

Francis City  
Summit County, Utah

**ANNUAL FINANCIAL REPORT**

WITH AUDITORS REPORT THEREON

For the Year Ended June 30, 2011

Francis City  
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 June 30, 2011

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# Ulrich & Associates, PC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the City Council  
Francis City Corporation  
Francis, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Francis City Corporation as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Francis City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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, and each major fund of Francis City Corporation as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereoffor 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 January 6, 2012 on our consideration of Francis City Corporation's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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.

*Ulrich & Associates, P.C.*

January 6, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Francis City  
**Management's Discussion and Analysis**  
June 30, 2011

As management of Francis City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2011.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the City as a whole increased by \$20,944
- \*Total unrestricted net assets for the City as a whole increased by \$53,882.
- \*Total net assets for governmental activities decreased by \$5,214.
- \*Total net assets for business-type activities increased by \$26,158.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Francis City. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the 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 statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Francis City  
**Management's Discussion and Analysis**  
June 30, 2011

**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. The 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. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major governmental funds, the general fund and the Frontier Days special revenue fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for its water activities and another to account for its sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Francis City  
**Management's Discussion and Analysis**  
 June 30, 2011

**FINANCIAL ANALYSIS**

**Francis City's Net Assets**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 348,633	284,823	798,850	773,420	1,147,483	1,058,243
Net capital assets	814,718	855,944	3,628,574	3,662,314	4,443,292	4,518,258
<b>Total assets</b>	<b><u>1,163,351</u></b>	<b><u>1,140,767</u></b>	<b><u>4,427,424</u></b>	<b><u>4,435,734</u></b>	<b><u>5,590,775</u></b>	<b><u>5,576,501</u></b>
Long-term liabilities	-	-	410,065	476,283	410,065	476,283
Other liabilities	236,132	208,333	112,733	80,982	348,864	289,315
<b>Total liabilities</b>	<b><u>236,132</u></b>	<b><u>208,333</u></b>	<b><u>522,797</u></b>	<b><u>557,266</u></b>	<b><u>758,929</u></b>	<b><u>765,599</u></b>
Net assets:						
Invested in net assets, net of debt	814,718	855,944	3,218,509	3,186,031	4,033,227	4,041,975
Restricted	830	290	551,506	576,236	552,336	576,526
Unrestricted	111,671	76,200	134,612	116,201	246,283	192,401
<b>Total net assets, as adjusted</b>	<b><u>\$ 927,219</u></b>	<b><u>932,434</u></b>	<b><u>3,904,626</u></b>	<b><u>3,878,468</u></b>	<b><u>4,831,846</u></b>	<b><u>4,810,902</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$4,831,846, an increase of \$20,944 from the previous year. This change is equivalent to the net income for the year, in private sector terms. The governmental net assets of the governmental activities have been adjusted to reflect a prior period adjustment which is described in Note 4-D of the Notes to Financial Statements.

Total unrestricted net assets at the end of the year are \$246,283, which represents an increase of \$53,882 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Francis City  
**Management's Discussion and Analysis**  
June 30, 2011

**FINANCIAL ANALYSIS (continued)**

**Francis City's Change in Net Assets**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Program revenues:</b>						
Charges for services	\$ 103,773	242,374	254,286	254,116	358,059	496,490
Operating grants	46,191	42,609	-	-	46,191	42,609
Capital grants	-	2,656	20,910	83,408	20,910	86,064
<b>General revenues:</b>						
Property taxes	176,589	157,189	-	-	176,589	157,189
Sales tax	87,926	79,852	-	-	87,926	79,852
Impact fees	-	-	15,186	5,062	15,186	5,062
Other revenues	2,266	2,513	3,233	4,513	5,500	7,026
<b>Total revenues</b>	<b>416,745</b>	<b>527,193</b>	<b>293,616</b>	<b>347,099</b>	<b>710,361</b>	<b>874,292</b>
<b>Expenses:</b>						
General government	269,076	361,538	-	-	269,076	361,538
Highways and improvements	73,264	77,102	-	-	73,264	77,102
Parks and recreation	79,619	88,965	-	-	79,619	88,965
Water utility	-	-	138,875	157,000	138,875	157,000
Sewer utility	-	-	116,694	94,556	116,694	94,556
Woodland Hills water	-	-	11,889	20,216	11,889	20,216
<b>Total expenses</b>	<b>421,959</b>	<b>527,605</b>	<b>267,458</b>	<b>271,772</b>	<b>689,417</b>	<b>799,378</b>
<b>Change in net assets</b>	<b>\$ (5,214)</b>	<b>(412)</b>	<b>26,158</b>	<b>75,326</b>	<b>20,944</b>	<b>74,914</b>
<b>Net assets - ending, as adjusted</b>	<b>\$ 927,219</b>	<b>932,434</b>	<b>3,904,626</b>	<b>3,878,468</b>	<b>4,831,846</b>	<b>4,810,902</b>

For the City as a whole, total revenues decreased by \$163,931 compared to the previous year, while total expenses decreased by \$109,961. The total net change of \$20,944 is, in private sector terms, the net income for the year which is \$53,970 less than the previous year's net change (net income).

Governmental activities revenues of \$416,745 decreased during the year by \$110,448. This is primarily due to a substantial decrease in sub-development related fees during the year. Governmental activities expenses of \$421,959 decreased by \$105,646 during the year. Spending for all departments decreased during the year, the decrease being mainly related to the decrease in sub-development activity.

Business-type activities revenues of \$293,616 decreased by \$53,483 during the year. Revenues from utility services decreased slightly, and grants and impact fees received decreased significantly. Business-type activities expenses of \$267,458 were less than the previous year by \$4,314.

Francis City  
Management's Discussion and Analysis  
June 30, 2011

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

*General Fund*

The fund balance of \$102,184 reflects an increase of \$24,488 from the previous year. Total revenues decreased by \$110,445. Taxes, including property and sales taxes, increased by \$27,474. License and permit revenue decreased by \$4,188. Intergovernmental revenue increased by \$926. Charges for services and other revenues decreased by \$134,657, mainly due to a decrease in subdivision activity.

Total expenditures decreased by \$178,669. Current expenditure changes by department were as follows: general government decreased by \$93,574, streets and highways decreased by \$6,088, and parks and recreation decreased by \$9,700. Capital outlay decreased by \$69,307. A transfer was made from the general fund to the Frontier Days fund during the year in the amount of \$12,650.

The amount of restricted general fund balance is \$830, leaving the unrestricted fund balance of \$101,354.

*Frontier Days Fund*

This special revenue fund was created during the year to enhance control and reporting of the frontier days activity. It was funded with a transfer of \$12,650 from the general fund.

*Capital Projects Fund*

The fund balance of this fund remains essentially unchanged from the previous year.

*Utility Fund*

The Utility Fund was separated as to water and sewer operations during the year. The separate individual fund information is reported in the financial statements. For the utility funds as a whole, the change in net assets (net income) for the year was \$26,158 compared to the previous year net income of \$75,326.

For the utilities funds in total, amounts restricted for debt service and construction are \$71,763 and \$479,743, respectively. Unrestricted net assets for all of the utility funds amount to \$134,612.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year were budgeted in the amount of \$415,630. There were no amendments made to the budgeted revenues during the year. Actual revenues for the current year amounted to \$416,739 which was \$1,109 more than budgeted.

Expenditures for the current year were budgeted in the amount of \$436,158. There were no amendments made to the budgeted expenditures during the year. Actual expenditures amounted to \$392,251 which was \$43,907 under the budgeted amount.

All department level expenditures for the year were within the budget authorized amounts.

Francis City  
**Management's Discussion and Analysis**  
 June 30, 2011

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Francis City's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Net Capital Assets:</b>						
Land and water rights	\$ 406,226	406,226	711,814	699,169	1,118,040	1,105,395
Buildings	209,820	209,820	78,595	78,595	288,415	288,415
Improvements other than buildings	454,543	449,091	-	-	454,543	449,091
Machinery and equipment	106,381	106,381	118,845	111,781	225,226	218,162
Water and sewer systems	-	-	4,629,442	4,600,203	4,629,442	4,600,203
Construction in progress	-	-	53,535	-	53,535	-
<b>Total</b>	1,176,970	1,171,518	5,592,231	5,489,748	6,769,200	6,661,266
Less accumulated depreciation	<u>(362,252)</u>	<u>(315,574)</u>	<u>(1,963,657)</u>	<u>(1,827,434)</u>	<u>(2,325,908)</u>	<u>(2,143,008)</u>
<b>Net capital assets</b>	<u><u>\$ 814,718</u></u>	<u><u>855,944</u></u>	<u><u>3,628,574</u></u>	<u><u>3,662,314</u></u>	<u><u>4,443,292</u></u>	<u><u>4,518,258</u></u>

The total amount of capital assets, net of depreciation, of \$4,443,292 is a decrease of \$74,966 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Francis City  
 Management's Discussion and Analysis  
 June 30, 2011

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**Francis City's Outstanding Debt**

	Current Year	Previous Year
<b>Business-type activities:</b>		
FHA Water Revenue	\$ 12,885	15,119
1991 Subordinate Water Revenue	162,000	189,000
1996 DWR Water Revenue	211,045	222,045
CIB Sewer 1	8,135	18,120
CIB Sewer 2	16,000	32,000
<b>Total business-type</b>	<b>\$ 410,065</b>	<b>476,283</b>

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Francis City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Clerk at (435) 783-6236.

**BASIC FINANCIAL STATEMENTS**

Francis City  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 130,703	216,450	347,153
Accounts receivable, net	173,769	30,894	204,663
Other current assets	1,193	-	1,193
Total current assets	<u>305,665</u>	<u>247,344</u>	<u>553,009</u>
Non-current assets:			
Restricted cash and cash equivalents	42,968	551,506	594,474
Capital assets:			
Not being depreciated	406,226	765,349	1,171,575
Net of accumulated depreciation	<u>408,493</u>	<u>2,863,225</u>	<u>3,271,717</u>
Total non-current assets	<u>857,686</u>	<u>4,180,080</u>	<u>5,037,766</u>
<b>Total assets</b>	<b><u>\$ 1,163,351</u></b>	<b><u>4,427,424</u></b>	<b><u>5,590,775</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	\$ 53,045	66,823	119,867
Performance deposits	42,138	6,000	48,138
Deferred revenues	137,388	-	137,388
Revenue bonds due within one year	-	64,478	64,478
Total current liabilities	<u>232,571</u>	<u>137,300</u>	<u>369,871</u>
Non-current liabilities:			
Due to developer	-	38,000	38,000
Compensated absences	3,561	1,910	5,471
Revenue bonds due after one year	-	345,587	345,587
Total non-current liabilities	<u>3,561</u>	<u>385,497</u>	<u>389,058</u>
<b>Total liabilities</b>	<b><u>236,132</u></b>	<b><u>522,797</u></b>	<b><u>758,929</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	814,718	3,218,509	4,033,227
Restricted:			
Debt service	-	71,763	71,763
Construction	830	479,743	480,573
Unrestricted	<u>111,671</u>	<u>134,612</u>	<u>246,283</u>
<b>Total net assets</b>	<b><u>927,219</u></b>	<b><u>3,904,626</u></b>	<b><u>4,831,846</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,163,351</u></b>	<b><u>4,427,424</u></b>	<b><u>5,590,775</u></b>

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

Francis City  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

<b>FUNCTIONS/PROGRAMS:</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<b>Primary government:</b>					
Governmental activities:					
Administration	\$ 269,076	63,085	799	-	(205,192)
Streets and highways	73,264	-	45,392	-	(27,872)
Parks and recreation	79,619	40,688	-	-	(38,932)
<b>Total governmental activities</b>	<b>421,959</b>	<b>103,773</b>	<b>46,191</b>	<b>-</b>	<b>(271,995)</b>
Business-type activities:					
Water utility	138,875	145,015	-	-	6,141
Sewer utility	116,694	91,803	-	20,910	(3,981)
Woodland Hills water	11,889	17,468	-	-	5,579
<b>Total business-type activities</b>	<b>267,458</b>	<b>254,286</b>	<b>-</b>	<b>20,910</b>	<b>7,739</b>
<b>Total primary government</b>	<b>\$ 689,417</b>	<b>358,059</b>	<b>46,191</b>	<b>20,910</b>	<b>(264,257)</b>

(continued on next page)

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

Francis City  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	<u>\$ (271,995)</u>	<u>7,739</u>	<u>(264,257)</u>
<b>General revenues:</b>			
Property taxes	176,589	-	176,589
Sales tax	87,926	-	87,926
Unrestricted investment earnings	673	3,233	3,906
Impact fees and other revenue	<u>1,594</u>	<u>15,186</u>	<u>16,780</u>
<b>Total general revenues</b>	<u>266,781</u>	<u>18,419</u>	<u>285,201</u>
<b>Change in net assets</b>	<b>(5,214)</b>	<b>26,158</b>	<b>20,944</b>
Net assets - beginning, as reported	896,984	3,878,468	4,775,452
Prior period adjustments	<u>35,450</u>	<u>-</u>	<u>35,450</u>
Net assets - beginning as adjusted	<u>932,434</u>	<u>3,878,468</u>	<u>4,810,902</u>
<b>Net assets - ending</b>	<u><u>\$ 927,219</u></u>	<u><u>3,904,626</u></u>	<u><u>4,831,846</u></u>

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

Francis City  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 June 30, 2011

	General Fund	Frontier Days Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 117,895	11,580	1,228	130,703
Receivables, net	173,769	-	-	173,769
Other current assets	-	1,193	-	1,193
Restricted cash and cash equivalents	42,968	-	-	42,968
<b>TOTAL ASSETS</b>	<b>\$ 334,632</b>	<b>12,773</b>	<b>1,228</b>	<b>348,633</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 52,922	123	-	53,045
Performance bonds held	42,138	-	-	42,138
Deferred revenues	137,388	-	-	137,388
<b>TOTAL LIABILITIES</b>	<b>232,448</b>	<b>123</b>	<b>-</b>	<b>232,571</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Construction	830	-	-	830
Assigned for:				
Capital projects	-	-	1,228	1,228
Frontier Days	-	12,650	-	12,650
Unassigned	101,354	-	-	101,354
<b>TOTAL FUND BALANCES</b>	<b>102,184</b>	<b>12,650</b>	<b>1,228</b>	<b>116,062</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 334,632</b>	<b>12,773</b>	<b>1,228</b>	<b>348,633</b>

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

Francis City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2011

	General Fund	Frontier Days Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property	\$ 176,589	-	-	176,589
Sales	87,926	-	-	87,926
Licenses and permits	63,042	-	-	63,042
Intergovernmental revenues	46,191	-	-	46,191
Charges for services	40,731	-	-	40,731
Interest	621	-	7	628
Miscellaneous revenue	1,639	-	-	1,639
<b>Total revenues</b>	<b>416,739</b>	<b>-</b>	<b>7</b>	<b>416,746</b>
<b>EXPENDITURES:</b>				
General government	244,789	-	-	244,789
Highways and public improvements	61,110	-	-	61,110
Parks, recreation and public property	73,702	-	-	73,702
<b>Total expenditures</b>	<b>379,601</b>	<b>-</b>	<b>-</b>	<b>379,601</b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>37,138</b>	<b>-</b>	<b>7</b>	<b>37,145</b>
<b>Other Financing Sources and (Uses):</b>				
Transfers in	-	12,650	-	12,650
Transfers out	(12,650)	-	-	(12,650)
<b>Total other financing sources and (uses)</b>	<b>(12,650)</b>	<b>12,650</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>24,488</b>	<b>12,650</b>	<b>7</b>	<b>37,145</b>
Fund balances - beginning, as reported	42,246	-	1,221	43,467
Prior period adjustment	35,450	-	-	(35,450)
Fund balances - beginning, as adjusted	77,696	-	1,221	78,917
<b>Fund balances - end of year</b>	<b>\$ 102,184</b>	<b>12,650</b>	<b>1,228</b>	<b>116,062</b>

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

Francis City  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS**  
 June 30, 2011

<b>Total Fund Balances for Governmental Funds</b>	<u>\$ 116,062</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	1,176,970
Less accumulated depreciation	<u>(362,252)</u>
<b>Net capital assets</b>	<u><b>814,718</b></u>
Long-term debt, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
Compensated absences	<u>(3,561)</u>
<b>Total Net Assets of Governmental Activities</b>	<u><u><b>\$ 927,219</b></u></u>

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

Francis City  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

**Net Changes in Fund Balances - Total Government** \$ 37,145

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	5,452
Depreciation expense	<u>(46,678)</u>
Net	<u>(41,226)</u>

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

**Change in compensated absences liability** (1,134)

**Change in Net Assets of Governmental Activities** \$ (5,214)

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

Francis City  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
June 30, 2011

	Water Fund	Sewer Fund	Woodland Hills	Total Utility Funds
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 44,932	69,521	101,997	216,450
Accounts receivable, net	18,982	9,965	1,947	30,894
Total current assets	<u>63,914</u>	<u>79,486</u>	<u>103,944</u>	<u>247,344</u>
Non-current assets:				
Restricted cash and cash equivalents	117,719	433,787	-	551,506
Capital assets:				
Not being depreciated	699,169	66,180	-	765,349
Net of accumulated depreciation	1,782,905	1,080,320	-	2,863,225
Total non-current assets	<u>2,599,792</u>	<u>1,580,287</u>	<u>-</u>	<u>4,180,080</u>
<b>Total assets</b>	<b><u>\$ 2,663,706</u></b>	<b><u>1,659,773</u></b>	<b><u>103,944</u></b>	<b><u>4,427,424</u></b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 1,626	64,730	466	66,823
Customer security deposits	6,000	-	-	6,000
Revenue bonds, current portion	40,342	24,135	-	64,478
Total current liabilities	<u>47,969</u>	<u>88,866</u>	<u>466</u>	<u>137,300</u>
Non-current liabilities:				
Compensated absences	1,910	-	-	1,910
Due to developer	38,000	-	-	38,000
Revenue bonds, long-term	345,587	-	-	345,587
Total non-current liabilities	<u>385,497</u>	<u>-</u>	<u>-</u>	<u>385,497</u>
<b>Total liabilities</b>	<b><u>433,466</u></b>	<b><u>88,865</u></b>	<b><u>466</u></b>	<b><u>522,797</u></b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	2,096,144	1,122,365	-	3,218,509
Restricted for:				
Debt service	49,410	22,353	-	71,763
Construction	68,309	411,434	-	479,743
Unrestricted	16,378	14,756	103,478	134,612
Total net assets	<u>2,230,240</u>	<u>1,570,908</u>	<u>103,478</u>	<u>3,904,626</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,663,706</u></b>	<b><u>1,659,773</u></b>	<b><u>103,944</u></b>	<b><u>4,427,424</u></b>

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

Francis City  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2011

	Water Fund	Sewer Fund	Woodland Hills	Total Utility Funds
<b>Operating revenues:</b>				
Charges for sales and service	\$ 140,094	87,784	17,418	245,296
Connection fees	900	150	50	1,100
Other operating income	4,022	3,869	-	7,891
<b>Total operating revenues</b>	<u>145,015</u>	<u>91,803</u>	<u>17,468</u>	<u>254,286</u>
<b>Operating expenses:</b>				
Personal services	21,986	13,233	1,407	36,626
Utilities	11,773	9,056	5,125	25,953
Repair & maintenance	11,665	37,487	374	49,525
Other supplies & expenses	8,180	2,262	4,983	15,425
Depreciation expense	82,381	53,841	-	136,223
<b>Total operating expenses</b>	<u>135,984</u>	<u>115,878</u>	<u>11,889</u>	<u>263,752</u>
<b>Net operating income (loss)</b>	<u>9,031</u>	<u>(24,076)</u>	<u>5,579</u>	<u>(9,466)</u>
<b>Non-operating revenues (expenses):</b>				
Capital contributions	-	20,910	-	20,910
Impact fees	7,629	7,557	-	15,186
Interest income	383	2,336	514	3,233
Interest on long-term debt	(2,890)	(815)	-	(3,706)
<b>Total non-operating revenues (expense)</b>	<u>5,122</u>	<u>29,988</u>	<u>514</u>	<u>35,624</u>
<b>Change in net assets</b>	<u>14,153</u>	<u>5,912</u>	<u>6,093</u>	<u>26,158</u>
Net assets - beginning of year	<u>2,216,087</u>	<u>1,564,996</u>	<u>97,385</u>	<u>3,878,468</u>
<b>Net assets - end of year</b>	<u>\$ 2,230,240</u>	<u>1,570,908</u>	<u>103,478</u>	<u>3,904,626</u>

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

Francis City  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2011

	Water Fund	Sewer Fund	Woodland Hills	Total Utility Funds
<b>Cash flows from operating activities:</b>				
Cash received from customers - service	\$ 143,001	87,494	17,372	247,867
Cash paid to suppliers	(31,815)	(17,459)	(10,529)	(59,803)
Cash paid to employees	(21,337)	(13,233)	(1,407)	(35,977)
<b>Net cash provided (used) in operating activities</b>	<b>89,850</b>	<b>56,803</b>	<b>5,435</b>	<b>152,088</b>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from capital grants	-	20,910	-	20,910
Cash received from impact fees	7,629	7,557	-	15,186
Cash payments for capital assets	(7,064)	(95,419)	-	(102,482)
Cash payments for long-term debt	(40,234)	(25,985)	-	(66,219)
Cash payments for long-term debt interest	(2,890)	(815)	-	(3,706)
<b>Net cash provided (used) in capital and related financing activities</b>	<b>(42,559)</b>	<b>(93,752)</b>	<b>-</b>	<b>(136,311)</b>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	383	2,336	514	3,233
<b>Net cash provided (used) in investing activities</b>	<b>383</b>	<b>2,336</b>	<b>514</b>	<b>3,233</b>
<b>Net increase (decrease) in cash</b>	<b>47,675</b>	<b>(34,613)</b>	<b>5,949</b>	<b>19,011</b>
Cash balance, beginning	114,976	537,921	96,048	748,945
<b>Cash balance, ending</b>	<b>\$ 162,650</b>	<b>503,308</b>	<b>101,997</b>	<b>767,956</b>
<b>Cash reported on the balance sheet:</b>				
Cash and cash equivalents	\$ 44,932	69,521	101,997	216,450
Non-current restricted cash	117,719	433,787	-	551,506
<b>Total cash and cash equivalents</b>	<b>\$ 162,650</b>	<b>503,308</b>	<b>101,997</b>	<b>767,956</b>

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

Francis City  
**STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS (continued)**  
For the Year Ended June 30, 2011

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activities:**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Woodland Hills</u>	<u>Total Utility Funds</u>
Net operating income (loss)	\$ 9,031	(24,076)	5,579	(9,466)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation	82,381	53,841	-	136,223
Changes in assets and liabilities:				
(Increase) decrease in receivables	(2,014)	(4,309)	(97)	(6,419)
Increase (decrease) in payables	<u>452</u>	<u>31,346</u>	<u>(47)</u>	<u>31,750</u>
Net cash provided in operating activities	<u>\$ 89,850</u>	<u>56,803</u>	<u>5,435</u>	<u>152,088</u>

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

Francis City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Francis City (the City), a municipal corporation located in Summit County, Utah, operates under a Mayor-Council form of government. Formerly Francis Town, the City was designated as a City by Utah State following the population count in the 2010 census. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are 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 reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege 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*.

*Fund Financial Statements*

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

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Francis City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**1-C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental funds:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *frontier days special revenue fund* is used to account for the activity of the annual community celebration held by the City.

*Proprietary funds*

**The City reports the following major proprietary funds:**

The *water utility fund* is used to account for the activities regarding culinary water distribution.

The *sewer utility fund* is used to account for the activities regarding the operations of the sewer system collection and disposal system.

The *Woodland Hills water utility fund* is used to account for the activities regarding culinary water distribution, involving the Woodland Hills water operations. (See also note 4-F regarding Woodland Hills Water.)

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

Francis City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

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.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Summit County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is 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.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	15-30
Utility systems	40
Infrastructure	30
Vehicles and equipment	5-7

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Francis City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**1-E-8. Fund Equity**

*Government-wide Financial Statements*

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

**Invested in capital assets, net of related debt** - Capital assets including restricted 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.

**Restricted net assets** - 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.

**Unrestricted net assets** - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements*

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

**Nonspendable fund balance** - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance** - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the City Council.

**Assigned fund balance** - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.

**Unassigned fund balance** - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

Francis City  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund and Frontier Days Fund, a special revenue fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Previously, as a Town, the maximum amount allowed to be held in the general fund was not to exceed 75% of the total estimated revenue of the fund for the succeeding year. Presently, as a City, the maximum amount held in the general fund may not exceed 18% of the total estimated revenue of the fund for the succeeding year. As a result of the abrupt change to City status, the City's general fund balance exceeded that amount allowed at year end. However, this factor will be considered in future budgets.

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the City's funds have deficit balances.

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2011 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 52
Demand deposits	418,478
Investments - PTIF	523,097
<b>Total cash</b>	<b>\$ 941,627</b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 347,153
Restricted cash and cash equivalents (non-current)	594,474
<b>Total cash and cash equivalents</b>	<b>\$ 941,627</b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2011

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2011, all of the City's demand deposits are covered by FDIC insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**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. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Receivables as of year end for the City's funds are shown below:

	General Fund	Utility Fund	Total
Customers, current	\$ 2,744	30,894	33,638
Property tax	145,287	-	145,287
Intergovernmental	25,738	-	25,738
<b>Total receivables</b>	<b><u>\$ 173,769</u></b>	<b><u>30,894</u></b>	<b><u>204,663</u></b>

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 406,226	-	-	406,226
Construction in progress	-	-	-	-
<b>Total capital assets, not being depreciated</b>	<u>406,226</u>	<u>-</u>	<u>-</u>	<u>406,226</u>
Capital assets, being depreciated:				
Buildings	209,820	-	-	209,820
Improvements other than buildings	449,091	5,452	-	454,543
Machinery and equipment	106,381	-	-	106,381
<b>Total capital assets, being depreciated</b>	<u>765,292</u>	<u>5,452</u>	<u>-</u>	<u>770,744</u>
Less accumulated depreciation for:				
Buildings	72,308	6,994	-	79,302
Improvements other than buildings	195,986	28,700	-	224,686
Machinery and equipment	47,280	10,984	-	58,264
<b>Total accumulated depreciation</b>	<u>315,574</u>	<u>46,678</u>	<u>-</u>	<u>362,252</u>
<b>Total capital assets being depreciated, net</b>	<u>449,718</u>	<u>(41,226)</u>	<u>-</u>	<u>408,493</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 855,944</u>	<u>(41,226)</u>	<u>-</u>	<u>814,718</u>

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

<b>Governmental activities:</b>	
General government	\$ 23,152
Highways and public improvements	12,155
Parks, recreation and public property	<u>11,371</u>
<b>Total</b>	<u>\$ 46,678</u>

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**3-C. Capital assets (continued)**

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ 699,169	12,645	-	711,814
Construction in progress	-	53,535	-	53,535
<b>Total capital assets, not being depreciated</b>	<b><u>699,169</u></b>	<b><u>66,180</u></b>	<b><u>-</u></b>	<b><u>765,349</u></b>
Capital assets, being depreciated:				
Water system	2,552,864	-	-	2,552,864
Sewer system	2,047,339	29,238	-	2,076,578
Machinery and equipment	111,781	7,064	-	118,845
Buildings and structures	78,595	-	-	78,595
<b>Total capital assets, being depreciated</b>	<b><u>4,790,579</u></b>	<b><u>36,302</u></b>	<b><u>-</u></b>	<b><u>4,826,881</u></b>
Less accumulated depreciation for:				
Water system	843,012	64,157	-	907,169
Sewer system	942,417	53,841	-	996,258
Machinery and equipment	35,480	12,985	-	48,465
Buildings and structures	6,525	5,240	-	11,765
<b>Total accumulated depreciation</b>	<b><u>1,827,434</u></b>	<b><u>136,223</u></b>	<b><u>-</u></b>	<b><u>1,963,657</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>2,963,145</u></b>	<b><u>(99,921)</u></b>	<b><u>-</u></b>	<b><u>2,863,225</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 3,662,314</u></b>	<b><u>(33,740)</u></b>	<b><u>-</u></b>	<b><u>3,628,574</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-type activities:</b>	
Water	\$ 82,381
Sewer	<u>53,841</u>
<b>Total</b>	<b><u>\$ 136,223</u></b>

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2011

**3-D. Long-term debt**

	Original Principal	% Rate	6/30/2010	Additions	Reductions	6/30/2011	Due Within One Year
<b>Business-type activities:</b>							
Bond CIB Sewer 1 Matures 6/30/2012	\$ 53,940	4.50	\$ 18,120	-	9,985	8,135	8,135
Bond CIB Sewer 2 Matures 6/30/2012	96,000	-	32,000	-	16,000	16,000	16,000
USDA Rural Development Matures 6/1/2016	23,009	4.75	15,120	-	2,234	12,886	2,342
1993 DDW Water Revenue Matures 1/1/2017	675,500	-	189,000	-	27,000	162,000	27,000
1996 DWR Water Revenue Matures 1/1/2023	342,000	1.00	222,045	-	11,000	211,045	11,000
<b>Total business-type activity long-term liabilities</b>			<b><u>\$476,285</u></b>	<b><u>-</u></b>	<b><u>66,219</u></b>	<b><u>410,066</u></b>	<b><u>64,477</u></b>

All bonds and notes are secured by the revenues of the respective water and sewer systems.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2012	\$ 64,478	3,038	67,516
2013	43,456	2,448	45,904
2014	44,575	2,189	46,764
2015	45,700	1,914	47,614
2016	46,811	1,623	48,434
2017 - 2021	124,000	5,032	129,032
2022 - 2023	41,045	601	41,646
<b>Total</b>	<b><u>\$410,066</u></b>	<b><u>16,845</u></b>	<b><u>426,911</u></b>

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 4 - OTHER INFORMATION**

**4-A. 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; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**4-C. Liens and Encumbrances**

Property in proprietary funds fixed assets consisting of: the land application site, winter storage area, and connecting roadway of the sewer project were purchased with a grant provided by the Environmental Protection Agency (EPA) of the United States Government. The EPA has, therefore, asserted a lien against the property. EPA's interest is 55% of the proceeds of any subsequent sale or current fair market value of the property. The City is restricted in the use of the property for the purposes of the original grant only, unless such use is no longer needed. If that situation occurs, the EPA may approve use in other EPA support projects or control the disbursement of value according to the appropriate percentages.

Since the eligible cost of this property is \$262,907, the lien is estimated at a minimum of \$144,600 based on historical cost multiplied by 55%.

**4-D. Prior Period Adjustment**

It was discovered during the year that performance bond deposit liabilities in the amount of \$12,500 received by the City and reported as a liability at the close of the previous year had actually been refunded to customers in previous years and the payment had been charged to general fund expenditure accounts. Additionally, payments made by the City on behalf of sub-developers in the amount of \$22,950, which were receivable from the sub-dividers, had also been charged to general fund expenditure accounts. The general fund balance at the beginning of the year has been increased by a prior period adjustment totaling \$35,450.

**4-E. Inter-fund Transfers**

A transfer was made from the General Fund to the Frontier Days fund in the amount of \$12,650 to establish a base cash amount in the newly created fund.

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 4 - OTHER INFORMATION (continued)**

**4-F. Consolidated Financial Statements**

On September 11, 1991, the City purchased fifty-six (56) shares of stock in the Woodland Hills Mutual Water Company, a Utah Corporation. The total cost of the shares purchased amounts to two hundred and twenty-five thousand dollars (\$225,000). The two hundred twenty-five thousand dollars (\$225,000) is recorded in the accompanying combined balance sheet under Water System. Along with the shares, the City was granted a perpetual easement to use the Water Company's existing reservoir, easements and pipelines and an irrevocable license to use the Water Company's well, pump and pump house, and the Company's surplus water.

The Woodland Hills Mutual Water Company has a total of one hundred and eight (108) shares issued and outstanding. The City's fifty-six (56) shares represent a fifty-one percent (51%) ownership of the remaining fifty-two (52) shares, one (1) share is held as treasury stock, and fifty-one (51) are reserved and restricted and were issued on the basis of one (1) share for each lot in the Woodland Hills Subdivision. Each share entitles the holder to a one inch connection to the water system.

The City's treatment of the acquisition of an interest in the Woodland Hills Mutual Water Company and the recording by the City of the operations of the water company is at variance with Financial Accounting Standards Board (FASB) Statement 94. That statement provides that consolidated financial statements generally shall include enterprises in which the parent has a controlling financial interest. The consolidation procedure includes recording on the books of the parent the operations and the fair value of the net assets of the subsidiary to the extent of the parent's ownership interest.

The operation of the Woodland Hills Mutual Water Company was assumed by the City on January 1, 1991. All revenues and expenditures relating to the operation of the Woodland Hills Water System are included in the Proprietary Fund type financial statements. The dollar effect of including one hundred percent (100%) and not fifty-one percent (51%) as required by FASB Statement 94 has not been determined.

The fair value of the net assets of the Woodland Hills Mutual Water Company amounts to two hundred and sixty thousand dollars (\$260,000), as determined by appraisal dated January 30, 1991. FASB Statement 94 would generally require an adjustment on the books of the City to reflect the difference between fifty-one percent (51%) of the fair value of the net assets, one hundred-thirty two thousand and six hundred dollars (\$132,600), and the cost of the investment of two hundred twenty-five thousand (\$225,000). The difference of ninety-two thousand and four hundred (\$92,400) would be recorded as goodwill.

Compliance with FASB Statement 94 would result in a misleading presentation because forty-nine percent (49%) of the shares of the Woodland Hills Mutual Water Company are reserved and restricted and do not contain the same rights as the fifty-one percent (51%) owned by the City. Therefore, to follow the guidance of FASB Statement 94, which is based on shares of equal rights, does not appear appropriate.

Francis City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 4 - OTHER INFORMATION (continued)**

**4-G. Employee pension and other benefit plans**

**Plan Description:**

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) for employers with (without) 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 adjustments, 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:**

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective system to which they belong. The City is required to contribute a percent of covered salary to the respective systems: 13.37% to the Noncontributory System. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

The City's contributions to the various systems for the years ending June 30, 2011, 2010 and 2009 respectively were: for the Noncontributory System, \$10,815, \$11,973, and \$10,892, respectively. The contributions were equal to the required contributions for each year.

**Defined Contribution System:**

The City participates in a 401k plan offered through the Utah State Retirement Systems. However, the City has made no contributions under this plan for the year ended June 30, 2011.

**4-H. Subsequent Events**

In December, 2011, a lawsuit was filed naming the City and former City council members and other individuals as defendants. The suit seeks claimed damages in relation to a subdivision undertaken by the plaintiff. Management intends to vigorously defend this suit. No provision has been included in this report for any loss that may be involved.

The City has evaluated subsequent events through January 6, 2012, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**  
(Unaudited)

Francis City  
Notes to Required Supplementary Information  
June 30, 2011

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund and Frontier Days Special Revenue Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund and major Special Revenue Funds are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2011, all department spending was within the appropriated budget.

Francis City  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
 (Unaudited)  
 For the Year Ended June 30, 2011

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 231,400	231,400	264,515	33,115
Licenses and permits	69,800	69,800	63,042	(6,758)
Intergovernmental revenues	40,825	40,825	46,191	5,366
Charges for services	70,010	70,010	40,731	(29,279)
Interest	2,200	2,200	621	(1,579)
Miscellaneous revenues	1,395	1,395	1,639	244
<b>Total revenues</b>	<b>415,630</b>	<b>415,630</b>	<b>416,739</b>	<b>1,109</b>
<b>Expenditures</b>				
General government	274,993	274,993	244,789	30,204
Highways and public improvements	66,215	66,215	61,110	5,105
Parks and recreation	94,950	82,300	73,702	8,598
<b>Total expenditures</b>	<b>436,158</b>	<b>423,508</b>	<b>379,601</b>	<b>43,907</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(20,528)</b>	<b>(7,878)</b>	<b>37,138</b>	<b>45,016</b>
<b>Other Financing Sources and (Uses)</b>				
Transfers out	-	(12,650)	(12,650)	-
<b>Total Other Financing Sources and (Uses)</b>	<b>-</b>	<b>(12,650)</b>	<b>(12,650)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(20,528)</b>	<b>(20,528)</b>	<b>24,488</b>	<b>45,016</b>
Fund Balances - beginning, as reported	42,246	42,246	42,246	-
Prior period adjustment	35,450	35,450	35,450	-
Fund Balance - beginning, as adjusted	77,696	77,696	77,696	-
<b>Fund Balances - end of year</b>	<b>\$ 57,168</b>	<b>57,168</b>	<b>102,184</b>	<b>45,016</b>

Francis City  
**SCHEDULE OF REVENUES, EXPENDITUES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 SPECIAL REVENUE FUND - FRONTIER DAYS**  
 (Unaudited)  
 For the Year Ended June 30, 2011

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Charges for services	\$ -	-	-	-
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
Parks and recreation	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	-	-	-
<b>Other Financing Sources and (Uses)</b>				
Transfers in	-	-	12,650	12,650
<b>Total Other Financing Sources and (Uses)</b>	-	-	12,650	12,650
<b>Net Change in Fund Balances</b>	-	-	12,650	12,650
Fund Balances - beginning of year	-	-	-	-
<b>Fund Balances - end of year</b>	<u>\$ -</u>	<u>-</u>	<u>12,650</u>	<u>12,650</u>

**OTHER REPORTS**

# Ulrich & Associates, PC

Certified Public Accountants

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

The Honorable Mayor and Members  
of the City Council  
Francis City Corporation  
Francis, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Francis City Corporation as of and for the year ended June 30, 2011, which collectively comprise the Francis City's basic financial statements and have issued our report thereon dated January 6, 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

In planning and performing our audit, we considered Francis City Corporation'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 Francis City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Francis City Corporation'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.

Members of Utah Association of CPAs | American Institute of CPAs

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Francis City Corporation, in a separate letter dated January 6, 2012.

This report is intended solely for the information and use of the City Council, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Whitch & Associates, P.C.*

January 6, 2012

# Ulrich & Associates, PC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

The Honorable Mayor and Members  
of the City Council  
Francis City Corporation  
Francis, Utah

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

Public Debt	B & C Road Funds
Cash Management	Other Compliance Requirements
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Impact Fees
Truth in Taxation & Property Tax Limitations	Asset Forfeiture
Liquor Law Enforcement	URS Compliance
	Fund Balance

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

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. 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.

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In our opinion, Francis City Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings.

This report is intended solely for the information and use of the City Council, management, and others within the organization, 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.

*Ulrich & Associates, P.C.*

January 6, 2012

Francis City Corporation  
State Legal Compliance  
**SCHEDULE OF FINDINGS**  
For the year ending June 30, 2011

**1. Fund Balance Compliance**

Fund balance in the General Fund exceeds 18% of estimated revenues by \$6,749.

Auditors Recommendation

We recommend that the City review the unreserved fund balance and plan the coming years expenditures accordingly.

Management Response

The City plans on utilizing the funds to aid in the many infrastructure projects throughout the City.