

Comprehensive Annual Financial Report

For the Year Ending June 30, 2016

Pleasant Grove City, Utah



This page is intentionally left blank.



PLEASANT GROVE CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ending June 30, 2016



Prepared by:
Pleasant Grove City, Finance Department

This page is intentionally left blank.



PLEASANT GROVE CITY
Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	1-4
GFOA Certificate of Achievement.....	5
Organizational Chart	6
List of Elected and Appointed Officials.....	8-9
 FINANCIAL SECTION	
Independent Auditors' Report	13-14
Management's Discussion and Analysis.....	15-24
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
 Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	31
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Redevelopment Agency.....	32
 Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds	33
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds	35
 Notes to Financial Statements	 37-65
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Proportionate Share of Net Pension Liability.....	68
Schedule of Pension Contributions	69
Notes to Required Supplementary Information.....	70

PLEASANT GROVE CITY
Table of Contents

	Page
OTHER SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenses and Changes in Fund Balance – Nonmajor Governmental Funds.....	73
Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual:	
Special Revenue Funds:	
Dispatch Fund	74
Swimming Pool Fund.....	75
Community Center Fund.....	76
Cultural Arts Fund.....	77
Library Fund	78
Debt Service Fund	79
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	82
Changes in Net Position	83-84
Fund Balances of Governmental Funds	85
Changes in Fund Balances of Governmental Funds.....	86-87
Assessed Value and Estimated Actual Value of Taxable Property	88
Direct and Overlapping Property Tax Rates.....	89
Principal Property Tax Payers	90
Property Tax Levied and Collections	91
Ratios of General Bonded Debt Outstanding	92
Direct and Overlapping Sales Tax Rates	93
Principal Sales Tax Remitters	94
Ratios of Outstanding Debt by Type	95
Direct and Overlapping Property Tax Rates.....	96
Legal Debt Margin Information	97
Pledged-Revenue Coverage	98-99
Demographic and Economic Statistics.....	100
Principal Employers	101
Full-time Equivalent City Government Employees by Function	102
Operating Indicators by Function/Program	103
Capital Asset Statistics by Function/Program	104
GOVERNMENT COMPLIANCE SECTION	
Independent Auditors' Reports:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106-107
Report in Accordance with the Utah State Compliance Audit Guide on Compliance with General State Compliance Requirements and Internal Control over Compliance	108-109

INTRODUCTORY SECTION



This page is intentionally left blank.





December 8, 2016

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

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

The Comprehensive Annual Financial Report (CAFR) of Pleasant Grove City (the City) for the fiscal year ended June 30, 2016, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require the City to issue a report on its financial position and activity, and this report be annually audited by an independent firm of certified public accountants. We believe the information, as presented, is accurate in all material aspects, and is presented in a manner designed to set forth fairly, in all material respects, the financial position and results of operations of the City as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included.

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

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

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

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

Governmental Structure

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

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

Economic Condition and Outlook

Pleasant Grove City, incorporated in 1855, is located in the northern portion of Utah County. The City is a rapidly growing suburban community encompassing 9.17 square miles. The City's population is currently 38,052. This is an increase from population estimated by the 2010 census of 4,543. The City's population increased rapidly from 2000 – 2007 but has moderated significantly since that time. We anticipate the population in Pleasant Grove to continue to increase at a steady rate with an ultimate buildout population of approximately 48,000.

After several years of minimal growth in sales tax revenue, economic activity has shown significant growth over the past two years. Sales tax revenue in FY 2016 reached \$5,011,190 which was an increase of \$557,515 from FY 2015. Building permit revenues totaled \$531,615, which was a decrease of 10.85% from fiscal year 2015. The City is committed to use conservative budgeting principles, particularly related to building-related fees. Revenue in the past have been only been used to fund growth-related costs and projects, rather than used to increase the City's base budget. While current development had slowed slightly in 2016, we anticipate fiscal year 2017 to be another year of strong economic growth and commercial development.

MAJOR INITIATIVES

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

- **3-Year Infrastructure Plan.** The City recently developed a plan that would focus on the maintenance of city streets. A key component of the plan is that the utilities underneath the road will be upgraded or deemed in good condition before major maintenance is completed.

The funds for the plan are a combination of Class C Road funds and a general fund transfer. The current 3-Year plan will use a large majority of the Class C Fund Balance in order to maximize the number of streets that can be done. After each year, the plan will be updated to add another year's worth of projects. In essence, it will be a 3-year rolling plan complete with funding sources for the projects.

The City has been considering a road fee to help with road maintenance issues. This fee would be used in conjunction with Class C road monies and a general fund contribution that goes towards road maintenance. Also being considered is legislation that a portion of sales tax could earmark money for road maintenance, if approved by the Utah County voters. The first ballot proposition failed. At this time, Pleasant Grove City is waiting to see what potential legislation will be presented in the FY2017 Legislative Session before pursuing the road fee again. Monies received would work in conjunction with our 3-year Infrastructure Plan.

- **5-Year Utility Fund Budgets.** The City's enterprise funds are different than the governmental funds in that they are primarily funded through user fees, rather than taxes. The City realizes the need to maintain a long-term focus on needs of the City's utilities related to operations, new infrastructure and replacing aging infrastructures. In an effort to keep this long-term focus, 5-year budgets will be maintained for all utility funds and will be included in the City's annual budget document. Rates will then be evaluated each year, taking into account all future expenditures for operations, debt and capital improvements.
- **Water Revenue Bond.** A new Water Revenue Bond was issued during the year, refunding the callable portion of the Series 2008 Water Revenue Bond. With a NPV (net present value) savings at approximately \$915,534. This refunding enables the City to use the savings to complete capital projects instead of servicing debt.

Capital Projects. The City’s Staff, following specific directives of the City Council and Mayor, have been involved in a variety of projects throughout the year. These projects reflect the City’s commitment to ensuring that the citizens of Pleasant Grove are able to live and work in a desirable environment. During FY 2015-16, the City had several significant projects. Some of these projects are listed below:

- **Manila Park Backstop Repair.** The project consisted of replacing all fabric, installing additional bracing of upright posts and replacement of nonfunctional braces and hardware on all four diamond backstops and infield fencing.
- **Valley Vista Trail.** This trail, part of the “Trails Master Plan”, will be completed by spring of 2017. The 6 mile, single track multi-use trail system was designed to encourage year-round outdoor recreation for hikers, runners, bikers, and equestrian users. The trail is also a major connector between the Bonneville Shoreline Trail and the Murdock Regional Trail. The project was funded with two Utah County Recreation Grants and Impact Fees. Four miles of the trail was completed by a project manager, city staff and over 850 volunteer hours, with the remaining two miles completed by a trail building company.
- **Utility Infrastructure Projects.** The Public Works Department completed numerous projects during FY2016: Center Street Waterline Improvements, 100 West Sewer Improvements, 900 S 900 East Garden Drive Sewer Improvements, Gebhardt Detention, 1300 West Storm Drain Improvements, Center Street Storm Drain Expansion, and Garden Grove Storm Drain Improvements.
- **Public Safety Facilities.** The citizens of Pleasant Grove passed a General Obligation Bond in the amount \$9.5 million to construct Public Safety facilities. The City is moving forward with the design, construction and bonding process.

Economic Development. The City Council recognizes the need to develop the City’s economic base in order to provide necessary services, i.e., recreation, roads, water, etc. to its citizens. Efforts are being made by the City to attract new businesses and to promote the type of activities that will enhance the quality of life in the community. These businesses include restaurants, office buildings, and other retail businesses. With the improving economy, we are seeing greater interest in construction in the City’s commercial areas. Large tracts of land have recently been purchased out in the Grove area in Pleasant Grove, the City’s main commercial corridor. The City anticipates additional office space to be constructed along with retail, hotel, residential, and other tax-generating properties. The area still contains acres of undeveloped land with easy access to State Street, Pleasant Grove Boulevard, North County Boulevard and Interstate 15.

FINANCIAL INFORMATION

Pleasant Grove’s financial statements reflect moderate growth and conservative budgeting practices. The fund balance in the City’s General Fund increased by \$435,590 during the fiscal year, to end at \$4,938,603. However, that includes an \$114,854 transfer of the 2015 surplus to fund 2016 capital projects. The City’s intent is to use the General Fund surpluses to fund certain subsequent year’s capital projects. The General fund’s unassigned balance of \$2,595,208 represents 16.26% of the fiscal year 2016 General Fund revenues.

During the past six-year period, the City’s governmental funds revenues increased from \$15,656,188 to \$20,913,688 and expenditures increased from \$20,864,604 to \$21,305,724. Growth in proprietary funds has increased over this same period. Proprietary fund operating revenues increased from \$6,410,066 to \$14,802,612 as compared to fiscal year 2010, while operating expenses rose from \$6,598,011 to \$11,471,425. Utility rate increases have attributed to the growth in revenue, and has provided funding to complete a greater number of capital projects.

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place and to document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluations. The audit for the fiscal year ended June 30, 2016, disclosed no material internal control weaknesses or material violations of laws and regulations.

The City's budget serves as the foundation for its financial planning and control. City Management prepares a proposed annual budget which is presented to the City Council for review no later than the first council meeting in May. The Council is required to hold a public hearing on the proposed budget and to adopt the final budget prior to June 22, unless the City proposes a property tax in excess of its certified tax rate. In that case, a tentative budget is adopted and is in force until a public hearing is held to approve the increase.

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

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

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to Pleasant Grove City for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgments

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

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

Respectfully submitted,


J. Scott Darrington
City Administrator


Denise B. Roy
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

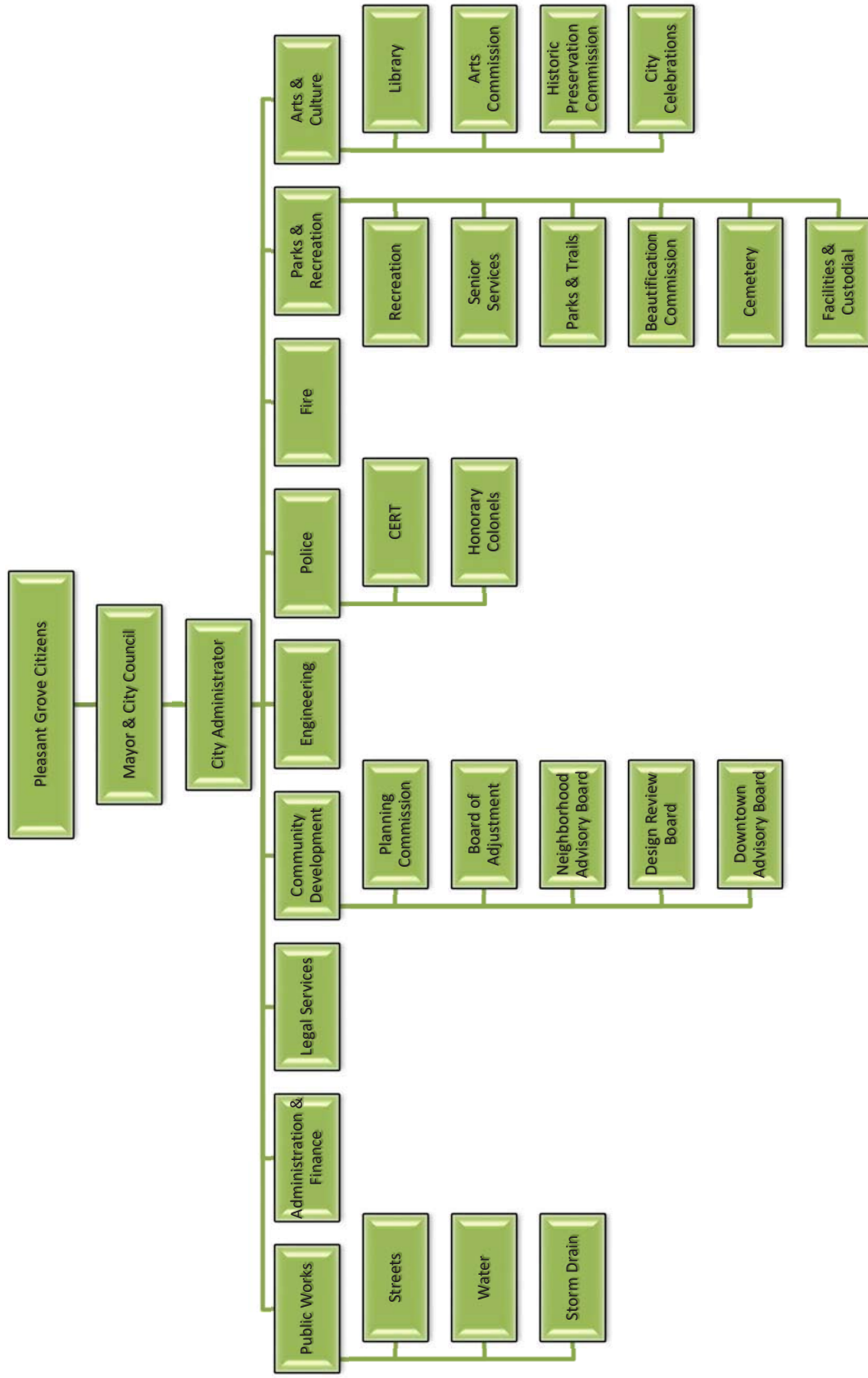
Pleasant Grove City
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

PLEASANT GROVE CITY ORGANIZATION CHART



Elected
and
Appointed
Officials

Pleasant Grove City Mayor & Council



**Mayor
Mike Daniels**



Dianna Andersen



Lynn Walker



Eric Jensen



Cyd LeMone



Ben Stanley

Pleasant Grove City Appointed Officials

City Administrator J. Scott Darrington
City Treasurer Karen Bezzant
Leisure Services Director Deon Giles
Arts & Culture Director Sheri Britsch
City Recorder Kathy Kresser
City Engineer Degen Lewis
Finance Director Denise Roy
Police Chief Michael Smith
City Attorney Christine Peterson
Fire Chief Dave Thomas
Public Works Director Marty Beaumont
Community Development Director Ken Young

This page is intentionally left blank.



FINANCIAL SECTION



This page is intentionally left blank.



Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

INDEPENDENT AUDITORS' REPORT

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA
Robert D. Wood, CPA

Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

*Members of the
American Institute
of Certified Public
Accountants*

*Members of the
Private Company
Practice Section*

Honorable Mayor and Members of the City Council
Pleasant Grove City

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Grove City (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Grove City as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and for the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-24 and pension schedules on pages 68-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 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* in considering the City's internal control over financial reporting and compliance.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Pleasant Grove City, we offer readers of Pleasant Grove City's financial statements this narrative overview and analysis of the financial activities of Pleasant Grove City for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- The total net position of Pleasant Grove City increased 21.65% to \$146,480,998. Two significant factors contributed to the increases: Donation of land in the amount of \$2,225,000, and the addition of the Note Receivable in the Redevelopment Agency of Pleasant Grove City in the amount of \$16,154,000.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$8,182,996. Of this amount \$ 2,595,208 (31.71%) is available for spending at the government's discretion (unassigned fund balance).
- Total governmental fund balance increased by \$469,267 during the year. The majority of the increase was generated by collection of sales tax. Property, sales and other taxes all increased from the prior year. The increased taxes will help pay for expenses related to growth and changes of the City.
- Utah law restricts an amount a municipality can maintain in its General Fund unrestricted (committed, assigned an unassigned) fund balance to 25% of the total revenue of the general fund for the fiscal year under audit. As of June 30, 2016 the City's unrestricted balance equals 16.26%.

REPORT OVERVIEW

This discussion and analysis is intended to serve as an introduction to Pleasant Grove City's basic financial statements. Pleasant Grove City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements can be found on pages 25 and 26.

FUND FINANCIAL STATEMENTS

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

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

The City maintains the following ten individual governmental funds:

- General
- Redevelopment Agency
- Capital Projects
- Dispatch
- Swimming Pool
- Community Center
- Cultural Arts
- Library
- Debt Service

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Redevelopment Agency, and Capital Projects funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is available elsewhere in this report.

The governmental fund financial statements can be found on pages 27 thru 32 of this report.

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

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

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 thru 65 of this report.

Other Information – In addition to the above mentioned statements and reports, this report also presents other supplementary information and a statistical section, which give additional and more detailed information to the reader. The supplemental section includes individual fund financial statements for the City’s non-major funds as well as budget to actual statements for the City’s other governmental funds. The statistical section gives various financial and demographic data of the City, including trend analysis for certain financial data. The supplementary section can be found on pages 68 thru 79, and the statistical section begins on page 82. The final section includes reports from the City’s external auditors related to the City’s internal controls and compliance with State and federal laws and regulations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Pleasant Grove City, assets exceed liabilities by \$146,480,998.

By far the largest portion of the City of Pleasant Grove’s net position (70.12%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net position.

PLEASANT GROVE CITY NET POSITION

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 32,268,049	\$15,047,602	\$ 15,115,279	\$ 14,090,092	\$ 47,383,328	\$ 29,137,694
Capital assets	85,697,136	82,390,871	86,074,267	84,263,174	171,771,403	166,654,045
Total Assets	<u>117,965,185</u>	<u>97,438,473</u>	<u>101,189,546</u>	<u>98,353,266</u>	<u>219,154,731</u>	<u>195,791,739</u>
Total Deferred Outflows						
of Resources	1,517,388	490,956	1,803,396	841,706	3,320,784	1,332,662
Long-term debt outstanding	26,297,452	29,299,431	33,402,126	35,633,214	59,699,578	64,932,645
Other liabilities	9,932,045	7,427,707	2,691,986	1,006,632	12,624,031	8,434,339
Total Liabilities	<u>36,229,497</u>	<u>36,727,138</u>	<u>36,094,112</u>	<u>36,639,846</u>	<u>72,323,609</u>	<u>73,366,984</u>
Total Deferred Inflows						
of Resources	3,542,364	3,221,666	128,544	124,661	3,670,908	3,346,327
Net Investment						
in capital assets	51,329,612	52,593,290	51,387,117	48,626,960	102,716,729	101,223,250
Restricted	5,053,020	4,389,607	5,537,895	6,578,455	10,590,915	10,968,062
Unrestricted	23,328,080	997,728	9,845,274	7,222,050	33,173,354	8,219,778
Total net position	<u>\$ 79,710,712</u>	<u>\$57,980,625</u>	<u>\$ 66,770,286</u>	<u>\$ 62,430,465</u>	<u>\$ 146,480,998</u>	<u>\$ 120,411,090</u>

An additional portion of the City's net position (7.2%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$33,173,354 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2016, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for governmental and business-type activities separately.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended June 30, 2016.

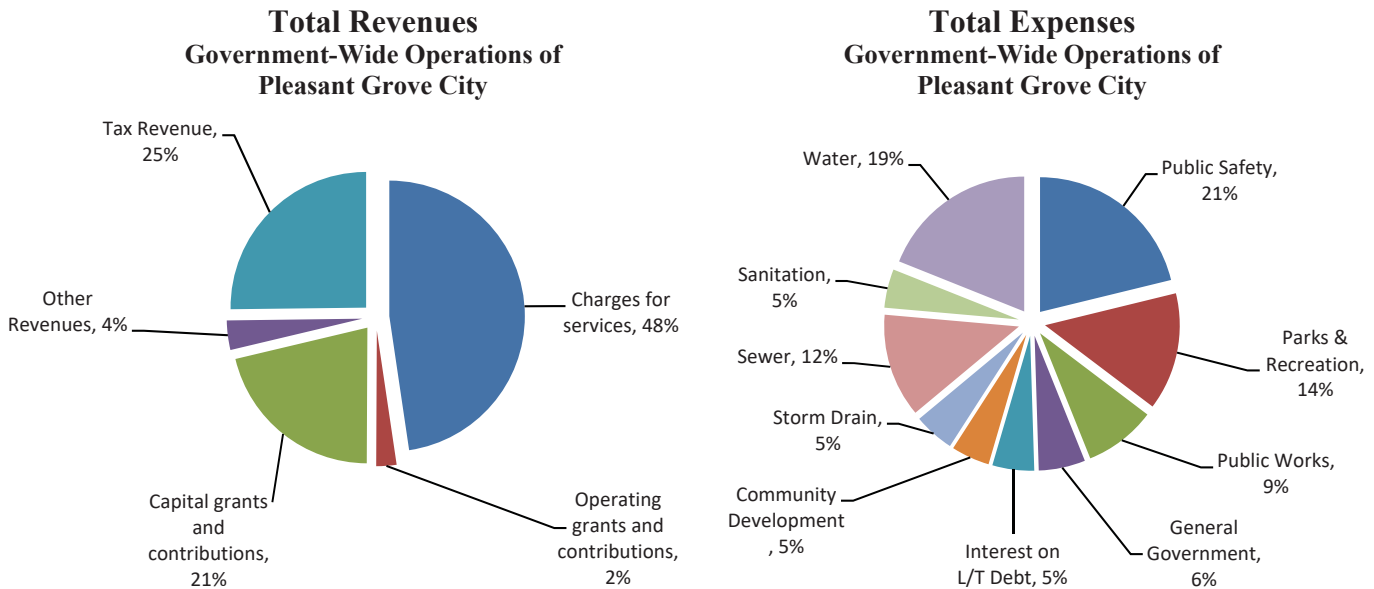
PLEASANT GROVE CITY'S CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 5,620,058	\$ 3,300,515	\$ 14,472,229	\$ 13,846,170	\$ 20,092,287	\$ 17,146,685
Operating grants and contributions	757,409	430,746	257,851	34,651	1,015,260	465,397
Capital grants and contributions	7,042,598	3,108,174	1,905,338	1,831,421	8,947,936	4,939,595
General Revenues:						
Taxes	10,620,212	9,810,218	-	-	10,620,212	9,810,218
Other Revenues	1,345,726	2,897,010	134,031	60,901	1,479,757	2,957,911
Total revenues	25,386,003	19,546,663	16,769,449	15,773,143	42,155,452	35,319,806
Expenses						
General Government	4,545,840	1,074,602	-	-	4,545,840	1,074,602
Community development	969,648	1,422,246	-	-	969,648	1,422,246
Public Works	2,902,930	2,653,515	-	-	2,902,930	2,653,515
Public Safety	6,159,340	6,295,803	-	-	6,159,340	6,295,803
Parks & Recreation	4,051,756	4,508,362	-	-	4,051,756	4,508,362
Interest on L/T Debt	1,285,881	1,335,594	-	-	1,285,881	1,335,594
Water	-	-	5,249,807	5,062,433	5,249,807	5,062,433
Storm Drain	-	-	1,552,610	1,620,947	1,552,610	1,620,947
Sewer	-	-	4,502,289	4,267,092	4,502,289	4,267,092
Sanitation	-	-	1,376,859	1,360,672	1,376,859	1,360,672
Total Expenses	19,915,395	17,290,122	12,681,565	12,311,144	32,596,960	29,601,266
Increase (decrease) in net position						
before transfers	5,470,608	2,256,541	4,087,884	3,461,999	9,558,492	5,718,540
Transfers	(75,000)	(60,980)	75,000	60,980	-	-
Increase (decrease) in net position	5,395,608	2,195,561	4,162,884	3,522,979	9,558,492	5,718,540
Net position, beginning restated	74,315,104	55,785,064	62,607,402	58,907,486	136,922,506	114,692,550
Net position, ending	\$ 79,710,712	\$ 57,980,625	\$ 66,770,286	\$ 62,430,465	\$146,480,998	\$120,411,090

Net Position for governmental activities increased by \$5,936,608, which is an increase of \$3,200,047 from the previous year. Business-type activities increased by \$4,162,884, which represents an increase of \$639,905 from the previous year. Factor contributing to an increase in Net Position in Governmental Funds include capital grants and contributions. Capital contributions consist of infrastructure built by developers and donated to the City as well as impact fee revenues. Two large land donations were also gifted to the City during the fiscal year. The implementation of GASB68 also played a part in the overall net position changes because of pension expenses that local governments made in the current fiscal year.

Taxes are the primary source of general revenue. Most of the City's operating grants are related to public safety grants, while capital grants consist primarily of donated infrastructure assets, impact fees and Class C road funds.

The following two graphs display Pleasant Grove’s government-wide revenues and expenses for the fiscal year ended June 30, 2016.



Financial Analysis of Governmental Funds

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

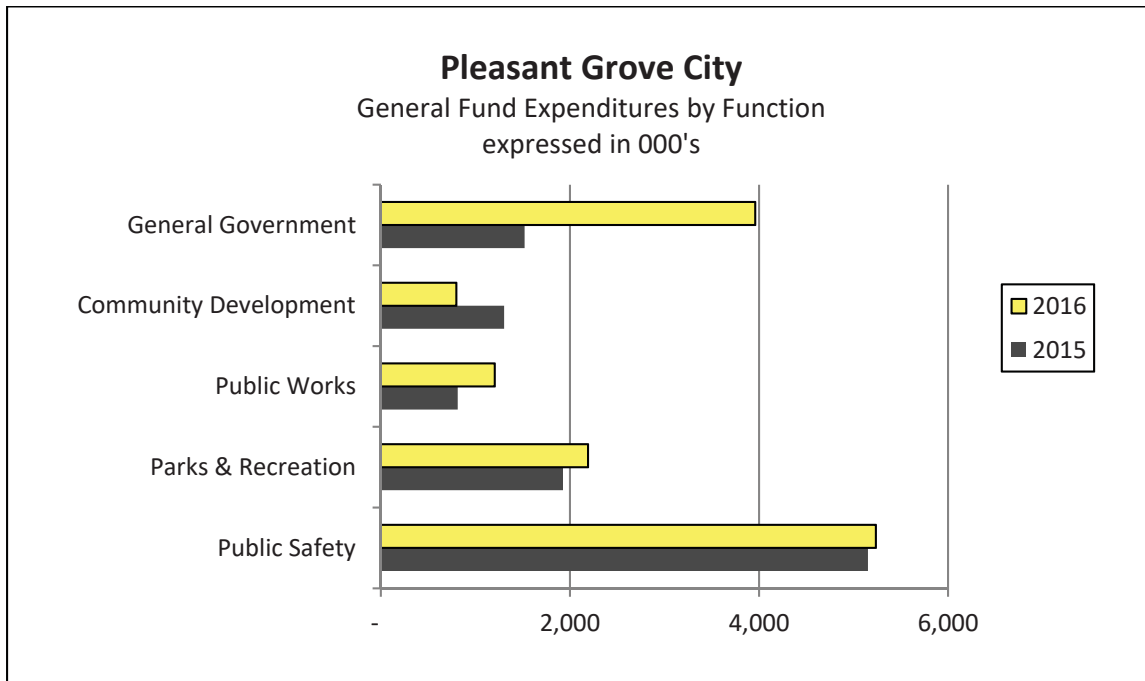
At the end of the current fiscal year, the City’s governmental funds reported combined fund balances of \$8,182,996, \$2,595,208 of this total amount (31.71%) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is classified as one of the following: nonspendable, restricted, committed, or assigned. Nonspendable fund balance refers to resources that either cannot be spent because of their form or cannot be spent because they must remain intact. Restricted fund balance means that the resources have externally enforceable limitations on their use. Committed fund balance occurs when the City has placed self-imposed limitations on its use. Assigned fund balance comes from the establishment of an intended use for certain funds by the City.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$2,595,208, while total fund balance reached \$4,938,603.

Taxes are the largest source of revenue in the General Fund, representing 64.35% of total General Fund revenues. The largest component is sales tax, which represents 48.8% of total tax revenue and 31.4% of total General Fund revenue. Overall, revenues increased by 22.85% and expenditures increased by 25% from 2015. The administrative chargeback was shown in the charge for services and an offset against expenditures as in past fiscal years.

The following chart compares general fund expenditures by function between 2015 and 2016.



Other Governmental Funds

The fund balance in the Redevelopment Agency fund increased by \$102,685 during the year to bring the fund to a positive balance of \$268,658. Revenues in the RDA fund increased from \$1,801,321 in 2015 to \$1,903,199 in 2016 this is due to receiving more property taxes for the redevelopment area.

\$1,749,237 was spent from the Capital Projects fund on capital outlay in various departments during the year. This fund is used to collect funds for the construction of capital projects and to pay for debt associated with capital equipment. Revenue sources include impact fees of \$872,251. Impact fees are restricted to projects governed by the laws of the State of Utah, thus these balances are reserved.

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

Net position of the Water Fund increased from \$34,186,519 to \$36,580,180. Sewer net position increased from \$17,956,950 to \$18,605,863. Storm Drain net position increased from \$10,393,873 to \$11,454,713. Sanitation net position increased from \$70,060 to \$129,530. Net position increases in 2016 were assisted mainly in continued growth of charges for services and developer contributions. Overall, in the enterprise funds, net position increased by \$4,162,884.

General Fund Budgetary Highlights

During the fiscal year, the General Fund’s original budget was amended from an original budgeted expenditure total of \$13,856,103 to final budgeted expenditures of \$14,078,106. These increases can be briefly summarized as follows:

- Facilities increased by \$2,000
- Engineering increased by \$66,150
- Police decreased by \$41,625
- Fire increased by \$50,740
- Library increased by \$59,020
- Streets increased by \$2,468

The largest increase in budgeted expenditures was related to engineering services, police, fire, library and facility services. During the year, the City received certain state and federal grants. The City’s guideline is to generally not budget grant revenue until the funds are received. The budget was increased to authorize the expenditure of these funds. The Community Development and Non-departmental lines show actuals greater than budget due to entries made during the audit process, but the overall actual to budgets is \$684,934,

Capital Assets and Debt Administration

Capital Assets. The City of Pleasant Grove’s investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$171,744,403 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, construction in progress, and water rights. The total increase in the City’s capital assets (net of depreciation) was 3.38% (4.65% increase for governmental activities and a 2.15% increase for business-type activities).

Pleasant Grove City Capital Assets (net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$47,442,275	\$45,221,519	\$9,301,927	\$9,301,927	\$56,744,202	\$54,523,446
Water Shares	-	-	1,981,938	1,981,938	1,981,938	1,981,938
Buildings	7,805,676	8,149,046	-	-	7,805,676	8,149,046
Equipment	2,455,333	2,696,354	736,844	620,663	3,192,177	3,317,017
Infrastructure	27,911,114	24,602,530	73,172,496	72,159,536	101,083,610	96,762,066
Const in Progress	82,738	1,223,272	881,062	199,110	963,800	1,422,382
Total Capital Assets	\$85,697,136	\$81,892,721	\$86,074,267	\$84,263,174	\$171,771,403	\$166,155,895

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

- Contributed infrastructure assets - \$4,031,101
- Shannon Fields Completion - \$531,188
- Street Improvements - \$469,226
- Land Donation - \$2,225,000
- Infrastructure improvements in excess of \$1.96 million in Water, Sewer and Storm Drain funds

Additional information on the City’s capital assets can be found in note 4 on pages 50 thru 51 of this report.

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$57,019,000, \$53,094,000 is secured by specific revenue sources, while total general obligation bonds outstanding total \$3,925,000. The chart below displays transactions related to the City’s bonds for the year.

**Pleasant Grove City Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,925,000	\$ 4,080,000	\$ -	\$ -	\$ 3,925,000	\$ 4,080,000
Revenue bonds	19,594,000	21,161,000	33,500,000	33,870,710	53,094,000	55,031,710
Total bonded debt	\$ 23,519,000	\$ 25,241,000	\$ 33,500,000	\$ 33,870,710	\$ 57,019,000	\$ 59,111,710

- The City’s total outstanding bond debt decreased \$2,092,710 during the current fiscal year. This is the total amount of principal paid and a new water bond was issued during the year. The bond refunded the 2008 Water Revenue Bond.
- Pleasant Grove maintains a “AA” rating for its sales tax bonds, a “AA-” rating for its general obligation bonds, an “A” rating for its water revenue bonds, and a “A+” rating for its excise tax bonds.
- The City entered into two capital lease agreements to finance police, fire, street vehicles, computer and fitness equipment.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total assessed value. The current limitations for the City are \$106,703,000 which is significantly in excess of the City’s outstanding general obligation debt. In addition, state statutes allow for an additional 8% to be used for water, sewer, or other revenue bond projects thus resulting in a debt limit of 12% of total taxable value. Total limitation is \$320,318,000, which again significantly exceeds the level of outstanding debt.

Additional information on the City’s long-term debt can be found in note 4 on pages 52-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Utah County (of which Pleasant Grove is the fifth largest city) was 3.2%. The same rate as the state unemployment rate of 3.2%, while the national rate was 4.9%. The previous year's rates were 3.2%, 3.6%, and 5.0% respectively.
- The General Fund budgeted operating expenditures remain fairly consistent for the upcoming year. Fiscal year-ending June 30, 2016 original budget reflects an increase of \$420,019 from the year ending, June 30, 2015. This included a 2% increase for all full time and part time employees, moving part time prosecutor to full time, and medical insurance increases.
- The City analyzed utility rates each year to evaluate all areas related to the operation of its utility funds. These areas include operations, debt service coverage, cash reserves, and capital needs. Based on this analysis, rates are adjusted each July.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Pleasant Grove's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Pleasant Grove City, Finance Director, 70 South 100 East, Pleasant Grove, UT 84062.

BASIC FINANCIAL STATEMENTS

Pleasant Grove



Utah's City of Trees

This page is intentionally left blank.



PLEASANT GROVE CITY
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash, cash equivalents, and investments:			
Unrestricted	\$ 7,632,310	\$ 10,035,184	\$ 17,667,494
Restricted	3,168,806	2,809,934	5,978,740
Receivables:			
Accounts, net of allowance	1,743,754	1,615,140	3,358,894
Property tax	2,697,656	-	2,697,656
Due from other governments	273,752	-	273,752
Inventory	-	38,308	38,308
Prepaid expenses	553,502	268,150	821,652
Note receivable	16,154,000	348,530	16,502,530
Net pension asset	44,269	33	44,302
Capital assets not being depreciated:			
Land and rights of way	47,442,275	9,301,927	56,744,202
Water stock	-	1,981,938	1,981,938
Construction in progress	82,738	881,062	963,800
Capital assets, net of accumulated depreciation:			
Buildings and improvements	7,805,676	-	7,805,676
Infrastructure	27,911,114	73,172,496	101,083,610
Automobiles, Machinery, and Equipment	2,455,333	736,844	3,192,177
Total assets	117,965,185	101,189,546	219,154,731
Deferred outflows of resources:			
Deferred outflows related to pensions	1,446,453	275,494	1,721,947
Deferred loss on refunding	70,935	1,527,902	1,598,837
Total deferred outflows of resources	1,517,388	1,803,396	3,320,784
LIABILITIES			
Current liabilities:			
Accounts payable	1,528,529	20,983	1,549,512
Accrued liabilities	312,483	80,891	393,374
Due to other governments	323,995	-	323,995
Accrued interest payable	149,207	273,765	422,972
Bonds payable	1,800,500	1,504,500	3,305,000
Other long-term liabilities	868,048	111,938	979,986
Noncurrent liabilities:			
Bonds payable	21,803,428	33,133,481	54,936,909
Other long-term liabilities	4,494,024	268,645	4,762,669
Deposits held	2,569,705	4,053	2,573,758
Net pension liability	2,379,578	695,856	3,075,434
Total liabilities	36,229,497	36,094,112	72,323,609
Deferred inflows of resources:			
Deferred revenue property taxes	3,133,338	-	3,133,338
Deferred inflows related to pensions	409,026	128,544	537,570
Total deferred inflows of resources	3,542,364	128,544	3,670,908
NET POSITION			
Net investment in capital assets	51,329,612	51,387,117	102,716,729
Restricted for:			
Roads	1,515,802	-	1,515,802
Impact fees	1,904,079	2,751,371	4,655,450
Library	75,460	-	75,460
Dispatch	75,229	-	75,229
Debt Service	114,294	2,786,524	2,900,818
Donations	363,032	-	363,032
Redevelopment	268,658	-	268,658
Capital projects	672,486	-	672,486
Parks and recreation	63,980	-	63,980
Unrestricted	23,328,080	9,845,274	33,173,354
Total net position	\$ 79,710,712	\$ 66,770,286	\$ 146,480,998

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Statement of Activities
For the Year Ended June 30, 2016

Function/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 4,545,840	\$ 3,210,270	\$ 58,820	\$ 1,093,032	\$ (183,718)	\$	\$ (183,718)
Public safety	6,159,340	821,357	678,435	565,003	(4,094,545)		(4,094,545)
Community development	969,648	-	-	-	(969,648)		(969,648)
Public works	2,902,930	-	-	2,852,315	(50,615)		(50,615)
Parks, recreation and public property	4,051,756	1,588,431	20,154	2,532,248	89,077		89,077
Interest on long-term debt	1,285,881	-	-	-	(1,285,881)		(1,285,881)
Total governmental activities	19,915,395	5,620,058	757,409	7,042,598	(6,495,330)		(6,495,330)
Business-type activities							
Water	5,249,807	6,407,298	257,851	942,702		\$ 2,358,044	2,358,044
Sewer	4,502,289	4,642,390	-	442,924		583,025	583,025
Storm drain	1,552,610	1,986,212	-	519,712		953,314	953,314
Sanitation	1,376,859	1,436,329	-	-		59,470	59,470
Total business-type activities	12,681,565	14,472,229	257,851	1,905,338		3,953,853	3,953,853
General Revenues:							
Taxes							
Property taxes					3,508,595	-	3,508,595
Sales taxes					5,011,190	-	5,011,190
Telecommunications and franchise taxes					2,100,427	-	2,100,427
Interest income					1,005,418	70,343	1,075,761
Miscellaneous					340,308	72,532	412,840
Transfers					(75,000)	75,000	-
Loss on sale of assets					-	(8,844)	(8,844)
Total general revenue and transfers					11,890,938	209,031	12,099,969
Change in net position					5,395,608	4,162,884	9,558,492
Net position - beginning (as restated)					74,315,104	62,607,402	136,922,506
Net position - ending					\$ 79,710,712	\$ 66,770,286	\$ 146,480,998

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Balance Sheet – Governmental Funds
June 30, 2016

	General	Capital Projects	Special Revenue Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments					
Unrestricted	\$ 4,516,706	\$ 2,576,565	\$ 268,658	\$ 270,381	\$ 7,632,310
Restricted	3,075,405	-	-	93,401	3,168,806
Receivables, net:					
Accounts	1,308,072	-	113,099	322,583	1,743,754
Property tax	2,697,656	-	-	-	2,697,656
Intergovernmental	273,752	-	-	-	273,752
Prepaid items	464,561	70,207	-	-	534,768
Note receivable	-	-	16,154,000	-	16,154,000
Total assets	\$ 12,336,152	\$ 2,646,772	\$ 16,535,757	\$ 686,365	\$ 32,205,046
LIABILITIES					
Accounts payable	\$ 1,528,529	\$ -	\$ -	\$ -	\$ 1,528,529
Accrued liabilities	277,664	-	-	34,819	312,483
Deposits held and retainage payable	2,569,705	-	-	-	2,569,705
Due to other governments	323,995	-	-	-	323,995
Total liabilities	4,699,893	-	-	34,819	4,734,712
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - note receivable	-	-	16,154,000	-	16,154,000
Deferred revenue - property taxes	2,697,656	-	113,099	322,583	3,133,338
Total deferred inflows of resources	2,697,656	-	16,267,099	322,583	19,287,338
FUND BALANCES					
Nonspendable	464,561	70,207	-	-	534,768
Restricted for:					
Donations	363,032	-	-	-	363,032
Debt service	-	-	-	114,294	114,294
Dispatch	-	-	-	75,229	75,229
Library	-	-	-	47,483	47,483
Impact fees	-	1,904,079	-	-	1,904,079
Class C roads	1,515,802	-	-	-	1,515,802
Total restricted	1,878,834	1,904,079	-	237,006	4,019,919
Assigned to:					
Capital projects	-	672,486	268,658	-	941,144
Swimming pool	-	-	-	22,263	22,263
Community center	-	-	-	41,717	41,717
Cultural arts	-	-	-	27,977	27,977
Total assigned	-	672,486	268,658	91,957	1,033,101
Unassigned	2,595,208	-	-	-	2,595,208
Total fund balances	4,938,603	2,646,772	268,658	328,963	8,182,996
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,336,152	\$ 2,646,772	\$ 16,535,757	\$ 686,365	\$ 32,205,046

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position (page 25) are different because:

Total Fund Balances - Total Governmental Funds (page 27)	\$ 8,182,996
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$116,831,417 less the accumulated depreciation of \$31,134,281.	85,697,136
Interest on general obligation and revenue bonds is not accrued in governmental funds but rather is recognized as an expenditure when due.	(149,207)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(28,966,000)
Pension liabilities and assets are not due and payable in the current period and, therefore, are not reported in the funds.	(1,297,882)
Long-term receivables are not available in the current period and, therefore, are deferred in the funds balance sheet.	16,154,000
Other assets are not available to pay for current period expenditures and, therefore, are either deferred or not applicable to funds.	<u>89,669</u>
Net Position - Governmental Activities (page 25)	<u><u>\$ 79,710,712</u></u>

PLEASANT GROVE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>				
	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Taxes	\$ 10,269,172	\$ -	\$ 32,057	\$ 318,983	\$ 10,620,212
Licenses and permits	607,608	-	-	-	607,608
Intergovernmental	1,299,676	19,204	313,305	218,256	1,850,441
Charges for services	3,132,709	-	-	1,480,581	4,613,290
Fines and forfeitures	399,160	-	-	-	399,160
Interest income	38,151	13,697	6	733	52,587
Impact fees	-	872,251	-	-	872,251
Loan repayment income	-	-	1,557,831	-	1,557,831
Miscellaneous	210,736	75,016	-	54,556	340,308
Total revenues	15,957,212	980,168	1,903,199	2,073,109	20,913,688
<u>EXPENDITURES</u>					
General government	3,961,323	298,022	-	-	4,259,345
Public safety	5,235,683	296,721	-	582,873	6,115,277
Community development	799,417	-	240,633	-	1,040,050
Public works	1,204,412	205,105	-	-	1,409,517
Parks, recreation, and public property	2,192,337	245,404	-	1,754,286	4,192,027
Capital outlay and projects	-	703,985	-	-	703,985
Debt service:					
Principal	-	549,117	605,000	1,117,000	2,271,117
Interest and other financial	-	35,890	954,881	323,635	1,314,406
Total expenditures	13,393,172	2,334,244	1,800,514	3,777,794	21,305,724
Excess (deficiency) of revenues over (under) expenditures	2,564,040	(1,354,076)	102,685	(1,704,685)	(392,036)
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from debt issuance	-	786,113	-	-	786,113
Proceeds from sale of assets	4,170	146,020	-	-	150,190
Transfers in	-	671,512	-	1,783,948	2,455,460
Transfers out	(2,132,620)	(352,840)	-	(45,000)	(2,530,460)
Total other financing sources (uses)	(2,128,450)	1,250,805	-	1,738,948	861,303
Net change in fund balance	435,590	(103,271)	102,685	34,263	469,267
Fund balances at beginning of year	4,503,013	2,750,043	165,973	294,700	7,713,729
Fund balances at end of year	\$ 4,938,603	\$ 2,646,772	\$ 268,658	\$ 328,963	\$ 8,182,996

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities (page 26) are different because:

Net change in fund balances - total governmental funds (page 29)	\$	469,267
Governmental funds report capital outlays as expenditures and do not report capital contributions, as they are not financial assets. However, in the statement of activities the cost of capital outlays is allocated over their estimated useful lives and reported as depreciation expense, and capital contributions are reported as assets and revenue. This is the amount by which capital outlays exceeded depreciation in the current period.		3,955,287
Principal payments from recipients on certain notes are recorded as revenue in the governmental funds. However, these payments are recorded as a decrease in the notes receivable and an increase in interest income in the Statement of Net Position.		(605,000)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,431,113
Pension related expenses in the statement of activities do not use current financial resources and, therefore, are not reported as expenditures in governmental funds.		295,813
The effect of proceeds from the sale of assets is to decrease net position		<u>(150,872)</u>
Change in net position of governmental activities (page 26)	\$	<u><u>5,395,608</u></u>

PLEASANT GROVE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes:				
Property	\$ 3,365,005	\$ 3,365,005	\$ 3,157,555	\$ (207,450)
Sales and use	4,490,334	4,490,334	5,011,190	520,856
Other	2,213,338	2,213,338	2,100,427	(112,911)
Licenses and permits	618,250	618,250	607,608	(10,642)
Intergovernmental	1,027,000	1,161,915	1,299,676	137,761
Charges for services	3,108,138	3,108,138	3,132,709	24,571
Fines and forfeitures	507,000	507,000	399,160	(107,840)
Interest income	10,000	10,000	38,151	28,151
Miscellaneous	181,189	395,439	210,736	(184,703)
Total revenues	<u>15,520,254</u>	<u>15,869,419</u>	<u>15,957,212</u>	<u>87,793</u>
<u>EXPENDITURES</u>				
General government:				
City council	214,600	214,600	214,599	1
Courts	328,890	328,890	322,073	6,817
Facilities	380,098	382,098	371,346	10,752
Administrative	993,712	993,712	866,045	127,667
Engineering	473,539	539,689	539,689	-
City attorney	319,580	319,580	319,580	-
Non-departmental	1,010,170	1,010,170	1,070,857	(60,687)
Cemetery	97,585	97,585	71,036	26,549
Custodial	200,470	200,470	186,098	14,372
Public safety:				
Police and dispatch	3,523,942	3,565,567	3,305,678	259,889
Fire	1,912,810	1,963,550	1,844,010	119,540
Animal control	104,700	104,700	85,995	18,705
Community development:				
Community development	725,287	725,287	759,783	(34,496)
Economic development	88,880	88,880	39,634	49,246
Public works:				
Streets	567,868	570,336	570,180	156
Class C roads	755,000	755,000	634,232	120,768
Parks and recreation:				
Library	628,634	687,654	687,656	(2)
Other	1,530,338	1,530,338	1,504,681	25,657
Total expenditures	<u>13,856,103</u>	<u>14,078,106</u>	<u>13,393,172</u>	<u>684,934</u>
Excess (deficiency) of revenues over (under) expenditures	1,664,151	1,791,313	2,564,040	772,727
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from sale of assets	-	-	4,170	4,170
Transfers out	(2,015,320)	(2,141,174)	(2,132,620)	8,554
Net change in fund balance	<u>\$ (122,309)</u>	<u>\$ (121,001)</u>	435,590	<u>\$ 556,591</u>
Fund balance at beginning of year			4,503,013	
Fund balance at end of year			<u>\$ 4,938,603</u>	

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Redevelopment Agency Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes:				
Property	\$ 30,000	\$ 30,000	\$ 32,057	\$ 2,057
Intergovernmental	105,000	105,000	313,305	208,305
Loan repayment income	1,557,831	1,557,831	1,557,831	-
Interest income	-	-	6	6
Total revenues	<u>1,692,831</u>	<u>1,692,831</u>	<u>1,903,199</u>	<u>210,368</u>
<u>EXPENDITURES</u>				
Community development	-	-	240,633	(240,633)
Debt service				
Principal	605,000	605,000	605,000	-
Interest and other financial	954,831	954,831	954,881	(50)
Total expenditures	<u>1,559,831</u>	<u>1,559,831</u>	<u>1,800,514</u>	<u>(240,683)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>133,000</u>	<u>133,000</u>	<u>102,685</u>	<u>(30,315)</u>
Net change in fund balance	<u>\$ 133,000</u>	<u>\$ 133,000</u>	102,685	<u>\$ (30,315)</u>
Fund balance at beginning of year			<u>165,973</u>	
Fund balance at end of year			<u>\$ 268,658</u>	

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Statement of Net Position – Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Storm Drain	Sanitation	Total
ASSETS					
Current assets:					
Cash, cash equivalents, and investments					
Unrestricted	\$ 5,076,563	\$ 3,513,352	\$ 1,410,577	\$ 34,692	\$ 10,035,184
Restricted	569,637	-	2,240,297	-	2,809,934
Receivables, net:					
Accounts	708,789	535,013	213,385	157,953	1,615,140
Inventory (supplies)	38,308	-	-	-	38,308
Total current assets	<u>6,393,297</u>	<u>4,048,365</u>	<u>3,864,259</u>	<u>192,645</u>	<u>14,498,566</u>
Noncurrent assets:					
Prepaid bond insurance	192,313	-	75,837	-	268,150
Note receivable	-	-	348,530	-	348,530
Net pension asset	14	12	7	-	33
Capital assets:					
Land and rights of way	1,761,157	25,000	7,515,770	-	9,301,927
Water shares	1,981,938	-	-	-	1,981,938
Construction in progress	869,490	11,572	-	-	881,062
Infrastructure	63,292,892	19,645,693	14,062,831	-	97,001,416
Automobiles, machinery and equipment	586,955	236,704	631,353	-	1,455,012
Less: accumulated depreciation	<u>(17,188,680)</u>	<u>(4,735,534)</u>	<u>(2,622,874)</u>	<u>-</u>	<u>(24,547,088)</u>
Total noncurrent assets	<u>51,496,079</u>	<u>15,183,447</u>	<u>20,011,454</u>	<u>-</u>	<u>86,690,980</u>
Total assets	<u>57,889,376</u>	<u>19,231,812</u>	<u>23,875,713</u>	<u>192,645</u>	<u>101,189,546</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refundings	1,509,660	12,161	6,081	-	1,527,902
Deferred outflows related to pensions	117,816	102,587	55,091	-	275,494
Total deferred outflows of resources	<u>1,627,476</u>	<u>114,748</u>	<u>61,172</u>	<u>-</u>	<u>1,803,396</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 20,983	\$ -	\$ -	\$ -	\$ 20,983
Accrued liabilities	7,842	5,905	4,029	63,115	80,891
Accrued interest payable	77,431	828	195,506	-	273,765
Bonds payable	1,059,800	49,800	394,900	-	1,504,500
Other long-term liabilities	24,518	27,283	60,137	-	111,938
Total current liabilities	<u>1,190,574</u>	<u>83,816</u>	<u>654,572</u>	<u>63,115</u>	<u>1,992,077</u>
Noncurrent liabilities:					
Bonds payable	21,359,205	337,189	11,437,087	-	33,133,481
Other long-term liabilities	31,779	10,321	226,545	-	268,645
Net pension liability	295,739	260,946	139,171	-	695,856
Deposits held and retainage payable	4,053	-	-	-	4,053
Total noncurrent liabilities	<u>21,690,776</u>	<u>608,456</u>	<u>11,802,803</u>	<u>-</u>	<u>34,102,035</u>
Total liabilities	<u>22,881,350</u>	<u>692,272</u>	<u>12,457,375</u>	<u>63,115</u>	<u>36,094,112</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	55,322	48,425	24,797	-	128,544
Total deferred inflows of resources	<u>55,322</u>	<u>48,425</u>	<u>24,797</u>	<u>-</u>	<u>128,544</u>
NET POSITION					
Net investment in capital assets	28,884,747	14,796,446	7,705,924	-	51,387,117
Unrestricted	7,695,433	3,809,417	3,748,789	129,530	15,383,169
Total net position	<u>\$ 36,580,180</u>	<u>\$ 18,605,863</u>	<u>\$ 11,454,713</u>	<u>\$ 129,530</u>	<u>\$ 66,770,286</u>

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Storm Drain	Sanitation	Total
<u>OPERATING REVENUES</u>					
Charges for services	\$ 6,407,298	\$ 4,642,390	\$ 1,986,212	\$1,436,329	\$ 14,472,229
Intergovernmental	257,851	-	-	-	257,851
Miscellaneous	23,502	40,652	8,378	-	72,532
Total operating revenues	6,688,651	4,683,042	1,994,590	1,436,329	14,802,612
<u>OPERATING EXPENSES</u>					
Wages and benefits	570,238	495,861	302,656	-	1,368,755
Cost of services and supplies	1,593,818	3,009,245	188,417	1,114,751	5,906,231
Administration	905,364	637,982	279,541	262,108	2,084,995
Depreciation	1,414,049	343,253	354,142	-	2,111,444
Total operating expenses	4,483,469	4,486,341	1,124,756	1,376,859	11,471,425
Operating income (loss)	2,205,182	196,701	869,834	59,470	3,331,187
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Impact fees	376,573	194,775	155,203	-	726,551
Gain (loss) on sale of assets	(8,844)	-	-	-	(8,844)
Interest income	20,959	25,236	24,148	-	70,343
Interest and other financial	(766,338)	(15,948)	(427,854)	-	(1,210,140)
Total nonoperating revenues (expenses)	(377,650)	204,063	(248,503)	-	(422,090)
Income before contributions and transfers	1,827,532	400,764	621,331	59,470	2,909,097
Developer contributions	566,129	248,149	364,509	-	1,178,787
Transfers in	-	-	75,000	-	75,000
Change in net position	2,393,661	648,913	1,060,840	59,470	4,162,884
Total net position - beginning (as restated)	34,186,519	17,956,950	10,393,873	70,060	62,607,402
Total net position - ending	\$ 36,580,180	\$ 18,605,863	\$ 11,454,713	\$ 129,530	\$ 66,770,286

The accompanying notes are an integral part of this financial statement.

PLEASANT GROVE CITY
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Storm Drain	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 6,672,591	\$ 4,674,393	\$ 1,980,161	\$ 1,425,821	\$ 14,752,966
Payments to Suppliers	(1,590,215)	(3,014,774)	(190,114)	(1,117,622)	(5,912,725)
Interfund Services	(905,364)	(637,982)	(279,541)	(262,108)	(2,084,995)
Payments to Employees	(552,914)	(477,895)	(285,091)	-	(1,315,900)
Net cash provided by operating activities	3,624,098	543,742	1,225,415	46,091	5,439,346
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due from/(to) other funds	-	-	-	(11,399)	(11,399)
Transfers from/(to) other funds	-	-	75,000	-	75,000
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	75,000	(11,399)	63,601
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Impact fees	376,573	194,775	155,203	-	726,551
Purchase of capital assets	(1,514,009)	(769,504)	(473,375)	-	(2,756,888)
Proceeds from disposal of assets	4,294	-	-	-	4,294
Proceeds from capital debt	8,945,000	-	-	-	8,945,000
Payment of bond issuance costs	(74,248)	-	-	-	(74,248)
Principal paid on capital debt	(9,776,018)	(49,200)	(407,136)	-	(10,232,354)
Interest and fees paid on capital debt	(771,033)	(14,175)	(431,896)	-	(1,217,104)
Net cash provided (used) by capital and related financing activities	(2,809,441)	(638,104)	(1,157,204)	-	(4,604,749)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest Income	20,959	25,236	24,148	-	70,343
Net increase (decrease) in cash and cash equivalents	835,616	(69,126)	167,359	34,692	968,541
Cash and cash equivalents - beginning of year	4,810,584	3,582,478	3,483,515	-	11,876,577
Cash and cash equivalents - end of year	\$ 5,646,200	\$ 3,513,352	\$ 3,650,874	\$ 34,692	\$ 12,845,118
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 2,205,182	\$ 196,701	\$ 869,834	\$ 59,470	\$ 3,331,187
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,414,049	343,253	354,142	-	2,111,444
(Increase) decrease in receivables	(25,703)	(8,649)	(14,429)	(10,508)	(59,289)
(Increase) decrease in inventory	(450)	-	-	-	(450)
Increase (decrease) in accounts payable and accrued liabilities	9,643	(5,529)	(1,697)	(2,871)	(454)
Increase (decrease) in compensated absences and pensions	21,377	17,966	17,565	-	56,908
Total Adjustments	1,418,916	347,041	355,581	(13,379)	2,108,159
Net cash provided by operating activities	\$ 3,624,098	\$ 543,742	\$ 1,225,415	\$ 46,091	\$ 5,439,346
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	\$ 566,129	\$ 248,149	\$ 364,509	\$ -	\$ 1,178,787

The accompanying notes are an integral part of this financial statement.

This page is intentionally left blank.



**NOTES TO THE FINANCIAL
STATEMENTS**

Pleasant Grove



Utah's City of Trees

This page is intentionally left blank.



PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of Pleasant Grove City (“the City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Pleasant Grove City was incorporated in 1850. The City operates under a Mayor / Council form of government. As required by U.S. GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component unit discussed below is included as part of the City’s reporting entity as a blended component unit.

Component Unit

The Pleasant Grove City Redevelopment Agency (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City’s ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions 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.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

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. 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. Governmental funds do not report donated capital assets received unless the sale of those assets is imminent. The assets are reported in the government-wide financial statements.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for those required to be accounted for in another fund.

The *Capital Projects Construction Fund* accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds).

The *Redevelopment Agency Special Revenue Fund* is used to account for financial resources to be used for the revitalization of the City and furthering public purposes in the community.

The government reports the following major enterprise funds:

The *Water Fund* accounts for the activities of the City's water operations, both culinary and secondary water systems.

The *Sewer Fund* accounts for the activities of the City's sewer operations.

The *Storm Drain Fund* accounts for the activities of the City's storm drain operations.

The *Sanitation Fund* accounts for the activities of the City's sanitation operations.

Additionally, the City reports the following nonmajor governmental funds types:

Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities.

Dispatch Fund receives taxes charged to telephone lines and accounts for activities of the emergency 911 services.

Swimming Pool Fund receives admission fees and accounts for activities of the City-owned community swimming pool.

Community Center Fund receives admission fees to the City-owned recreation facility as well as participation fees for the specific programs and accounts for the activities of the recreation facility and related programs.

Cultural Arts Fund receives tuition paid by students and admission fees for community theatre programs and accounts for activities of these programs.

Library Fund receives federal and state grants and fees from library services and accounts for activities of the City-owned library.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund accounts for accumulation of financial resources for the payment of principal and interest on the City's general obligation debt.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash, Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this definition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds".

Other receivables at June 30, 2016, consist of property tax, franchise tax, sales tax, grants, fines, and accounts (billings for user charged services, including unbilled utility services). Taxes, grants and fines are deemed collectible in full. The allowance for doubtful proprietary account receivables at June 30, 2016 is \$13,636.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

Inventory

Inventory represents mainly supplies and parts used for various water fund projects, and is valued using the first-in/first-out (FIFO) method.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings	25 to 50 years
Infrastructure	20 to 50 years
Improvements other than buildings	20 to 25 years
Machinery and equipment	5 to 20 years

Compensated Absences

City employees accrue vacation, comp time, and sick leave throughout the year. Unpaid vacation over 120 hours expires at the end of the calendar year. Vacation time and comp time are accrued in full as they are incurred. Up to 960 hours of unused sick leave is converted to compensated absences at a rate of 25 percent at separation. The liability for such leave is reported as Incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Compensated absences liabilities are typically liquidated in the general and special revenue funds.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

Deferred Inflows and Outflows of Resources

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, and discounts are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

Governmental fund balance is reported in five separate categories: Nonspendable, restricted, committed, assigned, and unassigned. When both restricted and unrestricted fund balance is available for use, it is the City's policy to use restricted fund balance first. When expenditures qualify for more than one unrestricted fund balance classification, it is the City's policy to use resources in the following order: Committed, assigned, and then unassigned.

Nonspendable fund balance cannot be spent because it is not in spendable form. An example of nonspendable fund balance is inventory. Restricted fund balance has restrictions imposed by parties outside of the primary government. Committed fund balance represents funds restricted for a specific use by resolution of the Pleasant Grove City Council. Assigned fund balance is earmarked for certain purposes without formal resolution of the City Council. Finally, any remaining fund balance is unassigned and available for unrestricted use.

Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes. 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 they are needed.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

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

Cost of capital assets	\$ 116,831,417
Accumulated depreciation	<u>(31,134,281)</u>
Total difference	<u>\$ 85,697,136</u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net position. Balances at June 30, 2016 were:

General obligation	\$ 3,925,000
Excise tax revenue	1,235,000
Tax increment revenue (Redevelopment Agency)	16,154,000
Sales tax revenue	2,205,000
Unamortized bond issuance premiums	84,928
Other long-term liabilities	<u>5,362,072</u>
Total difference	<u>\$ 28,966,000</u>

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of Certain Differences between Governmental Fund Operating Statements and the Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlay	\$ 5,781,300
Depreciation expense	<u>(2,772,139)</u>
Net difference, as reported	<u><u>\$ 3,009,161</u></u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

- The city administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The city council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- Budget appropriations for any department may be reduced by resolution.
- A public hearing as required above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- Encumbrances lapse at year end. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget using the above procedures.

Tax Revenues

Property taxes are collected by the Utah County Treasurer and remitted to the City in five to six installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has been made for fees due and payable to the City at June 30th.

4. DETAILED NOTES FOR ALL FUNDS

Cash and Investments

Deposits and investments for the City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. At times during the year, the City's bank balances may have exceeded the insured levels under FDIC guidelines.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City has investments managed by Moreton Asset Management, LLC. Moreton Asset Management, LLC, an investment advisor approved by the Utah State Treasurer, invests City money in compliance with the Utah Money Management Act.

The City has investments held by a trustee in a Money Market Mutual Fund (MMMF). The mutual fund invests exclusively in the United States government securities. The City also has investments in an overnight international sweep account.

As of June 30, 2016, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Utah Public Treasurer's Investment Fund (PTIF)	\$ 20,572,379	\$ 20,572,379	\$ -	\$ -	\$ -
U.S. Bank:					
First American Government Money Market Fund	413,589	413,589	-	-	-
Money Market Fund	672,887	672,887	-	-	-
	<u>\$ 21,658,855</u>	<u>\$ 21,658,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Credit Risk (Continued)

At June 30, 2016, the City had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Rating</u>			
		<u>AA+</u>	<u>A</u>	<u>A-</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund (PTIF)	\$ 20,572,379	\$ -	\$ -	\$ -	\$ 20,572,379
U.S. Bank:					
First American Government Money Market Fund	413,589	413,589			
Money Market Fund	672,887	672,887	-	-	-
	<u>\$ 21,658,855</u>	<u>\$ 1,086,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,572,379</u>

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 PTIF 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 deposits and investments described above are included on the government-wide statement of net position as follows:

Cash and cash equivalents	\$ 17,667,494
Restricted cash	<u>5,978,740</u>
	<u>\$ 23,646,234</u>

Public Treasurers Investment Fund (PTIF) – External Investment Pool

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

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

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

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Public Treasurers Investment Fund (PTIF) – External Investment Pool (Continued)

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

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

As of June 30, 2016, the City had \$20,572,379 invested in the PTIF. Due to the insignificance of the amount of unrealized gains and losses in relation to the funds affected by these changes, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

Receivables

Receivables as of June 30, 2016 for the City’s individual major funds and non-major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds

	General	RDA	Nonmajor Funds	Total
Receivables:				
Taxes	\$ 2,697,656	\$ -	\$ -	\$ 2,697,656
Accounts and other	1,308,072	113,099	322,583	1,743,754
Intergovernmental	273,752	-	-	273,752
Gross receivables	4,279,480	113,099	322,583	4,715,162
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ 4,279,480</u>	<u>\$ 113,099</u>	<u>\$ 322,583</u>	<u>\$ 4,715,162</u>

Business-type Funds

	Water	Sewer	Storm Drain	Sanitation	Total
Receivables:					
Accounts	\$ 717,329	\$ 537,746	\$ 214,403	\$ 159,298	\$ 1,628,776
Gross receivables	717,329	537,746	214,403	159,298	1,628,776
Less: allowance for uncollectibles	(8,540)	(2,733)	(1,018)	(1,345)	(13,636)
Net total receivables	<u>\$ 708,789</u>	<u>\$ 535,013</u>	<u>\$ 213,385</u>	<u>\$ 157,953</u>	<u>\$ 1,615,140</u>

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Deferred Revenue

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

	Deferred	Unavailable
Note receivable (Governmental Funds)	\$ -	\$ 16,154,000
Property taxes receivable (Governmental Funds)	3,033,840	99,498
Total deferred/unearned revenue for governmental funds	\$ 3,033,840	\$ 16,253,498

Notes Receivable

The City has entered into two notes receivable. The first agreement is with a third party developer. The original amount of \$18,110,000 as part of *The Gateway CDA Project Area #1 (the Project)*, created in August 2006 with the intent of incentivizing the development of a convention center and full-service hotel, along with a limited-service hotel, two first class restaurants. The amount is an offset of the RDA Bonds, Series 2006 (refunded by the RDA Bonds, Series 2011) that were used to purchase approximately 37 acres of land for the Project. The City subsequently deeded over the land to the developer. Due to past economic conditions that caused delays to the Project, the agreement has been amended five separate times.

The current agreement calls for the developer to pay certain monies to the City as consideration for the performance extensions of the contract, to be used for annual debt service payments on the RDA Bonds. Each fiscal year, the developer remits to the RDA the difference between total tax increment received by the RDA, less the Project administration, and the annual debt service payment due on the bonds. The RDA is eligible to receive these contributions until such time as the developer has constructed the Project or January 1, 2018. Upon construction, these contributions will cease and the RDA will use incremental property tax, sales tax, and transient room tax to make the annual debt service payments. If construction has not been completed by January 2018, the developer is considered to be in default, and at the City's discretion, the land may be (1) re-conveyed to the City or (2) purchased for the principal outstanding on the RDA Bonds, Series 2011 plus any payments the RDA has made towards the bonds, including interest and fees. As of June 30, 2016, the note receivable balance was \$16,154,000. For the year ended June 30, 2016, the developer contributed \$1,557,831. Refer to note 6 for a prior period adjustment related to this note.

The second agreement is with North Utah County Water Conservancy District (NUCWCD). The original amount of \$497,900 is to reimburse the City for improvements made to the Grove Creek and Battle Creek basins. The funds were paid out of the Storm Drain fund. The terms are ten payments of \$49,790 annually for 10 years at 0% interest, beginning January, 2013. During 2016, the original terms were modified to defer the 2016 and 2017 payments from NUCWCD, extending the final payment to January 2025. Therefore, as of June 30, 2016, the entire outstanding balance of \$348,530 is considered noncurrent.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	07/01/15	Increases	Decreases	06/30/16
<u>Governmental activities</u>				
Capital assets, not depreciated:				
Land	\$ 45,221,519	\$ 2,371,628	\$ (150,872)	\$ 47,442,275
Construction in progress	1,223,272	82,738	(1,223,272)	82,738
Total capital assets, not depreciated	46,444,791	2,454,366	(1,374,144)	47,525,013
Capital assets, depreciated:				
Buildings and improvements	13,619,986	27,658	(68,000)	13,579,644
Infrastructure	43,530,760	5,202,988	-	48,733,748
Automobiles, machinery and equipment	6,896,627	265,686	(169,301)	6,993,012
Total capital assets, depreciated	64,047,373	5,496,332	(237,301)	69,306,404
Accumulated depreciation:				
Buildings	(5,470,940)	(371,028)	68,000	(5,773,968)
Infrastructure	(18,928,230)	(1,894,404)	-	(20,822,634)
Automobiles, machinery and equipment	(4,200,273)	(506,707)	169,301	(4,537,679)
Total accumulated depreciation	(28,599,443)	(2,772,139)	237,301	(31,134,281)
Total capital assets, depreciated (net)	35,447,930	2,724,193	-	38,172,123
Net governmental capital assets	<u>\$ 81,892,721</u>	<u>\$ 5,178,559</u>	<u>\$ (1,374,144)</u>	<u>\$ 85,697,136</u>
<u>Business-type activities</u>				
Capital assets, not depreciated:				
Land and rights of way	\$ 9,301,927	\$ -	\$ -	\$ 9,301,927
Water shares	1,981,938	-	-	1,981,938
Construction in progress	199,109	681,953	-	881,062
Total capital assets, not depreciated	11,482,974	681,953	-	12,164,927
Capital assets, depreciated:				
Infrastructure	93,996,345	3,167,340	(162,269)	97,001,416
Automobiles, machinery and equipment	1,481,320	86,383	(112,691)	1,455,012
Total capital assets, depreciated	95,477,665	3,253,723	(274,960)	98,456,428
Accumulated depreciation:				
Infrastructure	(21,836,808)	(2,018,604)	26,492	(23,828,920)
Automobiles, machinery and equipment	(860,656)	(92,840)	235,328	(718,168)
Total accumulated depreciation	(22,697,464)	(2,111,444)	261,820	(24,547,088)
Total capital assets, depreciated (net)	72,780,201	1,142,279	(13,140)	73,909,340
Net business-type capital assets	<u>\$ 84,263,175</u>	<u>\$ 1,824,232</u>	<u>\$ (13,140)</u>	<u>\$ 86,074,267</u>

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:		
General government	\$	123,857
Public safety		1,801,586
Highways and public improvements		345,094
Parks, recreation, and public property		501,602
Total depreciation expense - governmental activities	\$	2,772,139
Business-type activities:		
Water	\$	1,414,049
Sewer		343,253
Storm drain		354,142
Total depreciation expense - business-type activities	\$	2,111,444

Related Organizations and Interlocal Agreements

The City has activities with two related organizations, the Metropolitan Water District of Pleasant Grove and the Pleasant Grove Chamber of Commerce. City officials appoint members of these boards and provides certain funding annually, but the City's accountability does not extend beyond these two actions. During the year ended June 30, 2016, \$411,586 and \$2,000 respectively, was contributed to these organizations.

The City is a one-third owner of Fox Hollow Golf Course, along with American Fork City and Lehi City. The three cities formed a separate legal entity known as the Tri-City Golf Course Interlocal Agency to cooperatively own, operate, and maintain the golf course. During 2008, the Agency issued bonds of \$4,880,000. The City is guarantor for one-third of this debt. The City's tax revenues are collateral. During 2016, the City subsidized Fox Hollow to help with both debt service and operations in the amount of \$240,000.

Interfund Receivable, Payables and Transfers

At June 30, 2016, no interfund balances remained. Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2016 were as follows:

Fund Transferring Out	Fund Receiving Transfer	Amount
General fund	Nonmajor governmental funds	\$ 1,431,108
General fund	Capital projects fund	626,512
Capital projects fund	Nonmajor governmental funds	352,840
General fund	Storm drain fund	75,000
Nonmajor governmental funds	Capital projects fund	45,000
		\$ 2,530,460

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and are pledged by the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Bond Description	Original Issue	Annual Principal	Interest Rate	Final Due Date	Amount at 6/30/16
General Obligation, Series 2007	\$ 5,000,000	\$115,000 to \$350,000	4.00% to 4.25%	10/1/2031	\$ 3,925,000
	<u>\$ 5,000,000</u>				<u>\$ 3,925,000</u>

General obligation bond debt service requirements to maturity are as follows:

	Principal	Interest	Totals
2017	\$ 165,000	\$ 157,583	\$ 322,583
2018	175,000	150,783	325,783
2019	180,000	143,683	323,683
2020	190,000	136,283	326,283
2021	200,000	128,483	328,483
2022 - 2026	1,165,000	509,971	1,674,971
2027 - 2031	1,500,000	239,000	1,739,000
2032 - 2034	350,000	7,438	357,438
	<u>\$ 3,925,000</u>	<u>\$ 1,473,221</u>	<u>\$ 5,398,221</u>

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds.

Revenue bonds outstanding at June 30, 2016 by issue are as follows:

Bond Description	Original Issue	Annual Principal	Interest Rate	Final Due Date	Amount at 6/30/16
<u>Tax Revenue Bonds</u>					
Excise Tax, Series 2008	\$ 4,390,000	\$80,000 to \$705,000	4.00% to 5.00%	1/15/2018	\$ 1,235,000
Tax Increment, Series 2011	18,383,000	\$511,000 to \$12,560,000	5.79%	12/1/2021	16,154,000
Sales Tax, Series 2012:					
Governmental funds portion (70%)	3,073,000	\$15,000 to \$147,000	2.00% to 3.00%	12/1/2022	2,205,000
Enterprise funds portion (30%)	1,317,000	\$35,000 to \$343,000	2.00% to 3.00%	12/1/2022	945,000
<u>Water Revenue Bonds</u>					
Series 2002A	150,000	\$7,000 to \$18,000	0.00%	12/1/2018	36,000
Series 2004	1,520,000	\$64,000 to \$75,000	1.70%	12/1/2025	823,000
Series 2006	350,000	\$15,000 to \$21,000	1.70%	12/1/2026	190,000
Series 2006B	11,540,000	\$250,000 to \$3,520,000	4.10% to 5.00%	12/1/2031	375,000
Series 2008	10,725,000	\$225,000 to \$2,710,000	4.00% to 5.25%	12/1/2033	985,000
Series 2010 (BAB)	1,000,000	\$38,000 to \$64,000	2.71%	12/1/2031	841,000
Series 2015	8,995,000	\$160,000 to \$705,000	2.00% to 4.00%	12/1/2031	8,835,000
Series 2016	8,945,000	\$80,000 to \$690,000	2.70%	12/1/2033	8,945,000
<u>Storm Water Revenue Bonds</u>					
Series 2011	7,050,000	\$185,000 to \$440,000	2.00% to 4.00%	7/15/2036	6,285,000
Series 2013	5,500,000	\$125,000 to \$320,000	2.00% to 4.00%	7/15/2038	5,240,000
	<u>\$ 82,938,000</u>				<u>\$ 53,094,000</u>

Build America Bonds (“BAB”) are federally taxable but the City receives a subsidy from the Internal Revenue Service equal to 35% of the interest paid.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 3,140,000	\$ 2,144,011	\$ 5,284,011
2018	3,096,000	1,990,960	5,086,960
2019	2,672,000	1,866,445	4,538,445
2020	2,757,000	1,766,365	4,523,365
2021	2,858,000	1,670,981	4,528,981
2022 -2026	21,993,000	4,024,035	26,017,035
2027 -2031	9,164,000	2,185,141	11,349,141
2032 -2036	6,044,000	742,600	6,786,600
2037 - 2041	1,370,000	67,050	1,437,050
	<u>\$53,094,000</u>	<u>\$ 16,457,588</u>	<u>\$ 69,551,588</u>

Notes Payable

The City entered into a interlocal cooperation note payable agreement with Utah County (the County) for \$2,900,000 during 2007, to be used for road improvements for the 2000 West Project. The agreement will continue until the County has recouped its costs for the Project, but not to exceed 50 years. The City created an impact fee zone, with the proceeds from any related impact fees assessed to be earmarked for repayment to the County, if any, per the agreement, which bears no interest. Since 2006, \$277,698 has been remitted to the County. As of June 30, 2016, the outstanding balance was \$2,622,302. During 2016, no impact fees were collected or remitted to the County. \$748,761 was remitted to the County in July 2016.

The City also entered into two notes payable agreements with Provo Reservoir Water Users during 2010, to purchase full shares (\$10,558) and late shares (\$4,525), for a total of \$15,083. Annual payments of \$820, including interest at 4.00%, are required through maturity in June 2035. As of June 30, 2016, the outstanding balance was \$10,710.

Capital and Operating Leases

The City entered into various lease agreements (both capital and operating) with three separate companies for purchase of fitness equipment, public works and public safety vehicles, and office equipment. Payments range from \$7,208 to \$158,196 per month, including interest (2.04% to 2.40%). Refer to note 6 for a prior period adjustment related to capital leases.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital and Operating Leases (Continued)

The present value of future minimum payments as of June 30, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 463,168	\$ 34,592	\$ 49,169	\$ 5,279
2018	414,469	29,326	50,262	4,279
2019	401,682	21,490	51,770	3,256
2020	266,125	13,898	53,323	2,203
2021	242,346	8,793	54,444	1,118
2022 - 2026	201,712	3,987	-	-
	\$ 1,989,502	\$ 112,086	\$ 258,968	\$ 16,135

Changes in Long-Term Liabilities

Advanced Refunding

In April 2016, the City issued Water Revenue Refunding Bonds, Series 2016, in the amount of \$8,945,000 at par value. The bonds were issued at an interest rate of 2.70% and will mature in December 2033. These bonds were issued to advance refund \$7,870,000, the callable portion of Series 2008 Water Revenue Bonds. The City deposited the net proceeds along with other resources in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the refunded portion of those bonds is considered defeased and the City has removed the liability from its accounts. The requisition price exceeded the net carrying amount of the old debt by \$879,509. This amount is shown as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt (June 2033). The advance refunding reduced total debt service payments over the next sixteen years by \$1,127,274. This results in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$915,534.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2016 was as follows:

	07/01/15	Increases	Decreases	06/30/16	Due in One Year
<u>Governmental activities</u>					
Bonds payable:					
General obligation	\$ 4,080,000	\$ -	(155,000)	\$ 3,925,000	\$ 165,000
Excise tax revenue	1,910,000	-	(675,000)	1,235,000	705,000
Tax increment revenue	16,759,000	-	(605,000)	16,154,000	-
Sales tax revenue	2,492,000	-	(287,000)	2,205,000	930,500
Add: unamortized premium	108,127	-	(23,199)	84,928	-
Total bonds payable	25,349,127	-	(1,745,199)	23,603,928	1,800,500
Other long-term liabilities:					
Post-employment benefits	74,771	-	(30,937)	43,834	43,834
Compensated absences	699,539	361,046	(354,151)	706,434	361,046
Capital leases	1,752,522	786,097	(549,117)	1,989,502	463,168
Note payable	2,622,302	-	-	2,622,302	-
Governmental activities, long-term liabilities	\$ 30,498,261	\$ 1,147,143	\$ (2,679,404)	\$ 28,966,000	\$ 2,668,548
<u>Business-type activities</u>					
Bonds payable:					
Water revenue	\$ 20,932,000	\$ 8,945,000	\$ (8,847,000)	\$ 21,030,000	\$ 1,010,000
Storm Water revenue	11,860,000	-	(335,000)	11,525,000	370,000
Sales tax revenue	1,068,000	-	(123,000)	945,000	124,500
Add: unamortized premium	1,279,065	-	(141,084)	1,137,981	-
Total bonds payable	35,139,065	8,945,000	(9,446,084)	34,637,981	1,504,500
Other long-term liabilities:					
Compensated absences	87,885	62,447	(39,118)	111,214	62,447
Capital leases	306,504	-	(47,536)	258,968	49,169
Notes payable	10,710	-	(309)	10,401	322
Business-type activities, long-term liabilities	\$ 35,544,164	\$ 9,007,447	\$ (9,533,047)	\$ 35,018,564	\$ 1,616,438

Compensated absences for governmental activities are generally liquidated by the general fund.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2016 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2016 which exceeded its insurance coverage.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Redevelopment Agency

In connection with the activities of the Redevelopment Agency (RDA), intergovernmental revenues from property tax increments of other governmental entities totaling \$313,305 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies.

During the year ended June 30, 2016, funds expended by the RDA were limited to the categories of redevelopment, administration costs, and debt service. Administrative costs totaled \$240,633, and debt service costs totaled \$1,559,881. The redevelopment cost was funded with bond proceeds from a prior year issuance, with the annual debt service paid with certain contributions from a developer (see note 4, *Note Receivable*).

Employee Retirement Systems and Pension Plans

General Information about the Pension Plan

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (URS). URS is comprised of the following Pension Trust Funds:

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System); Firefighters Retirement System (Firefighters System) are multiple employer, cost-sharing, retirement systems.
- Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost-sharing, public employee retirement system;
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning work on or after July 1, 2011, who have no previous service credit with URS, are members of the Tier 2 Retirement System.

The URS is established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. URS defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of URS under the direction of the Board, whose members are appointed by the Governor. URS is composed of fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Benefits Provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%
Tier 2 Public Safety and Firefighters System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%

*with actuarial reductions

**All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions

As a condition of participation in URS, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates for the reporting period were as follows:

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System				
111- Local Governmental Division Tier 2	N/A	N/A	16.67%	1.78%
Noncontributory System				
15- Local Governmental Division Tier 1	N/A	N/A	18.47%	N/A
Public Safety System				
Contributory				
122- Tier 2 DB Hybrid Public Safety	N/A	N/A	22.50%	1.33%
Noncontributory System				
43- Other Div A with 2.5% COLA	N/A	N/A	34.04%	N/A
Firefighters Retirement System				
31- Other Division A	N/A	15.05	3.990%	N/A
132- Tier 2 DB Hybrid Firefighters	N/A	N/A	10.75%	1.33%
Tier 2 DC Only				
211- Local Government	N/A	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 486,144	N/A
Public Safety System	349,418	-
Firefighters System	27,924	-
Tier 2 Public Employees System	79,135	-
Tier 2 Public Safety and Firefighter	51,794	-
Tier 2 DC Only System	2,833	N/A
 Total Contributions	 \$ 997,248	 \$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a net pension asset of \$44,302 and a net pension liability of \$3,075,434.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.3074393%	\$ -	\$ 1,739,641
Public Safety System	0.7457315%	-	1,335,793
Firefighters System	2.2253273%	40,305	-
Tier 2 Public Employees System	0.0630622%	138	-
Tier 2 Public Safety and Firefighter	0.2641482%	3,859	-
Total Net Pension Asset / Liability		<u>\$ 44,302</u>	<u>\$ 3,075,434</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June, 30, 2016, the City recognized pension expense of \$734,917.

At June 30, 2016, the reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 670	\$ 256,773
Changes in assumptions	-	254,640
Net difference between projected and actual earnings on pension plan investments	1,203,975	-
Changes in proportion and differences between contributions and proportionate share of contributions	21,155	26,157
Contributions subsequent to the measurement date	496,147	-
Total	<u>\$ 1,721,947</u>	<u>\$ 537,570</u>

The \$496,147 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year ended June 30, 2016, but subsequent to the measurement date of December 31, 2015.

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2016	\$ 141,335
2017	141,335
2018	178,743
2019	264,804
2020	(17,437)
Thereafter	(20,550)

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50 percent assumed investment rate of return is comprised of an inflation rate of 2.75 percent and a real return of 4.75 percent that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 3,675,689	\$ 1,739,641	\$ 123,429
Public Safety System	2,828,645	1,335,793	120,335
Firefighters System	548,628	(40,305)	(518,639)
Tier 2 Public Employees System	25,245	(138)	(19,376)
Tier 2 Public Safety and Firefighter	6,560	(3,859)	(11,861)
Total	\$ 7,084,767	\$ 3,031,132	\$ (306,112)

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Pension Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Pleasant Grove City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

401(k) Plan	2016	2015	2014
Employer Contributions	\$ 17,309	\$ 10,089	\$ 5,384
Employee Contributions	-	-	-

PLEASANT GROVE CITY
Notes to the Financial Statements (Continued)
June 30, 2016

5. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Litigation

The City is a defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of the cases will not have an adverse material effect on the City's financial statements.

Compliance with Grant Agreements

The City receives assistance from federal and state agencies in the form of grants. The use of these funds generally requires compliance with conditions specified in the grant agreements. Any disallowed claims resulting from subsequent audits could become a liability of the general fund. The City administration believes such disallowance, if any, would not be significant.

In preparing these financial statements, The City has evaluated events and transactions for potential recognition of disclosure through December 8, 2016, the date the financial statements were available to be issued.

6. PRIOR PERIOD RESTATEMENTS

Governmental Activities

During 2006, the City entered into a note receivable agreement with a developer in the amount of \$18,110,000, as part of *The Gateway CDA Project Area #1 (the Project)*, as discussed in note 4. The note receivable and offsetting deferred outflow of resources were not recorded. An adjustment was recorded at June 30, 2016 to increase long-term assets and deferred outflows of resources in the amount of \$16,154,000 in the RDA fund; the RDA fund balance was not affected. Net position was increased in the government-wide statement of net position by \$16,759,000, as of June 30, 2015.

In addition, capital leases totaling \$424,521 were inadvertently not recorded in the June 30, 2015 financial statements. An adjustment was recorded at June 30, 2015 that increased the capital lease balance and reduced government-wide net position by \$424,521.

Business-type Activities

In prior fiscal years, certain water bonds were partially defeased with proceeds from water refunding bonds. \$176,937 of unamortized bond premiums relating to the defeased portions of the water bonds, as recorded in the Water Fund, were not written off during these years. An adjustment was recorded to reduce the unamortized premiums balance and the net position of the Water Fund by \$176,937, as of June 30, 2015.

This page is intentionally left blank.



**REQUIRED SUPPLEMENTARY
INFORMATION**



PLEASANT GROVE CITY
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
Last 10 Fiscal Years*

	Noncontributory Retirement System	Public Safety System	Firefighters Retirement System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement System
	2016				
Proportion of the net pension liability (asset)	0.3074393%	0.7457315%	2.2253273%	0.0630622%	0.2641482%
Proportionate share of the net pension liability (asset)	\$ 1,739,641	\$ 1,335,793	\$ (40,305)	\$ (138)	\$ (3,859)
Covered employee payroll	\$ 2,575,297	\$ 1,189,503	\$ 692,196	\$ 407,535	\$ 157,364
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.55%	112.30%	-5.82%	-0.03%	-2.45%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.80%	87.10%	101.00%	100.20%	110.70%
	2015				
Proportion of the net pension liability (asset)	0.3018052%	0.7658748%	2.4519367%	0.0324922%	0.0939329%
Proportionate share of the net pension liability (asset)	\$ 1,310,509	\$ 963,151	\$ (139,917)	\$ (985)	\$ (1,390)
Covered employee payroll	\$ 2,583,446	\$ 1,224,529	\$ 715,539	\$ 159,942	\$ 38,791
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.73%	78.65%	-19.55%	-0.62%	-3.58%
Plan fiduciary net position as a percentage of its covered-employee payroll	90.20%	90.50%	103.50%	103.50%	120.50%

Note:

This schedule usually covers the 10 most recent fiscal years; however, only 2 years have passed since the implementation year of GASB 68. Contributions in Tier 2 include an amortization rate to help fund unfunded liabilities in the Tier 1 systems.

PLEASANT GROVE CITY
Schedule of Pension Contributions
Utah Retirement Systems
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Contributions In relation to the			Contributions as a percentage of	
		Actuarial Determined Contributions	contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	covered employee payroll
Noncontributory System	2014	\$ 448,114	\$ 448,114	\$ -	\$ 2,592,608	17.28%
	2015	471,229	471,229	-	2,553,409	18.45%
	2016	486,144	486,144	-	2,634,168	18.46%
Public Safety System	2014	\$ 365,459	\$ 365,459	\$ -	\$ 1,233,398	29.63%
	2015	385,252	385,252	-	1,230,028	31.32%
	2016	349,418	349,418	-	1,126,726	31.01%
Fire fighters System	2014	\$ 18,134	\$ 18,134	\$ -	\$ 686,550	2.64%
	2015	24,478	24,478	-	724,567	3.38%
	2016	27,924	27,924	-	674,191	4.14%
Tier 2 Public Employees System*	2014	\$ 14,972	\$ 14,972	\$ -	\$ 107,017	13.99%
	2015	40,535	40,535	-	271,320	14.94%
	2016	79,135	79,135	-	530,720	14.91%
Tier 2 Public Safety and Firefighter System*	2014	\$ 4,083	\$ 4,083	\$ -	\$ 19,580	20.85%
	2015	10,420	10,420	-	52,252	19.94%
	2016	51,794	51,794	-	272,790	18.99%
Tier 2 Public Employees DC Only System*	2014	\$ 1,936	\$ 1,936	\$ -	\$ 34,686	5.58%
	2015	3,085	3,085	-	45,909	6.72%
	2016	2,833	2,833	-	42,338	6.69%

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

PLEASANT GROVE CITY
Notes to the Required Supplementary Information
June 30, 2016

1. ACTUARIALLY DETERMINED PENSION CONTRIBUTIONS

Changes in Assumptions

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

**OTHER SUPPLEMENTARY
INFORMATION**

Pleasant Grove



Utah's City of Trees

PLEASANT GROVE CITY
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2016

	Special Revenue						Total Nonmajor Governmental Funds
	Dispatch	Swimming Pool	Community Center	Cultural Arts	Library	Debt Service	
ASSETS							
Cash, cash equivalents, and investments							
Unrestricted	\$ 83,467	\$ 35,500	\$ 55,061	\$ 27,977	\$ 47,483	\$ 20,893	\$ 270,381
Restricted	-	-	-	-	-	93,401	93,401
Property tax receivable	-	-	-	-	-	322,583	322,583
Total assets	\$ 83,467	\$ 35,500	\$ 55,061	\$ 27,977	\$ 47,483	\$ 436,877	\$ 686,365
LIABILITIES							
Accrued liabilities	\$ 8,238	\$ 13,237	\$ 13,344	\$ -	\$ -	\$ -	\$ 34,819
Total liabilities	8,238	13,237	13,344	-	-	-	34,819
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue - property taxes	-	-	-	-	-	322,583	322,583
Total deferred inflows of resource	-	-	-	-	-	322,583	322,583
FUND BALANCES							
Restricted for:							
Debt service	-	-	-	-	-	114,294	114,294
Dispatch	75,229	-	-	-	-	-	75,229
Library	-	-	-	-	47,483	-	47,483
Total restricted	75,229	-	-	-	47,483	114,294	237,006
Assigned	-	22,263	41,717	27,977	-	-	91,957
Total fund balances	75,229	22,263	41,717	27,977	47,483	114,294	328,963
Total liabilities, deferred inflows of resources, and fund balances	\$ 83,467	\$ 35,500	\$ 55,061	\$ 27,977	\$ 47,483	\$ 436,877	\$ 686,365

PLEASANT GROVE CITY
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue						Total Nonmajor Governmental Funds
	Dispatch	Swimming Pool	Community Center	Cultural Arts	Library	Debt Service	
<u>REVENUES</u>							
Taxes	\$ -	-	\$ -	-	-	\$ 318,983	\$ 318,983
Intergovernmental	218,256	-	-	-	-	-	218,256
Charges for services	-	164,740	1,193,626	122,215	-	-	1,480,581
Interest income	179	-	-	-	435	119	733
Miscellaneous	-	25,514	23,080	109	5,853	-	54,556
Total revenues	218,435	190,254	1,216,706	122,324	6,288	319,102	2,073,109
<u>EXPENDITURES</u>							
Public safety	582,873	-	-	-	-	-	582,873
Parks, recreation, and public property	-	373,448	1,219,123	132,480	29,235	-	1,754,286
Debt service:							
Principal	-	-	-	-	-	1,117,000	1,117,000
Interest and other financial	-	-	-	-	-	323,635	323,635
Total expenditures	582,873	373,448	1,219,123	132,480	29,235	1,440,635	3,777,794
Excess (deficiency) of revenues over (under) expenditures	(364,438)	(183,194)	(2,417)	(10,156)	(22,947)	(1,121,533)	(1,704,685)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	383,000	175,542	68,492	33,612	-	1,123,302	1,783,948
Transfers out	-	-	(45,000)	-	-	-	(45,000)
Total other financing sources (uses)	383,000	175,542	23,492	33,612	-	1,123,302	1,738,948
Net change in fund balance	18,562	(7,652)	21,075	23,456	(22,947)	1,769	34,263
Fund balances at beginning of year	56,667	29,915	20,642	4,521	70,430	112,525	294,700
Fund balances at end of year	\$ 75,229	\$ 22,263	\$ 41,717	\$ 27,977	\$ 47,483	\$ 114,294	\$ 328,963

PLEASANT GROVE CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Dispatch Fund (Special Revenue Fund)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 215,000	\$ 215,000	\$ 218,256	\$ 3,256
Interest income	-	-	179	179
Total revenues	215,000	215,000	218,435	3,435
<u>EXPENDITURES</u>				
Public safety	598,000	598,000	582,873	15,127
Total expenditures	598,000	598,000	582,873	15,127
Excess (deficiency) of revenues over (under) expenditures	(383,000)	(383,000)	(364,438)	18,562
<u>OTHER FINANCING SOURCES</u>				
Transfers in	383,000	383,000	383,000	-
Total other financing sources (uses)	383,000	383,000	383,000	-
Net change in fund balance	\$ -	\$ -	18,562	\$ 18,562
Fund balance at beginning of year			56,667	
Fund balance at end of year			\$ 75,229	

PLEASANT GROVE CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Swimming Pool Fund (Special Revenue Fund)
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ 200,000	\$ 200,000	\$ 164,740	\$ (35,260)
Donations and reimbursements	33,000	33,000	25,514	(7,486)
Total revenues	<u>233,000</u>	<u>233,000</u>	<u>190,254</u>	<u>(42,746)</u>
<u>EXPENDITURES</u>				
Parks, recreation, and public property	408,542	408,542	373,448	35,094
Total expenditures	<u>408,542</u>	<u>408,542</u>	<u>373,448</u>	<u>35,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(175,542)</u>	<u>(175,542)</u>	<u>(183,194)</u>	<u>(7,652)</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers in	175,542	175,542	175,542	-
Total other financing sources (uses)	<u>175,542</u>	<u>175,542</u>	<u>175,542</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(7,652)</u>	<u>\$ (7,652)</u>
Fund balance at beginning of year			<u>29,915</u>	
Fund balance at end of year			<u>\$ 22,263</u>	

PLEASANT GROVE CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Community Center Fund (Special Revenue Fund)
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ 1,083,000	\$ 1,083,000	\$ 1,193,626	\$ 110,626
Donations and reimbursements	25,000	25,000	23,080	(1,920)
Total revenues	<u>1,108,000</u>	<u>1,108,000</u>	<u>1,216,706</u>	<u>108,706</u>
<u>EXPENDITURES</u>				
Parks, recreation, and public property	1,111,492	1,171,492	1,219,123	(47,631)
Total expenditures	<u>1,111,492</u>	<u>1,171,492</u>	<u>1,219,123</u>	<u>(47,631)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,492)</u>	<u>(63,492)</u>	<u>(2,417)</u>	<u>61,075</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers in	22,612	33,612	68,492	34,880
Transfers out	-	-	(45,000)	(45,000)
Total other financing sources (uses)	<u>22,612</u>	<u>33,612</u>	<u>23,492</u>	<u>(10,120)</u>
Net change in fund balance	<u>\$ 19,120</u>	<u>\$ (29,880)</u>	21,075	<u>\$ 50,955</u>
Fund balance at beginning of year			<u>20,642</u>	
Fund balance at end of year			<u>\$ 41,717</u>	

PLEASANT GROVE CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Cultural Arts Fund (Special Revenue Fund)
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ 90,000	\$ 108,000	\$ 122,215	\$ 14,215
Donations and reimbursements	-	-	109	109
Total revenues	<u>90,000</u>	<u>108,000</u>	<u>122,324</u>	<u>14,324</u>
<u>EXPENDITURES</u>				
Parks, recreation, and public property	104,000	133,000	132,480	520
Total expenditures	<u>104,000</u>	<u>133,000</u>	<u>132,480</u>	<u>520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,000)</u>	<u>(25,000)</u>	<u>(10,156)</u>	<u>14,844</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers in	22,612	33,612	33,612	-
Total other financing sources (uses)	<u>22,612</u>	<u>33,612</u>	<u>33,612</u>	<u>-</u>
Net change in fund balance	<u>\$ 8,612</u>	<u>\$ 8,612</u>	23,456	<u>\$ 14,844</u>
Fund balance at beginning of year			<u>4,521</u>	
Fund balance at end of year			<u>\$ 27,977</u>	

PLEASANT GROVE CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Library Grants Fund (Special Revenue Fund)
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Donations and reimbursements	\$ 2,000	\$ 2,000	\$ 5,853	\$ 3,853
Interest income	250	250	435	185
Total revenues	<u>2,250</u>	<u>2,250</u>	<u>6,288</u>	<u>4,038</u>
<u>EXPENDITURES</u>				
Parks, recreation, and public property	-	-	29,235	(29,235)
Total expenditures	<u>-</u>	<u>-</u>	<u>29,235</u>	<u>(29,235)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,250</u>	<u>2,250</u>	<u>(22,947)</u>	<u>(25,197)</u>
Net change in fund balance	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>(22,947)</u>	<u>\$ (25,197)</u>
Fund balance at beginning of year			<u>70,430</u>	
Fund balance at end of year			<u>\$ 47,483</u>	

PLEASANT GROVE CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Debt Service Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes:				
Property	\$ 318,983	\$ 318,983	\$ 318,983	\$ -
Interest income	-	-	119	119
Total revenues	318,983	318,983	319,102	119
<u>EXPENDITURES</u>				
Debt service				
Principal	1,117,000	1,117,000	1,117,000	-
Interest and other financial	325,285	325,285	323,635	1,650
Total expenditures	1,442,285	1,442,285	1,440,635	1,650
Excess (deficiency) of revenues over (under) expenditures				
	(1,123,302)	(1,123,302)	(1,121,533)	1,769
<u>OTHER FINANCING SOURCES</u>				
Transfers in	1,123,302	1,123,302	1,123,302	-
Total other financing sources (uses)	1,123,302	1,123,302	1,123,302	-
Net change in fund balance				
	\$ -	\$ -	1,769	\$ 1,769
Fund balance at beginning of year			112,525	
Fund balance at end of year			\$ 114,294	

This page is intentionally left blank.



Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These Schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	82-87
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue sources, property tax, sales tax, and water revenue.	88-94
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the government's ability to issue additional debt in the future.	95-97
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	98-102
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	103-104

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in Capital Assets	\$ 42,280	\$ 44,835	\$ 47,283	\$ 47,248	\$ 49,239	\$ 50,312	\$ 50,796	\$ 50,566	\$ 52,593	\$ 51,330
Restricted	2,309	6,435	4,379	3,216	2,857	2,774	3,056	4,038	4,390	5,053
Unrestricted	3,126	585	3,035	3,556	2,939	2,166	2,426	3,101	998	23,328
Total government activities net position	47,715	51,856	54,697	54,020	55,035	55,252	56,278	57,705	57,981	79,711
Business-type activities										
Net Investment in Capital Assets	37,316	40,270	39,175	40,001	40,329	47,175	48,324	49,572	48,630	51,387
Restricted	-	-	-	2,639	1,731	1,638	2,536	4,055	6,578	5,538
Unrestricted	7,269	6,747	8,249	4,150	4,998	4,929	5,927	5,858	7,222	9,845
Total business-type activities net position	44,585	47,016	47,424	46,789	47,058	53,742	56,787	59,485	62,430	66,770
Primary government										
Net Investment in Capital Assets	79,596	85,105	86,458	87,248	89,568	97,487	99,120	100,138	101,223	102,717
Restricted	2,309	6,435	4,379	5,855	4,588	4,412	5,592	8,093	10,968	10,591
Unrestricted	10,395	7,331	11,283	7,706	7,937	7,095	8,353	8,959	8,220	33,173
Total primary government net position	\$ 92,300	\$ 98,872	\$ 102,121	\$ 100,809	\$ 102,093	\$ 108,994	\$ 113,065	\$ 117,190	\$ 120,411	\$ 146,481

PLEASANT GROVE CITY

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 4,057	\$ 4,689	\$ 4,664	\$ 3,344	\$ 3,213	\$ 3,127	\$ 2,975	\$ 1,610	\$ 1,075	\$ 4,546
Community Services	-	-	-	939	826	995	1,234	1,321	1,422	970
Public Works	18,451	2,150	3,453	3,594	3,586	2,337	2,424	2,477	2,654	2,902
Public Safety	4,268	5,302	5,257	5,601	5,452	5,496	5,634	6,096	6,296	6,159
Parks & Recreation	2,481	2,686	3,280	3,681	3,469	3,820	3,958	4,063	4,508	4,052
Interest on long-term debt	899	1,453	1,501	1,268	1,672	1,665	1,489	1,441	1,335	1,286
Total governmental activities expense	30,156	16,280	18,156	18,427	18,218	17,440	17,714	17,008	17,290	19,915
Business-type activities										
Water	2,451	3,089	3,609	3,976	4,548	5,086	5,517	5,456	5,062	5,250
Sewer	2,411	2,609	2,673	3,134	3,521	3,380	3,632	3,583	4,267	4,502
Storm Drain	375	475	476	534	581	857	1,089	1,393	1,621	1,552
Sanitation	-	-	-	-	-	1,320	1,324	1,335	1,361	1,377
Total business-type activities expense	5,236	6,173	6,757	7,644	8,650	10,643	11,562	11,767	12,311	12,681
Total primary government expenses	35,393	22,453	24,913	26,072	26,868	28,083	29,276	28,775	29,601	32,596
Program Revenues										
Governmental activities:										
Charges for services:										
General government	3,485	3,556	3,171	1,992	1,758	2,071	2,278	636	378	3,210
Community Services	-	-	-	331	293	187	406	694	1,019	-
Public Works	41	-	-	1,065	1,359	-	4	3	-	-
Public Safety	2,478	2,794	976	808	734	871	844	831	308	821
Parks & Recreation	907	855	1,060	1,398	1,456	1,541	1,611	1,643	1,595	1,588
Operating grants and contributions	1,222	195	671	432	544	529	376	387	431	757
Capital grants and contributions	5,348	4,382	6,064	1,845	3,151	1,903	2,581	3,899	3,108	7,043
Total governmental activities programs revenues	13,481	11,781	11,942	7,870	9,295	7,102	8,100	8,093	6,839	13,419
Business-type activities:										
Charges for services:										
Water	2,504	3,147	3,070	3,045	3,479	4,165	4,959	5,594	6,096	6,407
Sewer	2,184	2,416	2,229	2,961	3,253	3,886	4,280	4,367	4,563	4,642
Storm Drain	363	400	395	403	591	968	1,239	1,536	1,774	1,986
Sanitation	-	-	-	-	-	1,320	1,325	1,351	1,413	1,436
Operating grants and contributions	-	-	-	-	-	-	43	8	35	258
Capital grants and contributions	9,055	2,174	1,310	560	1,579	6,965	2,726	2,409	1,831	1,905
Total business-type activities program revenues	14,106	8,137	7,004	6,970	8,902	17,304	14,572	15,265	15,712	16,634
Total primary government program revenues	27,587	19,918	18,946	14,840	18,197	24,406	22,672	23,358	22,551	30,053

PLEASANT GROVE CITY

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (16,675)	\$ (4,499)	\$ (6,214)	\$ (10,557)	\$ (8,923)	\$ (10,338)	\$ (9,614)	\$ (8,915)	\$ (10,451)	\$ (6,496)
Business-type activities	8,870	1,964	247	(674)	252	6,661	3,010	3,498	3,401	3,953
Total primary government net expense	(7,805)	(2,535)	(5,968)	(11,231)	(8,671)	(3,677)	(6,604)	(5,417)	(7,050)	(2,543)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	2,789	2,925	3,338	3,346	2,969	3,151	3,226	3,059	3,077	3,509
Sales taxes	3,774	3,855	3,498	3,308	3,523	3,752	3,849	4,082	4,454	5,011
Franchise taxes	1,418	1,529	1,580	1,086	1,160	1,593	1,654	1,905	1,973	
Other taxes	-	-	-	667	686	312	316	309	306	2,100
Investment earnings	388	262	231	10	24	22	11	15	33	1,005
Miscellaneous	150	56	409	1,463	1,576	1,726	1,584	1,562	2,864	340
Transfers	-	-	-	-	-	-	-	141	(61)	(75)
Total governmental activities	8,475	8,639	9,056	9,880	9,938	10,556	10,640	11,073	12,646	11,890
Business-type activities:										
Investment earnings	654	467	160	40	17	23	35	47	46	70
Miscellaneous	-	-	-	-	-	-	-	-	15	64
Transfers	-	-	-	-	-	-	-	(141)	61	75
Total business-type activities	654	467	160	40	17	23	35	(94)	122	209
Total primary government	9,129	9,107	9,216	9,919	9,955	10,579	10,675	10,979	12,768	12,099
Change in Net Position										
Governmental activities	(8,200)	4,141	2,842	(677)	1,015	218	1,026	2,158	2,196	5,395
Business-type activities	9,524	2,431	407	(634)	269	6,684	3,045	3,404	3,523	4,163
Total primary government	\$ 1,324	\$ 6,572	\$ 3,249	\$ (1,312)	\$ 1,284	\$ 6,902	\$ 4,071	\$ 5,562	\$ 5,719	\$ 9,558

PLEASANT GROVE CITY

Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 274	\$ 276	\$ 241	\$ 722	\$ 548	\$ 465
Nonspendable										
Prepaid Expenses				286	298	338	361	363	366	363
Restricted for										
Donations				328	1,620	1,740	1,672	1,392	1,516	1,516
Class C Road Funds	351	4,886	2,888	1,203	-	-	-	-	-	-
Debt Service				749	-	-	-	-	-	-
Dispatch	450	624	720	54	-	-	-	-	-	-
Library Grants	219	55	62	276	-	-	-	-	-	-
Other	1,776	6	6	-	-	-	-	-	-	-
Unassigned	2,510	5,586	4,512	3,230	2,011	2,104	2,686	2,149	2,073	2,595
Total general fund	\$ 5,306	\$ 11,157	\$ 8,188	\$ 6,126	\$ 4,203	\$ 4,458	\$ 4,960	\$ 4,626	\$ 4,503	\$ 4,939

All Other Governmental Funds

Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70
Prepaid Expenses										
Restricted for										
Debt Service				208	200	134	114	239	247	114
Dispatch				-	685	510	302	88	57	75
Library Grants				-	54	53	55	64	70	47
Impact Fees	1,288	871	709	673	-	-	552	1,891	2,133	1,904
Assigned to										
MBA		40	40	40	40	-	-	-	-	-
Debt Service	69	-	38	73	86	117	5	-	-	-
Capital Projects	3,355	-	2,517	303	1,036	506	219	437	617	672
Swimming Pool				-	5	11	17	11	30	22
Community Center				-	-	32	19	20	21	42
Cultural Arts				-	-	5	7	16	5	28
Redevelopment				-	-	-	14	-	-	269
Unassigned	(390)	(1,330)	(916)	(498)	(275)	(140)	-	(195)	31	-
Total all other governmental funds	\$ 4,322	\$ (419)	\$ 2,388	\$ 799	\$ 1,831	\$ 1,228	\$ 1,304	\$ 2,571	\$ 3,211	\$ 3,243

PLEASANT GROVE CITY
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 7,811	\$ 8,297	\$ 8,318	\$ 8,593	\$ 8,453	\$ 8,745	\$ 9,158	\$ 9,381	\$ 9,830	\$ 10,620
Licenses, fees, and permits	914	488	285	212	254	260	480	765	673	608
Intergovernmental	1,453	1,318	1,506	1,398	1,713	2,012	1,367	1,496	1,465	1,850
Charges for services	4,222	5,881	4,027	4,234	4,602	3,665	4,012	2,435	2,292	4,613
Fines and penalties	1,589	512	556	554	406	541	354	378	336	399
Investment earnings	-	-	-	31	24	25	23	24	33	53
Impact fees	883	556	253	193	170	213	855	2,153	1,365	872
Loan repayment income	-	-	-	-	-	-	-	-	-	1,558
Miscellaneous	792	717	687	441	344	1,926	1,857	1,792	2,397	340
Total Revenues	17,665	17,771	15,631	15,656	15,966	17,387	18,106	18,424	18,391	20,913

Expenditures

General government	4,038	4,642	4,398	3,145	3,152	2,927	2,883	1,498	1,717	4,259
Community Development	-	-	-	912	872	984	1,197	1,329	1,456	1,040
Public Works	21,807	3,681	5,745	3,211	1,933	552	566	566	844	1,410
Public Safety	4,240	5,154	5,969	5,205	5,388	5,781	5,476	5,739	7,144	6,115
Parks and Recreation	2,839	10,676	5,473	3,003	3,013	3,313	3,410	3,535	5,059	4,192
Capital outlay	-	-	-	2,597	791	1,128	1,071	1,802	-	704
Debt service										
Principal	1,851	668	886	1,373	1,652	19,658	1,669	1,790	1,811	2,271
Other	-	217	-	-	-	327	-	-	-	-
Interest	803	1,157	1,371	1,417	1,633	1,655	1,546	1,473	1,367	1,314
Total expenditures	35,578	26,195	23,843	20,865	18,434	36,325	17,818	17,732	19,398	21,305
Excess of revenues over (under) expenditures	(17,913)	(8,425)	(8,212)	(5,208)	(2,468)	(18,938)	288	692	(1,007)	(392)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Other Financing Sources (Uses)										
Issuance of long term debt	19,785	9,534	3,813	232	-	18,588	280	98	-	-
Contributions	-	-	4,237	1,325	1,548	-	-	-	-	-
Sale of capital assets	-	-	-	-	29	2	11	2	498	150
Proceeds from Capital Lease	-	-	-	-	-	-	-	-	1,087	786
Transfers in	761	350	850	353	3,423	1,995	1,856	2,777	2,683	2,455
Transfers out	(761)	(350)	(850)	(353)	(3,423)	(1,995)	(1,856)	(2,636)	(2,744)	(2,530)
Total other financing sources (uses)	19,785	9,534	8,050	1,557	1,577	18,590	291	241	1,524	861
Net change in fund balances	\$ 1,872	\$ 1,110	\$ (161)	\$ (3,651)	\$ (891)	\$ (348)	\$ 579	\$ 933	\$ 517	\$ 469
Debt service as a percentage of noncapital expenditures	7%	7%	9%	15%	19%	61%	19%	20%	16%	17%

PLEASANT GROVE CITY
Assessed Value and Estimate Actual Value of Taxable Property
Last Nine Fiscal Years

Fiscal Year	Assessed Value and Estimate Actual Value of Taxable Property							Total Taxable Value	Total Direct Tax Rate	Estimated Actual Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Primary Residential	Secondary Residential	Commercial and Industrial	Other Real Property	Personal Property	Centrally Assessed	Total Taxable Value				
2008	\$ 1,098,671,419	\$ 1,203,622	\$ 191,471,159	\$ 27,674,050	\$ 28,143,211	\$ 21,012,035	\$ 1,368,175,496	0.001608	\$ 2,267,088,475	60.35%	
2009	1,191,562,784	1,569,868	222,627,106	29,580,081	30,988,017	22,552,289	1,498,880,145	0.001806	2,473,795,150	60.59%	
2010	1,003,932,289	58,982,013	321,972,770	11,263,299	42,497,550	22,552,289	1,461,200,210	0.001943	2,282,599,356	64.01%	
2011	977,523,070	44,401,724	305,599,654	6,437,648	41,112,027	23,130,861	1,398,204,984	0.002085	2,197,996,587	63.61%	
2012	907,493,921	37,807,763	273,473,233	11,213,083	38,340,394	23,502,948	1,291,831,342	0.002256	2,034,326,368	63.50%	
2013	884,678,708	4,901,512	235,485,237	84,445,189	37,354,730	24,629,403	1,271,494,779	0.002315	2,015,590,980	63.08%	
2014	930,076,823	4,848,800	243,729,316	96,784,705	31,162,206	26,055,131	1,332,656,981	0.002237	2,114,170,942	63.03%	
2015	1,075,377,057	5,115,600	264,992,770	94,017,177	31,245,902	25,724,598	1,496,473,104	0.001997	2,376,598,484	62.97%	
2016	1,194,483,519	5,154,800	325,978,914	96,888,618	40,291,548	28,959,101	1,691,756,500	0.001875	2,669,318,488	63.38%	

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

PLEASANT GROVE CITY
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rates	General Obligation Debt Service	Total Direct Rate	Alpine School District	Utah County	No UT Co Water Conservancy	Central Utah Water Conservancy District
2007	2.033	-	2.033	6.883	1.262	0.028	0.357
2008	1.608	-	1.608	6.937	1.000	0.022	0.302
2009	1.566	0.240	1.806	7.057	1.105	0.022	0.286
2010	1.696	0.247	1.943	7.541	1.203	0.024	0.400
2011	1.830	0.255	2.085	8.220	1.294	0.026	0.421
2012	1.981	0.275	2.256	8.812	1.342	0.028	0.436
2013	2.035	0.280	2.315	8.828	1.324	0.029	0.455
2014	1.968	0.269	2.237	8.699	1.259	0.028	0.446
2015	1.760	0.237	1.997	8.096	1.149	0.025	0.422
2016	1.661	0.214	1.875	8.177	1.098	0.024	0.405

Source: Utah State Tax Commission

PLEASANT GROVE CITY

Principal Property Tax Payers

Current Year and Seven Years ago

Taxpayer	2016			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Valley Properties	\$ 58,571,739	1	3.46%			0.000%
Somerset Meadows	20,723,780	2	1.22%			0.000%
Thornberry, LTD	14,530,340	3	0.86%	\$ 5,610,550	9	0.384%
Questar	14,071,431	4	0.83%			0.000%
Pleasant Springs, LLC	14,041,500	5	0.83%			0.000%
Residences at Mayfield, LLC	13,914,830	6	0.82%			0.000%
Pacificorp	13,243,708	7	0.78%	8,993,112	1	0.615%
DMB Investments	12,600,100	8	0.74%	5,793,000	8	0.396%
Econics Management LLC	11,612,800	9	0.69%			
Jacqueline A Dowdy	11,331,863	10	0.67%			
Green Grove Apartments				7,497,270	3	0.000%
Pen & Ink, LTD				7,041,763	4	0.513%
Amsource Pleasant Grove, LC				7,991,800	2	0.482%
Continental Pipe Manufacturing Co				6,975,200	5	0.547%
Qwest				6,628,352	6	0.477%
Pleasant Development, LLC				5,872,500	7	0.454%
Firmage Grove, LC				5,523,000	10	0.402%
Total	\$ 184,642,091		10.914%	\$ 67,926,547		4.649%

Source: Utah County

Note: Data for Years Previous to 2009 Unavailable

PLEASANT GROVE CITY
Property Tax Levied and Collections
Last Ten Fiscal Years

Calendar Year	Total Tax Levy	Percent of		Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Current Taxes Collected	Delinquent Tax Collections			Tax Collections to Total Tax Levy	Delinquent Taxes		
2007	2,154,385	91.78%	176,992	2,154,385	100.00%	N/A	N/A	N/A	
2008	2,150,726	89.49%	226,140	2,150,726	100.00%	N/A	N/A	N/A	
2009	2,635,201	88.67%	298,508	2,635,201	100.00%	N/A	N/A	N/A	
2010	2,741,579	88.48%	313,004	2,738,624	99.89%	2,955	0.11%	0.11%	
2011	2,871,198	90.15%	278,413	2,866,658	99.84%	4,540	0.16%	0.16%	
2012	2,881,705	92.33%	204,408	2,864,976	99.42%	16,729	0.58%	0.58%	
2013	2,909,989	91.75%	212,957	2,882,843	99.07%	27,146	0.93%	0.93%	
2014	2,960,247	92.45%	168,399	2,905,268	98.14%	54,979	1.86%	1.86%	
2015	2,995,956	92.16%	144,584	2,905,723	96.99%	90,233	3.01%	3.01%	
2016	3,176,536	92.65%	137,779	3,080,489	96.98%	96,047	3.02%	3.02%	

Source: Utah County

PLEASANT GROVE CITY
Ratios of General Bonded Debt Outstanding
Last Nine Fiscal Years

Calendar Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2008	\$ -	\$ -	\$ -	\$ -	\$ -
2009	4,912,740	-	4,912,740	0.199%	153.52
2010	4,791,584	-	4,791,584	0.210%	145.20
2011	4,665,427	-	4,665,427	0.212%	139.23
2012	4,534,272	-	4,534,272	0.223%	131.68
2013	4,398,116	-	4,398,116	0.218%	127.41
2014	4,251,960	-	4,251,960	0.201%	121.53
2015	4,080,000		4,080,000	0.172%	116.61
2016	3,925,000		3,925,000	0.147%	103.15

Source: Utah County

PLEASANT GROVE CITY
 Direct and Overlapping Sales Tax Rates
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Pleasant Grove City Direct Rate</u>	<u>Utah County</u>	<u>State of Utah</u>
2007	1.000%	0.500%	5.000%
2008	1.000%	0.550%	5.000%
2009	1.000%	0.800%	4.900%
2010	1.000%	0.800%	4.950%
2011	1.000%	0.800%	4.950%
2012	1.000%	0.800%	4.950%
2013	1.000%	0.800%	4.950%
2014	1.000%	0.800%	4.950%
2015	1.000%	0.800%	4.950%
2016	1.000%	0.800%	4.950%

Sources: Utah State Tax Commission

PLEASANT GROVE CITY
Principal Sales Tax Remitters
Fiscal Years 2010 and 2016

Fiscal Year 2016	Sales Tax ¹	Fiscal Year 2010	Sales Tax ¹
BMW of Pleasant Grove	N/A	AT & T Mobility	N/A
doTerra	N/A	BMW of Pleasant Grove	N/A
Maceys	N/A	Maceys	N/A
Metro Ready Mix	N/A	Northwest Pipe Company	N/A
Shamrock Group, LLC	N/A	Pacificorp	N/A
Smiths Food & Drug	N/A	Questar Gas	N/A
UT State Motor Vehicle	N/A	Shamrock Group, LLC	N/A
Pacificorp	N/A	Smiths Food & Drug	N/A
UT State Alcoholic Beverage Control	N/A	T Mobile	N/A
Walmart	N/A	Verizon Wireless	N/A
Total	<u>\$ 1,322,635</u>	Total	<u>\$ 767,998</u>
Total Citywide Collections	\$ 2,993,528	Total Citywide Collections	\$ 1,659,142
Top 10 as a Percentage of Total Collections	44.18%	Top 10 as a Percentage of Total Collections	46.29%
Top 10 as a Percentage of Total Revenue ²	13.20%	Top 10 as a Percentage of Total Revenue ²	10.90%

Source: Utah State Tax Commission

Note: Data for Years Previous to 2010 Unavailable

¹Utah State law prohibits the disclosure of retail sales figures for individual businesses. Top 10 taxpayers are listed alphabetically.

²The distribution formula set forth by the Utah State legislature provides that 50% of sales tax collections are distributed to the entity in which the tax is collected. The other 50% is distributed statewide based on population. This number represents the 50% point of sale collections as a percentage of total sales tax revenue received.

PLEASANT GROVE CITY

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

Fiscal Year	Governmental Activities										Business-type Activities										Percentage of Personal Income	Per Capita
	General Obligation	Excise Tax Road Bond	Sales Tax Revenue	Leases	Other Long-Term Debt	RDA Tax Increment Bond	Water Revenue	Sewer Revenue	Storm Drain Revenue	Sales Tax Revenue	Leases	Other Long-Term Debt	Total Primary Government	Storm Drain Revenue	Sewer Revenue	Water Revenue	Sales Tax Revenue	Leases	Other Long-Term Debt	Total Primary Government		
2007	-	2,020	4,235	-	219	19,785	16,492	1,029	363	-	-	23	44,143	-	1,029	16,492	-	-	-	44,143	N/A	N/A
2008	5,029	6,050	4,043	-	223	19,785	15,896	940	347	-	-	25	52,313	347	940	15,896	-	-	-	52,313	N/A	N/A
2009	4,886	5,463	3,847	913	3,408	19,785	26,182	848	330	-	-	28	65,662	330	848	26,182	-	-	-	65,662	N/A	N/A
2010	4,792	4,935	3,644	1,023	3,649	19,250	24,808	128	-	-	-	78	62,229	-	128	24,808	1,561	-	-	62,229	N/A	N/A
2011	4,665	4,387	3,430	908	3,474	18,690	25,036	65	7,093	-	-	102	69,218	7,093	65	25,036	1,470	-	-	69,218	12.23%	2,066
2012	4,534	3,814	3,260	910	3,539	18,383	24,252	-	7,091	-	-	117	65,783	7,091	-	24,252	1,398	-	-	65,783	10.58%	1,910
2013	4,398	3,216	2,999	1,018	3,506	17,872	23,424	-	12,494	-	-	99	70,311	12,494	-	23,424	1,285	-	-	70,311	11.48%	2,037
2014	4,252	2,593	2,840	891	2,622	17,331	22,555	-	12,303	-	-	-	66,957	12,303	-	22,555	1,217	353	-	66,957	9.91%	1,914
2015	4,101	1,936	2,554	1,328	2,622	16,759	22,254	-	11,979	-	-	-	64,934	11,979	-	22,254	1,095	306	-	64,934	7.28%	1,752
2016	3,944	1,248	2,258	1,989	2,622	16,154	22,032	-	11,661	-	-	-	65,475	11,661	-	22,032	968	2,599	-	65,475	8.49%	1,721

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

PLEASANT GROVE CITY
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

<u>Government Unit</u>	<u>Total Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt			
Alpine School District	\$ 457,117,394	9.02%	\$ 41,215,229
Utah County	226,770,000	5.72%	12,960,402
Central Utah Water Cons. District	757,644,412	1.44%	10,926,038
Subtotal, overlapping debt			65,101,669
City direct debt			28,215,732
Total direct and overlapping debt			\$ 93,317,401

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

PLEASANT GROVE CITY
 Legal Debt Margin Information
 Last Nine Fiscal Years
 (amounts expressed in thousands)

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value (in thousands)	\$ 2,669,318
Debt limit (4% of assessed value)	106,773
Debt applicable to limit:	
General obligation bonds	(3,925)
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>(3,925)</u>
Legal debt margin	<u>\$ 102,848</u>

	Fiscal Year								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 90,684	\$ 98,952	\$ 91,304	\$ 87,920	\$ 81,373	\$ 80,624	\$ 83,756	\$ 95,064	\$ 106,773
Total net debt applicable to limit	-	(4,913)	(4,792)	(4,665)	(4,534)	(4,398)	(4,252)	(4,080)	(3,925)
Legal debt margin	\$ 90,684	\$ 94,039	\$ 86,512	\$ 83,255	\$ 76,839	\$ 76,226	\$ 79,504	\$ 90,984	\$ 102,848

Total net debt applicable to the limit as a percentage of debt limit	0.00%	4.97%	5.25%	5.31%	5.57%	5.45%	5.08%	4.29%	3.68%
---	-------	-------	-------	-------	-------	-------	-------	-------	-------

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

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

Fiscal Year	Water Revenue Bonds						Storm Water Revenue Bonds						Tax Increment Bonds			
	Utility Service Charge	Less: Operating Expenses	Net Available Revenue	Debt Service			Utility Service Charge	Less: Operating Expenses	Net Available Revenue	Debt Service			Sales Tax Revenues	Debt Service		Coverage
				Principal	Interest	Coverage				Principal	Interest	Coverage		Principal	Interest	
2007	3,298	1,633	1,665	163	395	2.98	-	-	-	-	-	3,774	265	611	4.31	
2008	3,594	1,715	1,879	432	619	1.79	-	-	-	-	-	3,855	275	1,066	2.88	
2009	3,318	1,833	1,484	462	1,066	0.97	-	-	-	-	-	3,498	280	1,057	2.62	
2010	3,160	1,867	1,293	690	1,102	0.72	-	-	-	-	-	3,308	825	1,036	1.78	
2011	3,637	2,304	1,333	733	1,078	0.74	-	-	-	-	-	3,523	865	1,222	1.69	
2012	4,911	2,765	2,146	758	1,052	1.19	1,233	486	747	164	164	3,752	895	1,279	1.73	
2013	5,787	3,048	2,739	815	1,052	1.47	1,372	529	843	270	270	3,849	861	1,169	1.90	
2014	6,666	3,079	3,587	886	988	1.91	1,783	644	1,139	430	430	4,082	967	1,087	1.99	
2015	6,916	2,948	3,968	886	888	2.24	1,955	841	1,114	430	430	4,454	572	987	2.86	
2016	7,086	3,069	4,017	977	651	2.47	2,174	771	1,403	335	335	5,011	605	985	3.15	

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

Fiscal Year	Sales Tax Revenue			General Obligation Bonds			Excise Tax Revenue			
	Sales Tax Revenues	Debt Service		Property Tax Revenues	Debt Service		Class C Road Revenues	Debt Service		
		Principal	Interest		Principal	Interest		Principal	Interest	Coverage
2007	3,774	265	273	-	-	-	942	455	105	1.68
2008	3,855	275	265	-	-	-	997	475	86	1.78
2009	3,498	280	255	317	115	202	865	495	66	1.54
2010	3,308	290	245	317	120	197	925	595	164	1.22
2011	3,523	305	234	317	125	192	982	535	234	1.28
2012	3,752	315	167	317	130	187	954	560	211	1.24
2013	3,849	350	119	321	145	176	991	585	183	1.29
2014	4,082	395	100	320	150	170	949	645	126	1.23
2015	4,454	395	100	320	150	170	1,516	645	126	1.97
2016	5,011	410	92	319	155	164	1,094	675	94	1.42

Source: Pleasant Grove City

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

PLEASANT GROVE CITY
Demographic and Economic Statistics
Last Nine Calendar Years

Calender Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	30,903	\$ 538,387,847	\$ 17,422	N/A
2008	32,000	567,664,787	17,740	N/A
2009	33,000	596,941,726	18,089	N/A
2010	33,509	565,847,667	16,886	7.8%
2011	34,435	621,512,350	18,049	5.3%
2012	34,519	612,229,952	17,736	4.5%
2013	34,988	675,874,839	19,317	3.3%
2014	37,064	891,859,745	24,063	3.2%
2015	38,052	770,819,364	20,257	3.2%

Note 1: Data for Years Previous to 2007 Unavailable

Note 2: Unemployment Rate is for Utah County

PLEASANT GROVE CITY
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2016</u>	<u>2006</u>
	Range of Employees	Range of Employees
doTerra International	1000-1999	
Alpine Building LLC	500-999	
Alpine School District	300-749	300-749
Horrocks Engineers, Inc.	100-249	
Lincoln Academy	100-249	
Maceys	100-249	100-249
Mile High Contracting	100-249	
Niels Fugal Sons Company	100-249	100-249
Pleasant Grove City	100-249	100-249
Sundesha, LLC	100-249	
All Pro Security, LLC	50-99	
Alpine Pediatrics	50-99	50-99
Asphalt Zipper	50-99	
Close to My Heart	50-99	100-249
Daybreak Training Services	50-99	50-99
Mary's Culinary Crafts LLC	50-99	
McDonalds	50-99	
Metro Ready	50-99	
Smith's Food and Drug	50-99	50-99
Synergy Worldwide Inc	50-99	
Taco Amigo	50-99	
Test Out Corporation	50-99	
Tri City Medical Clinic	50-99	50-99
The Void	50-99	
Walmart	50-99	
Warburtons	50-99	

Source: Utah Department of Workforce Services

Note 1: Data for Years Previous to 2006 Unavailable

Note 2: The State of Utah only tracks employees by range of employees. Therefore, we are not able to report each employer as a percentage of total employment.

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Management services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Finance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0
Building	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Legal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Municipal Court	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Other	7.0	7.0	7.0	7.0	7.0	6.0	7.0	5.0	5.0	5.0
Police										
Officers	32.0	33.0	26.0	25.0	25.0	25.0	25.0	26.0	25.0	25.0
Civilians	7.0	8.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Fire										
Firefighters and officers	3.0	4.0	5.0	14.0	15.0	15.0	15.0	14.0	15.0	15.0
Refuse collections										
Other public works										
Engineering	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Streets	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Storm Drain	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Other	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Redevelopment	1.0	-	-	-	-	-	-	-	-	-
Parks and recreation	12.0	15.0	15.0	15.0	15.0	15.0	15.0	14.0	16.0	16.0
Library	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water/Sewer	8.0	9.0	9.0	10.0	10.0	10.0	10.0	10.0	11.0	11.0
Total	93.0	100.0	94.0	104.0	105.0	104.0	105.0	101.0	104.0	104.0

Source: Pleasant Grove City

PLEASANT GROVE CITY
 Operating Indicators by Function/Program
 Last Six Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government						
Building permits issued	178	260	361	372	*311	589
Building inspections conducted	1,713	1,714	4,215	3,387	*3,005	2,788
Police						
Physical arrests	1,608	1,359	581	1,409	1,241	1,034
Parking violations	327	4	-	2	-	123
Traffic violations	3,302	4,608	2,798	2,566	2,264	2,187
Fire						
Emergency responses	859	1,388	1,199	1,330	1,486	1,401
Number of Transports	592	573	500	579	494	578
Average Response Time (Minutes)	5	5	4:14	4:51	3:36	3:29
Other public works						
Potholes repaired (tons of asphalt)	410	431	457	478	500	650
Parks and recreation						
Daily program participants	12,761	11,813	12,298	33,084	20,072	18,096
Community center admissions	147,356	135,866	141,540	169,744	190,511	207,133
Water						
New connections	41	64	143	170	176	160
Culinary Water Breaks	66	82	127	127	140	106
PI Water Breaks	N/A	N/A	N/A	115	35	33
Average daily consumption (thousands of gallons)	2,623	2,821	2,709	2,702	2,867	
Culinary Water **						4,080
Pressurized Irrigation **						5,530

Source: Pleasant Grove City

Note: Data for Years Previous to 2011 Unavailable

* Amounts restated from prior year

** Correction made to reporting method

PLEASANT GROVE CITY
 Capital Asset Statistics by Function/Program
 Last Six Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police						
Stations	1	1	1	1	1	1
Patrol units (sworn officers)	25	25	26	26	27	27
Reserve Units					3	3
Fire Stations	1	1	1	1	1	1
Other public works						
Streets (miles)	111	205	205	117	112	109
Streetlights	1,070	3,974	1,150	1,155	1,086	1,117
Storm Drain (miles)	69	101	72	72	98	95
Parks and recreation						
Acreage	92	92	92	77	77	77
Playgrounds	8	8	8	7	7	7
Baseball/softball diamonds	7	7	7	6	8	8
Soccer/football fields	9	9	9	9	9	9
Community centers	1	1	1	1	1	1
Water						
Culinary Water Lines (miles)	136	151	152	156	154	145
Irrigation Water Lines (miles)	103	104	105	108	108	108
Fire Hydrants	N/A	1,223	1,240	1,280	1,355	1,383
Culinary Storage (thou. of gallons)	11,000	11,000	11,000	12,431	12,431	12,431
Irrigation Storage (thou. of gallons)	12,200	12,200	12,200	12,200	12,200	12,200
Wastewater						
Sanitary sewers (miles)	N/A	110	110	125	120	116

Source: Pleasant Grove City

Note: Data for Years Previous to 2011 Unavailable

GOVERNMENT COMPLIANCE
SECTION

Pleasant Grove



Utah's City of Trees

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA
Robert D. Wood, CPA

Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

*Members of the
American Institute
of Certified Public
Accountants*

*Members of the
Private Company
Practice Section*

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

Independent Auditors' Report

Honorable Mayor and Members of the City Council
Pleasant Grove City

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pleasant Grove City (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2016

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA
Robert D. Wood, CPA

Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

*Members of the
American Institute
of Certified Public
Accountants*

*Members of the
Private Company
Practice Section*

REPORT IN ACCORDANCE WITH THE *UTAH STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE*

Independent Auditors' Report

Honorable Mayor and Members of the City Council
Pleasant Grove City

Report On Compliance with General State Compliance Requirements

We have audited Pleasant Grove City's (the City) compliance with the applicable general state compliance requirements described in the *Utah State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Cash Management	Enterprise Fund Transfers,
Budgetary Compliance	Reimbursements, Loans, and
Fund Balance	Services
Justice Courts	Restricted Taxes and Related Revenues
Impact Fees	Treasurer's Bond
Utah Retirement Systems	Open and Public Meetings Act

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

In our opinion, Pleasant Grove City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2016.

Report On Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *Utah State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of This Report

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

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2016