

Heber City Corporation  
Wasatch County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2014



Heber City Corporation  
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 June 30, 2014

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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Heber City Corporation  
**Management's Discussion and Analysis**  
June 30, 2014

As management of Heber City Corporation (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2014.

**FINANCIAL HIGHLIGHTS**

- \*Total net position for the City as a whole increased by \$1,636,042.
- \*Total unrestricted net position for the City as a whole decreased by \$264,384.
- \*Total net position for governmental activities increased by \$515,596.
- \*Total net position for business-type activities increased by \$1,120,446.

**BASIC FINANCIAL STATEMENTS**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Heber City Corporation  
**Management's Discussion and Analysis**  
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**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The City maintains one major governmental fund, the general fund.

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

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

Proprietary funds. The City's proprietary funds consist of five enterprise funds and one internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses five enterprise funds to account for the operations of the water, sewer, electric, airport hangar and utility fund activities.

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

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

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

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

Heber City Corporation  
**Management's Discussion and Analysis**  
June 30, 2014

**FINANCIAL ANALYSIS**

**Heber City Corporation's Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 11,656,880	10,684,213	23,196,742	22,289,228	34,853,622	32,973,441
Net capital assets	49,548,666	50,328,925	35,273,910	34,574,637	84,822,576	84,903,562
<b>Total assets</b>	<b><u>61,205,546</u></b>	<b><u>61,013,138</u></b>	<b><u>58,470,652</u></b>	<b><u>56,863,865</u></b>	<b><u>119,676,198</u></b>	<b><u>117,877,003</u></b>
Long-term liabilities	854,507	1,132,116	900,000	-	1,754,507	1,132,116
Other liabilities	1,456,104	1,731,710	228,978	727,859	1,685,082	2,459,569
Deferred inflow of resources	1,146,607	831,359	-	-	1,146,607	831,359
<b>Total liabilities and deferred inflow</b>	<b><u>3,457,219</u></b>	<b><u>3,695,185</u></b>	<b><u>1,128,978</u></b>	<b><u>727,859</u></b>	<b><u>4,586,196</u></b>	<b><u>4,423,044</u></b>
Net position:						
Net investment in capital assets	48,694,159	49,196,809	34,373,910	34,574,637	83,068,069	83,771,446
Restricted	4,547,272	2,840,891	20,415,806	19,518,384	24,963,078	22,359,274
Unrestricted	4,506,897	5,280,253	2,551,958	2,042,986	7,058,855	7,323,239
<b>Total net position</b>	<b><u>\$ 57,748,328</u></b>	<b><u>57,317,953</u></b>	<b><u>57,341,674</u></b>	<b><u>56,136,007</u></b>	<b><u>115,090,002</u></b>	<b><u>113,453,960</u></b>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities and deferred inflow of resources at the close of the year by \$115,090,002, an increase of \$1,636,042 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$7,058,855, which represents a decrease of \$264,384 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

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

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

Heber City Corporation  
**Management's Discussion and Analysis**  
June 30, 2014

**FINANCIAL ANALYSIS (continued)**

**Heber City Corporation's Change in Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Program revenues:</b>						
Charges for services	\$ 1,676,286	1,509,933	3,163,196	2,965,713	4,839,482	4,475,646
Operating grants	37,802	19,733	-	-	37,802	19,733
Capital grants	1,671,112	2,902,902	1,475,475	2,055,641	3,146,587	4,958,543
<b>General revenues:</b>						
Property taxes	948,033	892,054	-	-	948,033	892,054
Sales tax	2,782,862	2,527,717	-	-	2,782,862	2,527,717
Other taxes	848,209	780,523	-	-	848,209	780,523
Other revenues	93,395	333,918	29,850	32,227	123,245	366,145
Change in joint venture equity	-	-	273,808	153,262	273,808	153,262
<b>Total revenues</b>	<b><u>8,057,699</u></b>	<b><u>8,966,781</u></b>	<b><u>4,942,329</u></b>	<b><u>5,206,843</u></b>	<b><u>13,000,028</u></b>	<b><u>14,173,624</u></b>
<b>Expenses:</b>						
General government	1,502,552	1,390,269	-	-	1,502,552	1,390,269
Public safety	2,411,653	2,215,165	-	-	2,411,653	2,215,165
Public works	2,406,282	1,429,913	-	-	2,406,282	1,429,913
Parks and recreation	264,163	202,081	-	-	264,163	202,081
Cemetery	256,224	230,279	-	-	256,224	230,279
Airport	684,255	479,598	-	-	684,255	479,598
Interest on long-term debt	16,975	20,296	-	-	16,975	20,296
Water	-	-	1,975,488	1,808,868	1,975,488	1,808,868
Sewer	-	-	1,211,699	1,160,174	1,211,699	1,160,174
Airport hangars	-	-	462,379	440,555	462,379	440,555
Utility	-	-	172,316	111,622	172,316	111,622
<b>Total expenses</b>	<b><u>7,542,104</u></b>	<b><u>5,967,600</u></b>	<b><u>3,821,882</u></b>	<b><u>3,521,219</u></b>	<b><u>11,363,986</u></b>	<b><u>9,488,819</u></b>
<b>Change in net position</b>	<b><u>\$ 515,596</u></b>	<b><u>2,999,181</u></b>	<b><u>1,120,446</u></b>	<b><u>1,685,624</u></b>	<b><u>1,636,042</u></b>	<b><u>4,684,805</u></b>

For the City as a whole, total revenues decreased by \$1,173,596 compared to the previous year, while total expenses increased by \$1,875,167. The total net change of \$1,636,042 is, in private sector terms, the net income for the year which is \$3,048,763 less than the previous year's net change (net income).

Governmental activities revenues of \$8,057,699 is \$909,082 less than the previous year. Revenues from capital grants and contributions made up most of this decrease. Governmental activities expenses of \$7,542,104 is \$1,574,504 more than the previous year. Expenses within all departments increased during the year.

Business-type activities revenue of \$4,942,329 is \$264,514 less than the previous year. Revenues from capital grants and contributions decreased during the year, more than offsetting the increase in other revenues. Business-type activities expenses of \$3,821,882 were more than the previous year by \$300,663. All business-type expenses increased during the year, with the biggest increase occurring in the water fund.

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**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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

*General Fund*

The fund balance of \$3,516,805 reflects an increase of \$209,442 from the previous year. Total revenues increased by \$484,679. Tax revenues, including property taxes and sales taxes increased by \$378,810. Intergovernmental revenues increased by \$157,761. Charges for licenses and permits increased by \$193,279. Charges for services decreased by \$109,226. All other revenues decreased by \$135,945.

Total expenditures increased by \$216,713. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government increased by \$113,107, public safety increased by \$111,279, streets and highways increased by \$294,863, parks and recreation increased by \$29, cemetery increased by \$5,255, and airport increased by \$10,357. Capital outlay expenditures decreased by \$318,177. Transfers out were made to other funds for \$1,455,676.

Nonspendable fund balance for the prepaid assets amounts to \$2,300. Fund balance restricted for Class C roads and transportation tax amount to \$900,536 and \$840,944, respectively. The unassigned fund balance is \$1,773,025.

*Water Fund*

Net operating loss for the year was \$513,212 compared to the previous year amount of \$478,143. The change in net position (net income) was \$631,800, compared to the previous year's amount of \$907,077. The amount restricted for impact fees and debt service is \$2,401,809 and \$125,946, respectively. Unrestricted net position amounts to \$913,606.

*Sewer Fund*

Net operating loss for the year was \$268,978, compared to the previous year's loss of \$280,001. The change in net position (net income) was \$78,618, compared to the previous year's amount of \$420,768. The amount restricted for impact fees is \$1,095,003. Unrestricted net position amounts to \$1,352,522.

*Airport Hangar Sales Fund*

Net operating income for the year was \$80,047 compared to the previous year amount \$99,958. The change in net position (net income) was \$81,083 compared to the previous year's amount of \$96,793. Unrestricted net position amounts to \$179,517.

*Utility Fund*

Net operating income for the year was \$54,676 compared to the previous year amount \$106,893. The change in net position (net income) was \$55,137 compared to the previous year's amount of \$107,724. Unrestricted net position amounts to \$106,313.

Heber City Corporation  
**Management's Discussion and Analysis**  
June 30, 2014

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of previous year appropriations, were originally budgeted in the amount of \$6,026,300. This amount was amended during the year to \$6,271,300. Actual revenues amounted to \$6,747,261, which was \$475,961 more than budget.

Expenditures for the current year, exclusive of transfers out, were originally budgeted in the amount of \$5,912,600. This amount was amended during the year to \$5,644,100. Actual expenditures amounted to \$5,082,144, which was \$561,956 under the budgeted amount.

Transfers out of \$1,473,269 were budgeted, while actual transfers out amounted to \$1,455,676.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Heber City Corporation's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Capital Assets:</b>						
Land and rights	\$ 16,221,548	16,091,948	696,428	696,428	16,917,976	16,788,376
Water shares and rights	-	-	7,678,650	7,391,970	7,678,650	7,391,970
Buildings	2,218,080	2,218,080	1,074,297	1,074,297	3,292,376	3,292,376
Improvements	51,397,114	50,722,653	-	-	51,397,114	50,722,653
Water system	-	-	22,113,331	21,259,707	22,113,331	21,259,707
Sewer system	-	-	13,019,844	12,675,878	13,019,844	12,675,878
Airport hangars	-	-	354,580	354,580	354,580	354,580
Utility fund assets	-	-	60,634	32,111	60,634	32,111
Machinery and equipment	3,049,995	2,825,783	1,744,003	1,669,353	4,793,997	4,495,136
Construction in progress	236,336	-	546,796	417,393	783,133	417,393
Total Capital Assets	73,123,072	71,858,464	47,288,562	45,571,716	120,411,635	117,430,180
Less Accumulated Depreciation	(23,574,406)	(21,529,539)	(12,014,652)	(10,997,079)	(35,589,059)	(32,526,618)
<b>Net Capital Assets</b>	<b>\$ 49,548,666</b>	<b>50,328,925</b>	<b>35,273,910</b>	<b>34,574,637</b>	<b>84,822,576</b>	<b>84,903,562</b>

The total amount of capital assets, net of depreciation, of \$84,822,576 has decreased by \$80,986 from the previous year.

Governmental activities capital assets, net of depreciation, of \$49,548,666 represents a decrease of \$780,259 from the previous year. The amount of decreases in capital assets represents the amount that depreciation charged on capital assets exceeded new investments in capital assets.

Business-type activities capital assets, net of depreciation, of \$35,273,910 increased during the year by \$699,273. The amount of increases in capital asset balances, net of depreciation, represent the amount that new investments in capital assets exceeded the amount of depreciation charged on capital assets.

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

Heber City Corporation  
**Management's Discussion and Analysis**  
June 30, 2014

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

**Heber City Corporation's Outstanding Debt**

	<u>Current Year</u>	<u>Previous Year</u>
<b>Governmental activities:</b>		
2011 Sales Tax Revenue	\$ 852,000	1,128,000
2011 Copier Lease	2,507	4,116
Compensated absences	337,543	295,007
<b>Total governmental</b>	<b><u>\$ 1,192,050</u></b>	<b><u>1,427,122</u></b>
<b>Business-type activities:</b>		
2013 Water Revenue	\$ 900,000	-
Compensated absences	38,054	32,866
<b>Total business-type</b>	<b><u>938,054</u></b>	<b><u>32,866</u></b>
<b>Total outstanding debt</b>	<b><u>\$ 2,130,104</u></b>	<b><u>1,459,989</u></b>

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

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

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

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Heber City's financial condition for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City Manager  
75 North Main  
Heber City, UT 84032



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## **BASIC FINANCIAL STATEMENTS**

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Heber City Corporation  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 5,491,920	2,425,395	7,917,314
Accounts receivable, net	1,620,599	327,566	1,948,165
Inventory	-	27,977	27,977
Prepaid expenses	604,153	-	604,153
<b>Total current assets</b>	<b>7,716,671</b>	<b>2,780,938</b>	<b>10,497,609</b>
Non-current assets:			
Restricted cash and cash equivalents	3,940,209	3,622,756	7,562,965
Capital assets:			
Not being depreciated	16,457,884	8,921,874	25,379,758
Net of accumulated depreciation	33,090,782	26,352,036	59,442,818
Investment in joint venture	-	16,793,048	16,793,048
<b>Total non-current assets</b>	<b>53,488,875</b>	<b>55,689,714</b>	<b>109,178,589</b>
<b>Total assets</b>	<b>\$ 61,205,546</b>	<b>58,470,652</b>	<b>119,676,198</b>
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>			
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 1,114,964	173,687	1,288,652
Accrued interest payable	3,598	5,441	9,039
Customer deposits	-	11,795	11,795
Compensated absences, current portion	91,858	38,054	129,912
Long-term debt, current portion	280,659	107,000	387,659
<b>Total current liabilities</b>	<b>1,491,078</b>	<b>335,978</b>	<b>1,827,056</b>
Non-current liabilities:			
Compensated absences, non-current portion	382,685	7,443	245,686
Long-term debt, non-current portion	573,849	793,000	1,366,849
<b>Total non-current liabilities</b>	<b>956,534</b>	<b>9: .443</b>	<b>1,612,533</b>
<b>Total liabilities</b>	<b>2,447.5; 2</b>	<b>1,436.3; ;</b>	<b>3,439,589</b>
Deferred inflow of resources	1,146,607	-	1,146,607
<b>Total liabilities and deferred inflow of resources</b>	<b>3,371,997</b>	<b>1,214,199</b>	<b>4,586,196</b>
<b>NET POSITION:</b>			
Net investment in capital assets	48,694,159	34,373,910	83,068,069
Restricted:			
Investment in joint venture	-	16,793,048	16,793,048
Community improvements	4,315,659	3,496,812	7,812,471
Perpetual care endowment	228,723	-	228,723
Debt service	2,890	125,946	128,836
Unrestricted	4,5; 4.33:	2,688.959	7,058,855
<b>Total net position</b>	<b>57,833,549</b>	<b>57,256,453</b>	<b>115,090,002</b>
<b>Total liabilities, deferred inflow of resources, and net position</b>	<b>\$ 61,205,546</b>	<b>58,470,652</b>	<b>119,676,198</b>

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

Heber City Corporation  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 1,502,552	1,121,450	1,683	-	(379,419)
Public safety	2,411,653	167,184	36,120	14,900	(2,193,449)
Public works	2,406,282	168,750	-	1,331,182	(906,350)
Parks and recreation	264,163	850	-	83,328	(179,985)
Cemetery	256,224	83,475	-	-	(172,749)
Airport	684,255	134,576	-	241,702	(307,977)
Interest on long-term debt	16,975	-	-	-	(16,975)
<b>Total governmental activities</b>	<b><u>7,542,104</u></b>	<b><u>1,676,286</u></b>	<b><u>37,802</u></b>	<b><u>1,671,112</u></b>	<b><u>(4,156,903)</u></b>
Business-type activities:					
Water	1,975,488	1,451,056	-	1,142,324	617,892
Sewer	1,211,699	942,721	-	333,151	64,173
Airport hangar sales	462,379	542,426	-	-	80,047
Utility	172,316	226,992	-	-	54,676
<b>Total business-type activities</b>	<b><u>3,821,882</u></b>	<b><u>3,163,196</u></b>	<b><u>-</u></b>	<b><u>1,475,475</u></b>	<b><u>816,789</u></b>
<b>Total primary government</b>	<b><u>\$ 11,363,986</u></b>	<b><u>4,839,482</u></b>	<b><u>37,802</u></b>	<b><u>3,146,587</u></b>	<b><u>(3,340,114)</u></b>

(The statement of activities  
continues on the following page)

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

Heber City Corporation  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET ASSETS:</b>			
<b>Net (expense) revenue (from previous page)</b>	<b><u>\$ (4,156,903)</u></b>	<b><u>816,789</u></b>	<b><u>(3,340,114)</u></b>
<b>General revenues:</b>			
Property taxes	948,033	-	948,033
Sales tax	2,782,862	-	2,782,862
Other taxes	848,209	-	848,209
Unrestricted investment earnings	70,242	23,055	93,297
Miscellaneous	23,153	6,795	29,948
Change in joint venture equity	-	273,808	273,808
<b>Total general revenues</b>	<b><u>4,672,499</u></b>	<b><u>303,658</u></b>	<b><u>4,976,157</u></b>
<b>Change in net position</b>	<b>515,596</b>	<b>1,120,446</b>	<b>1,636,042</b>
Net position - beginning	57,232,732	56,759,493	113,992,224
Prior period adjustment	7.443	(845.6: 8)	(538,265)
<b>Net position - ending</b>	<b><u>\$ 57,833,549</u></b>	<b><u>57,256,453</u></b>	<b><u>113,992,225</u></b>

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

Heber City Corporation  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,331,620	2,599,052	4,930,672
Receivables:			
Property taxes	1,146,607	-	1,146,607
Due from other governments	396,420	-	396,420
Other receivables	77,571	-	77,571
Prepaid expenses	2,300	601,853	604,153
Restricted cash and cash equivalents	1,723,829	2,216,380	3,940,209
<b>TOTAL ASSETS</b>	<b>\$ 5,678,348</b>	<b>5,417,285</b>	<b>11,095,633</b>
 <b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>			
Liabilities:			
Accounts payable	\$ 198,208	83,986	282,195
Accrued liabilities	816,728	-	816,728
Total liabilities	1,014,936	83,986	1,098,922
Deferred inflow of resources	1,146,607	-	1,146,607
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>2,161,543</b>	<b>83,986</b>	<b>2,245,529</b>
 <b>FUND BALANCES:</b>			
Nonspendable:			
Prepaid assets	2,300	601,853	604,153
Perpetual care	-	228,723	228,723
Restricted for:			
Class C Roads	900,536	-	900,536
Transportation tax	840,944	-	840,944
Debt service	-	2,890	2,890
Impact fees	-	1,972,325	1,972,325
Assigned for:			
Capital projects	-	2,527,507	2,527,507
Unassigned	1,773,025	-	1,773,025
<b>TOTAL FUND BALANCES</b>	<b>3,516,805</b>	<b>5,333,299</b>	<b>8,850,104</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,678,348</b>	<b>5,417,285</b>	<b>11,095,633</b>

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

Heber City Corporation  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$ 948,033	-	948,033
Sales	2,782,862	-	2,782,862
Other taxes	848,209	-	848,209
Licenses and permits	712,968	-	712,968
Intergovernmental revenues	478,669	241,702	720,371
Charges for services	455,689	24,103	479,792
Fines and forfeitures	314,776	-	314,776
Interest	32,243	34,465	66,708
Miscellaneous revenue	5,063	-	5,063
<b>Total revenues</b>	<b><u>6,578,511</u></b>	<b><u>300,270</u></b>	<b><u>6,878,782</u></b>
<b>EXPENDITURES:</b>			
General government	1,435,960	-	1,435,960
Public safety	2,317,060	-	2,317,060
Public works	739,304	12,941	752,245
Parks and recreation	193,897	18,849	212,746
Cemetery	223,403	-	223,403
Airport	79,692	251,527	331,219
Capital outlay	92,828	506,382	599,210
Debt service:			
Principal	-	277,609	277,609
Interest	-	17,377	17,377
<b>Total expenditures</b>	<b><u>5,082,144</u></b>	<b><u>1,084,684</u></b>	<b><u>6,166,828</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b><u>1,496,368</u></b>	<b><u>(784,414)</u></b>	<b><u>711,954</u></b>
<b>Other Financing Sources and (Uses):</b>			
Heber Light and Power dividend	168,750	-	168,750
Impact fees	-	457,528	457,528
Transfer in (out)	<u>(1,455,676)</u>	<u>1,105,676</u>	<u>(350,000)</u>
<b>Total other financing sources and (uses)</b>	<b><u>(1,286,926)</u></b>	<b><u>1,563,204</u></b>	<b><u>276,278</u></b>
<b>Net Change in Fund Balances</b>	<b>209,442</b>	<b>778,790</b>	<b>988,232</b>
Fund balances - beginning of year	<u>3,307,363</u>	<u>4,554,509</u>	<u>7,861,872</u>
<b>Fund balances - end of year</b>	<b><u>\$ 3,516,805</u></b>	<b><u>5,333,299</u></b>	<b><u>8,850,104</u></b>

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



Heber City Corporation  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION**  
 June 30, 2014

<b>Total Fund Balances for Governmental Funds</b>	<b><u>\$ 8,850,104</u></b>
<p>Total net position reported for governmental activities in the statement is different because:</p>	
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.</p>	
Capital assets, at cost	71,071,947
Less accumulated depreciation	<u>(22,121,395)</u>
<b>Net capital assets</b>	<b><u>48,950,553</u></b>
<p>Long-term debt, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.</p>	
<b>Long-term debt outstanding</b>	<b><u>(854,507)</u></b>
<b>Accrued interest payable</b>	<b><u>(3,598)</u></b>
<b>Compensated absences</b>	<b><u>(252,322)</u></b>
<p>One internal service fund is used by management to charge the cost of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.</p>	
<b>Internal service fund balance</b>	<b><u>1,143,319</u></b>
<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ 57,833,549</u></u></b>

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

Heber City Corporation  
**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, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ 988,232

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

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

Capital outlays	599,210
Contributed fixed assets	531,015
Depreciation expense	<u>(2,097,815)</u>
<b>Net</b>	<b><u>(967,590)</u></b>

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

**Long-term debt principal repayments** 277,609

Accrued interest for long-term debt is not reported as an expenditure for the current period, while it is recorded in the statement of activities.

**Change in accrued interest on long-term debt** 402

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

**Change in compensated absences** (42,536)

An internal service fund is used by management to charge the cost of fleet management to individual funds. The net expense of the internal service is reported within the governmental activities.

**Change in internal service fund** 259,479

**Change in Net Position of Governmental Activities** \$ 515,596

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

Heber City Corporation  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2014

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
<b>ASSETS:</b>							
Current assets:							
Cash and cash equivalents	\$ 904,553	1,278,132	-	151,539	91,170	2,425,395	561,247
Accounts receivable, net	147,233	158,103	-	-	22,230	327,566	-
Inventory	-	-	-	27,977	-	27,977	-
<b>Total current assets</b>	<u>1,051,786</u>	<u>1,436,236</u>	<u>-</u>	<u>179,517</u>	<u>113,400</u>	<u>2,780,938</u>	<u>561,247</u>
Non-current assets:							
Restricted cash and cash equivalents	2,527,755	1,095,001	-	-	-	3,622,756	-
Capital assets:							
Not being depreciated	8,590,265	331,609	-	-	-	8,921,874	-
Net of accumulated depreciation	15,821,818	10,184,096	-	289,574	56,548	26,352,036	598,113
Other non-current assets	-	-16,793,048	-	-	-	-16,793,048	-
<b>Total non-current assets</b>	<u>26,939,838</u>	<u>11,610,706</u>	<u>16,793,048</u>	<u>289,574</u>	<u>56,548</u>	<u>55,689,714</u>	<u>598,113</u>
<b>Total assets</b>	<u><b>\$ 27,991,624</b></u>	<u><b>13,046,942</b></u>	<u><b>16,793,048</b></u>	<u><b>469,090</b></u>	<u><b>169,948</b></u>	<u><b>58,470,652</b></u>	<u><b>1,159,361</b></u>
<b>LIABILITIES:</b>							
Current liabilities:							
Accounts payable	\$ 99,649	68,180	-	-	5,859	173,687	16,042
Customer deposits	11,795	-	-	-	-	11,795	-
Accrued interest	5,441	-	-	-	-	5,441	-
Compensated absences, current portion	21,295	15,532	-	-	1,228	38,054	-
Revenue bonds, current portion	107,000	-	-	-	-	107,000	-
<b>Total current liabilities</b>	<u>245,180</u>	<u>83,711</u>	<u>-</u>	<u>-</u>	<u>7,087</u>	<u>335,978</u>	<u>16,042</u>
Non-current liabilities:							
Compensated absences, long-term portion	45,937	36,167	-	-	3,117	85,221	-
Revenue bonds, long-term	793,000	-	-	-	-	793,000	-
<b>Total non-current liabilities</b>	<u>838,937</u>	<u>36,167</u>	<u>-</u>	<u>-</u>	<u>3,117</u>	<u>878,221</u>	<u>-</u>
<b>Total liabilities</b>	<u><b>1,084,117</b></u>	<u><b>119,878</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>10,204</b></u>	<u><b>1,214,199</b></u>	<u><b>16,042</b></u>
<b>NET POSITION:</b>							
Net investment in capital assets	23,512,083	10,515,705	-	289,574	56,548	34,373,910	598,113
Restricted for:							
Investment in joint venture	-	-16,793,048	-	-	-	-16,793,048	-
Impact fees	2,401,809	1,095,003	-	-	-	3,496,812	-
Debt service	125,946	-	-	-	-	125,946	-
Unrestricted	867,669	1,316,355	-	179,517	103,196	2,466,737	545,205
<b>Total net position</b>	<u><b>26,907,507</b></u>	<u><b>12,927,064</b></u>	<u><b>16,793,048</b></u>	<u><b>469,090</b></u>	<u><b>159,744</b></u>	<u><b>57,256,453</b></u>	<u><b>1,143,319</b></u>
<b>Total liabilities and net position</b>	<u><b>\$ 27,991,624</b></u>	<u><b>13,046,942</b></u>	<u><b>16,793,048</b></u>	<u><b>469,090</b></u>	<u><b>169,948</b></u>	<u><b>58,470,652</b></u>	<u><b>1,159,361</b></u>

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

Heber City Corporation  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
<b>Operating income:</b>							
Charges for sales and service	\$ 1,420,021	935,707	-	542,426	226,992	3,125,145	-
Connection fees	31,036	7,015	-	-	-	38,050	-
<b>Total operating revenue</b>	<b><u>1,451,056</u></b>	<b><u>942,721</u></b>	<b><u>-</u></b>	<b><u>542,426</u></b>	<b><u>226,992</u></b>	<b><u>3,163,196</u></b>	<b><u>-</u></b>
<b>Operating expenses:</b>							
Personnel services	811,163	387,179	-	-	100,213	1,298,555	-
Cost of sales	-	-	-	450,000	-	450,000	-
Utilities	139,086	32,175	-	-	12,718	183,979	-
Repair & maintenance	50,496	295,466	-	-	13,529	359,491	-
Other supplies & expenses	320,892	108,656	-	560	42,283	472,390	-
Depreciation expense	642,632	388,224	-	11,819	3,572	1,046,247	112,145
<b>Total operating expense</b>	<b><u>1,964,269</u></b>	<b><u>1,211,699</u></b>	<b><u>-</u></b>	<b><u>462,379</u></b>	<b><u>172,316</u></b>	<b><u>3,810,663</u></b>	<b><u>112,145</u></b>
<b>Net operating income (loss)</b>	<b><u>(513,212)</u></b>	<b><u>(268,978)</u></b>	<b><u>-</u></b>	<b><u>80,047</u></b>	<b><u>54,676</u></b>	<b><u>(647,467)</u></b>	<b><u>(112,145)</u></b>
<b>Non-operating income (expense):</b>							
Intergovernmental revenue	11,636	-	-	-	-	11,636	-
Impact fees	462,638	221,871	-	-	-	684,509	-
Sale of fixed assets	-	6,795	-	-	-	6,795	18,090
Interest income	13,908	7,650	-	1,036	461	23,055	3,535
Interest on long-term debt	(11,219)	-	-	-	-	(11,219)	-
Change in joint venture equity	-	-	273,808	-	-	273,808	-
<b>Total non-operating income (expense)</b>	<b><u>476,963</u></b>	<b><u>236,316</u></b>	<b><u>273,808</u></b>	<b><u>1,036</u></b>	<b><u>461</u></b>	<b><u>988,584</u></b>	<b><u>21,625</u></b>
<b>Income (loss) before contributions</b>	<b><u>(36,250)</u></b>	<b><u>(32,662)</u></b>	<b><u>273,808</u></b>	<b><u>81,083</u></b>	<b><u>55,137</u></b>	<b><u>341,116</u></b>	<b><u>(90,521)</u></b>
Capital contributions	668,050	111,280	-	-	-	779,330	-
Transfers in (out)	-	-	-	-	-	-	350,000
<b>Change in net position</b>	<b><u>631,800</u></b>	<b><u>78,618</u></b>	<b><u>273,808</u></b>	<b><u>81,083</u></b>	<b><u>55,137</u></b>	<b><u>1,120,446</u></b>	<b><u>259,479</u></b>
Net position, beginning	26,321,644	12,884,612	17,057,505	388,007	107,724	56,759,493	883,839
Prior period adjustment	(45,937)	(36,167)	(538,265)	-	(3,117)	(623,486)	-
Net assets, beginning-adjusted	<u>26,275,707</u>	<u>12,848,445</u>	<u>16,519,240</u>	<u>388,007</u>	<u>104,607</u>	<u>56,136,007</u>	<u>883,839</u>
<b>Net position, ending</b>	<b><u>\$ 26,907,507</u></b>	<b><u>12,927,064</u></b>	<b><u>16,793,048</u></b>	<b><u>469,090</u></b>	<b><u>159,744</u></b>	<b><u>57,256,453</u></b>	<b><u>1,143,319</u></b>

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

Heber City Corporation  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
<b>Cash flows from operating activities:</b>							
Cash received from customers - service	\$ 1,440,306	944,226	-	540,626	228,949	3,154,106	-
Cash paid to suppliers	(846,500)	(515,679)	-	2,684	(84,885)	(1,444,380)	(86,713)
Cash paid to employees	(803,817)	(384,054)	-	-	(99,222)	(1,287,093)	-
<b>Net cash provided (used) in operating activities</b>	<b><u>(210,011)</u></b>	<b><u>44,493</u></b>	<b><u>-</u></b>	<b><u>543,310</u></b>	<b><u>44,842</u></b>	<b><u>422,634</u></b>	<b><u>(86,713)</u></b>
<b>Cash flows from noncapital financing activities:</b>							
Transfers in	-	-	-	-	-	-	350,000
Due to other funds	-	-	-	(430,000)	-	(430,000)	-
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(430,000)</u></b>	<b><u>-</u></b>	<b><u>(430,000)</u></b>	<b><u>350,000</u></b>
<b>Cash flows from capital and related financing activities:</b>							
Cash from intergovernmental revenues	116,266	-	-	-	-	116,266	-
Cash from impact fees	462,638	221,871	-	-	-	684,509	-
Cash from bonds issued	900,000	-	-	-	-	900,000	-
Cash from sale of fixed assets	-	6,795	-	-	-	6,795	18,090
Cash payments for capital assets	(757,949)	(179,718)	-	-	(28,523)	(966,190)	(299,477)
Cash payments for long-term debt interest	(5,778)	-	-	-	-	(5,778)	-
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>715,177</u></b>	<b><u>48,948</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(28,523)</u></b>	<b><u>735,602</u></b>	<b><u>(281,387)</u></b>
<b>Cash flows from investing activities:</b>							
Cash received from interest earned	13,908	7,650	-	1,036	461	23,055	3,535
<b>Net cash provided (used) in investing activities</b>	<b><u>13,908</u></b>	<b><u>7,650</u></b>	<b><u>-</u></b>	<b><u>1,036</u></b>	<b><u>461</u></b>	<b><u>23,055</u></b>	<b><u>3,535</u></b>
<b>Net increase (decrease) in cash</b>	<b>519,073</b>	<b>101,091</b>	<b>-</b>	<b>114,346</b>	<b>16,780</b>	<b>751,291</b>	<b>(14,565)</b>
Cash balance, beginning	2,913,234	2,272,042	-	37,193	74,390	5,296,860	575,812
<b>Cash balance, ending</b>	<b><u>\$ 3,432,308</u></b>	<b><u>2,373,133</u></b>	<b><u>-</u></b>	<b><u>151,539</u></b>	<b><u>91,170</u></b>	<b><u>6,048,151</u></b>	<b><u>561,247</u></b>
<b>Cash reported on the balance sheet:</b>							
Cash and cash equivalents	\$ 904,553	1,278,132	-	151,539	91,170	2,425,395	561,247
Non-current restricted cash	2,527,755	1,095,001	-	-	-	3,622,756	-
<b>Total cash and cash equivalents</b>	<b><u>\$ 3,432,308</u></b>	<b><u>2,373,133</u></b>	<b><u>-</u></b>	<b><u>151,539</u></b>	<b><u>91,170</u></b>	<b><u>6,048,151</u></b>	<b><u>561,247</u></b>

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

Heber City Corporation  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)**  
For the Year Ended June 30, 2014

**Reconciliation of Operating Income to Net  
Cash Provided (Used) in Operating Activities:**

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
<b>Net operating income (loss)</b>	<b>\$ (513,212)</b>	<b>(268,978)</b>	-	<b>80,047</b>	<b>54,676</b>	<b>(647,467)</b>	<b>(112,145)</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:							
Depreciation and amortization	642,632	388,224	-	11,819	3,572	1,046,247	112,145
Changes in assets and liabilities:							
(Increase) decrease in receivables	(13,750)	1,504	-	-	1,957	(10,289)	-
(Increase) decrease in inventory	-	-	-	453,244	-	453,244	-
Increase (decrease) in payables	(332,127)	(77,745)	-	-	(15,617)	(425,489)	(86,713)
Increase (decrease) in customer deposits	3,000	-	-	-	-	3,000	-
Increase (decrease) in compensated absences	3,446	1,488	-	-	254	5,188	-
Increase (decrease) in unearned revenue	-	-	-	(1,800)	-	(1,800)	-
<b>Net cash provided (used) in operating activities</b>	<b>\$ (210,011)</b>	<b>44,493</b>	<b>-</b>	<b>543,310</b>	<b>44,842</b>	<b>422,634</b>	<b>(86,713)</b>

**Noncash financing and investing transactions:**

Developer contributions	\$ 668,050	111,280	-	-	-	779,330	-
Change in equity in joint venture	-	-	273,808	-	-	273,808	-

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

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**1-A. Reporting entity**

Heber City Corporation (the City), a municipal corporation located in Wasatch County, Utah, operates under a six member council form of government, which consists of which a mayor and five council members. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

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

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

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of net position reports the financial position of the governmental and business-type activities of the City and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

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

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

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

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

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

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

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

*Policy regarding use of restricted resources*

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



Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

*Governmental funds*

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

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

*Proprietary funds*

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

The *water fund* is used to account for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* is used to account for the billing to citizens for the Heber Valley Special Service District's treatment operations and maintenance costs of the wastewater collection system.

The *electric fund* accounts for the activities of the City's joint venture with Heber Light & Power Company's electric generation and distribution operations.

The *hangar sales fund* accounts for the construction and sale or lease of hangars located at the Heber City airport.

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

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

All of the City's deposits are in demand deposit accounts, marketable securities or in accounts with the Utah Public Treasurers Investments Fund. Deposits are reported at cost, which approximates fair value. Marketable securities are reported at market value. Additional information is contained in Note 3.

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

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

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

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

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

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
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**1-E. Assets, Liabilities, and Net Position or Equity (continued)**

**1-E-3. *Receivables and Payables (continued)***

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

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

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

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

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

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

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

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

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

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

**1-E-6. Capital Assets (continued)**

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

<b>Assets</b>	<b>Years</b>
Buildings	20-50
Improvements	7-50
Infrastructure	7-50
Machinery and equipment	5-15

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

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

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

**1-E-8. Compensated absences**

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a bi-weekly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. The City's policy is to permit employees to accumulate a limited amount of earned, but unused, vacation time which will be paid to employees upon termination. The City also allows payment for accumulated sick leave to some employees at retirement or termination. Employees who have worked for the City for at least 5 years are eligible to be paid for 25 percent and employees who have worked for the City for at least 10 years are eligible to be paid for 50 percent of their accumulated sick leave.

**1-E-9. Fund Equity**

*Government-wide Financial Statements*

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

**Net investment in capital assets** - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
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**1-E. Assets, Liabilities, and Net Position or Equity (continued)**

**1-E-9. Fund Equity (continued)**

**Restricted net position** - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

*Fund Financial Statements*

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

**Nonspendable fund balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

**Restricted fund balance** - This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of the government or b) imposed by law through constitutional provisions or enabling legislation. The City's remaining balance of Class C roads, transportation tax, impact fees, and debt service reserves is restricted.

**Committed fund balance** - This classification includes amounts that can only be used for specific purposes established by formal action of the City Council, with is the City's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has not committed any fund balance amounts.

**Assigned fund balance** - This classification includes amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. These are established by the City Council. This category includes the remaining positive fund balances for governmental funds other than the general fund.

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

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

**1-E-10. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**1-E-11. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has only one type of deferred inflows of resources. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**1-E-12. Prior period adjustment**

The beginning balance in the Electric Fund has been adjusted to reflect the prior period adjustment as reported by the Heber Light & Power Company. In addition, during the 2014 fiscal year, the City opted to move the long-term portion of compensated absences related to their enterprise funds from general long-term debt into the respective departments in which the employees responsible for the compensated absences work. This change resulted in prior period adjustments of \$45,937, \$36,167, and \$3,117, to the water, sewer, and utility funds, respectively.

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

**2-A. Budgetary data**

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

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 25% of the next year's budgeted revenues must be appropriated within the following two years.

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

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2014 consist of the following:

	Fair Value
Cash on hand	\$ 350
Demand deposits - checking	864,269
Investment in marketable securities	4,045,921
Deposits - PTIF	10,569,739
<b>Total cash</b>	<b>\$ 15,480,279</b>

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

Cash and cash equivalents (current)	\$ 7,917,314
Restricted cash and cash equivalents (non-current)	7,562,965
<b>Total cash and cash equivalents</b>	<b>\$ 15,480,279</b>

Cash deposits are carried at fair value in accordance with GASB Statement No. 31.

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

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

The City also invests with Zions Wealth Advisors who invests in money market funds and short and intermediate-term fixed income securities (including taxable, tax-exempt or tax advantaged). Zions Wealth Advisors meets the requirements of the Utah Money Management Act. The City's investment policy allows for the purchase of investments that have a maturity date of less than three years. For the year ended June 30, 2014, the City's fair value investments with Zions Wealth Advisors were \$11,612 less than the amortized cost of \$5,043,738. The City's investment has been adjusted to show this decrease in value. As of June 20, 2014, the average adjusted maturity was less than two years.

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**Deposit and Investment Risk**

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

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits of the City are kept in bank demand deposits or PTIF accounts and are available immediately.

**Credit risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. As noted on the previous page, PTIF is unrated.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2014, \$647,041 of the City's demand deposits of \$897,041 were uninsured and uncollateralized.

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

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Receivables as of June 30, 2014 for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Customers, current	\$ -	280,121	280,121
Property taxes receivable	1,146,607	-	1,146,607
Due from other governments	396,420	-	396,420
Other receivables	77,571	57,445	135,016
<b>Total receivables</b>	<b>1,620,599</b>	<b>337,566</b>	<b>1,958,165</b>
Allowance for uncollectibles	-	(10,000)	(10,000)
<b>Net receivables</b>	<b><u>\$ 1,620,599</u></b>	<b><u>327,566</u></b>	<b><u>1,948,165</u></b>

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirement	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 16,091,948	129,600	-	16,221,548
Construction in progress	-	236,336	-	236,336
<b>Total capital assets, not being depreciated</b>	<b>16,091,948</b>	<b>365,936</b>	<b>-</b>	<b>16,457,884</b>
Capital assets, being depreciated:				
Building	2,218,080	-	-	2,218,080
Improvements other than buildings	50,722,653	674,460	-	51,397,113
Machinery and equipment	2,825,783	389,305	165,094	3,049,994
<b>Total capital assets, being depreciated</b>	<b>55,766,516</b>	<b>1,063,765</b>	<b>165,094</b>	<b>56,665,187</b>
Less accumulated depreciation for:				
Building	614,465	47,909	-	662,374
Improvements other than buildings	18,885,724	1,972,127	-	20,857,851
Machinery and equipment	2,029,350	189,924	165,094	2,054,180
<b>Total accumulated depreciation</b>	<b>21,529,539</b>	<b>2,209,960</b>	<b>165,094</b>	<b>23,574,405</b>
<b>Total capital assets being depreciated, net</b>	<b>34,236,977</b>	<b>(1,146,195)</b>	<b>-</b>	<b>33,090,782</b>
<b>Governmental activities capital assets, net</b>	<b>\$50,328,925</b>	<b>(780,259)</b>	<b>-</b>	<b>49,548,666</b>

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

<b>Governmental activities:</b>	
General government	\$ 19,009
Public safety	47,268
Public works	1,607,385
Parks and recreation	47,974
Cemetery	26,114
Airport	350,065
Internal service	112,145
<b>Total</b>	<b>\$ 2,209,960</b>



Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

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

	Beginning Balance	Additions	Retirement	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 696,428	-	-	696,428
Water shares	7,391,970	286,680	-	7,678,650
Construction in progress	417,393	703,753	574,350	546,796
<b>Total capital assets, not being depreciated</b>	<b>8,505,791</b>	<b>990,433</b>	<b>574,350</b>	<b>8,921,874</b>
Capital assets, being depreciated:				
Buildings	1,074,297	-	-	1,074,297
Water system	21,259,706	853,625	-	22,113,331
Sewer system	12,675,878	343,966	-	13,019,844
Airport infrastructure	354,580	-	-	354,580
Machinery and equipment	1,701,465	131,845	28,673	1,804,637
<b>Total capital assets, being depreciated</b>	<b>37,065,926</b>	<b>1,329,436</b>	<b>28,673</b>	<b>38,366,689</b>
Less accumulated depreciation for:				
Buildings	170,217	21,486	-	191,703
Water system	6,561,801	584,881	-	7,146,682
Sewer system	3,515,703	314,029	-	3,829,732
Airport infrastructure	53,187	11,819	-	65,006
Machinery and equipment	696,170	114,032	28,673	781,529
<b>Total accumulated depreciation</b>	<b>10,997,078</b>	<b>1,046,247</b>	<b>28,673</b>	<b>12,014,652</b>
<b>Total capital assets being depreciated, net</b>	<b>26,068,848</b>	<b>283,189</b>	<b>-</b>	<b>26,352,037</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 34,574,639</b>	<b>1,273,622</b>	<b>574,350</b>	<b>35,273,911</b>

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

<b>Business-type activities:</b>	
Water	\$ 642,632
Sewer	388,224
Airport hangars	11,819
Utility	3,572
<b>Total</b>	<b>\$ 1,046,247</b>

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

	Original Principal	% Rate	6/30/2013	Additions	Reductions	6/30/2014	Due Within One Year
<b>Governmental activities:</b>							
2011 Copier Lease							
Matures 11/4/2015	\$ 7,929	3.07	\$ 4,116	-	1,609	2,507	1,659
2011 Sales Tax Revenue							
Matures 10/15/2016	1,400,000	1.27-2.12	1,128,000	-	276,000	852,000	279,000
Compensated absences			295,007	120,250	162,935	252,322	91,858
<b>Total governmental activity long-term liabilities</b>			<b>\$1,427,123</b>	<b>120,250</b>	<b>440,544</b>	<b>1,106,829</b>	<b>372,517</b>

The 2011 Sales Tax Bonds were used to prepay all of the City's outstanding bonds and to make road improvements within the City. The City pledges income derived from sales tax to repay the revenue bonds. Annual principal and interest payments are expected to require approximately sixteen percent of the sales tax revenue. The revenue stream related to each type of bond is pledged through the maturity of the bond.

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2015	280,659	13,261	293,920
2016	284,848	8,607	293,455
2017	289,000	3,063	292,063
<b>Total</b>	<b>\$ 854,507</b>	<b>24,931</b>	<b>879,438</b>

	Original Principal	% Rate	6/30/2013	Additions	Reductions	6/30/2014	Due Within One Year
<b>Business-type activities:</b>							
2013 Water Revenue							
Matures 11/4/2015	\$900,000	.90 - 2.75	\$ -	900,000	-	900,000	107,000
Compensated absences			32,866	105,221	14,812	123,275	38,054
<b>Total business-type activity long-term liabilities</b>			<b>\$ 32,866</b>	<b>1,005,221</b>	<b>14,812</b>	<b>1,023,275</b>	<b>145,054</b>

The 2013 Water Revenue Bonds were used to fund various water improvements throughout the City. The City pledges income derived from metered water sales to repay the revenue bonds. Annual principal and interest payments are expected to require approximately eleven percent of metered water sales revenue. The revenue stream for these bonds is pledged through the maturity of the bonds.

Debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2015	107,000	15,842	122,842
2016	108,000	14,793	122,793
2017	109,000	13,518	122,518
2018	110,000	11,929	121,929
2019	112,000	9,957	121,957
2020-2022	354,000	14,037	368,037
<b>Total</b>	<b>\$ 900,000</b>	<b>80,076</b>	<b>980,076</b>

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**3-E. Operating transfer reconciliation**

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ -	1,050,000
Debt Service Fund	293,269	-
Capital Projects Fund	500,000	-
Industrial Park Fund	200,000	-
Streets Fund	112,407	-
Class C Road Fund	-	293,269
Transportation Tax Fund	-	112,407
Internal Service Fund	350,000	-
	<b>\$ 1,455,676</b>	<b>1,455,676</b>

The Class C Road Fund transferred \$ 293,269 to the debt service fund to cover the costs of bond payments. The General Fund transferred \$500,000 to the capital projects fund and \$200,000 to the Industrial Park Fund for future projects. In addition, the general fund transferred \$350,000 to the Internal Service Fund for future capital purchases. \$112,407 was transferred from the Transportation Tax Fund to the Capital Projects-Streets Fund for street projects.

**NOTE 4 - OTHER INFORMATION**

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

**Plan Description:**

Heber City contributes to the Local Governmental Contributory and Local Governmental Noncontributory Retirement Systems and the Public Safety Contributory and Noncontributory Retirement Systems, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

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

**Funding Policy:**

Heber City is required to contribute 13.99% and 17.29% of plan members' annual covered salaries to the Local Governmental Contributory and Noncontributory Retirement Systems, respectively. Heber City is required to contribute 20.85% and 32.14% of plan members' annual covered salaries to the Public Safety Contributory and Noncontributory Retirement Systems, respectively. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4-A. Employee pension and other benefit plans (continued)**

Heber City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2014, 2013 and 2012 were \$23,838, \$14,851 and \$5,279, respectively. Heber City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2014, 2013, and 2012 were \$284,789, \$249,867 and \$196,418, respectively. The contributions for the Public Safety Contributory Retirement System for the years ending June 30, 2014, 2013 and 2012 were \$14,342, \$13,681 and \$5,252, respectively. Contributions for the Public Safety Noncontributory Retirement System for June 30, 2014, 2013 and 2012 were \$224,753, \$196,716 and \$147,699, respectively. The contributions were equal to the required contributions for each year.

The City sponsors defined contribution deferred compensation plans administered by The Utah Retirement Systems under the Internal Revenue Code Section 401 (k) and Section 457 for City employees covered by the State's noncontributory retirement plans. The plans, available to certain permanent full and some part-time employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 401(k) and 457 deferred compensation monies are not available to the City or its general creditors.

401(k) Contributions

The City allows employees who are exempted from the defined benefit program to invest the City's retirement contribution into the 401(k) plan. During the years ended June 30, 2014, 2013 and 2012 contributions totaling \$38,606, \$32,823 and \$49,691, respectively, were made to the plan by employees and \$46,422, \$49,471 and \$49,084 respectively, by the City.

457 Contributions

The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2014, 2013 and 2012 contributions totaling \$21,990, \$21,898 and \$20,946, respectively, were made to the plan by employees.

Roth IRA Contributions

The City sponsors a Roth Individual Retirement Account (Roth IRA) defined contribution deferred compensation plan administered by the Utah Retirement Systems for City employees. The plan, available to certain permanent full and some part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The Roth IRA deferred compensation monies are not available to the City or its general creditors. During the years ended June 30, 2014, 2013 and 2012 contributions totaling \$1,430, \$1,045 and \$5,533, respectively, were made to the plan by employees.

**4-B. Risk management**

Heber City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover most of these risks at a cost it considered to be economically justifiable. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage. The City also carries comprehensive general liability insurance coverage through Utah Local Governments Trust. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4-C. Investment in Joint Venture**

**Heber Light & Power Company**

The City is party to a joint venture with Midway and Charleston, neighboring municipalities. The joint venture was created by the three municipalities to provide electric services to their communities. Additional information is as follows:

- a. Participants and their percentage shares:

Heber City	75.0%
Charleston	12.5%
Midway	12.5%

- b. The utility is governed by the Power Board which is selected from the Mayor and City Council of the participating municipalities.
- c. The Power Board governs the operations of the utility through management employed by the Board. Since the utility is subject to the same laws as the creating entities, it must follow state law for cities in the areas of fiscal management, budgeting, and financing. As the governing board is made up of the participants' mayors and appointees from the city councils, each participant has indirect control over these matters.
- d. Summary financial information, as of the joint venture's last year end of December 31, 2013 is as follows:

	Heber Light and Power	Heber City's Share
Total assets	\$ 35,961,735	26,971,301
Total liabilities	13,571,005	10,178,254
Net position	22,390,730	16,793,048
Total operating revenues	13,686,343	10,264,757
Cost of sales	6,966,666	5,225,000
Gross profit	6,719,677	5,039,758
Operating expenses	6,704,263	5,028,197
Net operating income (loss)	15,414	11,560
Non-operating income	59,360	44,520
Non-operating expense	(385,577)	(289,183)
Loss before contributions	(310,803)	(233,102)
Impact fees	636,023	477,017
Capital contributed by developers	339,856	254,892
Less withdrawals	(300,000)	(225,000)
Change in net position	\$ 365,076	273,808

Heber City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4-C. Investment in Joint Venture (continued)**

e. The joint venture has the following long-term debt:

Revenue bonds	9,500,000
Capital lease payable	222,934
Unamortized bond premiums	199,100
Compensated absences	154,485
Termination benefits	523,259
Other post employment benefits	458,538
	<u>11,058,316</u>
Less current portion	<u>(330,000)</u>
Net long-term debt	<u><u>\$ 10,728,316</u></u>

f. Audited financial statements for Heber Light and Power are available at Heber Light and Power's office.

**4-D. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 21, 2014, the date the financial statements were available to be used.

In August 2014, the City obtained a \$3,513,102 grant from the Federal Aviation Administration (FAA) and in October, 2014 obtained a \$181,605 matching grant from UDOT Aeronautics to rehabilitate the airport runway and apron. The City is obligated to provide up to \$181,605 in matching funds for this project that will begin in April/May of 2015. The City has awarded the construction of the project to Geneva Rock in the amount of \$3,200,261. Armstrong Consulting has also been awarded the bidding/construction services in the amount of \$116,320. It is expected that the scope of work will be enlarged to spend the remaining uncommitted grant funds.

The City is also in the process of constructing a public safety building with an expected budget of \$7,900,000 of which \$6,700,000 will be borrowed from the Community Impact Board (CIB) in November, 2014. The loan was approved by CIB in February, 2014 as a 30 year, 1.5% interest fixed rate loan. The City has already expended \$230,000 on architect fees of the \$1,200,000 that will come from City resources. The Heber City Council approved a 32.39% property tax increase in August, 2014, to fund the annual debt service obligation which will approximate \$279,000 per year.

**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Heber City Corporation  
**Notes to Required Supplementary Information**  
June 30, 2014

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

**Budgeting and Budgetary Control**

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

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

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2014, spending for all departments was within the appropriated budget.

Heber City Corporation  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND  
 (Unaudited)**

For the Year Ended June 30, 2014

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 4,188,500	4,188,500	4,579,104	390,604
Licenses and permits	355,100	625,100	712,968	87,868
Intergovernmental revenues	453,500	453,500	478,669	12,036
Charges for services	378,200	428,200	455,689	40,622
Fines and forfeitures	329,000	329,000	314,776	(14,224)
Interest	22,000	22,000	32,243	10,243
Miscellaneous revenue	75,000	-	5,063	5,063
<b>Total revenues</b>	<b><u>5,801,300</u></b>	<b><u>6,046,300</u></b>	<b><u>6,578,511</u></b>	<b><u>532,211</u></b>
<b>Expenditures</b>				
General government	1,488,120	1,555,620	1,438,960	116,660
Public safety	2,369,315	2,384,315	2,344,931	39,384
Public works	1,095,475	1,095,475	756,960	338,515
Parks and recreation	244,890	244,890	216,047	28,843
Cemetery	645,000	270,000	245,554	24,446
Airport	89,800	93,800	79,692	14,108
<b>Total expenditures</b>	<b><u>5,932,600</u></b>	<b><u>5,644,100</u></b>	<b><u>5,082,144</u></b>	<b><u>561,956</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(131,300)</b>	<b>402,200</b>	<b>1,496,368</b>	<b>1,094,168</b>
<b>Other Financing Sources and (Uses)</b>				
Heber Light and power dividend	225,000	225,000	168,750	(56,250)
Transfers in	188,000	-	-	-
Transfers out	(473,269)	(1,473,269)	(1,455,676)	17,593
<b>Total Other Financing Sources and (Uses)</b>	<b><u>(60,269)</u></b>	<b><u>(1,248,269)</u></b>	<b><u>(1,286,926)</u></b>	<b><u>(38,657)</u></b>
<b>Net Change in Fund Balances</b>	<b><u>\$ (191,569)</u></b>	<b><u>(846,069)</u></b>	<b>209,442</b>	<b><u>1,055,511</u></b>
Fund Balances - beginning of year			3,307,363	
<b>Fund Balances - end of year</b>			<b><u>\$ 3,516,805</u></b>	

Heber City Corporation  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2014

	Debt Service	Airport	Capital Projects	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	248,007	1,646,728	704,317	-	-	-	-	2,599,052
Prepaid expenses	-	-	-	-	-	601,853	-	-	601,853
Restricted cash and cash equivalents	2,890	-	-	-	85,449	1,586,749	312,569	228,723	2,216,380
<b>TOTAL ASSETS</b>	<b>2,890</b>	<b>248,007</b>	<b>1,646,728</b>	<b>704,317</b>	<b>85,449</b>	<b>2,188,602</b>	<b>312,569</b>	<b>228,723</b>	<b>5,417,285</b>
<b>LIABILITIES</b>									
Accrued liabilities	-	361	71,184	-	-	12,442	-	-	83,986
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>361</b>	<b>71,184</b>	<b>-</b>	<b>-</b>	<b>12,442</b>	<b>-</b>	<b>-</b>	<b>83,986</b>
<b>FUND BALANCES:</b>									
Nonspendable:									
Perpetual care	-	-	-	-	-	-	-	228,723	228,723
Prepaid assets	-	-	-	-	-	601,853	-	-	601,853
Restricted for:									
Impact fees	-	-	-	-	85,449	1,574,307	312,569	-	1,972,325
Debt service	2,890	-	-	-	-	-	-	-	2,890
Assigned for:									
Capital projects	-	247,647	1,575,544	704,317	-	-	-	-	2,527,507
<b>TOTAL FUND BALANCES</b>	<b>2,890</b>	<b>247,647</b>	<b>1,575,544</b>	<b>704,317</b>	<b>85,449</b>	<b>2,176,160</b>	<b>312,569</b>	<b>228,723</b>	<b>5,333,299</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,890</b>	<b>248,007</b>	<b>1,646,728</b>	<b>704,317</b>	<b>85,449</b>	<b>2,188,602</b>	<b>312,569</b>	<b>228,723</b>	<b>5,417,285</b>

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

Heber City Corporation  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2014

	Debt Service	Airport	Capital Projects	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>									
Intergovernmental revenues	\$ -	241,702	-	-	-	-	-	-	241,702
Charges for services	-	-	-	-	-	-	-	24,103	24,103
Interest	301	1,814	10,245	3,587	626	14,346	1,971	1,576	34,465
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>301</b>	<b>243,516</b>	<b>10,245</b>	<b>3,587</b>	<b>626</b>	<b>14,346</b>	<b>1,971</b>	<b>25,680</b>	<b>300,270</b>
<b>EXPENDITURES:</b>									
Public works	-	251,527	499	-	-	12,442	-	-	264,468
Parks and recreation	-	-	-	18,749	-	-	100	-	18,849
Capital outlay	-	-	448,181	-	771	57,430	-	-	506,382
Debt service:									
Principal	277,609	-	-	-	-	-	-	-	277,609
Interest	17,377	-	-	-	-	-	-	-	17,377
<b>Total expenditures</b>	<b>294,986</b>	<b>251,527</b>	<b>448,680</b>	<b>18,749</b>	<b>771</b>	<b>69,871</b>	<b>100</b>	<b>-</b>	<b>1,084,684</b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>(294,685)</b>	<b>(8,011)</b>	<b>(438,435)</b>	<b>(15,162)</b>	<b>(145)</b>	<b>(55,526)</b>	<b>1,871</b>	<b>25,680</b>	<b>(784,414)</b>
<b>Other Financing Sources and (Uses):</b>									
Impact fees	-	-	-	-	-	374,200	83,328	-	457,528
Transfers in	293,269	-	500,000	200,000	-	112,407	-	-	1,105,676
<b>Total other financing sources and (uses)</b>	<b>293,269</b>	<b>-</b>	<b>500,000</b>	<b>200,000</b>	<b>-</b>	<b>486,607</b>	<b>83,328</b>	<b>-</b>	<b>1,563,204</b>
<b>Net Change in Fund Balances</b>	<b>(1,416)</b>	<b>(8,011)</b>	<b>61,565</b>	<b>184,838</b>	<b>(145)</b>	<b>431,081</b>	<b>85,199</b>	<b>25,680</b>	<b>778,790</b>
Fund balances - beginning of year	4,305	255,658	1,513,980	519,479	85,595	1,745,079	227,370	203,044	4,554,509
<b>Fund balances - end of year</b>	<b>\$ 2,890</b>	<b>247,647</b>	<b>1,575,544</b>	<b>704,317</b>	<b>85,449</b>	<b>2,176,160</b>	<b>312,569</b>	<b>228,723</b>	<b>5,333,299</b>

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