

Comprehensive Annual Financial Report



**Park City Municipal Corporation, Utah
Fiscal Year Ended June 30, 2012**

PARK CITY MUNICIPAL CORPORATION, UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT **(Including Single Audit, Internal Control and Compliance Reports** **and Supplementary Information)** **for fiscal year ended June 30, 2012**

Prepared by:
Finance Department

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Analyst

PARK CITY MUNICIPAL CORPORATION, UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2012

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**INTRODUCTORY
SECTION**

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Finance

November 29, 2012

To the Honorable City Council, Honorable Mayor and Citizens of Park City, Utah:

These financial statements have been prepared by the Park City Municipal Corporation Finance Department in accordance with accounting principles generally accepted in the United States (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). Utah State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

The City's management is responsible for the accuracy of the report, as well as the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the report is complete and accurate in all material respects. In order to have a basis to rely on for management to make these representations, the City maintains a comprehensive system of internal controls designed to provide reasonable, but not absolute, assurance against loss of assets or material misstatement in the financial statements. This level of assurance is an inherent limitation in a system of internal controls because they should be cost-effective, i.e. the cost of such controls should not exceed the related benefit.

The basic financial statements contained in this report have been audited by Piercy Bowler Taylor & Kern, a firm of licensed certified public accountants. The objective of this type of audit is for the independent auditors to render an opinion, with reasonable assurance, as to whether the basic financial statements of Park City Municipal Corporation, the "City", for the fiscal year ended June 30, 2012, are fairly presented and free of any material misstatement. Audit procedures included extensive testing and analysis of transactions, balances and systems. The unqualified ("clean") opinion on the basic financial statements signed by Piercy Bowler Taylor & Kern is located at the beginning of the financial section.

Additionally, Piercy Bowler Taylor & Kern audited the compliance requirements of the City's federal and state grant programs for the year ended June 30, 2012, as part of the federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the basic financial statements, but also on the government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires 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.

Profile of Park City Municipal Corporation, Utah

Park City Municipal Corporation is a municipal corporation governed by an elected mayor and five-member council. The City was chartered March 15, 1884, under the provisions of the Utah Territorial Government and the City operates under a council-manager form of government. Policy-making and legislative authority are vested in the governing council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council and mayor are elected on a non-partisan basis. Council members and the mayor serve four-year staggered terms. Elections are held every odd number year.

The City provides many municipal services including police, parks, recreation, library, water, public improvements, streets, planning, zoning, golf course, transportation and parking, and administrative services. This report includes the financial statements of the funds required to report on those activities, organizations and functions which are related to the City and are controlled by or financially accountable to the City Council. The Park City Municipal Building Authority, the Park City Redevelopment Agency, the Park City Housing Authority and the Park City Water Service District are chartered under Utah law as separate governmental entities. However, this report includes the financial statements of these entities, since the City Council is the appointed board for all four agencies, and they are financially accountable to the City.

The State of Utah, Summit County, Wasatch County, Park City School District, Park City Fire Protection District, Snyderville Basin Special Recreation District and Snyderville Basin Water Reclamation District are overlapping governments that provide services to City residents; however, they are separately controlled, and they are not financially accountable to the City; therefore, they are not included in this report.

Budgetary Control

The City Council is required to adopt a final budget by no later than June 22 of the fiscal year. This annual budget serves as the foundation of the City's financial planning and control. Budgets are prepared for all governmental fund types including the general fund, capital improvements funds and debt service funds. The City Council approves all City budgets at the department level (general government, public safety, public works and recreation and library). Budgetary control is maintained at the department level where expenditures may not legally exceed appropriations. Department heads may make transfers within a department. The City Council may amend the budget by resolution

during the budget year, but must hold a public hearing to increase a governmental fund's budget before it can pass the resolution.

Local Economy

Park City is located in Summit County, Utah, in the heart of the Wasatch Mountains, 30 miles east of Salt Lake City and 40 minutes by freeway from the Salt Lake International Airport. In 1869, silver bearing quartz was discovered in the area, of what is now Park City, and a silver mining boom began. From the 1930's through the 1950's, the mining boom subsided due to the decline of silver prices, and Park City came very close to becoming a historic ghost town. During that time, the residents began to consider an alternative to mining and began developing Park City into a resort town. Park City is one of the western United States premier multi-season resort communities with an area of eighteen square miles and a permanent resident population of approximately 7,547.

World renowned skiing is the center of activity being complemented throughout the year with major activities and events, such as the Sundance Film Festival, Kimball Arts Festival, concerts, sporting events, along with a variety of other winter and summer related activities.

Tourism is the major industry in Park City, with skiing, lodging facilities and restaurants contributing significantly to the local economy. Park City is the home of two major ski resorts (Park City Mountain Resort and Deer Valley Resort) with a third area (The Canyons Resort) located only one mile north of the City limits.

In 2002, Salt Lake City hosted the 2002 Winter Olympic Games with two athletic venues in Park City and one just north of the City limits. Deer Valley Resort hosted the slalom, aerial, and mogul competitions; Park City Mountain Resort hosted the giant slalom, snowboarding slalom and snowboarding halfpipe; and the Utah Winter Sports Park (Summit County) hosted ski jumping, luge and bobsled events.

Deer Valley Resort hosted the 2012 Freestyle Ski World Cup event for the sixth year in a row in February 2012. Deer Valley Resort was rated the best resort in North America for the sixth year in a row in *Ski Magazine's* resort review. No other resort has topped the rankings six years in a row. It also marks twelve years that Deer Valley has finished in the top three. The Park City Mountain Resort is located in the heart of Park City. The resort hosted the 2012 USSA Alpine Masters National Championships. Park City Mountain Resort was ranked number six, overall, and the best resort to ski with your kids. It was Utah's, only other ski resort, to finish in the top ten of *Ski Magazine's* resort review.

Major employer-types in the City include accommodation and food service, arts/entertainment and recreation, retail trade, real estate, technical services and government. Unemployment data was unavailable for Park City; however, the current Summit County unemployment rate is estimated at 5.0 percent. The current State of Utah rate is 6.0 percent and the national rate is 8.2 percent.

Economic Trends

Growth has accelerated in the last decade, and Park City now stands as one of the most affluent and lively resort towns in the United States. Wikipedia.com refers to Park City as, “One of the wealthiest cities in the United States”. Park City has seen some strong growth over the past six years in the ski industry. Encouraging tourism and the ski industry are objectives for Park City as well as for the State of Utah. With its close proximity to Salt Lake City and Salt Lake International Airport, Park City is a major contributor to these goals. Figures show U.S. skier visits during the past winter fell 15.0 percent from the 2010-2011 season. Total statewide skier days were 3,802,536, down 10.0 percent from the 2010-2011 season, due to one of the slimmest snow packs on record. Overall, Park City has pulled better numbers than the state average. This 2011-2012 season was the first in three years that the Park City area resorts saw a decline in skier visits. Park City resorts claim approximately 46.3 percent of the total Utah market share, 1,759,658 skier days. To put this in context, Utah’s record was 4,249,190 set during the 2006-2007 season, prior to the recession. With the local economy dependent on tourism and skiing, employment in Park City tends to decline in the spring and summer months. The City has been mitigating this by diversifying recreational activities in the “off-season”. This year the City hosted the Triple Crown Girls Fast Pitch Softball World Series for the tenth year. This event draws teams from California, Arizona, Colorado, Oklahoma, Idaho, Utah and Texas. Each year is bigger and better than the last. Other events include Park City Marathon Road Race, Intermountain Cup Mountain Bike Races and the Endurance 100 Mountain Bike Race.

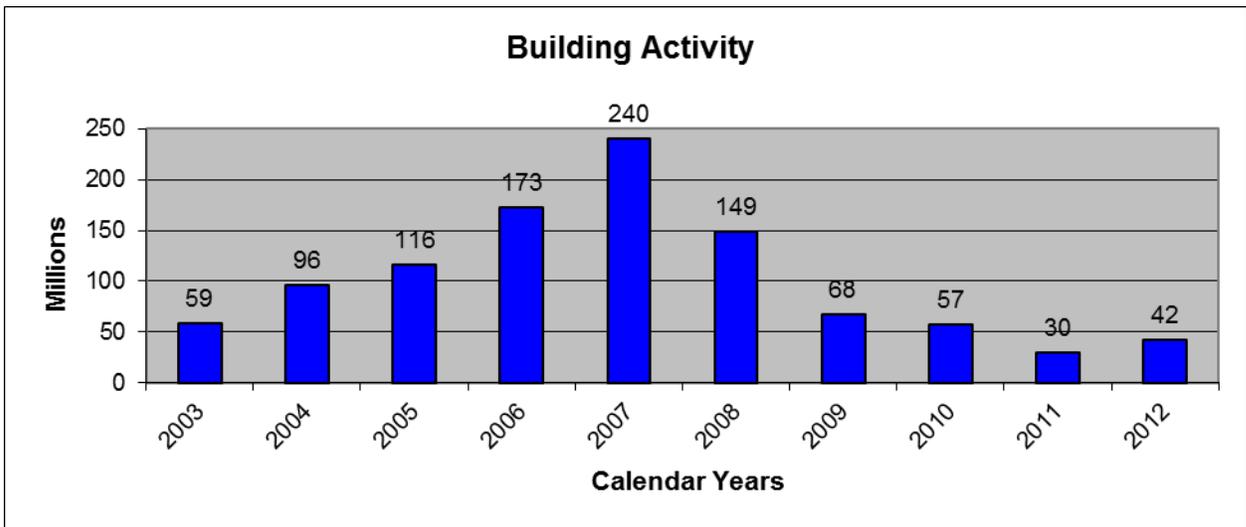
The service population is much larger due to the number of secondary homeowners and visitors within Park City. The City has approximately 161 restaurants, 314 shops, 27 private art centers and a community-sponsored art center. Many of Park City’s restaurants are award winning and among the finest in the inter-mountain west. The Chamber of Commerce estimates that the City has a nightly capacity for 27,178 guests. In the last ten year’s nightly capacity has increased by 10.0 percent. Please see Schedule 24 on page 120 of the Statistical Section of this report.

The Sundance Film Festival made its 31st annual appearance in Park City in January 2012. A recent study by the University of Utah’s Bureau of Economic and Business Research reveals the 2012 festival generated an overall economic impact of \$80.3 million for the State of Utah, up from 2011, but still sharply down from the record of \$92.2 million reported after the 2009 festival. Sundance and Park City Municipal Corporation have formally agreed that Park City will remain festival headquarters through the 2018 film festival, with a ten-year option to renew after that. The festival presents high quality, independent films. Nationally known actors, directors, writers and other members of the film industry conduct and attend workshops, classes, seminars, dinners and premiers that are open to the general public. It is estimated that the cultural event attracted over 46,731 attendees this year, up 2.0 percent from 2011, with an estimated 66.6 percent coming from out of state.

The Kimball Arts Center sponsored its 42nd annual three-day Park City Arts Festival in August 2011. The Park City Arts Festival is Utah’s oldest and the longest running arts

festival in the West. In the last decade, this event has grown substantially and this year attracted nearly 55,000 visitors. This was an increase of 11.0 percent over the previous year. The festival features 220 of North America’s top artists. This is one of the most attended annual events in Utah and includes an art auction and gala, and a 5K run for the arts.

Closely connected to the tourist and ski industries in Park City is the real estate industry. During the past ten years, building activity within the City has fluctuated from a low of \$29.8 million in 2011, because of the recession, to a high of \$239.7 million in 2007. Building activity over the last decade has averaged \$103.0 million per year. In the first nine months of calendar year 2012, approximately 34.9 percent of the \$42.2 million in building activity has been in residential construction and 0.7 percent in commercial construction. The remaining 64.4 percent consists of remodeling, expanding and miscellaneous construction. The residential construction total valuation of approximately \$14.7 million consisted of both single and multi-family homes. Easy access to Salt Lake City has intensified the role for Park City as a bedroom community. This role and the current economy have shifted emphasis to the construction of residential homes.



*Notes: The 2012 number is from January 2012 through September 2012 only.
For activity by fiscal year, please see Schedule 26 of the Statistical Section.*

According to the latest statistics by the Park City Board of Realtors, residential lots sold, in Park City, range from an average of \$252,273 in the Old Town area to an average of \$878,050 for lots in Deer Crest. Condominiums range in average sales price, from \$129,145 to \$3,084,375, depending upon location. Depending upon the area, single-family homes range from an average sales price of \$466,100 to \$5,433,375. Overall, in the last year, volume of single-family homes sold increased 25.8 percent and the average sale price increased 26.1 percent. Condominium sales showed a volume decrease of 4.5 percent and average sale price decreased 9.9 percent.

Long-term Financial Planning

Being the second year of a budget biennium, the CIP Committee performed a full reprioritization of the Five-Year Capital Plan. This means that all projects, even those which have been awarded funding in previous years, were reviewed and prioritized along with new projects. Unlike prior budget years, the City did not have a declared budget shortfall. At the time of prioritization, projections showed a general fund transfer to the CIP fund of approximately \$2.0 million for fiscal years 2013 and 2014 and approximately \$0.9 million from the general fund for equipment replacement. This being the case, the Committee did not have a targeted budget cut to achieve this year as it had in past years. Nonetheless, due to the long-term projections, which showed lack of available operating surpluses, the amount of scrutiny involved in this process, was heightened. Ultimately, the Committee set a goal to fund projects requiring operating surplus of \$3.2 million in the current fiscal year and \$3.0 million in fiscal years 2013 and 2014. The recommended project totals then taper from just under \$3.0 million in fiscal year 2014 to \$2.0 million in fiscal year 2017. The Committee's recommendation was consistent with that goal. Unfortunately, as the level of surplus funding required for ongoing capital investment, such as asset management, equipment replacement, pavement management, etc., is just over \$2.0 million annually, the Committee really only had about \$1.0 million in each year to fund new projects. More expensive project requests, which lacked a designated revenue source, such as the Downtown Enhancement Projects and Old Town Improvement Study (OTIS) Projects, were recommended to be taken to Council, as a policy discussion outside of this prioritization process, as they would require significant debt funding and possibly adjustments to revenue to even be feasible.

Consistent with the Committee's recommendation, the City Manager's Recommended Budget does not currently contain funding for the Downtown Enhancements Project or funding for OTIS in fiscal year 2013. Following Council discussion during the budget hearings in the spring of 2011, these projects and their funding were removed from the five-year capital improvement plan and the fiscal year 2012 budget.

Relevant Financial Policies

Historically, Park City has employed an incremental style of budgeting. In this format, the budget from the prior year, is basically, assumed, to be appropriate and serves as a starting point, or base budget. Any changes, or increments, to the base budget (whether they be an addition to or subtraction from the budget) are captured in a "budget option" and described. Typically, these budget options are the focus of budget discussions in any given year. However, this year the City has moved to a Budgeting for Outcomes (BFO) process, which is a variation of zero-based budgeting that focuses on Council priorities and objectives as the driving factor for prioritization (as opposed to the default chronological prioritization in a base-budget). BFO is a public budgeting process, which seeks to imitate Request for Proposal (RFP) procedures. By creating Strategic Plans or Outcome Areas and then receiving offers from City departments (and potentially other possible service providers) decision-makers can make better-informed decisions regarding the prioritization and cost of City services and programs.

Major Initiatives

During Visioning, Council discussed the idea of matching potential new revenue sources with new projects. The intent being that projects could be funded with revenue sources, which closely match the targeted users or general beneficiaries of the project. For example, resort sales tax or a transient room tax might be matched to downtown enhancement projects, which would benefit businesses and visitors in the historic downtown area; while property tax might be used to fund core infrastructure projects such as street improvements, storm drain improvements, etc. It was the intent of the capital planning study session to use the model to discuss possible capital projects and new potential funding sources. Potential new or increased revenue sources that could fund projects and were included in the Capital Planning Model are Resort Sales Tax, Transient Room Tax, General Levy Property Tax, General Obligation Bonds and Fees such as Building, Planning, Engineering, Recreation, Special Events and other fees.

Water quality and delivery continue to be a top priority for Park City. CIP changes to the Water Fund are also reflective of the City's continuing commitment to secure Park City's water needs through improvements to the City's water infrastructure. The current water projects in the CIP reflect one of many options currently being considered as part of the necessary water improvements, these projects are subject to change as the best infrastructure options become clear. The water fund financial model currently sets the rates and projects based on the best possible water system solutions. The option currently will allow for the most flexibility while maintaining the lowest possible costs.

Update on Major Projects

Quinns Junction Water Treatment Plant – Construction of the Quinns Junction Water Treatment Plant (QJWTP) began during the summer of 2010 and was completed in April 2012. The project consists of a main treatment building and a separate maintenance building. The main building contains all of the water treatment process equipment including piping, valves, membrane filters, finish water pumps and a 155,000-gallon reservoir. The maintenance building is used by the Water Department to store spare parts such as pipes, valves, meters, and other equipment necessary to maintain the water system. The QJWTP will treat raw water imported from the Weber River, at a rate of up to three million gallons per day. The QJWTP design included provisions for future expansion to a capacity of nine million gallons per day and space for hydropower turbines.

Iron Horse Transit Operations Facility – This project included 60 bus bays, 86 employee parking spaces, bus wash and eight bus maintenance bays, with inventory and equipment storage areas. This project was funded with 80 percent federal funds and 20 percent local land match, of the Iron Horse Drive parcel. The budget for this project was \$12.7 million. The construction started in April 2011 and completed in December 2011.

Park City Municipal Recreation and Athletic Center (PC MARC) Remodel – A major remodel of the City's recreation facility formally known as the Racquet Club, expanded group fitness, weight room, cardio, two additional tennis courts,

walking/jogging track, aquatic center, childcare, administration area and restaurant (\$10.0 million). The project had its grand opening in December 2011. The remodel was funded mainly with capital funds, with a small amount coming from Recreation, Arts and Parks (RAP) Tax and donations.

Old Town Improvement Study (OTIS) Projects – In 2002, the City conducted a study of street reconstruction needs in the Old Town area. The study resulted in a slate of projects, to be completed, over the next 10-15 years. Previous Councils have accepted that plan and implemented early phases of OTIS in the budget. Many of the projects were funded, with surplus operating funds in the peak economy years between 2005- 2008. To date, the City has carried out seven of the twenty-two projects identified in the 2002 study without issuing any debt specifically for OTIS. However, progression of these projects has slowed due to lack of operating surplus and the uncertainty surrounding future bonding. Staff has presented long-range financial projections, to Council, which showed approximately \$20.0 million of bonding needs for the remaining OTIS projects (based on estimates from the 2002 study adjusted for inflation) which would swell the City's debt service paid from operating surplus from \$180,000 to over \$2.3 million annually. Staff recommended, at that time, that the OTIS study be updated to get better cost estimates, new prioritization and timing recommendations, and cheaper options.

Walkability (WALC) Projects – To date, 27 of the 36 Walkability projects have been completed. These projects include the Comstock and Bonanza underpasses, pathway projects along Comstock Drive, Little Kate Road and Holiday Ranch Loop, as well as, smaller traffic calming, way finding and connectivity projects. The following three projects have significant budgets identified by WALC; the Market at Park City to Jan's project (\$4.0 million), Wyatt Earp Way Traffic Calming (\$400,000) and the widening of existing spine pathways such as the Poison Creek Trail (\$555,280). It was the direction of Council that the remaining GO walkability bonds, should not be issued, until there is a more definitive cost on the remaining projects.

Bonanza Drive Reconstruction – Construction on Bonanza Drive started in July 2009 and was completed in November 2011. The project included road construction from Deer Valley Drive to just north of Upper Iron Horse Drive, a distribution water line from Deer Valley Drive through Kearns Blvd, pedestrian tunnel, road construction from upper Iron Horse Drive to Kearns Blvd, and landscaping, planters and colored concrete accenting of the corridor. Total project costs were around \$6.6 million. Approximately \$3.1 million was funded from general fund surplus, with the remainder coming from the Water Fund, Snyderville Basin Water Reclamation District and walkability general obligation bond proceeds.

Empire Avenue – The construction cost estimate is \$4.0 million (\$1.7 million for road reconstruction, curb and gutter replacement, and sidewalk installation, \$1.7 million for waterline replacement and \$607,000 for dry conduit installation.) The project completion has been delayed until summer 2013.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Park City Municipal Corporation for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-four consecutive years, fiscal years 1987-2011. We believe that our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

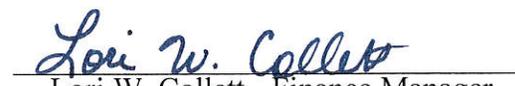
Park City Municipal Corporation also received the Distinguished Budget Presentation Award from the GFOA for the City's adopted budget for the biennium period beginning July 1, 2009. The City has won this award for fiscal years 1992 and 1993 and the biennium periods beginning 1993, 1997, 1999, 2001, 2003, 2005, 2007, 2009 and most recently 2011. In order to qualify for the award program, the City's budget document was judged proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Finance and Accounting Department. We would like to express our appreciation to Piercy Bowler Taylor & Kern, certified public accountants, for their professional service and assistance. We would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Diane Foster – Interim City Manager



Lori W. Collett - Finance Manager

PARK CITY MUNICIPAL CORPORATION, UTAH

Park City Municipal Building
445 Marsac Avenue
Park City, Utah 84060

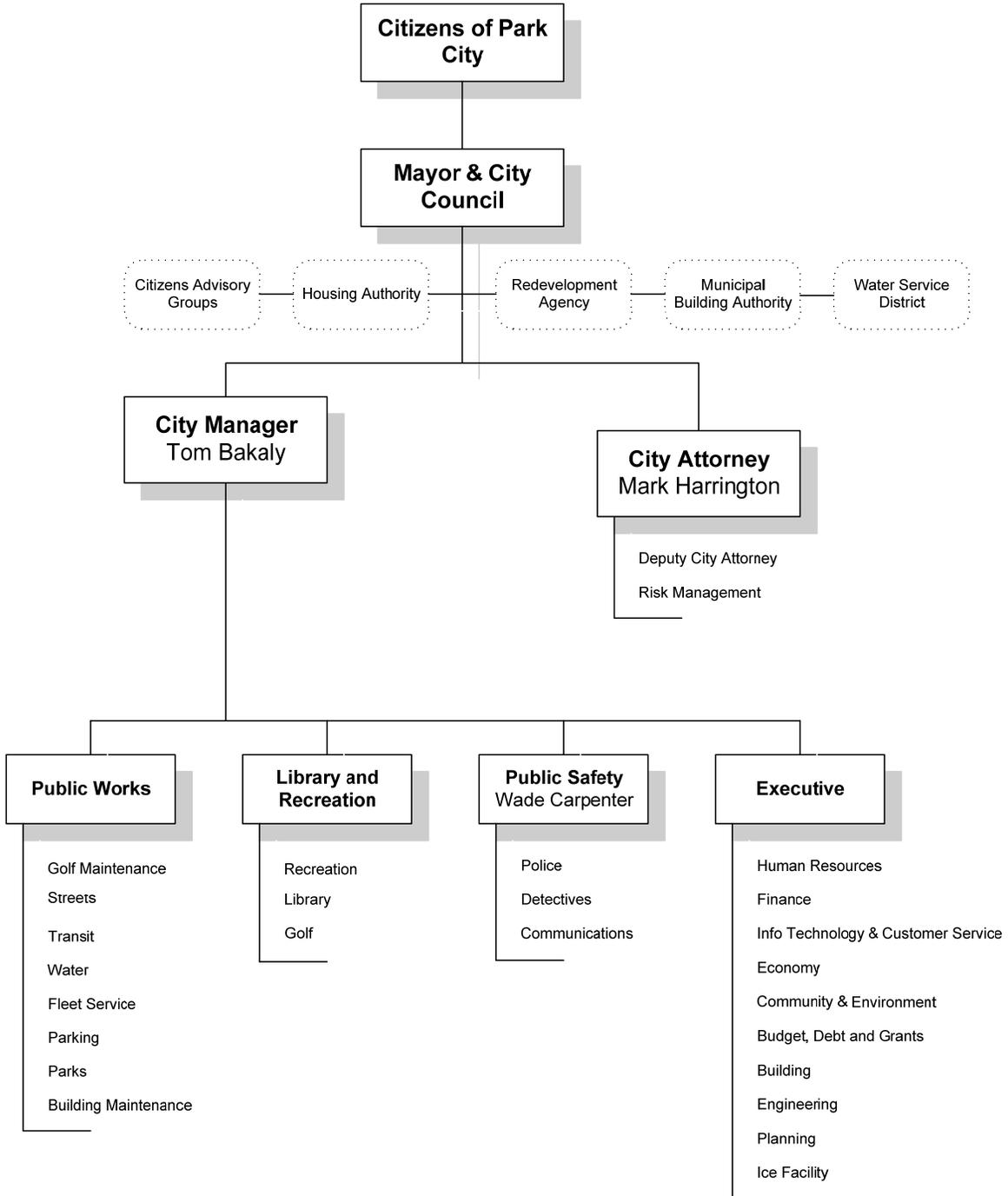
MAYOR AND CITY COUNCIL AS OF JUNE 30, 2012

Name	Term Expires
Mayor	
Dana Williams <i>2384 Doc Holiday Drive Park City, Utah 84060</i>	January 2014
Councilors	
Alex Butwinski <i>23 Ashley Court Park City, Utah 84060</i>	January 2014
Cindy Matsumoto <i>PO Box 4647 2816 Silver Cloud Drive Park City, Utah 84060</i>	January 2014
Dick Peek <i>750 River Birch Court Park City, Utah 84060</i>	January 2016
Andy Beerman <i>PO Box 1570 310 Park Avenue Park City, Utah 84060</i>	January 2016
Liza Simpson <i>PO Box 1468 510 Main Street Apt B Park City, Utah 84060</i>	January 2016

Thomas B. Bakaly, City Manager
Mark Harrington, City Attorney
Lori W. Collett, Finance Manager

PARK CITY MUNICIPAL CORPORATION, UTAH

ORGANIZATIONAL CHART
FY 2012



The above organizational structure also accurately depicts the Park City Redevelopment Agency and the Park City Municipal Building Authority structure.

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Certificate of Achievement for Excellence in Financial Reporting

Presented to
Park City Municipal Corporation
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Honorable Mayor, City Council and Management
Park City Municipal Corporation

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Park City Municipal Corporation (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 historic 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Percy Bowler Taylor & Kern

November 29, 2012

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PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2012

The following narrative is presented to facilitate a better understanding of the City's financial position and results of operations for the year ended June 30, 2012. When read in conjunction with the letter of transmittal and the notes to the financial statements, the financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The City's government-wide net assets (the amount by which assets exceed liabilities) as of June 30, 2012, were \$260,092,616. Of this amount, \$62,050,415 (unrestricted net assets) is available to meet ongoing financial obligations.
- The City's government-wide net assets increased by \$9,741,291. Of this amount, business-type activities increased by \$5,928,123, a rise of 8.2 percent, and the governmental activities increased by \$3,813,168 a rise of 2.1 percent when compared to last fiscal year.
- The City's governmental funds reported a combined ending fund balance of \$38,660,905 a decrease of \$6,145,129 (13.7 percent) compared to the beginning of this year's fund balance amount. The decrease in fund balance in comparison to last fiscal year is attributable to a decrease in restricted and committed fund balances for the capital projects fund. Restricted general obligation bond funds were used to pay for several large dollar construction projects. Of the combined total fund balance, \$4,011,625 is available for spending at the discretion of the City (unassigned fund balance).
- The General Fund is the primary operating fund of the City. The unassigned fund balance of the General Fund at June 30, 2012, totaled \$4,011,625 and is 16.4 percent of the General Fund total revenues for the year and 10.4 percent of total governmental fund balance.
- The City's total debt had a net decrease of \$2,855,637 during fiscal year 2012. This represents a 3.1 percent decrease over the prior year, which is attributable to the effect of the normal reduction in principal balances from required debt service payments offset by the issuance of \$4,160,000 in Series 2012 Water Revenue Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report includes four parts: 1) the independent auditors' report on financial statements and supplementary information; 2) this segment, management's discussion and analysis; 3) the basic financial statements; and 4) supplementary information. Within the basic financial statements are two distinct types of financial statements, 1) the government-wide financial statements, and 2) the fund financial statements. The notes to the financial statements are also an integral part of the basic financial statements. The City's basic financial statements are presented in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended.

Immediately following the notes to the financial statements, the supplementary information includes balance sheets and income statements for nonmajor governmental funds, internal service funds, as well as other budgetary information.

Government-wide Financial Statements: The government-wide financial statements provide a view of City finances as a whole, similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities.

The **Statement of Net Assets** includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net assets. Net assets (and the related change in net assets from year to year) is probably the most important financial measurement to enable understanding of the financial position of the City, and whether financial position improves or deteriorates each year. To assess the overall health of the City, additional non-financial factors such as changes in the property tax base, the condition of the City's infrastructure, etc. should be considered.

The **Statement of Activities** shows how the City's net assets changed as a result of its operations during the most recent fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, most revenues are reported when the revenues are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

There are two distinct types of activities reflected in the government-wide statements, i.e. governmental activities, and business-type activities. Governmental activities are those supported primarily by taxes and intergovernmental revenues, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The governmental activities for Park City Municipal Corporation include General Government (Council, Mayor, City Attorney, Human Resources, Technical and Customer Services, Budget, Debt and Grants,

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Building, Economy, Community and Environment, Planning, Engineering, Finance, Quinns Recreation Complex and Non-departmental); Public Safety (Police and Communications Center); Public Works (Streets, Snow Removal, Parks, Building Maintenance); Library and Recreation. The business-type activities include Water, Transportation and Parking, and Golf.

The Park City Municipal Building Authority, the Park City Redevelopment Agency, the Park City Housing Authority and the Water Service District are chartered under Utah law as separate governmental entities. However, the government-wide financial statements include the financial statements of these entities, since the City Council is the appointed board for all four agencies, and these entities are financially accountable to the City. The government-wide financial statements can be found on pages 23-26 of this report.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which the funds are to be spent as well as by how the activities are to be controlled. The three broad categories of funds are: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation, between the two types of statements is necessary to understand how the numbers differ. Such reconciliations are provided for the reader on pages 30 and 32. The City has three governmental type funds. These are the general fund, the debt service funds and the capital projects funds. Five of these are considered major funds: General Fund, Sales Tax Revenue and Refunding Debt Service Fund, Park City General Obligation Debt Service Fund, Capital Projects Improvement Fund and Lower Park Avenue Redevelopment Agency Capital Projects Improvement Fund. The basic governmental fund financial statements can be found on pages 29-33 of this report. A summary of other funds (nonmajor funds) is combined into one “Other Governmental Funds” column. The composition of the nonmajor funds is shown in combining statements later in the report in the supplementary information section on pages 80-88.

- The **General Fund** is used to account for all financial resources of the City that are not accounted for by a separate specialized fund. More specifically, the general fund is used to account for ordinary operations such as collection of tax revenues and general government expenditures. The City adopts an annual appropriated budget for the general fund. On page 33, a budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

- ***Debt Service Funds*** are used to account for the accumulation of resources for the payment of general obligation bonds, special assessment bonds and sales tax revenue and refunding bonds. Therefore, this fund is set up to accumulate the resources used to pay both the interest and principal on bond debt.
- ***Capital Projects Funds*** are used to account for financial resources to be used for the acquisition or construction of major capital improvements. These funds do not account for capital improvements financed by the proprietary funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The City uses both enterprise funds and internal service funds. The basic proprietary fund financial statements can be found on pages 35-39 of this report.

- ***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for the City-owned water system, public transportation system (bus and trolley system), paid parking system and golf course.
- ***Internal Service Funds*** are used to account for the central financing of goods or services provided to various departments of the City or other governments on a cost-reimbursement basis. The City currently has two internal service funds. The Fleet Services Fund provides vehicle storage, repair and maintenance. The Self-Insurance Fund was established to allow the City to supplement its regular insurance coverage. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The combining statements for internal service funds can be found on pages 90-92 of this report.

Fiduciary Funds are used for assets the City receives wherein the City has temporary custody. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The basic fiduciary fund financial statement can be found on page 41 of this report.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the basic financial statements as listed in the table of contents.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets – The following table presents summary information from the Statement of Net Assets for the years ended June 30, 2012 and 2011.

Park City Municipal Corporation
Comparative Summary of Net Assets
(in millions of dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total %</u> <u>Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Current and other assets	\$ 66.9	\$ 71.0	\$ 31.3	\$ 31.2	\$ 98.2	\$ 102.2	-3.9%
Capital assets	179.7	178.6	93.5	86.2	273.2	264.8	3.2%
Total assets	<u>246.6</u>	<u>249.6</u>	<u>124.8</u>	<u>117.4</u>	<u>371.4</u>	<u>367.0</u>	<u>1.2%</u>
Long-term debt	44.3	49.7	44.5	41.9	88.8	91.6	-3.1%
Other liabilities	20.8	22.1	1.8	2.9	22.6	25.0	-9.6%
Total liabilities	<u>65.1</u>	<u>71.8</u>	<u>46.3</u>	<u>44.8</u>	<u>111.4</u>	<u>116.6</u>	<u>-4.5%</u>
Net assets							
Invested in capital assets, net of related debt	136.0	133.9	56.0	51.2	192.0	185.1	3.7%
Restricted	1.3	4.5	4.6	9.9	5.9	14.4	-59.0%
Unrestricted	44.2	39.3	17.9	11.5	62.1	50.8	22.2%
Total net assets	<u>\$ 181.5</u>	<u>\$ 177.7</u>	<u>\$ 78.5</u>	<u>\$ 72.6</u>	<u>\$ 260.0</u>	<u>\$ 250.3</u>	<u>3.9%</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2012, the City's assets exceeded liabilities by approximately \$260.0 million (net assets), compared to \$250.3 million at June 30, 2011. This would indicate an improved financial position in comparison to last fiscal year. Approximately 73.8 percent at June 30, 2012, and 74.0 percent at June 30, 2011, of these amounts are represented by the investment in capital assets, net of debt still outstanding relating to acquisition of those assets (see subsections explaining capital assets and debt below). Due to the nature of these assets (long-term assets which are not readily convertible to liquid assets) they are not considered to be available for spending or appropriation. Further, even though the presentation here shows capital assets net of related debt, it should be understood that the repayment of this debt does not come from the capital assets themselves, but comes from other resources. The increase in the City's investment in capital assets net of related debt of \$6.9 million was due to the net of routine acquisition of capital assets, repayments of the related debt, depreciation expense and spending of bond proceeds held with fiscal agent which are not considered to be part of capital assets until spent on a project.

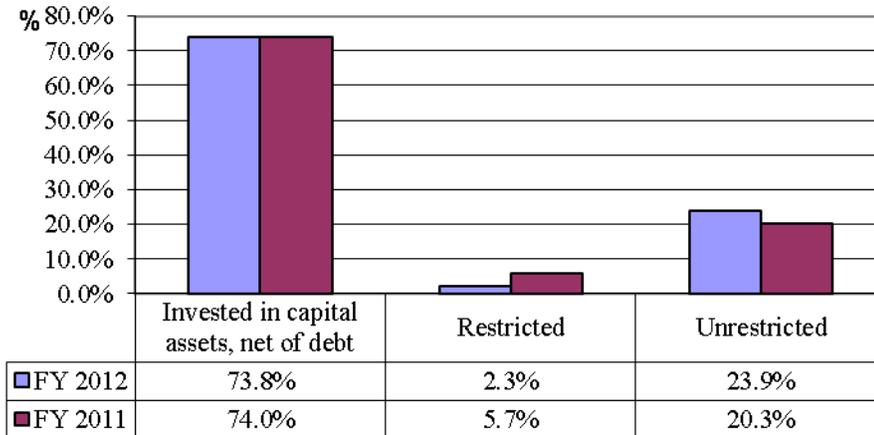
PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Restricted net assets of \$5.9 million at June 30, 2012, and \$14.4 million at June 30, 2011, represent resources that are subject to external restrictions on how they may be used. The decrease in restricted net assets of \$8.5 million reflects the net of a decrease of \$7.1 million due to the drawdown of cash with fiscal agent spent on construction of capital assets combined with an increase of \$0.4 million in restricted net assets for a new debt service reserve fund due to the issuance of the 2012 Water Revenue Bonds and a decrease in water development fees of \$1.8 million. Water development fees are charged to new customers to pay for the cost of increasing the capacity of the water system and are legally restricted for that purpose.

The other sub-classification of net assets is unrestricted. The balance of approximately \$62.1 million at June 30, 2012, which is unrestricted, denotes that this amount may be used to meet general, on-going financial obligations without constraints established by debt covenants or other legal requirements. The increase from last fiscal year is the result of an increase in ongoing revenues such as property taxes, sales taxes and charges for services.

The following graph depicts the percentage of restricted and unrestricted net assets as discussed above.

Park City Municipal Corporation
Net Asset Percentage
June 30, 2012 and 2011



PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Changes in Net Assets - As taken from the Statement of Activities, the following table depicts the changes in net assets for fiscal years 2012 and 2011.

Park City Municipal Corporation
Summary of Changes in Net Assets
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Revenues							
Program Revenues							
Charges for services	\$ 3.4	\$ 3.0	\$ 14.4	\$ 12.8	\$ 17.8	\$ 15.8	12.7%
Operating grants and contributions	0.1	0.1	3.7	-	3.8	0.1	3700.0%
Capital grants and contributions	1.5	0.6	4.9	6.4	6.4	7.0	-8.6%
General Revenues							
Property Tax	18.4	17.0	-	-	18.4	17.0	8.2%
Other Taxes	12.4	11.9	3.8	3.5	16.2	15.4	5.2%
Investment earnings	0.3	0.4	0.2	0.4	0.5	0.8	-37.5%
Other	0.9	1.1	0.5	0.6	1.4	1.7	-17.6%
Total revenues	<u>37.0</u>	<u>34.1</u>	<u>27.5</u>	<u>23.7</u>	<u>64.5</u>	<u>57.8</u>	<u>11.6%</u>
Expenses							
General government	15.9	13.9	-	-	15.9	13.9	14.4%
Public safety	4.7	4.5	-	-	4.7	4.5	4.4%
Public works	7.1	7.5	-	-	7.1	7.5	-5.3%
Library and recreation	3.7	3.2	-	-	3.7	3.2	15.6%
Interest on long-term debt	1.8	2.0	-	-	1.8	2.0	-10.0%
Water	-	-	9.0	9.2	9.0	9.2	-2.2%
Transportation and parking	-	-	11.2	8.4	11.2	8.4	33.3%
Golf course	-	-	1.4	1.3	1.4	1.3	7.7%
Total expenses	<u>33.2</u>	<u>31.1</u>	<u>21.6</u>	<u>18.9</u>	<u>54.8</u>	<u>50.0</u>	<u>9.6%</u>
Change in net assets	3.8	3.0	5.9	4.8	9.7	7.8	24.4%
Net assets beginning	<u>177.7</u>	<u>174.7</u>	<u>72.6</u>	<u>67.8</u>	<u>250.3</u>	<u>242.5</u>	<u>3.2%</u>
Net assets ending	<u>\$ 181.5</u>	<u>\$ 177.7</u>	<u>\$ 78.5</u>	<u>\$ 72.6</u>	<u>\$ 260.0</u>	<u>\$ 250.3</u>	<u>3.9%</u>

Net assets increased from governmental activities in fiscal year 2012 approximately \$3.8 million and \$3.0 million in fiscal year 2011. The increase is primarily due to increased charges for services, capital grants and contributions, increased property and sales and resort taxes. Expenses for governmental activities increased \$2.1 million. This is due to increases in personnel costs such as health insurance and retirement benefits. Materials, supplies, software and miscellaneous contract services also increased.

Net assets increased \$5.9 million in fiscal year 2012 and increased \$4.8 million in 2011 for business-type activities. The revenues for business-type activities increased in charges for services due to the increase in water service fees of 12.0 percent on July 1, 2011. Operating grants and contributions increased due to federal grants to the Transit Fund.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Revenues – For the year ended June 30, 2012, the City's government-wide total revenues are approximately \$64.5 million as compared to the prior year total revenues of \$57.8 million. Key elements of this change were as follows:

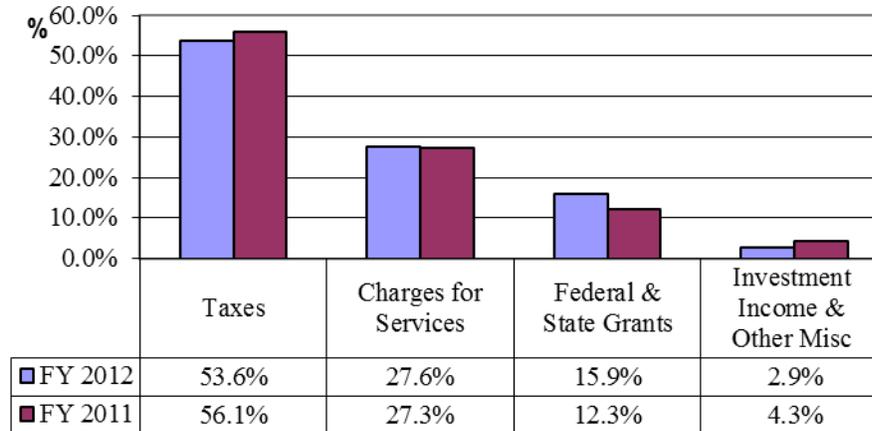
- Of the City's total revenues, approximately 53.6 percent in fiscal year 2012 and 56.1 percent in fiscal year 2011 resulted from taxes (a little over half of which is from property taxes) as shown in the following table:

Park City Municipal Corporation			
(in millions of dollars)			
	Government-wide		
	Tax Revenues		
	2012	2011	Total %
			Change
Property tax, levied for general purposes	\$ 13.8	\$ 12.4	11.29%
Property tax, levied for debt service	4.6	4.6	0.00%
General sales and use tax	7.9	7.5	5.33%
Franchise tax	2.8	2.9	-3.45%
Resort tax	5.5	5	10.00%
Total	<u>\$ 34.6</u>	<u>\$ 32.4</u>	<u>6.79%</u>

- Charges for services increased in fiscal year 2012 approximately \$2.0 million and increased from 27.3 percent of total revenues in fiscal year 2011 to 27.6 percent in fiscal year 2012. The \$2.0 million increase is due to a combination of increased recreation service fees, ice facility recreation fees and water service fees. The City's new recreation facility, PC MARC, opened in December 2011. The new facility accommodates expanded group fitness, weight room, cardio, tennis courts and walking/jogging track.
- Operating and capital contributions and grants increased to 15.9 percent of total revenues in fiscal year 2012 as compared to 12.3 percent in fiscal year 2011. This was a result of an increase in federal operating grants in the business type activities combined with an increase in capital grant contributions in the governmental activities.
- Investment and other income, which is a combination of interest earnings and changes in the fair value of investments, and other miscellaneous income sources decreased to 2.9 percent of total revenues in fiscal year 2012 from 4.3 percent in fiscal year 2011. This is due to a decrease in investment earnings and assets sold at a gain in 2011 and not 2012.

**PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012**

**Government-Wide Revenues by Source
June 30, 2012 and 2011**



Expenses - The City's government-wide total expenses cover a range of services. For the year ended June 30, 2012, the City's total expenses are \$54.8 million compared to the prior year of \$50.0 million. Of the \$4.8 million increase, general government expenses increased \$2.0 million, public safety increased \$0.2 million, public works decreased \$0.4 million, library and recreation increased \$0.5 million, interest on long-term debt decreased \$0.2 million. Business-type activities increased \$2.7 million.

Governmental Activities:

Revenue Highlights:

- Taxes comprise the largest source of revenue for the City's governmental activities: Approximately \$30.8 million or 83.2 percent in fiscal year 2012 and \$28.9 million or 84.8 percent in fiscal year 2011 of total revenues from governmental activities. The \$1.9 million increase is from general property tax and other taxes. Of total taxes, real property taxes are approximately \$18.4 million (59.7 percent) in fiscal year 2012 and \$17.0 million (58.8 percent) in fiscal year 2011.
- Charges for services increased to \$3.4 million or 9.2 percent of total revenues in fiscal year 2012 from \$3.0 million or 8.8 percent of total revenues in fiscal year 2011. Most of the increase in 2012 was a result of collecting more in recreation service fees at PC MARC and ice facility recreation fees.
- Grant and contribution revenue represents approximately \$1.6 million or 4.3 percent in fiscal year 2012 and \$0.7 million or 2.1 percent in fiscal year 2011 of total revenues. The \$0.9 million increase was the result of an increase in capital grants and contributions of \$1.0 million cash donations used to purchase a property easement and a \$0.1 million decrease in federal grants.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Expense Highlights:

- General government expenses of approximately \$15.9 million in fiscal year 2012 and \$13.9 million in fiscal year 2011 represented 47.9 percent in fiscal year 2012 and 44.7 percent in fiscal year 2011 of total expenses from governmental activities. General government includes City Council, Mayor, City Attorney, Human Resources, Technical and Customer Services, Budget, Debt and Grants, Building, Economy, Community and Environment, Planning, Engineering, Finance, Quinns Recreation Complex and Non-departmental.
- Public Works, accounted for approximately \$7.1 million or 21.4 percent in fiscal year 2012 and \$7.5 million or 24.1 percent in fiscal year 2011 of total expenses. The \$0.4 million decrease was primarily a result of decreased depreciation expense. Infrastructure placed in service in fiscal year 1991 that had a 20-year life was fully depreciated in fiscal year 2011 thereby reducing fiscal year 2012 depreciation expense.
- Public Safety expenses were \$4.7 million or 14.2 percent in fiscal year 2012 and \$4.5 million or 14.5 percent in fiscal year 2011. The \$0.2 million increase is due to increased retirement and health care costs.
- Library and Recreation expenses were \$3.7 million or 11.1 percent in fiscal year 2012 and \$3.2 million or 10.3 percent in fiscal year 2011. The \$0.5 million increase is due to expenses associated with the new recreation facility, PC MARC, which opened in December 2011.

As a result, total net expenses that were funded by general revenues were \$28.2 million. Tax revenues of \$30.8 million were sufficient to fund net expenses in fiscal year 2012.

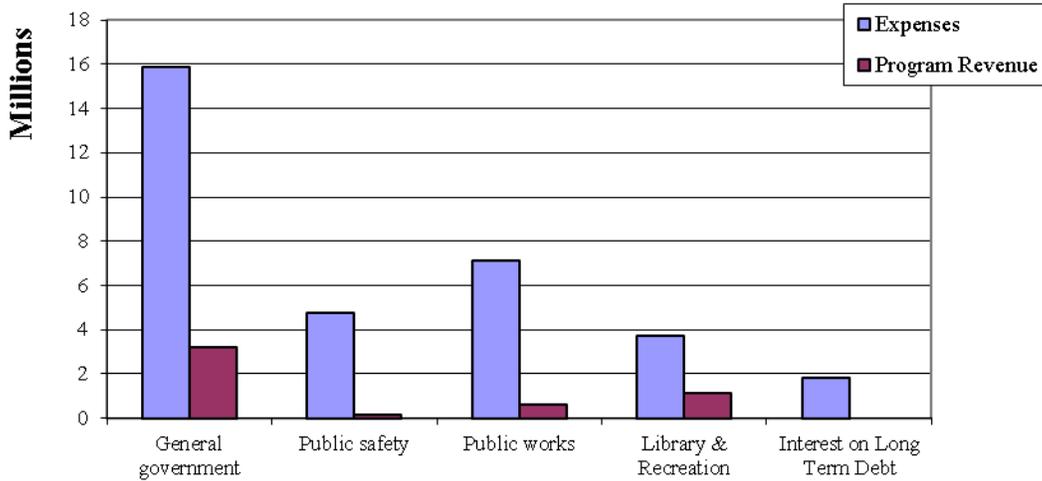
The following presents the costs and net costs (total cost less fees generated by the activities and intergovernmental aid) of the City's programs:

Park City Municipal Corporation
Costs of Governmental Activities
(in millions of dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>		<u>Total % Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
General government	\$ 15.9	\$ 13.9	\$ 12.7	\$ 11.6	9.5%
Public safety	4.7	4.5	4.6	4.4	4.5%
Public works	7.1	7.5	6.5	7.0	-7.1%
Library and recreation	3.7	3.2	2.6	2.3	13.0%
Interest on long term debt	1.8	2.0	1.8	2.0	-10.0%
Total	<u>\$ 33.2</u>	<u>\$ 31.1</u>	<u>\$ 28.2</u>	<u>\$ 27.3</u>	<u>3.3%</u>

**PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012**

**Expense and Program Revenue-Governmental Activities*
FY 2012**



*Based on Government-Wide Financial Statements. See page 25

Business-type Activities:

The City's business-type activities increased net assets by \$5.9 million. Key elements of this increase were as follows:

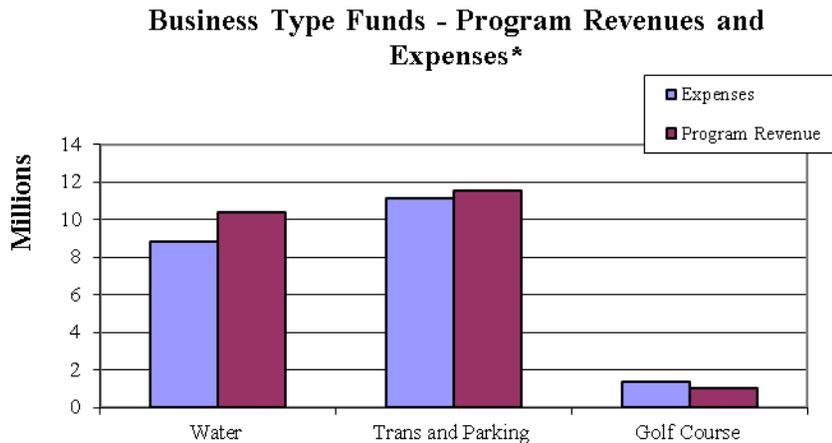
Revenue Highlights:

- Charges for services for business-type activities increased approximately \$1.6 million in fiscal year 2012 primarily due to increased water service fees resulting from a 12.0 percent increase in water rates on July 1, 2011.
- Operating and capital grants and contributions increased by \$2.2 million from fiscal year 2011 to fiscal year 2012. The \$2.1 million increase in the Transportation Fund was due to increased operating and capital grants. The \$0.1 million increase in the Water Fund was due to increased impact fee collection.
- General sales and use tax increased by \$0.1 million and transit resort tax increased \$0.2 million from fiscal year 2011 to fiscal year 2012. In fiscal year 2012, an increase in visitors to Park City increased sales and resort tax.
- Investment earnings decreased \$0.2 million in the water fund. This decrease is primarily the result of decreased interest income on cash held by fiscal agent due to the complete drawdown of all construction fund balances formerly held by the trustee.

**PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012**

Expense Highlights:

- Salaries and benefits increased by \$0.6 million in 2012. The Water fund accounted for \$0.2 million of the increase, \$0.3 million increase in the Transportation and Parking Fund, and less than \$0.1 million increase in the Golf Fund.
- Supplies, maintenance and services increased by \$1.0 million in fiscal year 2012. The \$1.0 million decrease in the Water Fund was due to decreased water tunnel maintenance and miscellaneous consulting fees. The \$2.0 million increase in the Transportation and Parking Fund was in department supplies and contract services to pay for the new round-trip bus service between Salt Lake City and the Park City Transit Center. A slight increase in the Golf Fund was due to increased expenses for miscellaneous contract services in the golf pro shop and increased inventory purchases.
- Energy and utilities increased by a little over \$0.3 million in fiscal year 2012. This is a result of increased utility costs in the Water Fund and Transportation and Parking Funds due to the opening of the Quinns Water Treatment Plant and the Iron Horse Transit Operations Facility in fiscal year 2012.



*See Page 25

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds : The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for appropriation. Such information is useful in assessing the City's financing requirements. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard which the City implemented in fiscal year 2011 has substantially changed the categories and

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

terminology used to describe the components of fund balance. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City classifies fund balances into the following five categories: nonspendable, restricted, committed, assigned and unassigned. In particular, unassigned fund balance is a useful measure of the City's net resources available for spending at the end of the fiscal year. More detailed information about GASB Statement No. 54 is presented in Note A, Section 5, on pages 47-48.

As of June 30, 2012, the aggregate fund balance of the City's governmental funds was \$38.7 million, a decrease of \$6.1 million in comparison with the fiscal year ended June 30, 2011. In fiscal year 2012, approximately \$4.0 million or 10.4 percent of this amount is in unassigned fund balance. Unassigned fund balance category is available for appropriation by the City Council at their discretion.

Restricted fund balance has externally enforceable limitations on use and is not available for new spending. Restricted fund balance is approximately \$1.3 million in fiscal year 2012 and \$4.5 million in fiscal year 2011. Restricted general obligation bond funds were used to pay for several large dollar construction projects in fiscal year 2012.

The remainder of the fund balance of \$33.3 million is committed (fiscal year 2012 classification). Of the \$33.3 million committed fund balance, \$31.6 million is committed to capital projects and \$1.7 million is committed to debt service. In fiscal year 2011 assigned (fiscal year 2011 classification) fund balance was approximately \$36.1 million and was assigned \$34.5 million to capital projects and \$1.6 million to debt service.

The General Fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum (\$1,302,580) and an 18.0 percent maximum (\$4,689,288) limit to the amount that may be accumulated as the fund balance in the General Fund. As of June 30, 2012 the unassigned fund balance of the General Fund was \$4,011,625 and was \$677,663 below the 18.0 percent limit. The unassigned fund balance decreased by \$197,395 in 2012. The unassigned fund balance in fiscal year 2011 increased \$314,048.

As of June 30, 2012, the restricted fund balance in the Capital Improvements Fund was \$0.6 million and the committed fund balance was \$19.3 million. In fiscal year 2011 the restricted fund balance was \$3.8 million and the assigned fund balance was \$23.2 million. The \$3.1 million decrease in restricted fund balance and the \$3.9 million decrease in committed fund balance resulted from capital outlay spending of bond proceeds and other revenue sources.

As of June 30, 2012, the committed fund balance in the Lower Park Avenue Redevelopment Agency Capital Projects Fund was \$9.1 million. In fiscal year 2011 the assigned fund balance was \$7.9 million. The \$1.2 million increase in committed fund balance resulted from reduced capital outlay in fiscal year 2012 as compared to fiscal year 2011.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the City's enterprise funds totaled approximately \$78.5 million at June 30, 2012, as compared to \$72.4 million at the end of fiscal year 2011. Net assets at the end of fiscal year 2012 and 2011 for each of these funds were:

Park City Municipal Corporation
Proprietary Funds

<u>Fund</u>	<u>Amount</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>	
Water	\$ 38,613,878	\$ 36,830,923	\$ 1,782,955
Transportation and parking	36,498,208	32,115,138	4,383,070
Golf course	3,361,206	3,466,802	(105,596)
Total	<u>\$ 78,473,292</u>	<u>\$ 72,412,863</u>	<u>\$ 6,060,429</u>

The net increase in net assets from the prior year was \$6.0 million as compared to an increase of \$4.4 million in fiscal year 2011. Operating revenues increased \$1.7 million as compared to an increase of \$0.7 million in fiscal year 2011. The Water Fund operating revenues increased \$1.5 million due to increased water fees from a rate increase of 12.0 percent effective July 1, 2011. The Transportation Fund operating revenues were unchanged from fiscal year 2011. The Golf Fund operating revenues increased \$0.2 million due to a combination of increased play and increased fees.

Transportation and Parking Fund net assets invested in capital assets net of related debt increased by \$0.4 million in fiscal year 2012 primarily due to routine acquisition and disposition of capital assets net of depreciation expense. Unrestricted net assets increased approximately \$3.9 million primarily due to increased federal grants and transit and resort sales tax.

Water Fund net assets invested in capital assets increased by \$4.2 million, restricted net assets decreased \$5.3 million and unrestricted net assets increased by \$2.9 million resulting in a net increase of total net assets of \$1.8 million. The increase in net assets invested in capital assets net of related debt was due to the net of acquisition of capital assets, repayment of related debt, depreciation expense and spending of bond proceeds held with fiscal agent that are not attributable to capital assets until spent on a project. Restricted net assets decreased due to the drawdown of cash with fiscal agent spent on construction of capital assets. The increase in unrestricted net assets is due to increased water service fees resulting from the 12.0 percent increase as of July 1, 2011 combined with decreased operating expenses.

Golf Fund net assets invested in capital assets net of related debt increased by less than \$0.2 million due to the net of the acquisition of capital assets and depreciation expense. Unrestricted net assets decreased \$0.3 million resulting in a negative unrestricted net asset balance. The City will take action in the spring 2013 budget process to address golf fees and the negative net asset amount.

GENERAL FUND BUDGETARY HIGHLIGHTS

Park City budgets for full-time regular positions at the maximum wage each position could earn for a full 40 hours per week for 52 weeks. However, due to vacant positions and some employees being paid below the maximum allowed for a position, at any given time during the year, the City spends approximately 7% less than is budgeted for personnel. This is referred to as the vacancy factor. The majority of the adjustments in the budget this fiscal year were due to the vacancy factor.

Differences between the original budget and the final amended budget for expenditures of \$0.5 (net increase) can be briefly summarized as follows:

- \$0.8 million increase in general government resulting from appropriations for insurance, miscellaneous contract and professional services. Corresponding revenue sources offset some of these expenditures.
- \$0.3 million combined decrease to the public safety, public works and library and recreation department budgets for the removal of the vacancy factor.

Total actual expenditures came in \$0.5 million below the final budget. All departments kept within their legal spending authority. The differences between actual and the final budget can be briefly summarized as follows:

- The final budget was \$0.5 million more than the actual expenditures in general government. This variance is attributable from spending coming in under budget in materials, supplies and nondepartmental.
- The public safety, public works and library and recreation department final budgets were minimally more than actual expenditures.

Actual revenues of \$24.5 million equaled budgeted revenues of \$24.5 million. See Note L-Budget Reconciliation on page 73 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities totaled \$273.2 million (net of \$140.1 million accumulated depreciation) at June 30, 2012, as compared to \$259.2 million (net of \$132.2 million accumulated depreciation) at June 30, 2011. This investment in capital assets includes land and water rights, buildings, improvements other than buildings, vehicles and equipment, art, intangibles, infrastructure and construction in progress.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

Major capital asset additions during the year ended June 30, 2012 included:

Governmental Activities:

- \$9.8 million Park City Recreation Center- PC MARC
- \$5.4 million Bonanza Drive reconstruction
- \$1.2 million Comstock/Sidewinder Drive walkability improvements

Business-type Activities:

- \$17.0 million Quinns water treatment plant
- \$7.5 million Iron Horse Transit Operations Facility
- \$1.5 million water meter vault replacement
- \$1.4 million Quinns Junction water transmission lines
- \$1.1 million Transit System GIS/AVL System

Park City Municipal Corporation
Capital Assets
(net of accumulated depreciation, in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Land and water rights	\$ 94.0	\$ 94.0	\$ 20.3	\$ 20.3	\$ 114.3	\$ 114.3	0.0%
Infrastructure	102.8	95.9	-	-	102.8	95.9	7.2%
Buildings	36.9	27.1	14.3	6.8	51.2	33.9	51.0%
Art	0.5	0.4	0.1	0.1	0.6	0.5	20.0%
Improvements other than buildings	32.9	32.8	78.0	57.9	110.9	90.7	22.3%
Vehicles and equipment	9.8	9.2	16.3	13.1	26.1	22.3	17.0%
Construction in progress	0.4	6.8	1.4	21.9	1.8	28.7	-93.7%
Intangibles	5.6	5.1	-	-	5.6	5.1	9.8%
Accumulated depreciation	(103.2)	(98.3)	(36.9)	(33.9)	(140.1)	(132.2)	6.0%
Total Assets	<u>\$ 179.7</u>	<u>\$ 173.0</u>	<u>\$ 93.5</u>	<u>\$ 86.2</u>	<u>\$ 273.2</u>	<u>\$ 259.2</u>	<u>5.4%</u>

Additional information on the City's capital assets can be found in Note D-Capital Assets on pages 57-58 of this report.

Long-term Debt: At June 30, 2012, the City had \$88.0 million in bonds and contracts payable, a decrease of 3.1 percent from fiscal year 2011. Of this amount \$33.2 million is considered to be general obligation debt and backed by the full faith and credit of the City. Debt that is secured solely by specific revenue sources is \$54.8 million.

The City's general obligation bonds are rated Aa1 by Moody's and AA by Standard and Poor's and AA+ by Fitch. Standard and Poor's has assigned a rating of "A+" to the Series 2005 and 2010 Sales Tax Bonds. The City's water revenue bonds are rated Aa2 by Moody's and AA by Standard and Poor's. The City's long-term obligations for the fiscal years 2012 and 2011 were as follows:

**PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012**

**Park City Municipal Corporation
Debt Outstanding
(in millions of dollars)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		Total % Change
	2012	2011	2012	2011	2012	2011	
Contracts payable	\$ 0.3	\$ 0.4	\$ -	\$ -	\$ 0.3	\$ 0.4	-25.0%
General obligation bonds	33.2	36.5	-	-	33.2	36.5	-9.0%
Revenue bonds	10.2	12.2	44.3	41.7	54.5	53.9	1.1%
Total Assets	<u>\$ 43.7</u>	<u>\$ 49.1</u>	<u>\$ 44.3</u>	<u>\$ 41.7</u>	<u>\$ 88.0</u>	<u>\$ 90.8</u>	<u>-3.1%</u>

The State of Utah mandates a general obligation debt limit to 4.0 percent of total assessed value of \$6,652,579,338. The current limitation for the City is \$266,103,174, which is significantly in excess of the City's outstanding general obligation debt. The City's net debt subject to this limitation was \$33,168,627 or 0.50 percent of total assessed value leaving the amount available for future indebtedness at \$232,934,547. See Schedule 17 on page 113 of this report.

More detailed information about the City's long-term liabilities is presented in Note E-Long-term Obligations on pages 59-69 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Summit County (of which Park City is the largest city) was 5.0 percent compared with the State unemployment rate of 6.0 percent, and a national rate of 8.2 percent. This compares with a rate of 6.6 percent for Summit County in 2011. (Sources: Utah Dept. of Workforce Services and Bureau of Labor Statistics)
- The fiscal year 2013 City budget does not include a property tax increase. The City Council recently adopted the certified tax rate for the General Fund. In accordance with Utah Statutes, the certified tax rate is intended to generate the same amount of property tax revenue as was received the prior year plus revenue for "new growth" occurring in the City. All other revenue sources have been estimated on a conservative basis using a multi-year trend analysis and assuming no significant changes in the local economy. The City's approach to budgeting includes preparation of a five-year capital plan. The long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of the City.
- The rates and fees for most services remained constant for fiscal year 2013 compared with the fiscal year just ended except that water user rates were increased

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2012

by 18.0 percent in the Water Fund effective July 1, 2012. The City anticipates rate increases each year over the next several years in order to provide adequate working capital necessary to maintain the water system, pay debt service and comply with the rate-covenant contained in the City's water revenue bond issue.

Contacting City Management

This financial report is designed to give its readers a general overview of the City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to Park City Municipal Corporation, Finance and Accounting Department at P.O. Box 1480, Park City, Utah 84060-1480.

**BASIC FINANCIAL
STATEMENTS**

Park City Municipal Corporation, Utah
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments	\$ 40,045,393	\$ 19,236,334	\$ 59,281,727
Cash, cash equivalents and investments held by fiscal agent	618,269	4,175,713	4,793,982
Receivables:			
Taxes	19,192,555	368,999	19,561,554
Accounts	200,231	6,282,513	6,482,744
Notes	5,098,452	-	5,098,452
Internal balances	67,546	(67,546)	-
Inventories	426,530	292,693	719,223
Cash, cash equivalents and investments-restricted	645,401	449,859	1,095,260
Capital assets not being depreciated:			
Land and water rights	94,018,407	20,270,189	114,288,596
Construction in progress	393,846	1,465,480	1,859,326
Art	493,246	109,214	602,460
Capital assets (net of accumulated depreciation):			
Buildings	29,164,610	10,263,154	39,427,764
Improvements other than buildings	18,167,618	52,030,064	70,197,682
Vehicles and equipment	4,212,487	9,459,268	13,671,755
Infrastructure	27,786,910	-	27,786,910
Intangibles	5,505,021	-	5,505,021
Unamortized bond issuance costs	558,116	494,636	1,052,752
Total assets	\$ 246,594,638	\$ 124,830,570	\$ 371,425,208

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

Park City Municipal Corporation, Utah
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 1,154,127	\$ 1,684,979	\$ 2,839,106
Accrued liabilities	2,600,037	80,220	2,680,257
Unearned revenue	17,012,000	-	17,012,000
Long-term debt due within one year:			
Compensated absences	292,272	73,855	366,127
Contract payable	74,880	-	74,880
General obligation bonds	3,425,000	-	3,425,000
Revenue bonds	1,165,000	2,587,000	3,752,000
Long-term debt due in more than one year:			
Compensated absences	309,966	125,273	435,239
Contract payable	260,053	-	260,053
General obligation bonds	29,743,627	-	29,743,627
Revenue bonds	9,002,292	41,742,011	50,744,303
Total liabilities	65,039,254	46,293,338	111,332,592
NET ASSETS			
Invested in capital assets, net of related debt	136,071,293	56,045,149	192,116,442
Restricted for:			
Debt service	2,410	4,174,832	4,177,242
Water development	-	449,859	449,859
Capital projects	1,261,260	881	1,262,141
Other	36,517	-	36,517
Unrestricted	44,183,904	17,866,511	62,050,415
Total net assets	\$ 181,555,384	\$ 78,537,232	\$ 260,092,616

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

Park City Municipal Corporation, Utah
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government	\$ 15,860,395	\$ 2,072,172	\$ 8,000	\$ 1,109,049	\$ (12,671,174)
Public safety	4,749,019	6,593	117,903	12,817	(4,611,706)
Public works	7,120,275	222,708	18,489	348,694	(6,530,384)
Library and recreation	3,707,452	1,142,700	6,719	5,912	(2,552,121)
Interest on long-term debt	1,812,222	-	-	-	(1,812,222)
Total governmental activities	<u>33,249,363</u>	<u>3,444,173</u>	<u>151,111</u>	<u>1,476,472</u>	<u>(28,177,607)</u>
Business-type activities:					
Water	8,974,451	9,915,490	-	502,355	1,443,394
Transportation and parking	11,157,084	3,487,939	3,681,732	4,353,980	366,567
Golf course	1,394,404	1,033,286	-	-	(361,118)
Total business-type activities	<u>21,525,939</u>	<u>14,436,715</u>	<u>3,681,732</u>	<u>4,856,335</u>	<u>1,448,843</u>
Total primary government	<u>\$ 54,775,302</u>	<u>\$ 17,880,888</u>	<u>\$ 3,832,843</u>	<u>\$ 6,332,807</u>	<u>\$ (26,728,764)</u>

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

Park City Municipal Corporation, Utah
Statement of Activities
For the Year Ended June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (28,177,607)	\$ 1,448,843	\$ (26,728,764)
General revenues:			
Property tax, levied for general purposes	13,797,851	-	13,797,851
Property tax, levied for debt service	4,580,904	-	4,580,904
General sales and use tax	4,125,435	3,798,125	7,923,560
Franchise tax	2,816,070	-	2,816,070
Resort tax	5,443,231	-	5,443,231
Investment earnings	283,191	247,058	530,249
Miscellaneous	944,093	434,097	1,378,190
Total general revenues	31,990,775	4,479,280	36,470,055
Change in net assets	3,813,168	5,928,123	9,741,291
Net assets—beginning	177,742,216	72,609,109	250,351,325
Net assets—ending	\$ 181,555,384	\$ 78,537,232	\$ 260,092,616

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

Park City Municipal Corporation



GOVERNMENTAL FUND

FINANCIAL STATEMENTS

Major Funds

General Fund - Accounts for all activities not accounted for by other funds of the City. The General Fund accounts for the normal recurring activities of the City, (i.e., police, public works, library, recreation, general government, etc.). The principal sources of revenue for this fund are property taxes, sales and use taxes and franchise taxes.

Debt Service - Sales Tax Revenue and Refunding Bonds Fund - Accounts for the accumulation of money for the repayment of the 2005A and 2010 Sales Tax Revenue and Refunding Bonds.

Debt Service - Park City General Obligation Fund - Accounts for the accumulation of money for the repayment of the 2003, 2004, 2008, 2009 and 2010 General Obligation Bonds. The principal source of revenue is property tax.

Capital Projects - Capital Improvements Fund - Accounts for the acquisition or construction of major capital projects not accounted for in the proprietary funds. The Capital Improvements Fund is used to account for capital projects of the City's general government.

Capital Projects - Lower Park Avenue Redevelopment Agency Fund - Accounts for the acquisition or construction of capital projects in the Lower Park Avenue Redevelopment area.

Park City Municipal Corporation, Utah
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service -Sales Tax Revenue and Refunding	Debt Service - Park City General Obligation	Capital Projects - Capital Improvements Fund	Capital Projects - Lower Park Avenue Redevelop- ment Agency	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents and investments	\$ 4,255,553	\$ 1,340,956	\$ 373,447	\$ 19,474,348	\$ 9,158,293	\$ 3,261,885	\$ 37,864,482
Cash, cash equivalents and investments held by fiscal agent	-	617,898	371	-	-	-	618,269
Receivables							
Taxes	10,126,693	-	4,655,222	-	2,368,877	1,310,741	18,461,533
Accounts	49,847	-	-	70,860	764	178	121,649
Notes	-	-	-	3,365,553	1,732,899	-	5,098,452
Interfund loan	-	-	-	131,486	-	-	131,486
Other assets	35,783	-	-	-	-	-	35,783
Cash, cash equivalents and investments-restricted	-	-	-	645,401	-	-	645,401
Total assets	<u>\$ 14,467,876</u>	<u>\$ 1,958,854</u>	<u>\$ 5,029,040</u>	<u>\$ 23,687,648</u>	<u>\$ 13,260,833</u>	<u>\$ 4,572,804</u>	<u>\$ 62,977,055</u>
LIABILITIES							
Accounts payable	\$ 741,718	\$ -	\$ 500	\$ 217,108	\$ 34,339	\$ 99,165	\$ 1,092,830
Accrued liabilities	981,382	-	-	-	-	-	981,382
Deferred revenue	8,696,634	-	4,655,222	3,497,039	4,093,043	1,300,000	22,241,938
Total liabilities	<u>10,419,734</u>	<u>-</u>	<u>4,655,722</u>	<u>3,714,147</u>	<u>4,127,382</u>	<u>1,399,165</u>	<u>24,316,150</u>
FUND BALANCES							
Restricted:							
Capital projects	-	615,859	-	645,401	-	-	1,261,260
Debt service	-	2,039	371	-	-	-	2,410
Drug and tobacco enforcement	36,517	-	-	-	-	-	36,517
Committed:							
Capital projects funds	-	-	-	19,328,100	9,133,451	3,173,639	31,635,190
Debt service funds	-	1,340,956	372,947	-	-	-	1,713,903
Unassigned	4,011,625	-	-	-	-	-	4,011,625
Total fund balances	<u>4,048,142</u>	<u>1,958,854</u>	<u>373,318</u>	<u>19,973,501</u>	<u>9,133,451</u>	<u>3,173,639</u>	<u>38,660,905</u>
Total liabilities and fund balances	<u>\$ 14,467,876</u>	<u>\$ 1,958,854</u>	<u>\$ 5,029,040</u>	<u>\$ 23,687,648</u>	<u>\$ 13,260,833</u>	<u>\$ 4,572,804</u>	<u>\$ 62,977,055</u>

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

Park City Municipal Corporation, Utah
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 38,660,905

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 179,742,145

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Taxes receivable	731,022	
Interest receivable	<u>(183,527)</u>	547,495

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. 2,654,844

Certain items not accounted for as deferred under accrual accounting. 5,229,938

Pollution remediation liability not reported in the funds. (1,384,500)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of:

Compensated absences	(561,533)	
Revenue bonds	(10,130,000)	
General obligation bonds	(32,810,000)	
Contracts payable	(334,933)	
Unamortized bond issue costs	558,116	
Deferred bond premiums and discounts	(395,919)	
Accrued interest on the bonds	<u>(221,174)</u>	<u>(43,895,443)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 181,555,384

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

Park City Municipal Corporation, Utah
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Debt Service - Sales Tax Revenue and Refunding	Debt Service - Park City General Obligation	Capital Improvements Fund	Lower Park Avenue Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes and special assessments	\$ 20,549,201	\$ -	\$ 4,580,904	\$ 1,800,000	\$ 2,425,241	\$ 1,349,915	\$ 30,705,261
Licenses and permits	1,166,721	-	-	-	-	-	1,166,721
Intergovernmental	147,297	-	-	480,136	-	-	627,433
Charges for services	1,910,119	-	-	-	-	-	1,910,119
Fines and forfeitures	29,404	-	-	-	-	-	29,404
Investment income	89,645	10,857	7,571	89,341	70,552	15,225	283,191
Impact fees	-	-	-	133,421	-	-	133,421
Rental and other miscellaneous	600,695	-	78,414	1,442,687	-	244,981	2,366,777
Total revenues	24,493,082	10,857	4,666,889	3,945,585	2,495,793	1,610,121	37,222,327
Expenditures							
Current							
General government	11,260,367	-	-	-	-	-	11,260,367
Public safety	4,498,776	-	-	-	-	-	4,498,776
Public works	4,718,003	-	-	-	-	-	4,718,003
Library and recreation	2,839,500	-	-	-	-	-	2,839,500
Capital outlay	-	-	-	14,757,787	725,760	1,589,855	17,073,402
Debt service							
Principal	-	1,785,000	3,325,000	69,656	-	244,981	5,424,637
Interest	-	465,813	1,337,823	30,344	-	1,219	1,835,199
Total expenditures	23,316,646	2,250,813	4,662,823	14,857,787	725,760	1,836,055	47,649,884
Excess (deficiency) of revenues over (under) expenditures	1,176,436	(2,239,956)	4,066	(10,912,202)	1,770,033	(225,934)	(10,427,557)
Other financing sources (uses)							
Sale of capital assets	-	-	-	2,255,243	-	35,555	2,290,798
Transfers in	1,471,500	2,317,543	-	1,800,000	-	835,000	6,424,043
Transfers out	(2,840,072)	-	-	(134,366)	(507,975)	(950,000)	(4,432,413)
Total other financing sources (uses)	(1,368,572)	2,317,543	-	3,920,877	(507,975)	(79,445)	4,282,428
Net change in fund balances	(192,136)	77,587	4,066	(6,991,325)	1,262,058	(305,379)	(6,145,129)
Fund balances - beginning	4,240,278	1,881,267	369,252	26,964,826	7,871,393	3,479,018	44,806,034
Fund balances - ending	\$ 4,048,142	\$ 1,958,854	\$ 373,318	\$ 19,973,501	\$ 9,133,451	\$ 3,173,639	\$ 38,660,905

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

Park City Municipal Corporation, Utah
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, 2012

Net change in fund balances—total governmental funds \$ (6,145,129)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	12,241,008	
Depreciation expense	<u>(5,368,944)</u>	6,872,064

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increase financial resources.

Eliminate proceeds of sale of assets	(2,290,798)	
Recognize gain (loss) on sale of assets	<u>(11,551)</u>	(2,302,349)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Taxes receivable	79,590	
Interest receivable	(1,030)	
Note receivable	(244,981)	
Deferred revenue	<u>(48,193)</u>	(214,614)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments on long-term debt	5,424,637	
Amortization of issuance costs	(119,418)	
Amortization of bond premiums and discounts	<u>54,818</u>	5,360,037

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

Accrued interest payable	22,977	
Compensated absences	<u>(4,883)</u>	18,094

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. Internal service fund net income of \$92,759 less amount allocated to business-type activities \$63,940 and reversal of prior year allocation \$196,246.

	<u>225,065</u>	
Change in net assets of governmental activities		<u><u>\$ 3,813,168</u></u>

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

Park City Municipal Corporation, Utah
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
General property tax	\$ 7,882,000	\$ 9,209,000	\$ 9,184,430	\$ (24,570)
Delinquent taxes	426,000	426,000	780,035	354,035
General sales and use taxes	4,283,000	4,240,000	4,125,435	(114,565)
Franchise taxes	3,160,000	3,087,000	2,816,070	(270,930)
Resort taxes	3,291,291	3,561,000	3,643,231	82,231
Licenses and permits				
Business licenses	386,000	406,000	344,640	(61,360)
Building permits	702,000	639,000	689,227	50,227
Plan application fees	252,000	57,000	60,140	3,140
Building fees	266,000	33,000	38,867	5,867
Other	18,000	25,000	33,847	8,847
Intergovernmental				
Federal contribution	31,000	22,552	68,325	45,773
State liquor allotment	66,000	62,367	62,367	-
State contributions	19,000	21,000	16,605	(4,395)
Charges for services				
Recreational service fees	1,433,215	1,804,997	1,811,067	6,070
Reimbursable services	105,000	103,000	79,856	(23,144)
Cemetery fees and plot sales	25,000	21,000	18,200	(2,800)
Miscellaneous services	6,000	1,000	996	(4)
Fines and forfeitures	28,000	34,000	29,404	(4,596)
Miscellaneous	372,000	700,000	600,695	(99,305)
Investment income	374,000	48,000	89,645	41,645
Total revenues	<u>23,125,506</u>	<u>24,500,916</u>	<u>24,493,082</u>	<u>(7,834)</u>
Expenditures:				
General government	10,962,497	11,743,775	11,260,367	483,408
Public safety	4,588,503	4,531,730	4,498,776	32,954
Public works	4,789,104	4,722,284	4,718,003	4,281
Library and recreation	3,008,091	2,842,811	2,839,500	3,311
Total expenditures	<u>23,348,195</u>	<u>23,840,600</u>	<u>23,316,646</u>	<u>523,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,689)</u>	<u>660,316</u>	<u>1,176,436</u>	<u>516,120</u>
Other financing sources (uses)				
Transfers in	1,388,000	1,471,500	1,471,500	-
Transfers out	(1,003,072)	(2,840,072)	(2,840,072)	-
Total other financing sources (uses)	<u>384,928</u>	<u>(1,368,572)</u>	<u>(1,368,572)</u>	<u>-</u>
Net change in fund balance	162,239	(708,256)	(192,136)	516,120
Fund balance - beginning	2,999,868	4,164,963	4,240,278	75,315
Fund balance - ending	<u>\$ 3,162,107</u>	<u>\$ 3,456,707</u>	<u>\$ 4,048,142</u>	<u>\$ 591,435</u>

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

PROPRIETARY FUNDS

Major Funds

Water Fund - Accounts for the operations of the City's water utility.

Transportation and Parking Fund - Accounts for the operations of the City's public transportation (bus and trolley) system and paid parking system.

Golf Course Fund - Accounts for the operations of the City's golf course.

Park City Municipal Corporation, Utah
Statement of Net Assets
Proprietary Funds
June 30, 2012

Business-type Activities-Enterprise Funds

	Water Fund	Transportation and Parking Fund	Golf Course Fund	Total Enterprise Funds	Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 6,149,205	\$ 12,978,297	\$ 108,832	\$ 19,236,334	\$ 2,180,911
Cash, cash equivalents and investments held by fiscal agent	4,175,713	-	-	4,175,713	-
Taxes receivable	-	368,999	-	368,999	-
Accounts receivable	1,535,711	4,740,458	6,344	6,282,513	52,882
Cash, cash equivalents and investments-restricted	449,859	-	-	449,859	-
Inventories	219,997	21,563	51,133	292,693	390,747
Total current assets	12,530,485	18,109,317	166,309	30,806,111	2,624,540
Noncurrent assets:					
Capital assets:					
Land and water rights	17,693,589	1,748,149	828,451	20,270,189	-
Buildings	480,000	12,120,989	1,671,487	14,272,476	-
Improvements other than buildings	73,403,232	3,013,940	1,639,896	78,057,068	-
Art	-	109,214	-	109,214	-
Vehicles and equipment	2,922,111	11,967,886	1,432,677	16,322,674	47,450
Construction in progress	1,465,480	-	-	1,465,480	-
Accumulated depreciation and amortization	(24,552,937)	(10,181,102)	(2,165,693)	(36,899,732)	(47,450)
Total capital assets (net of accumulated depreciation and amortization)	71,411,475	18,779,076	3,406,818	93,597,369	-
Unamortized bond issuance costs	494,636	-	-	494,636	-
Total noncurrent assets	71,906,111	18,779,076	3,406,818	94,092,005	-
Total assets	84,436,596	36,888,393	3,573,127	124,898,116	2,624,540
LIABILITIES					
Current liabilities:					
Accounts payable	1,357,988	264,223	62,768	1,684,979	61,297
Accrued liabilities	69,847	10,373	-	80,220	-
Current portion of long-term debt					
Interfund loan	-	-	34,343	34,343	-
Compensated absences	21,566	41,928	10,361	73,855	12,513
Revenue bonds	2,587,000	-	-	2,587,000	-
Total current liabilities	4,036,401	316,524	107,472	4,460,397	73,810
Noncurrent liabilities:					
Interfund loan	-	-	97,143	97,143	-
Compensated absences	44,306	73,661	7,306	125,273	28,192
Revenue bonds	41,742,011	-	-	41,742,011	-
Total noncurrent liabilities	41,786,317	73,661	104,449	41,964,427	28,192
Total liabilities	45,822,718	390,185	211,921	46,424,824	102,002
NET ASSETS					
Invested in capital assets, net of related debt	33,859,255	18,779,076	3,406,818	56,045,149	-
Restricted for:					
Debt service	4,174,832	-	-	4,174,832	-
Water development	449,859	-	-	449,859	-
Capital projects	881	-	-	881	-
Unrestricted	129,051	17,719,132	(45,612)	17,802,571	2,522,538
Total net assets	\$ 38,613,878	\$ 36,498,208	\$ 3,361,206	\$ 78,473,292	\$ 2,522,538

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

Park City Municipal Corporation, Utah
Reconciliation of the Statement of Net Assets of the Proprietary Funds
to the Statement of Net Assets
June 30, 2012

TOTAL NET ASSETS - PROPRIETARY FUNDS \$ 78,473,292

Amounts reported for business-type activities in the statement of assets are different because:

Certain internal service fund assets and liabilities are included with business-type activities. 63,940

Total net assets - business-type activities \$ 78,537,232

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

Park City Municipal Corporation, Utah
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Transportation and Parking Fund	Golf Course Fund	Total Enterprise Funds	
Operating revenues					
Charges for services	\$ 9,915,490	\$ 3,487,939	\$ 1,033,286	\$ 14,436,715	\$ 2,933,394
Miscellaneous	-	-	256,074	256,074	-
Total operating revenues	<u>9,915,490</u>	<u>3,487,939</u>	<u>1,289,360</u>	<u>14,692,789</u>	<u>2,933,394</u>
Operating expenses					
Salaries and benefits	1,647,100	3,947,994	639,236	6,234,330	614,394
Supplies, maintenance and services	2,316,147	4,256,992	413,160	6,986,299	1,594,561
Energy and utilities	685,196	926,856	64,495	1,676,547	631,680
Depreciation and amortization	1,847,813	1,048,113	198,129	3,094,055	-
Total operating expenses	<u>6,496,256</u>	<u>10,179,955</u>	<u>1,315,020</u>	<u>17,991,231</u>	<u>2,840,635</u>
Operating income (loss)	<u>3,419,234</u>	<u>(6,692,016)</u>	<u>(25,660)</u>	<u>(3,298,442)</u>	<u>92,759</u>
Nonoperating revenues (expenses)					
Intergovernmental	-	3,681,732	-	3,681,732	-
Transit and resort sales tax	-	3,798,125	-	3,798,125	-
Investment income	161,863	85,141	54	247,058	-
Interest expense	(1,409,782)	-	(990)	(1,410,772)	-
Miscellaneous	178,023	-	-	178,023	-
Total nonoperating revenues (expenses)	<u>(1,069,896)</u>	<u>7,564,998</u>	<u>(936)</u>	<u>6,494,166</u>	<u>-</u>
Income (loss) before contributions and transfers	2,349,338	872,982	(26,596)	3,195,724	92,759
Capital contributions	502,355	4,353,980	-	4,856,335	-
Transfers in	-	-	25,000	25,000	-
Transfers out	(1,068,738)	(843,892)	(104,000)	(2,016,630)	-
Change in net assets	<u>1,782,955</u>	<u>4,383,070</u>	<u>(105,596)</u>	<u>6,060,429</u>	<u>92,759</u>
Net assets - beginning	36,830,923	32,115,138	3,466,802	72,412,863	2,429,779
Net assets - ending	<u>\$ 38,613,878</u>	<u>\$ 36,498,208</u>	<u>\$ 3,361,206</u>	<u>\$ 78,473,292</u>	<u>\$ 2,522,538</u>

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

Park City Municipal Corporation, Utah
Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets
to the Statement of Activities
Proprietary Funds
For the Year Ended June 30, 2012

CHANGE IN NET ASSETS - PROPRIETARY FUNDS \$ 6,060,429

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds.

Internal service fund net income of \$92,759 less amount allocated to governmental activities \$28,819 and reversal of prior year allocation \$196,246.

(132,306)

Change in net assets of business-type activities

\$ 5,928,123

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

Park City Municipal Corporation, Utah
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-type Activities-Enterprise Funds</u>			<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Water Fund</u>	<u>Transportation and Parking Fund</u>	<u>Golf Course Fund</u>		
Cash flows from operating activities					
Receipts from customers	\$ 9,138,195	\$ 3,473,591	\$ 1,289,360	\$ 13,901,146	\$ 2,923,236
Payments to suppliers	(3,071,862)	(5,483,927)	(522,763)	(9,078,552)	(2,535,406)
Payments to employees	(1,693,386)	(4,035,626)	(646,220)	(6,375,232)	(612,849)
Net cash provided by (used in) operating activities	<u>4,372,947</u>	<u>(6,045,962)</u>	<u>120,377</u>	<u>(1,552,638)</u>	<u>(225,019)</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	25,000	25,000	-
Transfers to other funds	(1,068,738)	(843,892)	(104,000)	(2,016,630)	-
Transit and resort sales tax	-	3,759,100	-	3,759,100	-
Intergovernmental operating grants	-	1,732,405	-	1,732,405	-
Net cash provided by (used in) noncapital financing activities	<u>(1,068,738)</u>	<u>4,647,613</u>	<u>(79,000)</u>	<u>3,499,875</u>	<u>-</u>
Cash flows from capital and related financing activities					
Net proceeds and premiums from capital debt	4,383,944	-	-	4,383,944	-
Intergovernmental capital grants	-	2,048,907	-	2,048,907	-
Capital contributions	502,355	543,008	-	1,045,363	-
Purchases of capital assets	(8,909,044)	(1,797,248)	(377,201)	(11,083,493)	-
Interfund loan	-	-	140,000	140,000	-
Principal paid on bonds and interfund loan	(1,591,000)	-	(31,653)	(1,622,653)	-
Interest paid on bonds and interfund loan	(1,613,438)	-	(990)	(1,614,428)	-
Federal subsidy on capital debt	178,023	-	-	178,023	-
Net cash provided by (used in) capital and related financing activities	<u>(7,049,160)</u>	<u>794,667</u>	<u>(269,844)</u>	<u>(6,524,337)</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investments	66,948	85,650	90	152,688	-
Net cash provided by investing activities	<u>66,948</u>	<u>85,650</u>	<u>90</u>	<u>152,688</u>	<u>-</u>
Net (decrease) in cash, cash equivalents	(3,678,003)	(518,032)	(228,377)	(4,424,412)	(225,019)
Balances—beginning of the year	14,452,780	13,496,329	337,209	28,286,318	2,405,930
Balances—end of the year	<u>\$ 10,774,777</u>	<u>\$ 12,978,297</u>	<u>\$ 108,832</u>	<u>\$ 23,861,906</u>	<u>\$ 2,180,911</u>
Reconciliation to statement of net assets:					
Cash, cash equivalents	\$ 6,149,205	\$ 12,978,297	\$ 108,832	\$ 19,236,334	\$ 2,180,911
Cash, cash equivalents-restricted	449,859	-	-	449,859	-
Cash, cash equivalents held by fiscal agent	4,175,713	-	-	4,175,713	-
Total cash, cash equivalents	<u>\$ 10,774,777</u>	<u>\$ 12,978,297</u>	<u>\$ 108,832</u>	<u>\$ 23,861,906</u>	<u>\$ 2,180,911</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 3,419,234	\$ (6,692,016)	\$ (25,660)	\$ (3,298,442)	\$ 92,759
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	1,847,813	1,048,113	198,129	3,094,055	-
Change in assets and liabilities:					
Receivables, net	(777,295)	(14,348)	-	(791,643)	(10,158)
Inventories	(5,349)	2,993	(543)	(2,899)	(211,309)
Accounts and other payables	(81,796)	(300,869)	(2,255)	(384,920)	(97,856)
Accrued expenses	(29,660)	(89,835)	(49,294)	(168,789)	1,545
Net cash provided by (used in) operating activities	<u>\$ 4,372,947</u>	<u>\$ (6,045,962)</u>	<u>\$ 120,377</u>	<u>\$ (1,552,638)</u>	<u>\$ (225,019)</u>

Noncash investing, capital and financing activities:

Included in investment income is an increase of \$104,164 in fair value for the year ended June 30, 2012.

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

FIDUCIARY FUND

The Park City Agency Fund is used to hold deposits and performance bonds.

Park City Municipal Corporation, Utah
Statement of Fiduciary Net Assets
June 30, 2012

	PARK CITY AGENCY FUND
ASSETS	
Cash, cash equivalents and investments	\$ 1,058,756
Total assets	\$ 1,058,756
LIABILITIES	
Deposits payable	\$ 1,058,756
Total liabilities	\$ 1,058,756

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

**NOTES
TO THE
FINANCIAL
STATEMENTS**

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows.

1. General Information

The Park City Municipal Corporation (the City) is a municipal corporation governed by an elected mayor and five-member Council. The City was chartered March 15, 1884, under the provisions of the Utah Territorial Government and the City operates under a Council-Manager form of government. The City provides the following services as authorized in its charter: public safety (police), highways and streets, cultural and recreational, library, public improvements, planning and zoning, public transportation, water, golf and general administrative services.

2. Reporting Entity

These financial statements include the City and its component units. Component units are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The following entities are treated as blended component units: 1) The Park City Redevelopment Agency (RDA); 2) The Park City Municipal Building Authority (MBA); 3) The Park City Housing Authority (HA); and 4) The Park City Water Service District. All of these entities serve the citizens of Park City and are governed by Park City's elected City Council. The bond issuance authorization for these entities is approved by the City Council.

It should be noted that the RDA currently has two capital projects funds. The MBA currently has a capital projects fund.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. *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. Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 for interfund activities. All internal balances in the statement of net assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated except interfund services provided and used by business-type activities, which are not eliminated.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, 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*.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

4. 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 and fiduciary 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. Amounts received or recognized as receivable at fiscal yearend are included in the financial statements as taxes receivable and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenues in the year for which they are levied. Amounts received or recognized as receivable at fiscal yearend are included in the financial statements as taxes receivable and unearned revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

The Sales Tax Revenue and Refunding Bonds Debt Service Fund and the General Obligation Debt Service Fund are used to account for the accumulation of resources for the payment of sales tax revenue bonded debt and general obligation debt.

The Capital Improvements Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, the Redevelopment Agencies or Municipal Building Authority). The Lower Park Avenue Redevelopment Agency Capital Projects Fund accounts for the acquisition or construction of major capital facilities in the Lower Park Avenue Redevelopment area.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City reports the following major proprietary funds:

Enterprise Funds are used to account for the operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for City-owned water systems, a public transportation system (bus and trolley system), paid parking system and golf course.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for the central financing of goods or services provided to various departments of the City or other governments on a cost-reimbursement basis. The City currently has two internal service funds. The fleet services fund provides vehicle storage, repair and maintenance. The self-insurance fund was established to allow the City to supplement its regular insurance coverage as further explained in Note K – Risk Management on page 73 of this report.

Agency Funds are used to account for the assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City currently has one agency fund. The Park City Agency Fund is used to hold deposits and performance bonds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

5. Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments - Cash and investment management in the City is administered by the City Treasurer in accordance with the Utah Money Management Act, Section 51-7 of the Utah Code (see Note B on pages 52-55 of this report). The City complies with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The City’s policy is to report all investments at fair value. The City’s investment in the State Treasurer’s Pool has a fair value approximately equal to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act.

Capital Assets - Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government included all assets with acquisition dates as far back as June 30, 1980. Most of the City’s infrastructure assets were valued at historical cost (when available) or estimated historical cost through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. 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. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$121,597. The total interest income received by the City earned on invested bond proceeds was \$26,304. The net amount of \$95,293 was included as part of and thereby increased the cost of capital assets under construction in connection with construction of water treatment facilities.

Art represents a collection of the City and is therefore not depreciated. Property, plant, equipment and intangible assets of the primary government are depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Public domain infrastructure	50
System infrastructure	30
Vehicles, equipment and intangibles	5-20

Use of Restricted/Unrestricted Net Assets - When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventories and prepaid items - Inventories of supplies for the proprietary fund types consist principally of items used in repairing and maintaining the water distribution system and transportation equipment. Supplies inventories are valued at cost using the weighted average method. Inventory held for retail sale in the Golf Fund is valued at lower-of-cost or market using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses on debt refunding are deferred and amortized over the life of the related debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of gains and losses on debt refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures. The total unamortized bond issuance costs reported in the government-wide statement of net assets at June 30, 2012 were \$1,052,752 and the total unamortized bond premiums/discounts were \$2,517,407. The total unamortized loss on refunding was \$38,477.

Compensated Absences - Accumulated unpaid vacation is accrued based on the years of service of each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. The maximum amount of accumulated accrued vacation hours is determined by the length of service of each employee according to the following schedule:

0 to 5 years	192 hours
5 to 10 years	240 hours
10 plus years	288 hours

Accumulated vacation cannot exceed these limits at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination in good standing, all unpaid vacation that has been accrued, up to the above limits, is paid. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service.

Fund Balance – Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2012 and classified fund balances into the following five categories:

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Nonspendable - Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to be maintained intact.

Restricted - Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City's various governmental funds. As a result, these restrictions have been classified as restricted for capital projects, debt service and drug and tobacco enforcement.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the entity's "highest level of decision-making authority", which the City considers to be the Park City Municipal City Council. Commitments may be changed by the government by taking the same action that imposed the constraint initially.

Assigned - Amounts that have been allocated by action of the Park City Municipal City Council through a resolution in which the City's intent is to use the funds for a specific purpose, but that do not meet the criteria to be classified as restricted or committed.

Unassigned - Amounts that constitute the residual balances that have no restrictions placed upon them. If restrictions exceed available resources only deficit amounts are reported in the unassigned category. The general fund is the only fund that reports a positive unassigned balance.

The City reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The City reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City does not have a minimum fund balance policy. *Utah Code* 10-6-116(4) requires that a minimum fund balance of 5 percent of total revenues be maintained in the general fund.

Restricted Assets - Certain proceeds of the City's 2006, 2009A, 2009B, 2009C, 2010 and 2012 Series Water Revenue and Refunding Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the proprietary funds' statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "construction fund" account with a balance at June 30, 2012 of \$881 is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "reserve fund" account with a balance at June 30, 2012 of \$4,174,832 is used to report resources set aside to make up potential future deficiencies in the revenue bond debt service account.

Proceeds of the City's 2004 Series General Obligation Bonds, 2005A and 2010 Series Sales Tax Revenue Bonds in the amount of \$808,663 are classified as restricted assets as well as impact fees of \$452,597. Bond proceeds are restricted to acquiring and preserving undeveloped park and recreational land and to acquire, construct, improve and modify pathways, roads and related improvements for use by pedestrians and cyclists. The "reserve fund" account with a balance at June

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

30, 2012 of \$2,410 is used to report resources set aside to make up potential future deficiencies in the revenue bond debt service account.

Water development fees are charged to new customers to pay for the cost of increasing the capacity of the water system to meet the additional demand created by the connection of new customers. The use of water development fees is legally restricted.

6. Budgets

State law requires the City Council to prepare and adopt budgets for all governmental and proprietary funds. The City Manager submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the proposed sources of revenues. Between May 1 and June 15, the City Council reviews and adjusts the City Manager's proposed budget. On or before June 15, a public hearing is held and the budget is legally adopted through passage of a resolution. Budgets are adopted below individual department levels, but control of budget appropriations is exercised, under state law, at the department level (General Government, Public Safety, Public Works and Library and Recreation).

After the budget is adopted, transfers of any unexpended appropriation amount between line items within a major category are to be initiated and approved by each respective department. Transfers between major categories and between programs within the same department and fund are to be initiated by the respective departments and approved by the City Manager. Transfers between capital improvement projects within the same fund are to be initiated by the individual designated as responsible for the project and approved by the City Manager. Transfers that will result in a total change in the appropriation for a project of more than 20 percent or if a project would be eliminated by the transfer must be approved by the City Council. The City Council may reduce or increase the budget of any fund by resolution during the budget year. The City Council must hold a public hearing to increase a fund's budget before it can pass the resolution.

Utah State law prohibits the appropriation of unassigned general fund balance until it exceeds the sum of five percent of the budgeted general fund revenues. Until unassigned fund balance is greater than the above amount, it cannot be budgeted but is used to provide working capital until tax revenue is received, meet emergency expenditures and cover unanticipated deficits.

When the unassigned fund balance is greater than 18 percent of expected revenues, the excess must be appropriated to capital projects determined to be in the best long-term interest of the City.

During the year, the General Fund budget was increased by \$492,405 under the guidelines described above. The supplemental budgetary appropriation was for insurance and surety bonds.

Budgets are prepared on the modified accrual basis of accounting according to accounting principles generally accepted in the United States (GAAP) for governmental funds. Budgets are not prepared for the agency fund since this fund is comprised only of deposits and performance bonds held by the City. Encumbrance accounting is used by the City.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Each year the capital projects fund adjusted budget is comprised of new appropriations from the current year and unexpended appropriations from the prior year, since unexpended capital projects appropriations do not automatically lapse at year end. Major capital project fund budgets included \$28,461,551 and non-major capital project fund budgets included \$3,173,639 for a total of \$31,635,190 of prior-year unexpended capital projects appropriations. The adjusted capital projects fund budget represents the amount available for expenditures in the current year. Future projects and appropriations that are to come from funds available in future years are not reflected in the current year budget.

7. Implementation of New GASB Pronouncements

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement amends GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City adopted this Statement in fiscal year 2012. This Statement has no effect on the City's financial statements.

The GASB has issued the following Statements, which will become effective in future years as shown below:

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement establishes specific guidance for accounting and financial reporting related to service concession arrangements (SCAs) which are a type of public-private partnership. The provisions of this Statement are effective beginning in fiscal year 2013. Currently, this Statement has no effect on the City's financial statements as the City does not have any SCAs.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective beginning in fiscal year 2013. Management has not yet determined the impact of this statement on the financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The provisions of this Statement are effective beginning in fiscal year 2013. Management has not yet determined the impact of this statement on the financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective beginning in fiscal year 2013. Management has not yet determined the impact of this statement on the financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective beginning in fiscal year 2014. Management has not yet determined the impact of this statement on the financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Correction-2012*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective beginning in fiscal year 2014. Management has not yet determined the impact of this statement on the financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans*, and No. 50,

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement are effective beginning in fiscal year 2014. Management has not yet determined the impact of this statement on the financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of this Statement are effective beginning in fiscal year 2015. Management has not yet determined the impact of this statement on the financial statements.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Each fund type’s portion of this pool is displayed on the basic financial statements as “cash, cash equivalents and investments”. 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. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund. The following is a summary of cash, cash equivalents and investments at June 30, 2012:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Fund Statement of Net Assets	Total
Held by city-unrestricted	\$ 40,045,393	\$ 19,236,334	\$ 59,281,727	\$ 1,058,756	\$ 60,340,483
Held by city-restricted	645,401	449,859	1,095,260	-	1,095,260
Total held by city	<u>\$ 40,690,794</u>	<u>\$ 19,686,193</u>	<u>\$ 60,376,987</u>	<u>\$ 1,058,756</u>	<u>\$ 61,435,743</u>
Held by fiscal agent	<u>\$ 618,269</u>	<u>\$ 4,175,713</u>	<u>\$ 4,793,982</u>	<u>\$ -</u>	<u>\$ 4,793,982</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

As of June 30, 2012, the City had the following deposits and investments, including \$1,058,756 held in an agency capacity for others:

Held by city:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments maturities</u>	
		<u>1 year or less</u>	<u>1-4 years</u>
Debt securities			
Federal National Mortgage Association	\$ 626,124	\$ -	\$ 626,124
Federal Home Loan Mortgage Corporation	300,600	-	300,600
Medium term notes	3,231,181	2,230,383	1,000,798
	<u>4,157,905</u>	<u>\$ 2,230,383</u>	<u>\$ 1,927,522</u>
Other investments			
State treasurer's investment pool	55,141,982	<u>\$ 55,141,982</u>	
Total investments	<u>59,299,887</u>		
<u>Deposits</u>			
Cash deposits checking-net of			
outstanding checks	924,479		
Cash deposits money market/savings	1,204,957		
Cash on hand	6,420		
Total deposits	<u>2,135,856</u>		
Total cash, cash equivalents and investments held by city	<u>61,435,743</u>		
Held by fiscal agent:			
State treasurer's investment pool	4,793,982		
Total cash, cash equivalents and investments	<u>\$ 66,229,725</u>		

Deposits – State law requires that City deposits be deposited with a “qualified depository” as defined by the Utah Money Management Act (UMMA). “Qualified depository” includes any depository institution that has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and deposits are: (1) Uncollateralized, (2) Collateralized with securities held by the pledging financial institution, or (3) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. As of June 30, 2012, the City's deposits had a carrying value of \$924,479 and a bank balance of \$2,930,859. Of the above bank balance, \$250,025 was covered by federal depository insurance. The City does not have a deposit policy for custodial credit risk. However, Utah State Law does not require deposits to be insured or collateralized.

Investments –The City's investment policies are also governed by the UMMA. Public treasurers may use investment advisers to conduct investment transactions on behalf of public treasurers as permitted by statute, Rules of the Money Management Council and local ordinance or policy. Investment advisers must be certified by the Director of the Utah State Division of Securities of the Department of Commerce (the "Director") and meet the requirements of the Utah Money Management Act (Rule 15 of the State Money Management Council). The UMMA mandates that investment transactions be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities. Broker/dealers and agents who desire to become certified dealers must be certified by the Director and meet the requirements of the Utah Money Management Act. (Rule 16 of the State Money Management Council). The Utah Money Management Council issues a quarterly list of certified investment advisers, certified dealers and qualified depositories authorized by state statute to conduct transactions with public treasurers. All securities purchased through a certified investment adviser or certified dealer are required to be delivered to the custody of the City Treasurer or to the City's safekeeping bank or trust company.

Custodial Credit Risk for an investment is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: (1) The counterparty or (2) The counterparty's trust department or agent but not in the government's name. For investments in U.S. government agencies and medium term notes with combined fair value of \$4,157,905 at June 30, 2012, the City uses a qualified depository bank for safekeeping securities for the purpose of settling investment transactions, safekeeping, and collecting those investments. These investments are held by the investment's counterparty, not in the name of the City but are supported by a safekeeping receipt issued by the City's bank. The City does not have an investment policy for custodial credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits the term of investments to a maximum maturity that shall not exceed five years in order to manage its exposure to fair value losses arising from increasing interest rates. The investment policy also specifies that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy, in compliance with the UMMA limits investments to the following: (1) Negotiable or nonnegotiable deposits of qualified depositories (see definition of qualified depository under "deposits" above). (2) Repurchase agreements with qualified depositories or primary reporting dealers only if these securities are delivered to the custody of the City Treasurer or the City's safekeeping bank or are conducted with a qualified depository. (3) Commercial paper which is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard and Poor's, Inc. (4) Obligations of the United States Treasury, including Treasury Bills, Treasury Notes, and United States Treasury Bonds. (5) Obligations other than mortgage pools and other mortgage derivative products issued by or fully guaranteed as to principal and interest by the following agencies of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agriculture Mortgage Corporation, and the Tennessee Valley Authority. (6) The Utah State Treasurer's Investment Pool. (7) Publicly traded fixed rate corporate obligations rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations one of which must be Moody's or Standard and Poor's. (8) Tax anticipation and general obligation bonds of the state or a county, an incorporated city or town, a school district or other subdivision of the State of Utah.

As of June 30, 2012, the ratings of the City's investments are as follows:

**Credit Quality Distribution for Securities
with Credit Exposure as a Percentage of Total Investments**

Federal National Mortgage Association	AA/Aaa/AAA	1%
Federal Home Loan Mortgage Corporation	AA/Aaa/AAA	1%
Medium term notes	AA/A/NR	1%
Medium term notes	A/A/A	1%
Medium term notes	A/Baa/A	2%
Medium term notes	BBB/A/A	1%

The Utah State Treasurer's Investment Pool is not rated. The fair value of the position of the Utah State Treasurer's Investment Pool is approximately equal to the value of the pool shares. All investments of the Utah State Treasurer's Investment Pool must comply with the UMMA and Rules of the State Money Management Council. The Pool invests primarily in money market securities including time certificates of deposit and top-rated domestic commercial paper. No more than 5.0 percent of the pool may be invested with a single issuer. Investment activity of the State Treasurer is reviewed periodically by the Utah Money Management Council and is audited by the Utah State Auditor. Pool deposits are not insured or otherwise guaranteed by the State of Utah.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy authorizes investments to be made in accordance with the UMMA and further specifies that with the exception of U.S. Treasury securities and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type. None of the City's investments exceeds this limit.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE C – NOTES RECEIVABLE

Notes receivable of the governmental fund types at June 30, 2012 include various sale of assets, affordable housing, employee mortgage assistance with interest rates ranging from 0% to 5.00%. The following is a schedule of future principal and interest payments required under the terms of the notes receivable as of June 30, 2012:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,739,415	\$ 3,669	\$ 1,743,084
2014	1,756,057	3,790	1,759,847
2015	1,503,545	5,282	1,508,827
2016	8,748	5,185	13,933
2017	8,210	4,653	12,863
2018 -2022	82,477	23,065	105,542
Total	<u>\$ 5,098,452</u>	<u>\$ 45,644</u>	<u>\$ 5,144,096</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and water rights	\$ 94,018,407	\$ -	\$ -	\$ 94,018,407
Construction in progress	6,781,843	388,313	(6,776,310)	393,846
Art	370,057	123,189	-	493,246
Total capital assets, not being depreciated	<u>101,170,307</u>	<u>511,502</u>	<u>(6,776,310)</u>	<u>94,905,499</u>
Capital assets, being depreciated:				
Buildings	27,119,379	9,765,900	-	36,885,279
Improvements other than building	32,825,210	59,550	-	32,884,760
Vehicles and equipment	9,170,605	1,047,944	(429,587)	9,788,962
Infrastructure	95,888,813	6,942,422	-	102,831,235
Intangibles	5,134,478	550,000	-	5,684,478
Total capital assets, being depreciated	<u>170,138,485</u>	<u>18,365,816</u>	<u>(429,587)</u>	<u>188,074,714</u>
Less accumulated depreciation for:				
Buildings	(6,733,440)	(987,229)	-	(7,720,669)
Improvements other than building	(13,696,500)	(1,020,642)	-	(14,717,142)
Vehicles and equipment	(5,203,137)	(755,776)	382,438	(5,576,475)
Infrastructure	(72,488,779)	(2,555,546)	-	(75,044,325)
Intangibles	(129,706)	(49,751)	-	(179,457)
Total accumulated depreciation	<u>(98,251,562)</u>	<u>(5,368,944)</u>	<u>382,438</u>	<u>(103,238,068)</u>
Total capital assets, being depreciated, net	<u>71,886,923</u>	<u>12,996,872</u>	<u>(47,149)</u>	<u>84,836,646</u>
Governmental activities capital assets, net	<u>\$ 173,057,230</u>	<u>\$ 13,508,374</u>	<u>\$ (6,823,459)</u>	<u>\$ 179,742,145</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water rights	\$ 20,270,189	\$ -	\$ -	\$ 20,270,189
Construction in progress	21,850,561	274,940	(20,660,021)	1,465,480
Art	109,214	-	-	109,214
Total capital assets, not being depreciated	<u>42,229,964</u>	<u>274,940</u>	<u>(20,660,021)</u>	<u>21,844,883</u>
Capital assets, being depreciated:				
Buildings	6,773,055	7,499,421	-	14,272,476
Improvements other than building	57,896,683	20,160,385	-	78,057,068
Vehicles and equipment	13,108,337	3,230,009	(15,672)	16,322,674
Total capital assets, being depreciated	<u>77,778,075</u>	<u>30,889,815</u>	<u>(15,672)</u>	<u>108,652,218</u>
Less accumulated depreciation for:				
Buildings	(3,636,273)	(373,049)	-	(4,009,322)
Improvements other than building	(24,251,810)	(1,775,194)	-	(26,027,004)
Vehicles and equipment	(5,971,483)	(907,595)	15,672	(6,863,406)
Total accumulated depreciation	<u>(33,859,566)</u>	<u>(3,055,838)</u>	<u>15,672</u>	<u>(36,899,732)</u>
Total capital assets, being depreciated, net	<u>43,918,509</u>	<u>27,833,977</u>	<u>-</u>	<u>71,752,486</u>
Business-type activities capital assets, net	<u>\$ 86,148,473</u>	<u>\$ 28,108,917</u>	<u>\$ (20,660,021)</u>	<u>\$ 93,597,369</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE D – CAPITAL ASSETS, Continued

Depreciation expense was charged to functions for the year ended June 30, 2012 as follows:

Governmental activities:

General government	\$ 1,824,173
Public safety	277,416
Public works	2,417,760
Library and recreation	849,595
Total governmental activities depreciation expense	<u>\$ 5,368,944</u>

Business-type activities:

Water	\$ 1,809,596
Transportation and parking	1,048,113
Golf course	198,129
Total business-type activities depreciation expense	<u>\$ 3,055,838</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	Beginning Balance July 1, 2011	Additions	Reductions	Amortization	Ending Balance June 30, 2012	Due Within One Year
Governmental activities:						
Contract payable	\$ 404,589	\$ -	\$ (69,656)	\$ -	\$ 334,933	\$ 74,880
General obligation bonds:						
2003 series	2,610,000	-	(335,000)	-	2,275,000	345,000
2004 series-principal	5,355,000	-	(580,000)	-	4,775,000	605,000
2004 series-premium	61,819	-	-	(7,882)	53,937	-
2008 series-principal	8,930,000	-	(555,000)	-	8,375,000	570,000
2008 series-premium/discount	48,934	-	-	(3,810)	45,124	-
2009 series-principal	11,600,000	-	(1,020,000)	-	10,580,000	1,050,000
2009 series-premium/discount	161,362	-	-	(12,561)	148,801	-
2010A series-principal	1,995,000	-	(480,000)	-	1,515,000	495,000
2010A series-premium	45,950	-	-	(11,971)	33,979	-
2010B series-principal	5,645,000	-	(355,000)	-	5,290,000	360,000
2010B series-premium	82,763	-	-	(5,977)	76,786	-
Total general obligation bonds	<u>36,535,828</u>	<u>-</u>	<u>(3,325,000)</u>	<u>(42,201)</u>	<u>33,168,627</u>	<u>3,425,000</u>
Revenue bonds:						
Sales tax revenue bonds						
2005A series-principal	9,730,000	-	(835,000)	-	8,895,000	865,000
2005A series-premium	15,703	-	-	(1,575)	14,128	-
2005B refunding-principal	660,000	-	(660,000)	-	-	-
2005B refunding-premium	4,353	-	-	(4,353)	-	-
2010 refunding-principal	1,525,000	-	(290,000)	-	1,235,000	300,000
2010 refunding-premium	29,853	-	-	(6,689)	23,164	-
MBA 2007 lease revenue bonds	244,981	-	(244,981)	-	-	-
Total revenue bonds	<u>12,209,890</u>	<u>-</u>	<u>(2,029,981)</u>	<u>(12,617)</u>	<u>10,167,292</u>	<u>1,165,000</u>
Compensated absences	595,810	592,928	(586,500)	-	602,238	292,272
Total governmental activities	<u>\$ 49,746,117</u>	<u>\$ 592,928</u>	<u>\$ (6,011,137)</u>	<u>\$ (54,818)</u>	<u>\$ 44,273,090</u>	<u>\$ 4,957,152</u>
Business-type activities:						
2006 water revenue	\$ 3,787,000	\$ -	\$ (181,000)	\$ -	\$ 3,606,000	\$ 187,000
2009A water revenue	2,375,000	-	(125,000)	-	2,250,000	125,000
2009B water revenue refunding	11,805,000	-	(650,000)	-	11,155,000	1,415,000
2009B water revenue-premium	1,218,365	-	-	(152,977)	1,065,388	-
2009C water revenue	10,135,000	-	-	-	10,135,000	-
2010 water revenue	11,575,000	-	(635,000)	-	10,940,000	650,000
2010 water revenue-premium	804,305	-	-	(59,705)	744,600	-
Deferred amount on refunding	(46,227)	-	-	7,750	(38,477)	-
2012 water revenue	-	4,160,000	-	-	4,160,000	210,000
2012 water revenue-premium	-	313,211	-	(1,711)	311,500	-
Compensated absences	186,218	143,040	(130,130)	-	199,128	73,855
Total business-type activities	<u>\$ 41,839,661</u>	<u>\$ 4,616,251</u>	<u>\$ (1,721,130)</u>	<u>\$ (206,643)</u>	<u>\$ 44,528,139</u>	<u>\$ 2,660,855</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$40,705 of internal service fund compensated absences are included in the above amounts. Also, for the governmental activities compensated absences are liquidated by the general fund.

The City has complied with all revenue bond covenants.

General Obligation Bonds

In September 2003, the City issued General Obligation Bonds, Series 2003 in the amount of \$5,000,000 plus a premium of \$24,109 pursuant to a special bond election held on November 5, 2002. The proceeds of the bonds were used to acquire and forever preserve undeveloped park and recreational land. On July 22, 2004, Park City Municipal Corporation issued General Obligation Bonds, Series 2004 in the amount of \$9,000,000 plus a premium of \$116,518. Pursuant to a special bond election held on November 5, 2002, approximately \$5.0 million of the bond proceeds were used to acquire and preserve undeveloped park and recreational land. Pursuant to a special bond election held on November 6, 2001, approximately \$4.0 million of the bond proceeds were used to construct an ice facility and make park improvements. Repayments are made from property tax revenues recorded in the Park City General Obligation Debt Service Fund. The debt service requirements for the bonds at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	Series 2003 Dated Sept. 23, 2003, \$5,000,000 @ 2.00% to 4.05% per annum paid semi- annually (Nov. & May)		Series 2004 Dated July 22, 2004 \$9,000,000 @ 3.125% to 4.20% per annum paid semi- annually (Nov. & May)	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 345,000	\$ 86,865	\$ 605,000	\$ 193,449
2014	360,000	74,445	630,000	169,249
2015	370,000	61,305	655,000	144,049
2016	385,000	47,430	680,000	117,849
2017	400,000	32,608	705,000	90,649
2018	415,000	16,808	735,000	62,449
2019	-	-	765,000	32,130
Total	<u>2,275,000</u>	<u>319,461</u>	<u>4,775,000</u>	<u>809,824</u>
Plus unamortized premium	-	-	53,937	-
Total	<u>\$ 2,275,000</u>	<u>\$ 319,461</u>	<u>\$ 4,828,937</u>	<u>\$ 809,824</u>

In December 2008, the City issued General Obligation Bonds Series 2008 in the amount of \$10,000,000 plus a net premium/discount of \$58,537 pursuant to a bond election held on November 7, 2006. The proceeds of the bonds were used to acquire and forever preserve undeveloped park and recreational land. In June 2009, the City issued General Obligation Bonds Series 2009 in the amount

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

General Obligation Bonds, Continued

of \$13,500,000 plus a net premium/discount of \$186,966. A portion of the proceeds was used to refund \$1,695,000 of the City's General Obligation Bonds Series 1999, plus \$12,852 interest. Bond proceeds of approximately \$4.0 million were issued pursuant to a bond election held on November 7, 2006 to acquire and forever preserve undeveloped park and recreational land and approximately \$7.8 million were issued pursuant to a bond election held November 6, 2007 to acquire, construct, improve and modify pathways, roads and related improvements for use by pedestrians and cyclists. Repayments are made from property tax revenues recorded in the Park City General Obligation Debt Service Fund. The debt service requirements for the bonds at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	Series 2008 Dated Dec. 22, 2008, \$10,000,000 @ 3.375% to 4.50% per annum paid semi- annually (Nov. & May)		Series 2009 Dated June 16, 2009, \$13,500,000 @ 3.00% to 4.00% per annum paid semi- annually (Nov. & May)	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 570,000	\$ 340,331	\$ 1,050,000	\$ 358,360
2014	585,000	320,381	1,080,000	326,860
2015	605,000	298,444	730,000	294,460
2016	625,000	275,000	750,000	272,560
2017	645,000	250,000	775,000	250,060
2018	670,000	224,200	795,000	226,810
2019	695,000	197,400	820,000	200,576
2020	725,000	169,600	850,000	173,516
2021	760,000	140,600	880,000	143,340
2022	795,000	109,250	915,000	111,220
2023	830,000	75,463	950,000	76,450
2024	870,000	39,150	985,000	39,400
Total	<u>8,375,000</u>	<u>2,439,819</u>	<u>10,580,000</u>	<u>2,473,612</u>
Plus unamortized premium/discount	45,124	-	148,801	-
Total	<u>\$ 8,420,124</u>	<u>\$ 2,439,819</u>	<u>\$ 10,728,801</u>	<u>\$ 2,473,612</u>

On April 30, 2010, the City issued General Obligation Bonds Series 2010A in the par amount of \$2,025,000, a premium of \$59,922 and issuance costs of \$27,288. The proceeds of the bonds were used to advance refund \$1,965,000 principal of the City's General Obligation Bonds Series 2000 that mature on May 1 of each year from May 1, 2012 to May 1, 2015.

On April 30, 2010, the City issued federally taxable General Obligation Bonds Series 2010B Build America Bonds with direct pay subsidy in the par amount of \$6,000,000, a premium of \$89,739 and issuance costs of \$109,974. Bond proceeds were issued pursuant to a bond election held on November 7, 2006 to acquire and forever preserve undeveloped park and recreational land. Repayments are made from property tax revenues recorded in the Park City General Obligation Debt Service Fund. The debt service requirements for the bonds at June 30, 2012 were as follows:

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

General Obligation Bonds, Continued

Fiscal Year Ending June 30,	Series 2010A Dated April 30, 2010 \$2,025,000 @ 2.00% to 3.00% per annum paid semi- annually (Nov. & May)		Series 2010B Dated April 30, 2010 \$6,000,000 @ 1.10% to 5.25% per annum paid semi- annually (Nov. & May)	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 495,000	\$ 31,588	\$ 360,000	\$ 218,893
2014	505,000	21,688	360,000	211,333
2015	515,000	11,588	365,000	202,513
2016	-	-	370,000	191,380
2017	-	-	380,000	178,985
2018	-	-	390,000	164,735
2019	-	-	400,000	149,135
2020	-	-	410,000	131,335
2021	-	-	425,000	112,475
2022	-	-	435,000	92,288
2023	-	-	450,000	71,190
2024	-	-	465,000	48,915
2025	-	-	480,000	25,200
Total	<u>1,515,000</u>	<u>64,864</u>	<u>5,290,000</u>	<u>1,798,377</u>
Plus unamortized premium/discount	<u>33,979</u>	<u>-</u>	<u>76,786</u>	<u>-</u>
Total	<u>\$ 1,548,979</u>	<u>\$ 64,864</u>	<u>\$ 5,366,786</u>	<u>\$ 1,798,377</u>

Redevelopment Agency Capital Projects Funds and Bonds

The City maintains capital project funds for the Main Street Redevelopment Agency and the Lower Park Avenue Redevelopment Agency. For the fiscal year ended June 30, 2012 the tax increment collected by the Main Street Redevelopment Agency was \$1,344,134 and the tax increment collected by the Lower Park Avenue Redevelopment Agency was \$2,425,240. The tax increment paid to another taxing agency by the Main Street Redevelopment Agency and by the Lower Park Avenue Redevelopment Agency was \$330,519 and \$597,298, respectively.

During the fiscal year, the Main Street Redevelopment Agency expended \$306,636 for site improvements and incurred \$30,000 in administrative costs. The Lower Park Avenue Redevelopment Agency expended \$100,967 for site improvements and incurred \$183,500 in administrative costs.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Other Debt

On December 30, 1996, the City purchased open space property for \$1,095,908. The City executed a contract payable to the seller for this amount with interest at 7.50 percent per annum, payable \$100,000 per year on December 15. The debt service requirements for the contract payable at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	PRINCIPAL	INTEREST
2013	\$ 74,880	\$ 25,120
2014	80,496	19,504
2015	86,533	13,467
2016	93,024	6,976
Total	<u>\$ 334,933</u>	<u>\$ 65,067</u>

Water Revenue Refunding Bonds

On September 29, 2009 the City issued the par amount of \$13,090,000 in Water Revenue and Refunding Bonds Series 2009B plus a premium of \$1,486,180. The premium was deferred and amortized over the life of the bond using the effective interest method. The bond proceeds were used to refund \$5,313,000 principal of outstanding Water Revenue Refunding Bonds Series 2002 plus interest of \$61,656. New money in the amount of \$8,567,659 was received to finance the construction of culinary water system improvements. The bonds bear interest at 3.0 percent to 5.0 percent paid semiannually. The bonds incurred bond issue costs of \$135,469, which were recorded as an asset and amortized over the life of the bond on an effective interest basis. Repayments on the debt are made from the net revenues of the Water Fund.

The debt service requirements for the water refunding bonds at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	PRINCIPAL	INTEREST
2013	\$ 1,415,000	\$ 483,200
2014	1,470,000	426,600
2015	1,525,000	382,500
2016	1,575,000	321,500
2017	1,640,000	258,500
2018	1,720,000	176,500
2019	1,810,000	90,500
Total	<u>11,155,000</u>	<u>2,139,300</u>
Plus unamortized premium	<u>1,065,388</u>	<u>-</u>
Total	<u>\$12,220,388</u>	<u>\$2,139,300</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Water Revenue Bonds

On March 30, 2006 the City issued the par amount of \$4,450,000 in Water Revenue Bonds Series 2006 to finance the construction of water system infrastructure. The bonds bear interest at 3.50 percent paid annually. The bonds incurred bond issue costs of \$50,115 which were recorded as an asset and amortized over the life of the bond on an effective interest basis. Repayments on the debt are made from the net revenues of the Water Fund. The debt service requirements for these bonds at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	PRINCIPAL	INTEREST
2013	\$ 187,000	\$ 126,210
2014	193,000	119,665
2015	200,000	112,910
2016	207,000	105,910
2017	214,000	98,665
2018	222,000	91,175
2019	230,000	83,405
2020	238,000	75,355
2021	246,000	67,025
2022	255,000	58,415
2023	264,000	49,490
2024	273,000	40,250
2025	282,000	30,695
2026	292,000	20,825
2027	303,000	10,605
Total	\$ 3,606,000	\$ 1,090,600

On July 14, 2009 the City issued the par amount of \$2,500,000 in Taxable Water Revenue Bonds Series 2009A to finance the construction of drinking water system improvements. The bonds bear no interest and the principal payment of \$125,000 is paid annually beginning July 15, 2010 and ending July 15, 2029. The bonds incurred bond issue costs of \$53,620 which were recorded as an asset and amortized over the life of the bond on an effective interest basis. Repayments on the debt are made from the net revenues of the Water Fund.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Water Revenue Bonds, Continued

On September 29, 2009 the City issued the par amount of \$10,135,000 in Taxable Water Revenue Bonds Series 2009C Build America Bonds with issuer subsidy to finance the construction of culinary water system improvements. The bonds bear interest at 4.70 percent to 5.25 percent paid semiannually. The bonds incurred bond issue costs of \$137,313 which were recorded as an asset and amortized over the life of the bond on an effective interest basis. Repayments on the debt are made from the net revenues of the Water Fund. The debt service requirements for these bonds at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	PRINCIPAL	INTEREST
2013	\$ -	\$ 508,638
2014	-	508,638
2015	-	508,638
2016	-	508,638
2017	-	508,638
2018	-	508,638
2019	-	508,638
2020	1,900,000	508,638
2021	1,960,000	419,338
2022	2,025,000	323,298
2023	2,090,000	221,035
2024	2,160,000	113,400
Total	<u>\$ 10,135,000</u>	<u>\$ 5,146,175</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Water Revenue Bonds, Continued

On February 10, 2010 the City issued the par amount of \$12,200,000 in Water Revenue Bonds Series 2010 plus a premium of \$886,911. The premium was deferred and amortized over the life of the bond on an effective interest basis. The proceeds were used to purchase water rights from Jordanelle Special Service District. The bonds bear interest at 2.0 percent to 5.0 percent paid semiannually. The bonds incurred bond issue costs of \$137,663 which were recorded as an asset and amortized over the life of the bond on an effective interest basis. Repayments on the debt are made from the net revenues of the Water Fund. The debt service requirements for these bonds at June 30, 2012 were as follows:

Fiscal Year Ending	PRINCIPAL	INTEREST
June 30,		
2013	\$ 650,000	\$ 435,450
2014	680,000	408,850
2015	700,000	388,250
2016	725,000	366,750
2017	755,000	337,150
2018	790,000	302,300
2019	825,000	261,925
2020	870,000	219,550
2021	910,000	179,600
2022	950,000	142,400
2023	1,000,000	103,400
2024	1,015,000	63,100
2025	1,070,000	21,400
Total	10,940,000	3,230,125
Plus unamortized premium	744,600	-
Total	\$ 11,684,600	\$ 3,230,125

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Water Revenue Bonds, Continued

On May 31, 2012, the City issued the par amount of \$4,160,000 in Water Revenue Bonds Series 2012 plus a premium of \$313,211 to finance the construction of water system infrastructure. The premium was deferred and amortized over the life of the bond on an effective interest basis. The bonds bear interest at 2.00% to 4.00% paid semiannually. The bonds incurred bond issue costs of \$89,269 that were recorded as an asset and amortized over the life of the bond on an effective interest basis. Repayments on the debt are made from net revenues of the Water Fund. The debt service requirements for these bonds at June 30, 2012 were as follows:

Fiscal Year Ending	PRINCIPAL	INTEREST
June 30,		
2013	\$ 210,000	\$ 121,615
2014	220,000	112,550
2015	230,000	108,150
2016	240,000	103,550
2017	245,000	98,750
2018	255,000	93,850
2019	265,000	86,200
2020	280,000	78,250
2021	290,000	69,850
2022	300,000	61,150
2023	310,000	52,150
2024	315,000	42,850
2025	325,000	33,400
2026	335,000	23,650
2027	340,000	13,600
Total	4,160,000	1,099,565
Plus unamortized premium	311,500	-
Total	\$ 4,471,500	\$ 1,099,565

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

Sales Tax Revenue Bonds

On May 9, 2005 the City issued Sales Tax Revenue Bonds, Series 2005A in the amount of \$15,500,000 plus a premium of \$25,377 and Sales Tax Revenue and Refunding Bonds, Series 2005B in the amount of \$4,500,000 plus a premium of \$32,080. The proceeds from the sale of the Series 2005A Bonds will be used for the purpose of financing the cost associated with the acquisition, construction, and equipping of a public safety building, recreation complex, parking structure expansion and improvements, park improvements, road improvements and other City-owned capital improvements and paying the costs of issuance of the Series 2005 Bonds. The proceeds from the Series 2005B Bonds were used to refund the MBA Series 1996 and 1999 Revenue Bonds.

On December 8, 2010 the City issued Sales Tax Revenue Refunding Bonds, Series 2010 in the amount of \$1,525,000 plus a premium of \$33,592. The proceeds from the Series 2010 Bonds were used to refund the Lower Park Avenue Redevelopment Agency Tax Increment Revenue Bonds, Series 1998.

The Series 2005 and 2010 Bonds are special limited obligations of the City, payable solely from and secured solely by a pledge of revenues from (1) 100 percent of the revenues received by the City from the local sales and use tax levied by the City pursuant to the Utah Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, Utah Code and (2) 75 percent of the revenues received by the City from the resort communities tax levied by the City pursuant to Title 59, Chapter 12, Part 4 of the Utah Code. The bonds do not constitute a pledge of the ad valorem taxing power or the full faith and credit of the City. More detailed information about pledged-revenue coverage is presented in Schedule 18 on page 114 of this report. The debt service requirements for the bonds at June 30, 2012 were as follows:

Fiscal Year Ending June 30,	Series 2005A, \$15,500,000 @ 3.25% - 5.00% paid semiannually		Series 2010, \$1,525,000 @ 2.25% -3.00% paid semiannually	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 865,000	\$ 370,212	\$ 300,000	\$ 26,375
2014	900,000	335,612	300,000	19,250
2015	935,000	299,612	315,000	11,938
2016	985,000	252,862	320,000	4,000
2017	1,020,000	213,463	-	-
2018	1,060,000	172,663	-	-
2019	1,105,000	130,263	-	-
2020	1,150,000	86,063	-	-
2021	875,000	37,188	-	-
Total	<u>8,895,000</u>	<u>1,897,938</u>	<u>1,235,000</u>	<u>61,563</u>
Plus unamortized premium	14,128	-	23,164	-
Total	<u>\$ 8,909,128</u>	<u>\$ 1,897,938</u>	<u>\$ 1,258,164</u>	<u>\$ 61,563</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE E – LONG-TERM OBLIGATIONS, Continued

MBA Lease Revenue Draw Down Bonds

In order to assist the Park City Historical Society, a Utah non-profit corporation (the “Society”) in expanding the Old City Hall Museum Building (the “Project”) located at 528 Main Street, Park City, Utah, the Municipal Building Authority (the “Authority”) authorized the issuance of MBA Lease Revenue Bonds, Series 2007 (the “Bonds”) for an amount not to exceed \$3,600,000 to finance the cost of issuance of the Bonds and the cost of improvements to the Project. The Project is owned by the Authority and leased to the City and subleased to, and operated by, the Society. The Bonds were issued November 15, 2007, with Zions First National Bank (the “Purchaser”). The Bonds were redeemed in whole during fiscal year 2012 leaving no outstanding balance.

The annual debt service requirements for all long-term debt outstanding as of June 30, 2012 by activity are as follows:

Year ending June 30,	Governmental Activities			Business-Type Activities
	Contracts Payable	General Obligation Bonds	Revenue Bonds	
Principal				
2013	\$ 74,880	\$ 3,425,000	\$ 1,165,000	\$ 2,587,000
2014	80,496	3,520,000	1,200,000	2,688,000
2015	86,533	3,240,000	1,250,000	2,780,000
2016	93,024	2,810,000	1,305,000	2,872,000
2017	-	2,905,000	1,020,000	2,979,000
2018-2022	-	11,880,000	4,190,000	16,966,000
2023-2027	-	5,030,000	-	10,999,000
2028-2030	-	-	-	375,000
Total	<u>334,933</u>	<u>32,810,000</u>	<u>10,130,000</u>	<u>42,246,000</u>
Plus unamortized premium/discount	-	358,627	37,292	2,121,488
Less deferred amount on refunding	-	-	-	(38,477)
Total	<u>\$ 334,933</u>	<u>\$ 33,168,627</u>	<u>\$ 10,167,292</u>	<u>\$ 44,329,011</u>
Interest				
2013	\$ 25,120	\$ 1,229,486	\$ 396,587	\$ 1,675,113
2014	19,504	1,123,956	354,862	1,576,303
2015	13,467	1,012,359	311,550	1,500,448
2016	6,976	904,219	256,862	1,406,348
2017	-	802,302	213,463	1,301,703
2018-2022	-	2,457,867	426,177	4,406,000
2023-2027	-	375,768	-	839,850
Total	<u>\$ 65,067</u>	<u>\$ 7,905,957</u>	<u>\$ 1,959,501</u>	<u>\$ 12,705,765</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE F – RETIREMENT PLANS

Pension Plans

Plan Description - The City participates in the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage (The Plan). These cost-sharing multiple-employer defined benefit pension plans are administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00 percent of their annual covered salary (all paid by the employer for the employee) and the City is required to contribute 9.76 percent of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 13.77 percent of their annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage contributory division members are required to contribute 12.29 percent of their salary (all paid by the employer for the employee) and the City is required to contribute 15.78 percent of their annual salary and 27.07 percent of their annual covered salary for members in the non-contributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2012, 2011 and 2010 were \$208,426, \$184,188, and \$167,437, respectively, and for the Noncontributory Retirement System the contributions for June 30, 2012, 2011 and 2010 were \$1,306,868, \$1,177,748, and \$998,663, respectively, and for the Public Safety Retirement System for employers with Social Security coverage the contributions for June 30, 2012, 2011 and 2010 were \$428,171, \$391,666, and \$357,357, respectively. Actual contributions for the past three years equaled the required contributions.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE G - DEFINED CONTRIBUTION PLANS

Section 401(a) defined contribution money purchase plan

The City sponsors a defined contribution plan under Internal Revenue Code Section 401(a) for all full-time City employees not covered by the Public Safety Retirement System for employers with Social Security coverage.

The ICMA Retirement Corporation (ICMA) administers this plan. The City's total payroll in the fiscal year ended June 30, 2012 was \$16,845,719. Of that amount, \$9,882,751 was eligible to participate in this plan. The City participated at a rate of .5 percent, under City resolution for the year ended June 30, 2012 for employees covered by the State Contributory System retirement plan, .5 percent for employees covered by the State Noncontributory System retirement plan, and 13.26 percent under State Statute for a limited number of employees that are exempt from the State plan. During the year ended June 30, 2012 contributions totaling \$184,208 or 1.86 percent of covered payroll were made by the City. Employer contributions are fully vested in one year. All contributions were made by the due dates. The 401(a) defined contribution monies are not available to the City or its general creditors. Therefore, no assets or liabilities of the 401(a) defined contribution plan are reflected in the City's financial statements.

Section 457 deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. The City's total payroll in the fiscal year ended June 30, 2012 was \$16,845,719. The City's covered payroll eligible for this plan totaled \$11,931,374 for the year ended June 30, 2012. The City participates in employer benefits of \$100 per month for those employees who have chosen single health insurance coverage and match the employees' voluntary contribution amount at fifty cents on the dollar to a maximum contribution of \$900. Contributions totaling \$159,586 or 1.34 percent of covered payroll were made by the City and voluntary contributions totaling \$611,997 or 5.13 percent of covered payroll were made by employees. All contributions were made by the due dates.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries, except that expenses and taxes may be paid from the Trust. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair value of the deferred account for each participant. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the plan's administrator under one of seven investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. All of the assets and income of the 457 Plan are held in investment fund trusts by ICMA for the exclusive benefit of the participants or their beneficiaries rather than as assets of the employer. As ICMA is the fiduciary of these assets, the City is no longer required to report the assets.

Loans or notes between the City and the defined contribution plans - There are no securities, loans or notes of the City included in the plans assets.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE H - COMMITMENTS AND CONTINGENCIES

There are several pending lawsuits in which the City is involved. The City Attorney estimates the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial position of the City.

Commitments for major construction and capital improvements projects at June 30, 2012 are as follows:

Capital Projects Funds	\$ 113,500
Enterprise Funds	\$2,767,604

NOTE I- INTERGOVERNMENTAL REVENUES

Intergovernmental revenues were received by governmental fund types for the year ended June 30, 2012. They consist of the following:

State of Utah Class "C" road allotments	\$ 327,909
State contributions	91,604
County contributions	107,855
Federal contributions	<u>100,065</u>
Total	<u><u>\$ 627,433</u></u>

NOTE J – INTERFUND LOANS

Due to cash flow needs of the Golf Fund to purchase new golf carts, the sum of \$140,000 was advanced from the Capital Improvements Fund on April 1, 2012. The advance bears interest at 1.5 percent paid monthly for forty-eight months. The annual repayment requirement for the advance at June 30, 2012 was as follows:

Fiscal Year Ending		
June 30,	PRINCIPAL	INTEREST
2013	\$ 34,343	\$ 1,737
2014	34,862	1,218
2015	35,389	692
2016	26,892	168
Total	<u>\$ 131,486</u>	<u>\$ 3,815</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE K – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1989, the City established a Self Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss. Under this program, the Self Insurance Fund provides coverage for up to a maximum of \$50,000 per each occurrence for general liability, errors and omissions, and auto. The City purchases commercial insurance for claims in excess of coverage provided by the Self Insurance Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Liabilities are recorded for any claim or judgment when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Unpaid claims as of June 30, 2010	\$	-
Incurring claims		75,041
Claim payments		75,041
		-
Unpaid claims as of June 30, 2011		-
Incurring claims		59,797
Claim payments		59,797
		-
Unpaid claims as of June 30, 2012	\$	-

NOTE L – BUDGET RECONCILIATION

A reconciliation of the original 2011-2012 budget, to the final legally adopted budget for all governmental fund types net of transfers approved in June 2012 is as follows:

		<u>Original Budget</u>		<u>Increase (Decrease)</u>		<u>Budget as Revised</u>
General Fund:						
Revenues	\$	23,125,506	\$	1,375,410	\$	24,500,916
Expenditures		23,348,195		492,405		23,840,600
Debt Service Funds:						
Revenues	\$	4,648,729	\$	28,089	\$	4,676,818
Expenditures		6,947,878		(10,000)		6,937,878
Capital Projects Funds:						
Revenues	\$	13,568,600	\$	7,551,071	\$	21,119,671
Expenditures		20,694,646		38,962,230		59,656,876

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE M – INTERFUND TRANSFERS

Fund Financial Statements

Transfers were made to and from several funds during the course of the year ended June 30, 2012. An interfund transfer is a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursement. The General Fund transferred \$1.8 million to the Capital Improvements Fund for construction projects and \$835,000 to the Equipment Replacement Capital Projects Fund for future replacement of rolling stock and computer equipment. Several funds transferred a total of \$2,317,543 to the Sales Tax Revenue Bond Debt Service Fund to support principal and interest payments on debt. Transfers to the General Fund were comprised of: \$183,500 received from the Lower Park Avenue RDA Capital Projects Fund, \$30,000 received from the Main Street RDA Capital Projects Fund, \$579,000 from the Water Fund, \$575,000 from the Transportation and Parking Fund and \$104,000 from the Golf Fund for administrative expenses for the year ended June 30, 2012:

		Transfers into:				Business- Type Activities	
		Major Funds					
		Capital Improvement Fund	Sales Tax Revenue & Refunding - DSF	Nonmajor Funds	Golf Course Fund	Total	
<u>Transfers out from:</u>		General Fund					
Governmental activities							
Major funds:							
General fund	\$ -	\$ 1,800,000	\$ 180,072	\$ 835,000	\$ 25,000	\$	2,840,072
Capital improvement fund	-	-	134,366	-	-	-	134,366
RDA cip - park ave	183,500	-	324,475	-	-	-	507,975
Nonmajor funds:							
Other funds	30,000	-	920,000	-	-	-	950,000
Business-type activities							
Water fund	579,000	-	489,738	-	-	-	1,068,738
Transportation and parking	575,000	-	268,892	-	-	-	843,892
Golf course fund	104,000	-	-	-	-	-	104,000
Total	<u>\$ 1,471,500</u>	<u>\$ 1,800,000</u>	<u>\$ 2,317,543</u>	<u>\$ 835,000</u>	<u>\$ 25,000</u>	<u>\$</u>	<u>6,449,043</u>

Government-Wide Financial Statements

Per GASB Statement No. 34, all interfund transfers within governmental activities and business-type activities are eliminated.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE N - TAXES

Before June 15 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. All property taxes levied by the City are assessed and collected by Summit and Wasatch Counties. Property taxes are levied on January 1 on real property values assessed as of the same date. Taxes are due November 30 and delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15 of the following year, a lien is attached to the property and the amount of taxes and penalties bear interest from January 1 until paid. If after five years delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales and resort taxes are collected by the State Tax Commission and remitted to the City monthly. Franchise taxes are collected by the telephone, natural gas, electric utilities, cable television and sewer companies and remitted to the City periodically.

NOTE O – UNEARNED REVENUE

Government-Wide Financial Statements

The following is the unearned revenue at June 30, 2012.

	Governmental Activities
Property tax levied - not yet collected	\$ 17,012,000

Fund Financial Statements

At June 30, 2012, the following unearned revenues were recorded in the fund financial statements because the funds were not available to finance expenditures of the current period.

	General	Debt Service - Park City General Obligation	Capital Projects - Capital Improvement Fund	Capital Projects - Lower Park Avenue Redevelopment Agency	Other Governmental Funds	Total
Mortgage assistance loans	\$ -	\$ -	\$ 251,629	\$ -	\$ -	\$ 251,629
Loan to Elliott Work Group Dev.	-	-	-	1,732,899	-	1,732,899
Property tax levied-not yet collected	8,696,634	4,655,222	-	2,360,144	1,300,000	17,012,000
Receivable sale of land	-	-	3,245,410	-	-	3,245,410
	\$ 8,696,634	\$ 4,655,222	\$ 3,497,039	\$ 4,093,043	\$ 1,300,000	\$ 22,241,938

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE P – CONDUIT DEBT

On December 18, 2007 the City issued \$20,120,000 of 2007 Multi-Mode Variable Rate Revenue Bonds on behalf of the United States Ski and Snowboard Association (USSA), a nonprofit corporation. The bonds bear interest at a variable rate not to exceed 10% per annum and mature April 1, 2027. The bonds were used to partially finance the construction of The USSA Center of Excellence, an athletic training and office facility located in Park City. The bonds are secured by a pledge of revenues under the Bond Indenture and an irrevocable letter of credit issued by Wells Fargo Bank. Neither the City's General Fund nor the full faith and credit of the City are pledged for the payment of principal or interest on the bonds. Since the bonds do not constitute a debt of the City, they are not reported in the accompanying financial statements. The principal balance of outstanding bonds was \$20,120,000 at June 30, 2012.

NOTE Q – POLLUTION REMEDIATION

In November 2006, the Government Accounting Standards Board (GASB) issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Pollution remediation obligations exclude pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care. GASB 49 identifies the obligating events, which require the City to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

On December 30, 2008, Park City Municipal Corporation and Summit County purchased as tenants in common approximately 107 acres of land that are outside the City limits. Prior to the purchase, soil testing was conducted on the property and it was found that a portion of the parcel is contaminated by lead and other contaminants due to prior upstream mining activity by others and needs remediation. The City, Summit County, and the two sellers of the land agreed in writing to each contribute the lesser of (a) twenty-five percent (25%) of the remediation costs incurred; or (b) \$200,000. The City's Environmental Coordinator estimates that the cost to remediate the parcel would be approximately \$450,000. The City's twenty-five percent (25%) share would be approximately \$112,500. The estimate of \$450,000 is measured at current value using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. This technique uses all expectations about possible cash flows. The pollution remediation obligation is an estimate subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations. The City's legal obligation to share in this cleanup is an obligating event pursuant to GASB 49. Pollution remediation outlays should be capitalized in the government-wide and proprietary fund statements when property is acquired with known or suspected pollution that was expected to be remediated because it is assumed that the property was acquired at a discount because of the remediation. The financial reporting impact and effect was the recognition of a liability and the capitalization of an asset for \$112,500. The City entered into a Voluntary Clean-up Agreement with the Utah Department of Environmental Quality (UDEQ) to develop a remediation work plan for this property.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE Q – POLLUTION REMEDIATION, Continued

The Environmental Protection Agency (USEPA) and UDEQ have been investigating and evaluating mine sites within the Park City area since the early 1980's. In 1988, pursuant to approval of USEPA, Park City Municipal Corporation enacted the Landscaping and Maintenance of Soil Cover Ordinance for lots within the City limits. In general, the landscaping and soil maintenance cover requirements mandated a 6-inch clean top soil cap in order to contain the underlying mine related material. The general objective of these measures was to isolate potentially contaminated material from the surface and minimize direct contact. On April 30, 2004, the City implemented an Environmental Management System (EMS) to further strengthen the Soils Ordinance Program on a long-term basis. The EMS Soils Ordinance Boundary contains pollution remediation obligations of Park City Municipal Corporation pursuant to this local ordinance, which is an obligating event pursuant to GASB 49. The City plans to conduct remediation of 48 acres of land in accordance with the Utah Department of Environmental Quality Clean-up Program. The estimated cost to remediate these 48 acres is \$1,272,000 and is a liability of the City. The estimate of \$1,272,000 is measured at current value using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. This technique uses all expectations about possible cash flows. The pollution remediation obligation is an estimate subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations.

NOTE R – SUBSEQUENT EVENT

On November 8, 2012, the City Council of Park City Municipal Corporation approved a Resolution in which it authorized the proposed issuance of not more than \$5,600,000 Water Revenue and Refunding Bonds, Series 2012B and not more than \$3,500,000 Water Revenue Refunding Bonds Series 2013A. The bonds are to provide funds for the purpose of paying a portion of the costs of capital improvements to the water system and refunding the Water Revenue Bonds Series 2006. The Resolution specifies that the interest rate or rates to be borne by the bonds shall not exceed 4.0 percent.

**SUPPLEMENTARY
INFORMATION**

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NONMAJOR GOVERNMENTAL FUNDS

Main Street Redevelopment Agency Capital Projects Fund - Accounts for capital projects in the Main Street Redevelopment area.

Municipal Building Authority - The Municipal Building Authority is a legally separate organization that is a mechanism for financing needed City facilities. The Authority acquires and/or builds facilities by borrowing money secured by a lease agreement between the City and the Authority.

Equipment Replacement Capital Projects Fund - Accounts for the accumulation of resources for the future replacement of fixed assets such as computers, vehicles and heavy equipment.

Park City Municipal Corporation, Utah
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Capital Projects Funds			Total Nonmajor Governmental
	Main Street Redevelopment Agency	Municipal Building Authority	Equipment Replacement CIP	
ASSETS				
Cash, cash equivalents and investments	\$ 1,493,531	\$ 524,220	\$ 1,244,134	\$ 3,261,885
Receivables				
Taxes	1,310,741	-	-	1,310,741
Accounts	137	41	-	178
Total assets	<u>\$ 2,804,409</u>	<u>\$ 524,261</u>	<u>\$ 1,244,134</u>	<u>\$ 4,572,804</u>
LIABILITIES				
Accounts payable	\$ 99,165	\$ -	\$ -	\$ 99,165
Deferred revenue	1,300,000	-	-	1,300,000
Total liabilities	<u>1,399,165</u>	<u>-</u>	<u>-</u>	<u>1,399,165</u>
FUND BALANCES				
Committed-capital projects	<u>1,405,244</u>	<u>524,261</u>	<u>1,244,134</u>	<u>3,173,639</u>
Total liabilities and fund balances	<u>\$ 2,804,409</u>	<u>\$ 524,261</u>	<u>\$ 1,244,134</u>	<u>\$ 4,572,804</u>

Park City Municipal Corporation, Utah
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Capital Projects Funds</u>			Total Nonmajor Governmental
	Main Street Redevelopment Agency	Municipal Building Authority	Equipment Replacement CIP	
Revenues				
Taxes and special assessments	\$ 1,349,915	\$ -	\$ -	\$ 1,349,915
Investment income	10,640	4,585	-	15,225
Rental and other	-	244,981	-	244,981
Total revenues	<u>1,360,555</u>	<u>249,566</u>	<u>-</u>	<u>1,610,121</u>
Expenditures				
Capital outlay	696,114	-	893,741	1,589,855
Debt service				
Principal	-	244,981	-	244,981
Interest	-	1,219	-	1,219
Total expenditures	<u>696,114</u>	<u>246,200</u>	<u>893,741</u>	<u>1,836,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>664,441</u>	<u>3,366</u>	<u>(893,741)</u>	<u>(225,934)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	35,555	35,555
Transfers in	-	-	835,000	835,000
Transfers out	(950,000)	-	-	(950,000)
Total other financing sources (uses)	<u>(950,000)</u>	<u>-</u>	<u>870,555</u>	<u>(79,445)</u>
Net change in fund balances	(285,559)	3,366	(23,186)	(305,379)
Fund balances - beginning	<u>1,690,803</u>	<u>520,895</u>	<u>1,267,320</u>	<u>3,479,018</u>
Fund balances - ending	<u>\$ 1,405,244</u>	<u>\$ 524,261</u>	<u>\$ 1,244,134</u>	<u>\$ 3,173,639</u>

Park City Municipal Corporation, Utah
Sales Tax Revenue and Refunding Bonds Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - investment income	\$ -	\$ 10,000	\$ 10,857	\$ 857
Expenditures:				
Debt service				
Principal	1,785,000	1,785,000	1,785,000	-
Interest	473,838	473,838	465,813	(8,025)
Total expenditures	<u>2,258,838</u>	<u>2,258,838</u>	<u>2,250,813</u>	<u>(8,025)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,258,838)</u>	<u>(2,248,838)</u>	<u>(2,239,956)</u>	<u>8,882</u>
Other financing sources-transfers in	<u>2,317,543</u>	<u>2,317,543</u>	<u>2,317,543</u>	<u>-</u>
Net change in fund balance	58,705	68,705	77,587	8,882
Fund balance - beginning	1,863,210	1,822,998	1,881,267	58,269
Fund balance - ending	<u>\$ 1,921,915</u>	<u>\$ 1,891,703</u>	<u>\$ 1,958,854</u>	<u>\$ 67,151</u>

Park City Municipal Corporation, Utah
General Obligation Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
General property tax	\$ 4,558,315	\$ 4,568,904	\$ 4,568,904	\$ -
Delinquent taxes	12,000	12,000	12,000	-
Investment income	-	7,500	7,571	71
Rental and other	78,414	78,414	78,414	-
Total revenues	<u>4,648,729</u>	<u>4,666,818</u>	<u>4,666,889</u>	<u>71</u>
Expenditures:				
Debt service				
Principal	3,325,000	3,325,000	3,325,000	-
Interest	1,364,040	1,354,040	1,337,823	16,217
Total expenditures	<u>4,689,040</u>	<u>4,679,040</u>	<u>4,662,823</u>	<u>16,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,311)</u>	<u>(12,222)</u>	<u>4,066</u>	<u>16,288</u>
Net change in fund balance	(40,311)	(12,222)	4,066	16,288
Fund balance - beginning	383,580	408,246	369,252	(38,994)
Fund balance - ending	<u>\$ 343,269</u>	<u>\$ 396,024</u>	<u>\$ 373,318</u>	<u>\$ (22,706)</u>

Park City Municipal Corporation, Utah
Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and special assessments	\$ 1,362,709	\$ 1,795,000	\$ 1,800,000	\$ 5,000
Intergovernmental	350,000	498,980	480,136	(18,844)
Investment income	-	60,000	89,341	29,341
Impact fees	233,000	604,327	133,421	(470,906)
Miscellaneous	7,550,000	14,227,350	1,442,687	(12,784,663)
Total revenues	<u>9,495,709</u>	<u>17,185,657</u>	<u>3,945,585</u>	<u>(13,240,072)</u>
Expenditures:				
Capital outlay				
Land and building acquisition	-	1,395,077	-	1,395,077
Street and storm drain improvements	735,000	4,727,204	3,151,753	1,575,451
Building renovation and construction	592,709	6,590,137	5,038,734	1,551,403
Improvements other than building	13,442,456	36,686,371	6,215,666	30,470,705
City parks and cemetery improvements	-	73,570	67,653	5,917
Equipment	125,000	702,538	383,981	318,557
Total expenditures	<u>14,895,165</u>	<u>50,174,897</u>	<u>14,857,787</u>	<u>35,317,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,399,456)</u>	<u>(32,989,240)</u>	<u>(10,912,202)</u>	<u>22,077,038</u>
Other financing sources (uses)				
Sale of capital assets	5,500,000	5,500,000	2,255,243	(3,244,757)
Transfers in	-	1,800,000	1,800,000	-
Transfers out	(134,366)	(134,366)	(134,366)	-
Total other financing sources (uses)	<u>5,365,634</u>	<u>7,165,634</u>	<u>3,920,877</u>	<u>(3,244,757)</u>
Net change in fund balance	(33,822)	(25,823,606)	(6,991,325)	18,832,281
Fund balance - beginning	<u>1,902,968</u>	<u>26,823,812</u>	<u>26,964,826</u>	<u>141,014</u>
Fund balance - ending	<u>\$ 1,869,146</u>	<u>\$ 1,000,206</u>	<u>\$ 19,973,501</u>	<u>\$ 18,973,295</u>

Park City Municipal Corporation, Utah
Lower Park Avenue Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property tax	\$ 2,525,000	\$ 2,357,000	\$ 2,425,241	\$ 68,241
Investment income	-	26,000	70,552	44,552
Total revenues	<u>2,525,000</u>	<u>2,383,000</u>	<u>2,495,793</u>	<u>112,793</u>
Expenditures:				
Capital outlay				
Land and building acquisition	-	1,659,751	27,484	1,632,267
Street and storm drain improvements	-	89,845	40,230	49,615
Improvements other than building	3,927,500	4,143,980	657,157	3,486,823
City parks and cemetery improvements	100,000	112,836	889	111,947
Total expenditures	<u>4,027,500</u>	<u>6,006,412</u>	<u>725,760</u>	<u>5,280,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,502,500)</u>	<u>(3,623,412)</u>	<u>1,770,033</u>	<u>5,393,445</u>
Other financing (uses)-transfers out	<u>(424,475)</u>	<u>(507,975)</u>	<u>(507,975)</u>	<u>-</u>
Net change in fund balance	(1,926,975)	(4,131,387)	1,262,058	5,393,445
Fund balance - beginning	5,741,718	7,823,811	7,871,393	47,582
Fund balance - ending	<u>\$ 3,814,743</u>	<u>\$ 3,692,424</u>	<u>\$ 9,133,451</u>	<u>\$ 5,441,027</u>

Park City Municipal Corporation, Utah
Main Street Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property tax	\$ 1,300,000	\$ 1,300,000	\$ 1,349,915	\$ 49,915
Investment income	-	5,000	10,640	5,640
Total revenues	<u>1,300,000</u>	<u>1,305,000</u>	<u>1,360,555</u>	<u>55,555</u>
Expenditures:				
Capital outlay				
Building renovation and construction	-	17,765	7,735	10,030
Improvements other than building	724,500	1,272,803	688,379	584,424
Total expenditures	<u>724,500</u>	<u>1,290,568</u>	<u>696,114</u>	<u>594,454</u>
Excess of revenues over expenditures	<u>575,500</u>	<u>14,432</u>	<u>664,441</u>	<u>650,009</u>
Other financing (uses)-transfers out	<u>(950,000)</u>	<u>(950,000)</u>	<u>(950,000)</u>	<u>-</u>
Net change in fund balance	(374,500)	(935,568)	(285,559)	650,009
Fund balance - beginning	1,100,800	1,679,751	1,690,803	11,052
Fund balance - ending	<u>\$ 726,300</u>	<u>\$ 744,183</u>	<u>\$ 1,405,244</u>	<u>\$ 661,061</u>

Park City Municipal Corporation, Utah
Municipal Building Authority Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 3,000	\$ 1,032	\$ 4,585	\$ 3,553
Rental and other	244,981	244,981	244,981	-
Total revenues	<u>247,981</u>	<u>246,013</u>	<u>249,566</u>	<u>3,553</u>
Expenditures:				
Debt service				
Principal	244,981	244,981	244,981	-
Interest	4,500	1,220	1,219	1
Total expenditures	<u>249,481</u>	<u>246,201</u>	<u>246,200</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,500)</u>	<u>(188)</u>	<u>3,366</u>	<u>3,554</u>
Net change in fund balance	(1,500)	(188)	3,366	3,554
Fund balance - beginning	516,083	518,071	520,895	2,824
Fund balance - ending	<u>\$ 514,583</u>	<u>\$ 517,883</u>	<u>\$ 524,261</u>	<u>\$ 6,378</u>

Park City Municipal Corporation, Utah
Equipment Replacement Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Capital outlay - equipment	798,000	1,938,798	893,741	1,045,057
Total expenditures	<u>798,000</u>	<u>1,938,798</u>	<u>893,741</u>	<u>1,045,057</u>
Other financing sources				
Sale of capital assets	-	32,000	35,555	3,555
Transfers in	798,000	835,000	835,000	-
Total other financing sources	<u>798,000</u>	<u>867,000</u>	<u>870,555</u>	<u>3,555</u>
Net change in fund balance	-	(1,071,798)	(23,186)	1,048,612
Fund balance - beginning	155,625	1,267,320	1,267,320	-
Fund balance - ending	<u>\$ 155,625</u>	<u>\$ 195,522</u>	<u>\$ 1,244,134</u>	<u>\$ 1,048,612</u>

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing and operations of services provided to various City departments and other governments, on a cost-reimbursement basis. Included are:

Fleet Services Fund: Fleet Services Fund accounts for the cost of storage, repair and maintenance of City-owned vehicles.

Self-Insurance Fund: Self-Insurance Fund accounts for the establishment of a self-insurance program.

Park City Municipal Corporation, Utah
Combining Statement of Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Fleet Services Fund</u>	<u>Self- Insurance Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash, cash equivalents and investments	\$ 319,171	\$ 1,861,740	\$ 2,180,911
Accounts receivable	52,882	-	52,882
Inventories	390,747	-	390,747
Total current assets	<u>762,800</u>	<u>1,861,740</u>	<u>2,624,540</u>
Capital assets			
Vehicles and equipment	47,450	-	47,450
Accumulated depreciation	<u>(47,450)</u>	<u>-</u>	<u>(47,450)</u>
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>762,800</u>	<u>1,861,740</u>	<u>2,624,540</u>
LIABILITIES			
Current liabilities:			
Accounts payable	47,808	13,489	61,297
Compensated absences	<u>12,513</u>	<u>-</u>	<u>12,513</u>
Total current liabilities	<u>60,321</u>	<u>13,489</u>	<u>73,810</u>
Noncurrent liability-compensated absences	<u>28,192</u>	<u>-</u>	<u>28,192</u>
Total liabilities	<u>88,513</u>	<u>13,489</u>	<u>102,002</u>
Total net assets-unrestricted	<u>\$ 674,287</u>	<u>\$ 1,848,251</u>	<u>\$ 2,522,538</u>

Park City Municipal Corporation, Utah
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Fleet Services Fund	Self- Insurance Fund	Total
Operating revenues			
Charges for services	\$ 2,429,394	\$ 504,000	\$ 2,933,394
Total operating revenues	<u>2,429,394</u>	<u>504,000</u>	<u>2,933,394</u>
Operating expenses			
Salaries and benefits	614,394	-	614,394
Supplies, maintenance and services	1,071,712	522,849	1,594,561
Energy and utilities	631,680	-	631,680
Total operating expenses	<u>2,317,786</u>	<u>522,849</u>	<u>2,840,635</u>
Income (loss) from operations and change in net assets	<u>111,608</u>	<u>(18,849)</u>	<u>92,759</u>
Net assets - beginning	562,679	1,867,100	2,429,779
Net assets - ending	<u>\$ 674,287</u>	<u>\$ 1,848,251</u>	<u>\$ 2,522,538</u>

Park City Municipal Corporation, Utah
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Fleet Services Fund	Self- Insurance Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,419,236	\$ 504,000	\$ 2,923,236
Payments to suppliers	(1,958,814)	(576,592)	(2,535,406)
Payments to employees	(612,849)	-	(612,849)
Net cash (used in) operating activities	<u>(152,427)</u>	<u>(72,592)</u>	<u>(225,019)</u>
 Net (decrease) in cash, cash equivalents and investments	 (152,427)	 (72,592)	 (225,019)
 Balances—beginning of the year	 <u>471,598</u>	 <u>1,934,332</u>	 <u>2,405,930</u>
 Balances—end of the year	 <u>\$ 319,171</u>	 <u>\$ 1,861,740</u>	 <u>\$ 2,180,911</u>
 Reconciliation of operating income (loss) to net cash (used in) operating activities:			
Operating income (loss)	\$ 111,608	\$ (18,849)	\$ 92,759
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:			
Change in assets and liabilities:			
Receivables, net	(10,158)	-	(10,158)
Inventories	(211,309)	-	(211,309)
Accounts and other payables	(44,113)	(53,743)	(97,856)
Accrued expenses	1,545	-	1,545
 Net cash (used in) operating activities	 <u>\$ (152,427)</u>	 <u>\$ (72,592)</u>	 <u>\$ (225,019)</u>

FIDUCIARY FUND

The Park City Agency Fund is used to hold deposits and performance bonds.

Park City Municipal Corporation, Utah
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Park City Agency				
Assets				
Cash, cash equivalents and investments	\$ <u>1,188,202</u>	\$ <u>556,366</u>	\$ <u>(685,812)</u>	\$ <u>1,058,756</u>
Liabilities				
Deposits	\$ <u>1,188,202</u>	\$ <u>556,366</u>	\$ <u>(685,812)</u>	\$ <u>1,058,756</u>

STATISTICAL SECTION

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City’s overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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Schedule 1
Park City Municipal Corporation, Utah
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	\$ 76,844,603	\$ 81,377,025	\$ 84,556,119	\$ 89,314,177	\$ 94,499,292	\$ 104,268,572	\$ 126,232,311	\$ 133,919,927	\$ 136,071,293
Restricted	4,758,014	24,563,680	13,382,225	9,601,159	6,881,623	16,373,427	8,409,654	4,523,349	1,300,187
Unrestricted	41,563,061	27,672,420	45,952,484	58,692,064	64,231,443	46,530,239	40,053,884	39,298,940	44,183,904
Total governmental activities net assets	<u>\$ 123,165,678</u>	<u>\$ 133,613,125</u>	<u>\$ 143,890,828</u>	<u>\$ 157,607,400</u>	<u>\$ 165,612,358</u>	<u>\$ 167,172,238</u>	<u>\$ 174,695,849</u>	<u>\$ 177,742,216</u>	<u>\$ 181,555,384</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 30,621,505	\$ 34,255,631	\$ 33,886,798	\$ 34,285,569	\$ 33,742,422	\$ 36,546,622	\$ 45,544,573	\$ 51,237,710	\$ 56,045,149
Restricted	4,890,128	3,764,831	8,732,350	9,745,959	8,881,500	9,254,588	22,052,008	9,905,734	4,625,572
Unrestricted	5,071,623	6,280,644	5,208,267	10,525,780	16,473,348	17,152,620	234,871	11,465,665	17,866,511
Total business-type activities net assets	<u>\$ 40,583,256</u>	<u>\$ 44,301,106</u>	<u>\$ 47,827,415</u>	<u>\$ 54,557,308</u>	<u>\$ 59,097,270</u>	<u>\$ 62,953,830</u>	<u>\$ 67,831,452</u>	<u>\$ 72,609,109</u>	<u>\$ 78,537,232</u>
Primary government									
Invested in capital assets, net of related debt	\$ 107,466,108	\$ 115,632,656	\$ 118,442,917	\$ 123,599,746	\$ 128,241,714	\$ 140,815,194	\$ 171,776,884	\$ 185,157,637	\$ 192,116,442
Restricted	9,648,142	28,328,511	22,114,575	19,347,118	15,763,123	25,628,015	30,461,662	14,429,083	5,925,759
Unrestricted	46,634,684	33,953,064	51,160,751	69,217,844	80,704,791	63,682,859	40,288,755	50,764,605	62,050,415
Total primary government net assets	<u>\$ 163,748,934</u>	<u>\$ 177,914,231</u>	<u>\$ 191,718,243</u>	<u>\$ 212,164,708</u>	<u>\$ 224,709,628</u>	<u>\$ 230,126,068</u>	<u>\$ 242,527,301</u>	<u>\$ 250,351,325</u>	<u>\$ 260,092,616</u>

Notes: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.
The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Schedule 2
Park City Municipal Corporation, Utah
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	\$ 7,846,791	\$ 6,493,178	\$ 9,793,758 (1)	\$ 9,104,598	\$ 13,410,484	\$ 15,340,741	\$ 15,424,562	\$ 13,876,694	\$ 15,860,395
Public safety	3,105,264	3,296,810	3,614,976	3,639,734	4,150,644	4,243,055	4,410,647	4,523,175	4,749,019
Public works	7,466,892	7,679,736	7,806,325	7,945,868	9,355,418	8,464,545	8,186,146	7,539,516	7,120,275
Library and recreation	2,668,135	2,333,871	2,569,725	2,858,010	3,181,083	3,234,338	3,252,784	3,146,783	3,707,452
Interest on long-term debt	1,416,853	1,875,384	1,864,527	1,742,611	1,615,426	1,767,188	2,213,998	2,039,807	1,812,222
Total governmental activities expenses	22,503,935	21,678,979	25,649,311	25,290,821	31,713,055	33,049,867	33,488,137	31,125,975	33,249,363
Business-type activities:									
Water	5,635,628	5,586,033	5,126,182	6,021,603	5,953,499	7,895,070	9,220,606	9,168,368	8,974,451
Transportation and parking	4,485,535	5,057,840	5,664,315	6,822,384	7,244,088	7,167,411	9,406,997	8,433,607	11,157,084
Golf course	1,345,877	1,218,127	1,197,417	1,609,662	1,236,033	1,280,080	1,182,865	1,291,645	1,394,404
Total business-type activities expenses	11,467,040	11,862,000	11,987,914	14,453,649	14,433,620	16,342,561	19,810,468	18,893,620	21,525,939
Total primary government expenses	\$ 33,970,975	\$ 33,540,979	\$ 37,637,225	\$ 39,744,470	\$ 46,146,675	\$ 49,392,428	\$ 53,298,605	\$ 50,019,595	\$ 54,775,302
Program Revenues									
Governmental activities:									
Charges for services									
General government	\$ 1,808,891	\$ 3,272,967	\$ 3,605,851	\$ 4,440,720	\$ 5,807,731	\$ 3,120,334	\$ 1,535,425	\$ 1,959,149	\$ 2,072,172
Public safety	8,670	4,920	4,625	2,290	1,350	1,695	2,550	2,700	6,593
Public works	16,670	20,000	54,660	50,515	209,828	249,405	201,643	219,843	222,708
Library and recreation	883,021	946,460	1,078,903	1,091,658	1,147,238	1,236,024	1,107,536	836,328	1,142,700
Operating grants and contributions	157,519	53,418	191,803	126,395	158,494	111,044	88,142	126,759	151,111
Capital grants and contributions	4,487,886	3,365,287	1,994,234	817,530	1,951,362	3,163,329	8,827,676	649,032	1,476,472
Total governmental activities program revenues	7,362,657	7,663,052	6,930,076	6,529,108	9,276,003	7,881,831	11,762,972	3,793,811	5,071,756
Business-type activities:									
Charges for services									
Water	4,443,168	3,972,634	5,314,807	6,002,411	5,814,397	7,233,359	7,370,380	8,416,666	9,915,490
Transportation and parking	1,705,022	2,250,236	2,535,187	2,840,910	3,280,270	3,421,979	3,842,616	3,495,838	3,487,939
Golf course	958,295	857,200	896,091	948,753	955,473	994,049	843,621	878,237	1,033,286
Operating grants and contributions	188,377	339,700	-	1,536,448	54,774	1,186,122	3,219,683	-	3,681,732
Capital grants and contributions	391,320	4,746,137	3,099,552	5,134,055	4,097,331	4,095,971	4,449,296	6,367,580	4,856,335
Total business-type activities program revenues	7,686,182	12,165,907	11,845,637	16,462,577	14,202,245	16,931,480	19,725,596	19,158,321	22,974,782
Total primary government program revenues	\$ 15,048,839	\$ 19,828,959	\$ 18,775,713	\$ 22,991,685	\$ 23,478,248	\$ 24,813,311	\$ 31,488,568	\$ 22,952,132	\$ 28,046,538
Net (expense)/revenue									
Governmental activities	\$ (15,141,278)	\$ (14,015,927)	\$ (18,719,235)	\$ (18,761,713)	\$ (22,437,052)	\$ (25,168,036)	\$ (21,725,165)	\$ (27,332,164)	\$ (28,177,607)
Business-type activities	(3,780,858)	303,907	(142,277)	2,008,928	(231,375)	588,919	(84,872)	264,701	1,448,843
Total primary government net expense	\$ (18,922,136)	\$ (13,712,020)	\$ (18,861,512)	\$ (16,752,785)	\$ (22,668,427)	\$ (24,579,117)	\$ (21,810,037)	\$ (27,067,463)	\$ (26,728,764)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property tax, levied for general purposes	\$ 9,584,191	\$ 10,771,072	\$ 10,235,875	\$ 10,504,429	\$ 11,051,669	\$ 11,003,476	\$ 11,921,879	\$ 12,442,798	\$ 13,797,851	
Property tax, levied for debt service	1,711,909	1,711,909	2,211,909	2,211,909	2,211,909	2,211,909	4,009,000	4,570,315	4,580,904	
General sales and use tax	3,400,877	3,892,401	4,268,697	4,352,388	4,047,348	3,881,142	3,990,274	3,966,554	4,125,435	
Franchise tax	1,854,981	2,309,090	2,715,184	2,529,915	2,748,571	2,720,272	2,774,319	2,906,982	2,816,070	
Resort tax	3,158,783	3,954,810	4,261,186	5,155,164	5,157,557	4,709,483	4,483,804	5,022,250	5,443,231	
Investment earnings	758,492	1,481,694	2,976,800	3,968,351	3,669,971	1,646,364	753,587	399,928	283,191	
Miscellaneous	496,246	342,398	1,275,609	983,013	793,279	874,055	1,124,367	1,022,968	944,093	
Gain/Loss on sale of capital assets	-	-	1,051,678	3,079,451	761,706	(46,785)	-	215,705	-	
Transfers	2,189,364	-	-	-	-	-	(1,132,821)	(168,969)	-	
Total governmental activities	23,154,843	24,463,374	28,996,938	32,784,620	30,442,010	26,999,916	27,924,409	30,378,531	31,990,775	
Business-type activities:										
General sales and use tax	2,219,524	2,655,488	2,871,465	3,469,575	3,550,538	2,436,838	3,127,767	3,503,440	3,798,125	
Investments earnings	148,436	275,885	465,996	821,835	892,754	543,562	339,629	438,221	247,058	
Miscellaneous	433,609	482,570	331,125	429,555	328,045	287,241	362,277	402,326	434,097	
Transfers	(2,189,364)	-	-	-	-	-	1,132,821	168,969	-	
Total business-type activities	612,205	3,413,943	3,668,586	4,720,965	4,771,337	3,267,641	4,962,494	4,512,956	4,479,280	
Total primary government	\$ 23,767,048	\$ 27,877,317	\$ 32,665,524	\$ 37,505,585	\$ 35,213,347	\$ 30,267,557	\$ 32,886,903	\$ 34,891,487	\$ 36,470,055	
Change in Net Assets										
Governmental activities	\$ 8,013,565	\$ 10,447,447	\$ 10,277,703	\$ 14,022,907	\$ 8,004,958	(2) \$ 1,831,880	(3) \$ 6,199,244	(3)(4) \$ 3,046,367	(4) \$ 3,813,168	
Business-type activities	(3,168,653)	3,717,850	3,526,309	6,729,893	4,539,962	3,856,560	4,877,622	4,777,657	5,928,123	
Total primary government	\$ 4,844,912	\$ 14,165,297	\$ 13,804,012	\$ 20,752,800	\$ 12,544,920	\$ 5,688,440	\$ 11,076,866	\$ 7,824,024	\$ 9,741,291	

Notes: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

- (1) In February 2006, the City began operation of the Quinns Recreation Complex Ice Skating Arena. The expenses for operation of the arena are included in general government.
- (2) Decrease in governmental activities net assets is due to increases in general government, public safety and public works expense.
- (3) Decrease in governmental activities net assets is due to increases in payroll expenditures and the ice facility, which was open two more months in fy 2009 compared to fy 2008.
- (4) Decrease in governmental activities net assets is due to decreases in capitalizable grants and contributions.

Schedule 3
Park City Municipal Corporation, Utah
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund									
Unreserved, undesignated	\$ 2,992,064	\$ 3,216,779	\$ 3,120,657	\$ 4,614,015	\$ 3,672,132	\$ 3,747,296	\$ 3,894,972	\$ -	\$ -
Unassigned	-	-	-	-	-	-	-	4,209,020	4,011,625
Restricted - Drug and tobacco enforcement	-	-	-	-	-	-	-	31,258	36,517
Total general fund	<u>2,992,064</u>	<u>3,216,779</u>	<u>3,120,657</u>	<u>4,614,015</u>	<u>3,672,132</u>	<u>3,747,296</u>	<u>3,894,972</u>	<u>4,240,278</u>	<u>4,048,142</u>
All other governmental funds									
Reserved									
Major capital projects funds-capital projects	\$ -	\$ 6,356,191 (1)	\$ 3,615,314	\$ 3,512,677	\$ 1,506,103	\$ 11,384,726	\$ 6,608,983	\$ -	\$ -
Major debt service funds-capital projects	-	16,443,301 (1)	8,015,584	4,247,676	4,022,666	4,104,881	1,115,930	-	-
Major debt service	-	13,159	5,548	46,755	222,246	204,089	3,880	-	-
Nonmajor debt service funds-capital projects	2,630,600	1,025,952	1,061,227	1,111,655	-	-	-	-	-
Nonmajor debt service funds-debt service	2,127,414	725,077	684,552	682,396	1,130,608	679,731	680,861	-	-
Unreserved, designated									
Major capital projects funds	18,904,054	26,616,759	37,188,250 (2)	42,039,728 (2)	46,763,396 (2)	40,220,685 (2)	26,618,929 (2)	-	-
Nonmajor capital projects funds	4,497,301	3,272,704	3,551,772	3,469,259	3,140,465	1,798,846	1,948,358	-	-
Major debt service funds	177,742	451,885	436,235	488,982	652,121	647,183	1,084,351	-	-
Nonmajor debt service funds	1,141,311	337,744	58,800	118,394	187,889	198,251	203,868	-	-
Unreserved, undesignated									
Major capital projects funds	9,783,315	8,177,726	9,748,106	7,725,190	8,950,857	5,250,664	6,496,859	-	-
Major debt service funds	-	(300,875)	(6,232,622)	(2,684,701)	(2,501,669)	(2,384,282)	-	-	-
Nonmajor capital projects funds	795,495	1,944,705	1,856,919	2,078,624	76,071	570,697	1,215,873	-	-
Nonmajor debt service funds	(247,426)	-	112,581	-	1,094,765	-	-	-	-
Restricted for:									
Capital projects	-	-	-	-	-	-	-	4,490,602 (3)	1,261,260
Debt service	-	-	-	-	-	-	-	1,489	2,410
Assigned:									
Capital projects funds	-	-	-	-	-	-	-	34,536,547	-
Debt service funds	-	-	-	-	-	-	-	1,537,118	-
Committed:									
Capital projects funds	-	-	-	-	-	-	-	-	31,635,190
Debt service funds	-	-	-	-	-	-	-	-	1,713,903
Total all other governmental funds	<u>39,809,806</u>	<u>65,064,328</u>	<u>60,102,266</u>	<u>62,836,635</u>	<u>65,245,518</u>	<u>62,675,471</u>	<u>45,977,892</u>	<u>40,565,756</u>	<u>34,612,763</u>

Notes: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

(1) The increase in reserved fund balance in fiscal year 2005 was due to unspent bond proceeds from an issuance during the period for capital projects.

(2) Designated fund balance includes a transfer from the general fund to the capital projects improvement fund per the City's budget, as follows:

FY 2006-transfer of \$6.5 million; FY 2007-transfer of \$5.6 million; FY 2008-transfer of \$4.8 million; FY 2009-transfer of \$2.8 million; FY 2010-transfer of \$1.6 million.

(3) FY 2011- Implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Schedule 4
Park City Municipal Corporation, Utah
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues									
Taxes and special assessments	\$ 19,688,976	\$ 22,584,930	\$ 23,715,701	\$ 24,781,947	\$ 25,235,186	\$ 24,523,906	\$ 27,038,657	\$ 28,939,586	\$ 30,705,261
Licenses and permits	1,144,028	2,154,641	2,250,004	2,686,965	3,286,754	1,702,201	808,055	1,067,438	1,166,721
Intergovernmental	838,767	662,954	933,555	843,925	1,310,951	601,868	690,912	775,791	627,433
Charges for services	959,759	1,053,161	1,375,512	1,603,390	1,640,952	1,785,328	1,705,148	1,526,455	1,910,119
Fines and forfeitures	26,947	25,766	28,622	26,981	44,855	43,825	40,562	28,833	29,404
Investment income	758,492	1,481,694	2,976,800	3,968,351	3,669,971	1,646,364	753,587	399,928	283,191
Impact fees	586,518	1,010,779	1,089,901	1,267,847	1,310,955	844,074	109,553	191,521	133,421
Rental and other miscellaneous	1,709,620	1,680,982	1,216,022	1,407,452	3,273,529	2,017,353	2,843,770	2,104,193	2,366,777
Total revenues	<u>25,713,107</u>	<u>30,654,907</u>	<u>33,586,117</u>	<u>36,586,858</u>	<u>39,773,153</u>	<u>33,164,919</u>	<u>33,990,244</u>	<u>35,033,745</u>	<u>37,222,327</u>
Expenditures									
General government	7,052,526	6,975,713	7,201,245	7,983,283	9,341,117	9,290,488	9,926,208	10,717,351	11,260,367
Public safety	3,008,490	3,219,448	3,509,959	3,565,474	3,986,114	3,929,574	4,118,458	4,266,143	4,498,776
Public works	3,410,777	3,746,378	4,021,580	4,098,548	5,426,957	4,464,352	4,366,909	4,422,633	4,718,003
Library and recreation	2,122,774	2,067,106	2,268,341	2,370,047	2,565,820	2,581,640	2,608,012	2,534,737	2,839,500
Debt Service									
Principal retirement	4,437,570	6,867,602	3,820,134	3,703,520	3,847,159	5,171,070	5,955,275	5,349,796	5,424,637
Interest	1,423,844	1,650,721	1,897,895	1,756,593	1,629,489	1,674,501	2,065,562	2,066,631	1,835,199
Bond issuance costs	-	264,195	-	-	43,417	261,213	137,262	51,663	-
Arbitrage rebate	-	-	-	-	-	-	31,874	-	-
Capital outlay	10,105,470	9,652,321	19,137,043	15,173,156	14,402,328	35,150,900	33,827,783	12,847,882	17,073,402
Total expenditures	<u>31,561,451</u>	<u>34,443,484</u>	<u>41,856,197</u>	<u>38,650,621</u>	<u>41,242,401</u>	<u>62,523,738</u>	<u>63,037,343</u>	<u>42,256,836</u>	<u>47,649,884</u>
Revenues (under) expenditures	(5,848,344)	(3,788,577)	(8,270,080)	(2,063,763)	(1,469,248)	(29,358,819)	(29,047,099)	(7,223,091)	(10,427,557)
Other financing sources (uses)									
Debt issuance	5,024,109	24,500,000	-	-	779,793	24,477,505	6,092,683	-	-
Refunding bonds issued	-	4,500,000	-	-	-	1,695,000	2,025,000	1,525,000	-
Payment to refunded bond holders	-	(387,745)	-	-	-	(1,695,000)	-	(2,655,000)	-
Payment to refunded bond escrow agent	-	(4,143,153)	-	-	-	-	(2,055,334)	-	-
Premium on debt issuance	-	173,975	-	-	-	270,712	89,739	-	-
Premium on refunding bonds	-	-	-	-	-	-	59,922	33,592	-
Discount on debt issuance	-	-	-	-	-	(25,209)	-	-	-
Capital contributions	-	2,000,000	-	-	-	-	-	-	-
Sale of capital assets	11,093	486,059	1,082,898	3,995,223	1,606,153	16,515	4,155,231	1,124,436	2,290,798
Transfers in	11,827,304	26,788,395	27,192,306	11,754,974	11,673,653	30,892,855	12,836,826	6,595,012	6,424,043
Transfers out	(9,440,487)	(24,649,717)	(25,063,308)	(9,458,707)	(11,123,351)	(28,768,442)	(10,706,871)	(4,466,779)	(4,432,413)
Total other financing sources	<u>7,422,019</u>	<u>29,267,814</u>	<u>3,211,896</u>	<u>6,291,490</u>	<u>2,936,248</u>	<u>26,863,936</u>	<u>12,497,196</u>	<u>2,156,261</u>	<u>4,282,428</u>
Net change in fund balances	<u>\$ 1,573,675</u>	<u>\$ 25,479,237</u>	<u>\$ (5,058,184)</u>	<u>\$ 4,227,727</u>	<u>\$ 1,467,000</u>	<u>\$ (2,494,883)</u>	<u>\$ (16,549,903)</u>	<u>\$ (5,066,830)</u>	<u>\$ (6,145,129)</u>
Debt Service as a percentage of noncapital expenditures	27%	35%	25%	21%	18%	21%	24%	23%	21%

Note: Table represents data available since implementation of GASB Statement 44, will increase to ten years over time.

Schedule 5

Park City Municipal Corporation, Utah

General Government Tax Revenues by Source (1)

Last Ten Fiscal Years

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise Tax</u>	<u>Resort Tax</u>	<u>Total</u>
2003	\$ 7,045,425	\$ 3,213,567	\$ 1,702,577	\$ 3,039,168	\$ 15,000,737
2004	7,865,133	3,400,877	1,854,981	3,158,783	16,279,774
2005	8,955,565	3,892,401	2,309,090	3,954,810	19,111,866
2006	8,942,736	4,268,697	2,715,184	4,261,186	20,187,803
2007	8,968,068	4,352,388	2,529,915	5,155,164	21,005,535
2008	9,353,405	4,047,348	2,748,571	5,157,557	21,306,881
2009	9,148,584	3,881,142	2,720,272	4,709,483	20,459,481
2010	11,750,185	3,990,274	2,774,319	4,483,804	22,998,582
2011	13,217,398	3,966,554	2,906,982	3,022,250	23,113,184
2012	14,545,369	4,125,435	2,816,070	3,643,231	25,130,105
Change:					
2003-2012	106.5%	28.4%	65.4%	19.9%	67.5%

Note: (1) Includes general fund and debt service fund.

Schedule 6
Park City Municipal Corporation, Utah
Assessed Value of Taxable Property Excluding Fee-In-Lieu
Summit and Wasatch Counties Combined
Last Ten Calendar Years
(in thousands of dollars)

<u>Calendar Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Miscellaneous Property</u>	<u>Total Assessed Value</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2002	\$ 3,154,215	\$ 308,415	\$ 53,764	\$ 3,516,394	\$ 3,248,321	0.002132 %
2003	3,182,705	314,184	51,877	3,548,766	3,366,694	0.002267
2004	3,288,957	318,780	51,642	3,659,379	3,472,236	0.002525
2005	3,515,024	381,696	44,779	3,941,499	3,761,216	0.002349
2006	4,262,087	381,117	44,846	4,688,050	4,494,052	0.001983
2007	5,302,168	513,362	31,845	5,847,375	5,522,763	0.001674
2008	6,505,709	523,062	35,652	7,064,423	6,783,652	0.001779
2009	6,456,810	566,964	33,650	7,057,424	6,073,486	0.002148
2010	5,515,632	584,026	35,886	6,135,544	6,845,702	0.002130
2011	5,400,362	577,505	45,168	6,023,035	6,652,579	0.002236

Source: Summit County Assessor's Office

Schedule 7
Park City Municipal Corporation, Utah
Assessed Value of Taxable Property Including Fee-In-Lieu
Summit and Wasatch Counties Combined
Last Ten Calendar Years
(in thousands of dollars)

<u>Calendar Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Miscellaneous Property</u>	<u>Fee-In-Lieu Value</u>	<u>Total Assessed Value</u>
2003	\$ 3,154,215	\$ 308,415	\$ 53,764	\$ 13,612	\$ 3,530,006
2004	3,182,705	314,184	51,877	14,488	3,563,254
2005	3,288,957	318,780	51,642	14,881	3,674,260
2006	3,515,024	381,696	44,779	13,666	3,955,165
2007	4,262,087	381,117	44,846	14,397	4,702,448
2008	5,302,168	513,362	31,845	13,943	5,861,318
2009	6,505,709	523,062	35,652	11,815	7,076,238
2010	6,456,810	566,964	33,650	13,509	7,070,933
2011	5,515,632	584,026	35,886	12,755 (1)	6,148,299
2012	5,400,362	577,505	45,168	- (2)	6,023,035

Source: County Auditors, Summit and Wasatch Counties; Property Tax Division, Utah State Tax Commission.

Note: (1) The State's method of calculating the Fee-In-Lieu was changed in 2011, previous years were recalculated using the new formula.

(2) 2012 fee-in-lieu data is not yet available.

Schedule 8
Park City Municipal Corporation, Utah
Taxable Retail Sales by Category
Last Nine Calendar Years
(in thousands of dollars)

	Calendar Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apparel stores	\$ 11,363	\$ 14,213	\$ 18,177	\$ 24,620	\$ 27,266	\$ 23,627	\$ 19,710	\$ 21,833	\$ 25,919
Food stores	41,627	44,444	45,617	47,386	50,148	66,801	60,784	60,269	64,592
Sporting goods, hobby, book and music	-	-	-	-	-	33,633 (1)	29,779	35,891	40,163
Home furnishings and appliances	8,183	9,143	13,545	15,126	15,073	13,717	12,363	21,785	21,745
Building materials and farm tools	16,145	21,943	24,894	29,142	25,252	7,008	4,871	2,735	2,704
Miscellaneous retail stores	50,969	58,732	64,944	72,966	73,907	28,323	23,798	26,427	26,894
All other outlets	<u>684</u>	<u>1,916</u>	<u>1,031</u>	<u>1,477</u>	<u>1,628</u>	<u>11,156</u>	<u>6,953</u>	<u>3,698</u>	<u>3,484</u>
Total	<u>\$ 128,971</u>	<u>\$ 150,391</u>	<u>\$ 168,208</u>	<u>\$ 190,717</u>	<u>\$ 193,274</u>	<u>\$ 184,265</u>	<u>\$ 158,258</u>	<u>\$ 172,638</u>	<u>\$ 185,501</u>
City direct sales tax rate	2.25 %	2.25 %	2.25 %	2.25 %	2.25 %	2.40 %	2.40 %	2.40 %	2.40 %

Source: Utah State Tax Commission website: Taxable Sales by Major City

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

(1) 2008 - Sporting goods, hobby, book and music, previously classified in Miscellaneous retail stores, became a significant amount and was separated into a new category.

(2) 2011 - Restaurant sales had been included under retail, until calendar year 2011, when it was removed. Previous years were recalculated removing restaurant sales.

Schedule 9
Park City Municipal Corporation, Utah
Direct and Overlapping Property Tax Rates
Last Ten Calendar Years
(rate per \$1,000 of assessed value)

Calendar Year	City Direct Rates			Overlapping Rates						Total Levy for Park City Residents
	Basic Rate	General Obligation Debt Service	Total Direct	Summit County Levy	State Assessment/Collecting	Weber Basin Water	Park City Fire	Park City School	Summit Co. Mosquito Abatement	
2002	0.001813	0.000319	0.002132	0.001165	0.000323	0.000193	0.000858	0.005709	-	0.010380
2003	0.001855	0.000412	0.002267	0.001186	0.000337	0.000198	0.000885	0.005672	-	0.010545
2004	0.001871	0.000654	0.002525	0.001220	0.000321	0.000198	0.001180	0.005885	-	0.011329
2005	0.001748	0.000601	0.002349	0.001170	0.000321	0.000193	0.001132	0.005494	0.000050	0.010709
2006	0.001493	0.000490	0.001983	0.001009	0.000247	0.000178	0.000963	0.005212	0.000044	0.009636
2007	0.001288	0.000386	0.001674	0.000846	0.000213	0.000200	0.000811	0.004302	0.000038	0.008084
2008	0.001125	0.000654	0.001779	0.000753	0.000182	0.000181	0.000846	0.003895	0.000034	0.007670
2009	0.001327	0.000821	0.002148	0.000746	0.000202	0.000188	0.000849	0.004018	0.000034	0.008185
2010	0.001389	0.000741	0.002130	0.000895	0.000228	0.000207	0.001070	0.004360	0.000040	0.008930
2011	0.001383	0.000853	0.002236	0.000924	0.000241	0.000217	0.001161	0.004405	0.000040	0.009224

Tax Rate (per \$1 of taxable value)

Source: Summit County property tax notices.

Note: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

Schedule 10
Park City Municipal Corporation, Utah
Direct and Overlapping Sales Tax Rate
Last Nine Calendar Years

<u>Calendar Year</u>	<u>City Direct Rate</u>	<u>Summit County</u>	<u>State of Utah</u>	<u>Total</u>
2004	2.25 %	0.35 %	4.75 %	7.35 %
2005	2.25	0.35	4.75	7.35
2006	2.25	0.35	4.75	7.35
2007	2.25	0.35	4.75	7.35
2008	2.40	0.35	4.65	7.40
2009	2.40	0.35	4.70	7.45
2010	2.40	0.35	4.70	7.45
2011	2.40	0.35	4.70	7.45
2012	2.40	0.35	4.70	7.45

Source: Utah State Tax Commission

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

Schedule 11
Park City Municipal Corporation, Utah
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Talisker Empire Pass Hotel LLC (Montage)	\$ 470,074,773	1	7.07 %	\$ -	-	- %
Marriott Ownership Resorts	114,504,078	2	1.72	115,222,970	1	3.55
Deer Valley Resort	47,973,246	3	0.72	15,154,930	6	0.47
United Park City Mines	31,108,000	4	0.47	-	-	-
Chateaux at Silver Lake	21,521,376	5	0.32	-	-	-
Silver Lake Development Corp.	19,540,360	6	0.29	-	-	-
REOF XI LLC	16,700,000	7	0.25	-	-	-
Powder Development Company/PCMR	16,041,543	8	0.24	11,116,152	7	0.34
Wintzer Wolfe Properties	14,349,994	9	0.22	10,410,000	8	0.32
IHC Health Services, Inc.	12,297,077	10	0.18	-	-	-
Black Diamond Lodge	-	-	-	29,700,000	2	0.91
HPC Development	-	-	-	27,997,400	3	0.86
Silver Lake Development Corp.	-	-	-	21,492,406	4	0.66
Qwest	-	-	-	18,691,819	5	0.58
Spring Canyon Associates	-	-	-	9,333,980	9	0.29
Yarrow Hotel	-	-	-	8,739,106	10	0.27
Totals	\$ 764,110,447		11.48 %	\$ 267,858,763		8.25 %

Source: Summit County Treasurer and Park City Finance Department

Schedule 12
Park City Municipal Corporation, Utah
City Tax Revenue Collected by County
Last Nine Calendar Years

Tax Year End 12/31	Total Taxes Levied (1)	Treasurer's Relief (2)	Net Taxes Assessed	Current Collections	Delinquent, Personal Property and Misc. Collections (3)	Total Collections (4)	% of Current Collections to Net Taxes Assessed (5)	% of Total Collections to Net Taxes Assessed (6)
<u>Summit County</u>								
2003	\$ 6,795,733	\$ 6,240	\$ 6,789,493	\$ 6,928,746	\$ 731,563	\$ 7,660,309	102.05 %	112.83 %
2004	8,494,873	6,023	8,488,850	8,077,362	2,645,240	10,722,602	95.15	126.31
2005	8,578,808	6,115	8,572,693	8,164,748	417,094	8,581,842	95.24	100.11
2006	8,557,343	7,293	8,550,050	8,222,120	360,857	8,582,977	96.16	100.39
2007	8,957,869	9,178	8,948,691	8,589,737	342,739	8,932,476	95.99	99.82
2008	8,993,705	7,159	8,986,546	8,440,254	395,506	8,835,760	93.92	98.32
2009	11,426,325	11,462	11,414,863	10,740,460	414,902	11,155,362	94.09	97.73
2010	12,119,016	11,981	12,107,035	11,340,669	804,240	12,144,909	93.67	100.31
2011	13,672,899	11,843	13,661,056	12,678,271	693,345	13,371,616	92.81	97.88
<u>Wasatch County</u>								
2003	\$ 201,691	\$ -	\$ 201,691	\$ 204,117	\$ 707	\$ 204,824	101.20 %	101.55 %
2004	220,601	-	220,601	230,070	3,413	233,483	104.29	105.84
2005	210,386	-	210,386	210,714	7,547	218,261	100.16	103.74
2006	199,350	-	199,350	190,369	1,463	191,832	95.49	96.23
2007	173,621	-	173,621	166,916	9,043	175,959	96.14	101.35
2008	193,386	-	193,386	157,195	6,552	163,747	81.29	84.67
2009	346,442	-	346,442	287,560	14,529	302,089	83.00	87.20
2010	723,334	-	723,334	711,980	81,304	793,284	98.43	109.67
2011	568,568	-	568,568	521,424	3,579	525,003	91.71	92.34

Source: Summit and Wasatch County Annual Financial Reports.

Note: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

- (1) Excludes redevelopment agencies valuation.
- (2) Treasurer's Relief includes abatements. These Treasurer's Relief items are levied against the property, but are never collected and paid to the entity.
- (3) Delinquent, Personal Property and Miscellaneous Collections include interest, sales of real and personal property and miscellaneous delinquent collections.
- (4) Total Collection amounts do not include any fee-in-lieu payments.
- (5) The "Total Tax Levy" is the dollar amount certified by the City as needed to balance the budget. The tax rate adopted by the City to generate the "Total Tax Levy" is adjusted, in accordance with State law, to compensate for potential appeals and estimated collection rate. Subsequently, in years where actual appeals are less than the given adjustment and /or the actual collection rate is higher than projected, the City can receive in "Current Tax Collections" an amount greater than the "Total Tax Levy" required to balance the budget.
- (6) Due to collections of Delinquent, Personal Property, Miscellaneous and Interest from prior years collections may exceed 100%.

Schedule 13
Park City Municipal Corporation, Utah
Property Tax Levies and Collections (1)
Last Ten Calendar Years

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy (2)
2002	\$ 6,620,186	\$ 6,575,217	99.32 %	\$ 470,208	\$ 7,045,425	106.42 %
2003	6,997,424	7,393,110	105.65	472,023	7,865,133	112.40
2004	8,715,474	8,307,432	95.32	392,965	8,700,397	99.83
2005	8,789,194	8,375,462	95.29	351,802	8,942,736	101.75
2006	8,756,693	8,412,489	96.07	178,981	8,591,470	98.11
2007	9,131,490	8,756,653	95.90	363,189	9,119,842	99.87
2008	9,187,091	8,597,449	93.58	359,246	8,956,695	97.49
2009	11,772,767	11,028,020	93.67	526,486	11,554,506	98.15
2010	12,842,350	12,052,649	93.85	582,272	12,634,921	98.38
2011	14,241,467	13,199,695	92.68	767,834	13,967,529	98.08

Source: Summit and Wasatch County Annual Financial Reports, and Park City Finance Department.

(1) Includes general fund and debt service fund.

(2) The "Total Tax Levy" is the dollar amount certified by the City as needed to balance the budget. The tax rate adopted by the City to generate the "Total Tax Levy" is adjusted, in accordance with State law, to compensate for potential appeals and estimated collection rate. Subsequently, in years where actual appeals are less than the given adjustment and/or the actual collection rate is higher than projected, the City can receive in "Current Tax Collections" an amount greater than the "Total Tax Levy" required to balance the budget.

Schedule 14
Park City Municipal Corporation, Utah
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Redevelopment Bonds	Sales Tax Increment Bonds	Municipal Building Authority	Contracts Payable	Water Bonds	Capital Leases				
2004	\$ 12,300,000	\$ 6,880,000	\$ -	\$ 8,585,000	\$ 900,043	\$ 7,917,000	\$ 121,676	\$ 36,703,719	2.46 %	\$ 4,908	
2005	19,915,000	5,620,000	20,000,000	-	731,543	7,428,000	90,922	53,785,465	3.42	6,824	
2006	18,570,000	4,320,000	18,870,000	-	686,409	11,375,000 (2)	58,400	53,879,809	3.31	6,680	
2007	17,175,000	3,930,000	17,000,000	-	637,889	10,856,000	-	49,598,889	2.67	6,098	
2008	15,720,000	3,525,000	15,065,000	779,793	585,730	10,162,000	-	45,837,523	2.38	5,708	
2009	36,015,000 (3)	3,100,000	13,235,000	2,102,298	529,660	9,443,000	-	64,424,955	2.97	8,073	
2010	39,375,000 (5)	2,655,000	11,835,000	844,981	469,385	41,236,000 (4)	-	96,415,366	4.17	11,869	
2011	36,135,000	-	11,915,000 (6)	244,981	404,589	39,677,000	-	88,376,570	3.87	11,635	
2012	33,168,627	-	10,167,292	-	334,933	44,329,011 (7)	-	87,999,863	3.52	11,660	

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

(1) See Schedule 20 for personal income and population data.

(2) The City issued Water Revenue Bonds Series 2006 for \$4,450,000 in fiscal year 2006.

(3) The City issued GO Bonds Series 2008 for \$10 million and Series 2009 for \$13.5 million in fiscal year 2009.

(4) The City issued Water Revenue Bonds Series 2009 & 2010 for \$37.9 million in fiscal year 2010.

(5) The City issued GO Bonds Series 2010 for \$8.0 million in fiscal year 2010.

(6) The City issued Sales Tax Bonds Series 2010 for \$1.5 million in fiscal year 2011.

(7) The City issued Water Revenue Bonds Series 2012 for \$4.2 million in fiscal year 2012.

Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

Schedule 15
Park City Municipal Corporation, Utah
Ratios of General Bonded Debt Outstanding
Last Nine Fiscal Years

Fiscal Year	General Bonded Debt					Total	Percentage of Actual Property Value (1)	Per Capita (2)
	General Obligation Bonds	Redevelopment Bonds	Sales Tax Increment Bonds	Contracts Payable				
2004	\$ 12,300,000	\$ 6,880,000	\$ -	\$ 900,043		\$ 20,080,043	0.62 %	\$ 2,685
2005	19,915,000	5,620,000	20,000,000	731,543		46,266,543	1.37	5,870
2006	18,570,000	4,320,000	18,870,000	686,409		42,446,409	1.22	5,262
2007	17,175,000	3,930,000	17,000,000	637,889		38,742,889	1.03	4,764
2008	15,720,000	3,525,000	15,065,000	585,730		34,895,730	0.78	4,346
2009	36,015,000	3,100,000	13,235,000	529,660		52,879,660	0.96	6,627
2010	39,375,000	2,655,000	11,835,000	469,385		54,334,385	0.80	6,689
2011	36,135,000	-	11,915,000	404,589		48,454,589	0.80	6,379
2012	33,168,627	-	10,167,292	334,933		43,670,852	0.64	5,787

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.
(1) See Schedule 6 for property value data.
(2) Population and personal income data can be found in Schedule 20.

Schedule 16
Park City Municipal Corporation, Utah
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable to Park City (1)</u>	<u>Estimated Amount Applicable to Park City</u>
Debt repaid with property taxes			
Summit County	2,550,000	49.83%	1,270,778
Park City School District	10,975,000	59.87%	6,570,556
Weber Basin Water Conservancy District	26,749,989	16.54%	4,424,692
Other debt			
Summit County	16,646,000	49.83%	8,295,439
Weber Basin Water Conservancy District	86,947,000	16.54%	<u>14,381,826</u>
Subtotal, overlapping debt			34,943,292
City direct debt			<u>43,670,852</u>
Total direct and overlapping			\$ <u><u>78,614,144</u></u>

Source: Utah State Auditors Office

Notes:

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Park City. 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 businesses 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.

Schedule 17
Park City Municipal Corporation, Utah
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 129,932,855	\$ 134,667,752	\$ 138,889,430	\$ 150,448,648	\$ 179,762,069	\$ 220,910,526	\$ 271,346,097	\$ 242,939,444	\$ 273,828,091	\$ 266,103,174
Total net debt applicable to limit	<u>7,604,811</u>	<u>12,300,000</u>	<u>19,915,000</u>	<u>18,570,000</u>	<u>17,175,000</u>	<u>15,720,000</u>	<u>36,015,000</u>	<u>39,375,000</u>	<u>36,135,000</u>	<u>33,168,627</u>
Legal debt margin	<u>\$ 122,328,044</u>	<u>\$ 122,367,752</u>	<u>\$ 118,974,430</u>	<u>\$ 131,878,648</u>	<u>\$ 162,587,069</u>	<u>\$ 205,190,526</u>	<u>\$ 235,331,097</u>	<u>\$ 203,564,444</u>	<u>\$ 237,693,091</u>	<u>\$ 232,934,547</u>
Total net debt applicable to the limit as a percentage of debt limit	5.85%	9.13%	14.34%	12.34%	9.55%	7.12%	13.27%	16.21%	13.20%	12.46%

Legal Debt Margin Calculation for Fiscal Year 2012

Total assessed value	\$ <u>6,652,579,338</u>
Debt limit - 4% of total assessed value	266,103,174
Amount of debt applicable to debt limits:	
General Obligation Bonds 2003, 2004, 2008, 2009 and 2010 Series	33,168,627
Less: Amount available for repayment of general obligation bonds	<u>-</u>
Total net debt applicable to limit	<u>33,168,627</u>
Legal debt margin	<u>\$ 232,934,547</u>

Notes: Under Utah State Law, Park City 's outstanding general obligation debt should not exceed 4 percent of total assessed property value.
The general obligation debt subject to the limitation may be offset by resources set aside for the repayment of the principal that are externally restricted.

Schedule 18
Park City Municipal Corporation, Utah
Pledged-Revenue Coverage
Last Eight Fiscal Years

Sales Tax Increment Bonds					
		Sales	Debt Service		Coverage
		Tax	Principal (1)	Interest (1)	
		Increment			
2005	\$	7,847,211	\$	-	-
2006		8,529,883		1,130,000	837,355
2007		9,507,552		1,870,000	723,150
2008		9,204,905		1,935,000	667,162
2009		8,590,625		1,830,000	597,787
2010		8,474,078		1,400,000	528,962
2011		6,988,804		1,445,000	501,680
2012		7,768,666		1,785,000	465,813

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

See Schedule 19 for information on water revenue bond coverage.

(1) Debt issued in fiscal year 2005. No principal and interest payments were scheduled until fiscal year 2006.

Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

Schedule 19
 Park City Municipal Corporation, Utah
 Water Fund Refunding and Revenue Bonds
 Schedule of Net Revenues to Aggregate Debt Service
 As of June 30, 2012

		Coverage Ratio	
		<u>Actual</u>	<u>Minimum</u>
Net revenues (change in net assets)	\$ 1,782,955		
Add			
Excluded transfer to general fund	579,000		
Depreciation and amortization	1,847,813		
Bond interest expense	1,409,782		
Revenues pledged to debt	5,619,550	1.87	1.20

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 Water Revenue Bonds	\$ 181,000	\$ 128,970	\$ 309,970
2009A Water Bonds-DEQ	125,000	2,500	127,500
2009B Water Revenue and Refunding Bonds	650,000	361,775	1,011,775
2009C Water Revenue Bonds	-	510,643	510,643
2010 Water Revenue Bonds	635,000	397,065	1,032,065
2012 Water Revenue Bonds	-	8,829	8,829
	<u>\$ 1,591,000</u>	<u>\$ 1,409,782</u>	<u>\$ 3,000,782</u>

Less water development fees collected in fiscal year 2012	(502,355)		
Net revenues less development fees pledged to debt	\$ 5,117,195	1.71	1.00

Year	Net Revenue (Loss)	Gross Revenues (Less Development Fees) Available for Debt Service	Total Debt Service	Coverage	Gross Revenue Available for Debt Service	Debt	Coverage
2003	\$ 584,567	\$ 1,119,038	\$ 768,338	1.46	\$ 1,922,291	\$ 768,338	2.50
2004	(1,100,049)	202,963	791,514	0.26	1,179,717	791,514	1.49
2005	202,045	584,336	791,495	0.74	2,249,083	791,495	2.84
2006	2,096,796	2,457,076	789,905	3.11	4,188,674	789,905	5.30
2007	3,697,651	2,580,530	942,918	2.74	5,894,276	942,918	6.25
2008	1,775,543	3,071,985	1,101,246	2.79	4,476,691	1,101,246	4.07
2009	2,394,583	2,105,634	1,101,423	1.91	4,809,939	1,101,423	4.37
2010	(863,388)	1,544,407	849,263	1.82	2,159,954	849,263	2.54
2011	372,687	3,408,046	3,004,182	1.13	3,856,339	3,004,182	1.28
2012	1,782,955	5,117,195	3,000,782	1.71	5,619,550	3,000,782	1.87

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 The Water Revenue Bonds Series 2012 were issued in fiscal year 2012. No principal payments were scheduled until fiscal year 2013.

Schedule 20
Park City Municipal Corporation, Utah
Demographic and Economic Statistics
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Population(2)(3)</u>		<u>Personal Income (thousands of dollars)(1)(2)(5)</u>		<u>Per Capita Personal Income (1)(2)(5)</u>	<u>Median Age(2)(3)</u>	<u>School Enrollment(4)</u>	<u>Unemployment Rate (1)(2)</u>
2004	7,478	\$	1,491,412	\$	44,069	32.7	4,150	6.0 %
2005	7,882		1,571,986		45,538	32.7	4,344	5.3
2006	8,066		1,626,716		47,933	32.7	4,411	4.0
2007	8,133		1,854,400		52,981	34.0	4,336	2.2
2008	8,030		1,927,700		60,411	33.3	4,443	3.5
2009	7,980		2,171,400		60,233	34.6	4,477	6.0
2010	8,123		2,311,000		63,832	35.5	4,563	7.1
2011	7,596		2,281,691		61,719	37.4	4,351	6.6
2012	7,547		2,503,395		68,524	35.7	4,400	6.0

Notes: (1) Applies to Summit County.

Sources:

(2) Utah Department of Workforce Services

(3) U.S. Census Bureau - American Factfinder.census.gov - 2010 Demographic Profile Data

(4) Park City School District

(5) 2002-2009: U. S. Department of Commerce, BEA

Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

Schedule 21
Park City Municipal Corporation, Utah
Principal Employers
Current Year and Nine Years Ago

Employer	2012 (1)				2003 (2)			
	Yearly Maximum Employees	Yearly Minimum Employees	Rank	Percentage of Total City Employment(1)	Yearly Maximum Employees	Yearly Minimum Employees	Rank	Percentage of Total City Employment(3)
Royal Street of Utah ET AL (Deer Valley Resort)	2,639	650	1	20.69	1,829	185	1	30.14
Park City School District	758	684	2	5.94	249	100	7	4.10
IHC/Park City Surgical Center	499	250	3	3.91	-	-	-	-
Montage Hotels & Resorts, LLC	499	250	4	3.91	-	-	-	-
Stein Eriksen Lodge	495	326	5	3.88	499	250	5	8.22
Park City Municipal Corporation	448	398	6	3.51	600	400	3	9.89
Resort Express, Inc.	249	100	7	1.95	-	-	-	-
Sunstone Hotel/Marriott Park City	130	110	8	1.02	129	129	9	2.13
Talisker Club, LLC	249	100	9	1.95	-	-	-	-
U.S. Ski & Snow Board Association	103	103	10	0.81	100	100	11	1.65
Premier Resorts of Utah	-	-	-	-	600	300	4	9.89
Park City Mountain Resort	-	-	-	-	950	70	2	15.65
Jan's Mountain Outfitters	-	-	-	-	249	100	6	4.10
Albertson's	-	-	-	-	249	100	8	4.10
Dan's Food	-	-	-	-	100	85	10	1.65
Total	6,069	2,971		47.57 %	5,554	1,819		91.52 %

Note: (1) Current numbers from respective employers and Department of Workforce State of Utah.
(2) Prior Year Numbers from Summit County and Department of Workforce State of Utah.
(3) Percentage based on the maximum number of employees in the range.

Schedule 22
Park City Municipal Corporation, Utah
Full-time Equivalent City Government Employees by Function
Last Nine Years

<u>Function</u>	<u>Full-time Equivalent Employees</u>								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government									
Executive	4.0	3.0	3.0	3.0	4.0	3.5	4.5	4.5	5.1
Finance	6.3	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Human resources	5.6	5.6	5.6	7.0	7.0	7.0	7.0	6.9	6.9
Budget, debt and grants	3.3	3.3	3.3	3.3	3.3	3.0	2.0	2.0	2.0
Planning	8.0	7.5	6.5	7.5	6.0	7.0	7.0	6.0	7.0
Building	14.8	14.8	14.8	14.8	15.8	15.8	15.8	14.8	13.0
Engineering	3.0	3.0	3.0	2.5	2.5	2.5	3.0	3.0	2.8
Legal	7.1	7.1	7.1	6.8	7.8	7.8	7.8	7.8	7.8
Sustainability	-	-	-	-	-	-	6.0	(1) 6.0	9.8
I.T.	-	-	-	-	-	-	-	9.8	(2) 9.8
Other	16.8	16.3	21.1	19.3	22.8	23.3	14.9	5.5	5.0
Public safety									
Police	33.9	32.9	32.1	32.6	34.8	34.8	35.2	34.9	34.0
Communication center	8.5	8.5	8.5	8.5	9.0	9.0	10.0	10.0	10.0
Other	0.6	0.6	1.4	1.4	1.2	1.2	1.4	1.5	1.5
Public works									
Transit	38.1	43.1	55.4	62.5	63.5	73.8	76.3	81.8	82.5
Fleet services	7.3	7.3	8.8	8.8	8.8	8.5	8.0	8.0	8.0
Street maintenance	16.0	16.0	16.0	15.8	15.8	15.6	16.7	17.5	17.5
Parks and cemetery	19.1	18.6	19.9	18.1	18.8	18.8	17.2	17.3	18.8
Administration	3.0	3.0	2.5	2.5	2.5	2.5	2.5	-	-
Other	12.2	12.2	11.7	16.2	11.1	10.9	10.7	9.6	9.6
Library and recreation									
Library	10.5	10.5	11.6	11.6	11.2	11.2	11.2	11.2	11.4
Golf	10.0	8.8	7.2	7.0	7.0	6.8	6.3	5.7	5.5
Recreation	25.6	25.9	25.9	26.2	27.8	28.1	28.3	27.4	27.3
Tennis	5.9	6.5	7.1	7.0	6.0	7.7	7.7	6.9	7.4
Ice	-	-	-	5.5	10.2	10.4	11.4	11.0	11.0
Water									
Water billing	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Water operations	13.8	13.8	14.0	15.3	15.3	16.5	17.5	17.5	17.6
Reorganized departments									
Leisure services	6.3	-	-	-	-	-	-	-	-
Other	3.0	-	-	-	-	-	-	-	-
Total	283.7	275.9	294.3	310.5	320.0	333.5	336.2	334.4	339.1

Source: Park City Budget Department

Notes: Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

A full-time employee is scheduled to work 2,080 hours per year (including vacation). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

(1) FY 2010, Sustainability Department listed individually, taken out of Other.

(2) FY 2011, IT Department listed individually, taken out of Other.

Schedule 23
 Park City Municipal Corporation, Utah
 Population Statistics

Census:	Fiscal Year	Park City Population	Percent Change from Prior Period	Summit County Population	Percent Change from Prior Period
	1950	2,254	- %	6,745	- %
	1960	1,366	(39.40)	5,673	(15.89)
	1970	1,193	(12.66)	5,879	3.63
	1980	2,823	136.63	10,198	73.46
	1990	4,430	56.93	15,518	52.17
	2000	6,500	46.73	29,736	91.62
	2002	7,371	-	31,857	4.08
	2003	7,478	1.45	34,073	6.96
	2004	7,478	-	34,073	-
	2005	7,882	5.40	34,073	-
	2006	8,066	2.33	36,871	8.21
	2007	8,133	0.83	37,461	1.60
	2008	8,030	(1.27)	38,412	2.54
	2009	7,980	(0.62)	39,951	4.01
	2010	8,123	1.79	40,451	1.25
	2011	7,596	(6.49)	36,324	(10.20)
	2012	7,547	(0.65)	36,521	0.54

Age distribution of 2011 population:

Age	Number	Percent
Under 5 Years	412	5.42 %
5-14	893	11.76
15-24	984	12.95
25-34	1,240	16.40
35-44	1,087	14.31
45-54	1,214	15.98
55-64	1,102	14.51
65-74	489	6.44
75-84	140	1.84
85 and over	35	0.39
	7,596	100.00 %

Median age: 35.7

Sources: U.S. Census Bureau - American Factfinder.census.gov - 2010 Demographic Profile Data
 Utah Department of Workforce Services

Schedule 24
Park City Municipal Corporation, Utah
Transient Room Capacity as a Percentage of Population
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Transient Room Capacity</u>	<u>Park City Population</u>	<u>Resort Percentage</u>
2003	24,714	7,478	330 %
2004	24,714	7,478	330
2005	25,133	7,882	319
2006	27,779	8,066	344
2007	26,521	8,133	326
2008	26,595	8,030	331
2009	26,595	7,980	333
2010	26,736	8,123	329
2011	27,178	7,596	358
2012	27,178	7,547	360

Sources: Park City Chamber/Visitor Bureau, March 2011

U.S. Census Bureau - American Factfinder.census.gov - 2010 Demographic Profile Data

Schedule 25

Park City Municipal Corporation, Utah

Historical Pledged Taxes

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Pledged Sales & Use Taxes</u>	<u>% Change From Prior Year</u>	<u>Pledged Resort Tax (1)</u>	<u>% Change From Prior Year</u>	<u>Total Pledged Taxes</u>	<u>% Change From Prior Year</u>
2003	\$ 3,213,567	(13.3) %	\$ 3,039,168	(3.1) %	6,252,735	(9.5) %
2004	3,400,877	5.8	3,158,783	3.9	6,559,660	4.9
2005	3,892,401	14.5	3,954,810	25.2	7,847,211	19.6
2006	4,268,697	9.7	4,261,186	7.7	8,529,883	8.7
2007	4,352,388	2.0	5,155,164	21.0	9,507,552	11.5
2008	4,047,348	(7.0)	5,157,557	0.05	9,204,905	(3.2)
2009	3,881,142	(4.1)	4,709,483	8.7	8,590,625	(6.7)
2010	3,990,274	2.8	4,483,804	(4.8)	8,474,078	(1.4)
2011	3,966,554	(0.6)	5,022,250	12.0	8,988,804	6.1
2012	4,125,435	4.0	5,443,231	8.4	9,568,666	6.5

Note (1) Pledged Resort Taxes reflect revenue figures equal to 75% of the total revenues collected pursuant to the City's levy of the 1% Resort Communities Tax (comprising the Pledged Resort Taxes). The City has previously earmarked 25% of the total of such revenues to transit-related projects and improvements.

Schedule 26
Park City Municipal Corporation, Utah
Operating Indicators by Function
Last Nine Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police									
Physical arrests	699	652	618	627	521	528	577	583	468
Parking citations	369	460	1,207	1,358	771	568	295	102	342
Traffic citations	1,380	1,631	1,400	1,052	1,980	2,546	2,044	1,984	963
Public works									
Street resurfacing (tons of asphalt)	6,000	6,000	4,650	3,026	3,636	3,301	3,810	5,500	4,616
Potholes repaired	150	150	150	200	200	200	250	275	235
Water									
Number of customers	4,637	4,706	4,805	4,918	5,059	5,095	5,122	5,161	5,171
New connections	76	95	96	143	141	80	27	26	10
Water main breaks	25	11	18	11	21	10	10	10	23
Average daily consumption (thousands of gallons)	4,076	3,764	4,381	4,713	4,312	4,390	4,119	4,152	4,915
Peak daily consumption (thousands of gallons)	7,144	7,199	8,626	8,446	8,907	8,682	8,527	8,120	8,529
Average monthly billings (3/4" meter)	24.98	21.36	46.15	46.40	46.87	47.99	54.68	54.82	57.61
Residential billing rates									
Base rate (per 3/4" meter)	10.80	12.96	15.55	16.17	16.82	20.86	23.36	25.23	33.25
Base rate (per 1" meter)	14.58	17.50	21.00	21.84	22.71	28.16	31.54	34.06	45.02
Base rate (per 1-1/2" meter)	17.28	20.74	24.89	25.89	26.93	33.39	37.40	40.39	53.38
Rate per 1,000 gallons (winter months only)	1.89	2.27	1.94	2.83	2.94	3.65	4.09	4.42	5.84
Commercial billing rates									
Base rate (per 3/4" meter)	14.04	16.85	20.22	21.03	21.87	27.12	30.37	32.80	43.35
Base rate (per 1" meter)	23.76	28.51	34.21	35.58	37.00	45.88	51.39	55.50	73.35
Base rate (per 1-1/2" meter)	50.76	60.91	73.09	76.01	79.05	98.02	109.78	118.56	156.69
Base rate (per 2" meter)	105.84	127.00	152.40	158.50	164.84	204.40	228.93	247.24	326.75
Base rate (per 3" meter)	275.40	330.48	396.58	412.44	428.94	531.89	595.72	643.38	850.30
Base rate (per 4" meter)	500.04	600.05	720.06	748.86	778.81	965.72	1,081.61	1,168.14	1,543.82
Base rate (per 6" meter)	942.84	1,131.41	1,357.69	1,411.99	1,468.47	1,820.90	2,039.41	2,202.56	2,910.19
Base rate (per 8" meter)	1,623.24	1,947.89	2,337.47	2,430.96	2,528.20	3,134.97	3,511.17	3,792.06	5,011.59
Rate per 1,000 gallons	1.89	2.27	2.72	2.83	2.94	3.65	4.09	4.42	5.84
Building activity									
Building permits issued	894	989	1,186	1,197	911	895	845	903	984
Number of residential units	125	247	220	276	136	286	30	17	24
Residential value (in thousands)	47,731	75,681	70,340	109,477	50,672	40,621	13,724	9,429	15,673
Commercial value (in thousands)	16,436	11,985	36,950	3,151	18,414	8,369	-	8,929	198
Parks and recreation									
Racquet club passes	2,625	2,539	2,370	2,586	2,604	2,528	2,263	1,368 (1)	3,304 (2)
Golf rounds	29,977	25,512	29,575	28,130	27,450	30,202	25,912	25,852	29,282
Library									
Total volumes borrowed	68,887	77,798	72,155	79,814	80,970	83,545	85,655	89,174	93,626
Circulation per capita	9	10	9	10	10	10	11	12	12
Transit									
Total route miles	692,000	946,600	931,050	1,014,607	1,041,987	1,033,806	1,075,422	1,051,995	1,111,456
Passengers	1,457,897	1,622,618	1,815,558	1,941,431	2,153,102	1,956,770	1,857,947	1,965,455	1,934,382

Sources: Various City departments.

Notes: Indicators are not available for the general government function.

Table represents data available since implementation of GASB 44, and will increase to ten years over time.

(1) Significant decrease in Racquet club passes, was due to the relocation of the Racquet Club to temporary facilities, during the construction of a new facility.

(2) New PC MARC facility opened in December 2011, resulting in a large increase in pass sales.

Schedule 27
Park City Municipal Corporation, Utah
Capital Asset Statistics by Function
Last Nine Fiscal Years

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Area (sq miles)	13	13	13	13	13	18	18	18	18
Police station	1	1	1	1	1	1	1	1	1
Transit buses	25	32	33	30	29	29	40	37	36
Public works									
Streets (lane miles)	106	109	111	124	127	111 (1)	111	111	111
Street lights	515	515	523	530	542	530	530	530	545
Water									
Fire hydrants	855	855	975	975	1,023	1,040	1,056	1,100	1,105
Water mains (miles)	110	110	110	110	117	119	127	130	131
Storage capacity (thousands of gallons)	11,650	11,650	11,650	13,650	14,650	14,650	14,650	14,650	14,650
Recreation and culture									
Acreage	199	199	199	220	220	220	223	223	223
Parks	36	36	36	37	37	38	40	40	40
Covered picnic areas	6	4	4	4	4	4	4	4	4
Tennis courts	13	13	13	13	13	13	9	9	13
Soccer fields	4	4	4	6	6	6	6	6	6
Baseball diamonds	7	7	7	10	10	10	10	10	10
Library	1	1	1	1	1	1	1	1	1
Volumes in library	51,181	53,991	55,645	58,103	55,902	64,474	67,626	71,164	82,291
Golf course	1	1	1	1	1	1	1	1	1
Ice Rink	-	-	1	1	1	1	1	1	1

Sources: Various City departments.

Notes: Fire protection is provided by the Park City Fire District.

Starting in Fiscal Year 2009 the Library volumes includes books, audio tapes, and videos.

Table represents data available since implementation of GASB Statement 44, and will increase to ten years over time.

(1) The City changed the way they track streets and street lights, resulting in a more accurate number.

Schedule 28
Park City Municipal Corporation, Utah
Schedule of Insurance in Force
As of June 30, 2012

<u>COMPANY & COVERAGE TYPE, POLICY #</u>	<u>LIMITS</u>	<u>EXPIRATION</u>	<u>PREMIUM</u>	<u>DEDUCTABLE</u>
AFFILIATED FM (Property Coverage) SF049 Flood Earthquake Boiler Machinery	\$ 87,000,000	1/1/2013	\$ 94,768	\$ 10,000 \$ 100,000 \$ 100,000
ST. PAUL/TRAVELERS (Crime Policy), 105540277	\$ 525,000	1/1/2014	\$ 9,782	-
WORKERS COMPENSATION FUND (Workers Compensation)1638608	\$ 1,000,000	1/1/2013	\$ 127,676	-
STATES Employment Practice Liability, Law Enforcement Liability, and Errors & Omission Liability), SEL 3015709	\$ 5,000,000	1/1/2013	\$ 122,828	\$ 250,000

Schedule 29
Park City Municipal Corporation, Utah
Five-Year Financial Summaries
Last Five Fiscal Years

	Fiscal Year Ended June 30				
	2012	2011	2010	2009	2008
ASSETS					
Cash, cash equivalents and investments held by city	\$ 59,281,727	\$ 62,312,830	\$ 60,961,902	\$ 70,406,442	\$ 82,273,352
Cash, cash equivalents and investments held by fiscal agent	4,793,982	8,405,935	20,762,698	8,383,300	9,331,690
Receivables:					
Taxes	19,561,554	19,820,736	18,251,542	17,169,547	14,957,705
Accounts	6,482,744	1,985,972	3,555,523	2,209,591	1,951,575
Notes receivable	5,098,452	2,114,564	3,020,183	4,369,151	904,179
Inventories	719,223	482,352	481,899	481,230	531,078
Prepays	-	13,333	13,333	485,088	469,915
Restricted assets					
Cash, cash equivalents and investments	1,095,260	5,991,890	10,098,964	17,644,715	6,831,433
Land and building held for resale	-	5,500,610	6,121,517	-	-
Land and water rights	114,288,596	114,288,596	114,307,760	90,867,484	75,254,609
Infrastructure	27,786,910	23,400,034	23,263,832	21,376,312	23,973,995
Buildings and improvements	39,427,764	23,522,721	24,693,604	25,477,496	25,311,117
Improvements other than buildings	70,197,682	52,773,583	43,976,685	30,344,824	31,947,201
Art	602,460	479,271	479,271	479,271	415,121
Vehicles and equipment	13,671,755	11,104,322	11,946,335	9,747,052	7,788,744
Construction in progress	1,859,326	28,632,404	16,683,483	15,356,122	5,042,188
Intangibles	5,505,021	5,004,772	5,024,005	250,557	251,826
Unamortized bond issuance costs	1,052,752	1,121,118	1,204,436	768,938	583,594
Total assets	\$ 371,425,208	\$ 366,955,043	\$ 364,846,972	\$ 315,817,120	\$ 287,819,322
LIABILITIES					
Accounts payable	\$ 2,839,106	\$ 4,450,413	\$ 3,141,235	\$ 2,536,933	\$ 1,891,425
Accrued liabilities	2,680,257	3,021,186	2,883,518	1,412,912	932,865
Deposits	-	-	402,650	960,428	913,928
Unearned revenues	17,012,000	17,546,341	16,084,063	15,338,917	12,808,089
Compensated absences	801,366	782,028	742,290	664,049	602,076
Contracts payable	334,933	404,589	469,385	529,660	585,730
General obligation bonds	33,168,627	36,535,828	39,818,029	36,335,621	15,805,465
Revenue bonds	54,496,303	53,863,333	58,778,501	27,912,532	29,570,116
Total liabilities	111,332,592	116,603,718	122,319,671	85,691,052	63,109,694
NET ASSETS					
Investment in capital assets, net of related debt	192,116,442	185,157,637	171,776,884	140,815,194	128,241,714
Restricted for:					
Water development	449,859	2,213,200	3,489,981	6,259,989	5,325,330
Capital projects	1,262,141	8,395,404	22,575,948	17,466,147	8,113,140
Debt service	4,177,242	3,789,221	4,395,733	1,901,879	2,324,653
Drug and tobacco enforcement	36,517	31,258	-	-	-
Unrestricted	62,050,415	50,764,605	40,288,755	63,682,859	80,704,791
Total net assets	260,092,616	250,351,325	242,527,301	230,126,068	224,709,628
Total liabilities and net assets	\$ 371,425,208	\$ 366,955,043	\$ 364,846,972	\$ 315,817,120	\$ 287,819,322

Source: Information extracted from the City's fiscal years ended June 30, 2008 through 2012 general purpose financial statements.

**SINGLE AUDIT, INTERNAL
CONTROL AND
COMPLIANCE REPORTS**

Park City Municipal Corporation, Utah
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor Agency or Pass Through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>2012 Expenditures</u>
U.S. Department of Transportation			
Pass Through Utah Department of Transportation			
Rural Transit Unified Planning Program	20.205	11-8882	\$ 34,382
Nonurbanized Area Formula Program	20.509	UT-18-X026	9,216
Nonurbanized Area Formula Program	20.509	UT-18-X027	839,805
Nonurbanized Area Formula Program	20.509	UT-18-X030	3,301,936
Nonurbanized Area Formula Program	20.509	UT-18-X029	1,943,165
Direct Federal Transit Administration Capital Grants	20.500	UT-04-0012-00	1,226,739
Direct Federal Transit Administration Capital Grants	20.500	UT-04-0013-00	201,550
		Subtotal	<u>7,556,793</u>
Department of Homeland Security			
Pass Through Utah Department of Public Safety			
Emergency Management Performance Grant	97.042	EMPG-2011-DEM-015	2,438
Emergency Management Performance Grant	97.042	EMPG-2011-DEM-016	1,474
Emergency Management Performance Grant	97.042	EMPG-2011-DEM-017	6,000
Emergency Management Performance Grant	97.042	EMPG-2011-DEM-042	6,000
Emergency Management Performance Grant	97.042	EMPG-2012-DEM-044	5,000
Pass Through Summit County			
State Homeland Security Passthrough Grant	97.042		13,167
State Homeland Security Passthrough Grant	97.042		9,765
		Subtotal	<u>43,844</u>
Department of Justice			
Bulletproof Vest Partnership Program	16.607	BJA-FY2007-RF	871
Bulletproof Vest Partnership Program	16.607	BJA-FY2009-RF	2,034
Justice Assistance Grant (JAG) - Block Grant	16.738	11A154	5,000
		Subtotal	<u>7,905</u>
U.S. Department of Energy			
Pass Through UGS State Energy Program			
Energy Efficiency and Conservation Block Grant	81.128	FS-998784-09	20,785
U.S. Department of Agriculture			
Conservation Reserve Program	10.069	UT- 49043-189	1,044
U.S. Department of Interior			
Pass Through Utah Department of Community and Culture			
Historic Preservation Grant	15.904	111116	3,000
Historic Preservation Grant	15.904	111117	5,000
		Subtotal	<u>8,000</u>
Total Federal Awards			\$ <u>7,638,371</u>

Park City Municipal Corporation
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1. General – The Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Park City Municipal Corporation. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting – The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Park City Municipal Corporation, Utah
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012**

Section I - Summary of Auditors' Results:

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	None reported

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	None reported

Identification of major programs:

CFDA Number	20.509
Name of Federal Program or Cluster	U.S. Department of Transportation, Nonurbanized Area Formula Program
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States None reported

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a) None reported

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

Honorable Mayor, City Council and Management
Park City Municipal Corporation

We have audited the basic financial statements of Park City Municipal Corporation (the City) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

We noted certain matters that we reported to management of the City in a separate letter dated November 29, 2012.

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



November 29, 2012

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Mayor, City Council and Management
Park City Municipal Corporation

Compliance. We have audited the compliance of Park City Corporation (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2012. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

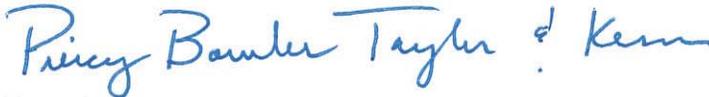
Internal Control over Compliance. Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis from designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards. We have audited the financial statements of the governmental activities, business- type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 other 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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



November 29, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
THE STATE OF UTAH LEGAL COMPLIANCE GUIDELINES**

Honorable Mayor, City Council and Management
Park City Municipal Corporation, Utah

We have audited the Park City Municipal Corporation's (the City) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

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

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

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

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

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

In our opinion, Park City Municipal Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which is described in our letter to management dated November 29, 2012 as item 2012-1.

This report is intended solely for the information and use of the City and the Office of the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.



November 29, 2012

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