net assets are comprised of the following:

General fund:

Restricted - road	\$ 685,121	
Restricted - perpetual care	189,521	
Restricted - library donations	77,606	
Restricted - impact fees	258,418	
Restricted - park and public property	<u>237,638</u>	
Total general fund		\$1,448,304

Capital project fund:

Restricted - city shop	272,661
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Enterprise fund:

Water fund (net assets):

Restricted - sinking/reserve	661,152
Restricted - bond proceeds	193,624
Restricted - impact fees	<u>48,519</u>
Total water fund	903,295

Wastewater fund (net assets)

Restricted - impact fees	<u>2,608</u>
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Total enterprise funds	<u>905,903</u>
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Total restricted fund equity	<u><u>\$2,626,868</u></u>
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IV. OTHER INFORMATION

A. Retirement System

Plan Description - The City of Providence contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)

A. Retirement System (continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans 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 of the Local Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. 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 - At the present time, Providence City only has Tier 1 employees; Tier 1 employees are not required to contribute to the Retirement System. The City is required to contribute 13.77% of the employee's annual salary from July 1, 2011 – June 30, 2012. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The contributions by the City of Providence to the Local Government Noncontributory Retirement System for June 30, 2012, 2011, 2010, and 2009 were \$98,300, \$101,526, \$66,340, and \$67,514, respectively. The contributions were equal to the required contributions for each pay period and were paid by the due dates or within 30 days thereafter.

The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to the City of Providence.

The City also sponsors defined contribution retirement plans provided to all City employees under Internal Revenue Code 401(K), 457, and Roth IRA which are administered by the Utah Retirement Systems. Participants are fully vested. These plans are elective deferral plans. The City does not make contributions on behalf of the employees. All city employees may contribute minimum and maximum amounts in accordance with IRS rules for each plan. The participants' contributions for the year ended June 30, 2012 were \$10,381, \$2,730, and \$910, respectively.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)

B. Insurance and bond coverage

Providence City has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Issuer</u>	<u>Policy #</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust	13080-GL2011	\$5,000,000	7/1/2012
Buildings	Unigard	PX809764	2,077,134	7/1/2012
Contents			312,164	
Equipment			156,575	
Automobile	Unigard	BA-900006	25 vehicles	7/1/2012
Bonds:				
City Treasurer/City Recorder	Western Surety	70011063	600,000	9/1/2013

C. Water users and rates

The Providence City water, wastewater, and storm water utility funds service both residential and commercial users. As of June 30, 2012, there were the following number of users in each category:

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Residential	1,917	1,877	1,915
Commercial	73	54	73
Totals	<u>1,990</u>	<u>1,931</u>	<u>1,988</u>

Water rates:

Standard monthly service \$23.25 * first 10,000 gallons

Overage charges for City and County

10,000 to 50,000 \$.75 per 1,000 gallons
50,001 + \$1.50 per 1,000 gallons

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)

C. Water users and rates (continued)

	<u>City</u>	<u>County</u>
Garbage rates:		
Standard monthly service	\$ 13.25	
Recycling	\$ 3.00	

	<u>City</u>	<u>County</u>
Sewer rates:		
Standard residential service	\$ 29.15	N/A
Multi-unit complex	\$ 29.15	N/A
Standard commercial	\$ 29.15	N/A
Regulated commercial	*	N/A
* Determined by Logan City according to type of business		

D. Risk Management – Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

E. Other assets

Water fund:

The City owns water shares in two irrigation companies and carries amounts in the water fund at the cost of such certificates as purchased since July 1, 1980. Water shares purchased since 1980 and capitalized in the water fund total \$290,394 at June 30, 2012. Certificates held prior to that date have never been recorded as follows:

	<u>Shares</u>
Springcreek Irrigation	212.33
Blacksmith Fork Irrigation	408.80
Total	<u>621.13</u>

Therefore, the water fund has an unrecognized value associated to the water shares of the irrigation companies.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)

E. Memorandum totals

Total columns on the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or change in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

F. Segment information

Net working capital for the water, wastewater, and storm water utility funds is calculated as follows:

	<u>Water fund</u>	<u>Wastewater</u>	<u>Storm Water</u>
Current assets:			
Cash	\$ 1,834,216	\$ 2,091,513	\$ 232,699
Receivables	133,567	82,559	13,095
Due from other funds	543	226	109
Less current liabilities:			
Accounts payable	(32,273)	(40,514)	(354)
Compensated absences	(7,122)	(2,849)	(1,424)
Current portion of long-term debt	<u>(274,000)</u>	<u>-</u>	<u>-</u>
Net working capital	<u><u>\$ 1,654,931</u></u>	<u><u>\$ 2,130,935</u></u>	<u><u>\$ 244,125</u></u>

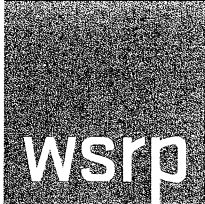
SUPPLEMENTARY INFORMATION

**CITY OF PROVIDENCE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

		<u>Memorandum Totals</u>	
		Total	Total
		Nonmajor	Nonmajor
		Governmental	Governmental
		Funds	Funds
	Capital	2012	2011
	Projects		
ASSETS			
Restricted cash and cash equivalents	\$ 272,661	\$ 272,661	\$ 475,119
TOTAL ASSETS	<u>\$ 272,661</u>	<u>\$ 272,661</u>	<u>\$ 475,119</u>
FUND BALANCES			
Restricted for:			
City yard and facilities	\$ 272,661	\$ 272,661	\$ 475,119
TOTAL FUND BALANCES	<u>\$ 272,661</u>	<u>\$ 272,661</u>	<u>\$ 475,119</u>

CITY OF PROVIDENCE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2012

		<u>Memorandum Totals</u>	
	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds 2012</u>	<u>Total Nonmajor Governmental Funds 2011</u>
REVENUES			
Investment income	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current operating:			
General government	-	-	-
Capital Outlay	<u>202,458</u>	<u>202,458</u>	<u>11,250</u>
TOTAL EXPENDITURES	<u>202,458</u>	<u>202,458</u>	<u>11,250</u>
Excess of revenues over (under)			
expenditures before transfers	(202,458)	(202,458)	(11,250)
OTHER FINANCING SOURCES			
Transfers-In	-	-	460,000
Transfers-Out	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(202,458)</u>	<u>(202,458)</u>	<u>448,750</u>
Fund balances - beginning of year	<u>475,119</u>	<u>475,119</u>	<u>26,369</u>
Fund balances - end of year	<u>\$ 272,661</u>	<u>\$ 272,661</u>	<u>\$ 475,119</u>



**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
City of Providence, Utah**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, Utah, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City of Providence, Utah basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

WISAN, SMITH, RACKER & PRESCOTT, LLP

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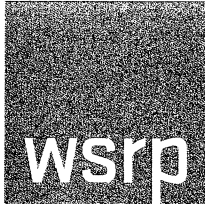
Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wise, Smith, Roberts & Prescott, LLP

Salt Lake City, Utah
December 7, 2012



INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

**Honorable Mayor and City Council
City of Providence, Utah**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Providence, Utah, (the City), for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility, matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2012. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)

Our audit included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Compliance Issues
Truth in Taxation and	Uniform Building Code Standards
Property Tax Limitation	Impact Fees
Retirement Systems	Fund Balance

The City did not receive any non major State grants during the year ended June 30, 2012.

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

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

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

WISAN, SMITH, RACKER & PRESCOTT, LLP

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In our opinion, the City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2012.

This report is intended solely for the information and use of management of the City, the City Council, others within the entity, and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wison, Smith, Roberts + Prescott, LLP

Salt Lake City, Utah
December 7, 2012