

**CITY OF NORTH SALT LAKE
NORTH SALT LAKE CITY, UTAH**



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

For The Fiscal Year Ended June 30th, 2012

Together with Independent Auditor's Report

Prepared by:
North Salt Lake City
Administration Department

Brian K. Passey, MBA
Finance Director

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
The City of North Salt Lake

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake, Utah, 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 of North Salt Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012, on our consideration of the City of North Salt Lake's internal control over financial reporting 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 State of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Wood Richards & Associates, PC

Ogden, UT
October 15, 2012

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012**

As management of the City of North Salt Lake, we offer to readers of the City of North Salt Lake's financial statements this narrative overview and analysis of the financial activities of the City of North Salt Lake for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the following basic financial statements and notes to the financial statements.

Financial Highlights

- The assets of the City of North Salt Lake exceeded its liabilities at June 30, 2012 by \$72,772,938. Of this amount, unrestricted net position of \$4,912,827 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall net position increased by \$1,346,779 from the prior year. Business-type activities increased net position by \$1,529,452 while governmental activities had an offsetting decrease in net position of \$182,673.
- As of the close of the current fiscal year, the City of North Salt Lake's governmental funds reported combined ending fund balance of \$8,362,237, a decrease of \$110,359 over the prior year. Of the total fund balance, \$1,409,767 is unrestricted and available for spending. The remaining \$6,952,470 is either nonspendable in form, has been legally restricted by parties outside the financial reporting entity, or has been assigned to specific uses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,409,767 or 18.67% of total General Fund expenditures.
- The City of North Salt Lake's long-term debt obligations increased by the net amount of \$1,430,952. The net increase was attributable to the net of an addition of \$2,992,386 in notes payable to developers and the Weber Basin Water District and principal payments and bond premium amortizations of \$1,561,434 made on existing debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of North Salt Lake's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the City of North Salt Lake'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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. 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).

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Overview of the Financial Statements (Continued)

Government-wide financial statements (continued)

The governmental activities of the City of North Salt Lake include general government, public safety, highways and streets, planning and engineering, parks, recreation, and redevelopment. The business-type activities of the City include water, pressurized irrigation, storm water, solid waste, and golf.

The government-wide financial statements include not only the City of North Salt Lake itself (known as the primary government), but also a legally separate Redevelopment Agency which is a component unit of the City. Financial information for this component unit is reported entirely within the primary government report.

Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of North Salt Lake can be divided into either a governmental or proprietary fund.

Governmental funds. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Park Development Fund which are considered major funds. Data from the other four funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplemental section of this report.

The City of North Salt Lake adopts a one-year budget for its General Fund, Capital Projects Fund, and Park Development Fund. All of which are major funds. A budgetary comparison statement has been provided for each of the aforementioned funds to demonstrate compliance with the fiscal year 2012 budget.

Proprietary funds. These funds also known as enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains five individual enterprise funds. Information is presented separately in the proprietary funds statement of net position and the proprietary funds statement of revenues, expenses and changes in net position for the Water Fund, Pressurized Irrigation Fund, Storm Water Fund, Solid Waste Fund, and the Golf Fund, which are considered major funds. Proprietary fund financial statements reinforce information provided in government-wide financial statements.

Other information. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier, in connection with nonmajor funds, are presented immediately after the basic financial statements. Also included are budget comparisons for governmental funds other than the General and Park Development Funds.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. By far the largest portion of the City's net position \$65,014,501 (89.34%) reflects its investment in capital assets, less any related debt that is still outstanding and which was used to acquire those assets. Capital assets are used to provide services to citizens, and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of North Salt Lake's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 11,831,365	\$ 11,531,126	\$ 3,349,279	\$ 5,110,757	\$ 15,180,644	\$ 16,641,883
Capital assets	49,016,587	48,063,284	30,678,219	26,838,053	79,694,806	74,901,337
Total assets	<u>60,847,952</u>	<u>59,594,410</u>	<u>34,027,498</u>	<u>31,948,810</u>	<u>94,875,450</u>	<u>91,543,220</u>
Long-term liabilities outstanding	5,130,644	4,160,454	12,843,993	12,352,368	17,974,637	16,512,822
Other liabilities	1,362,855	2,896,830	765,020	707,409	2,127,875	3,604,239
Total liabilities	<u>6,493,499</u>	<u>7,057,284</u>	<u>13,609,013</u>	<u>13,059,777</u>	<u>20,102,512</u>	<u>20,117,061</u>
Unearned revenues - property taxes	2,000,000	-	-	-	2,000,000	-
Total Deferred inflows	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Net Position:						
Invested in capital assets, net of related debt	44,237,417	45,226,818	20,777,084	21,417,014	65,014,501	66,643,832
Restricted	1,908,465	1,895,353	937,145	950,507	2,845,610	2,845,860
Unrestricted	6,208,571	5,414,955	(1,295,744)	(3,478,488)	4,912,827	1,936,467
Total Net Position	<u>\$ 52,354,453</u>	<u>\$ 52,537,126</u>	<u>\$ 20,418,485</u>	<u>\$ 18,889,033</u>	<u>\$ 72,772,938</u>	<u>\$ 71,426,159</u>

An additional portion of the net position, \$2,845,610 (3.91%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,912,827 (6.75%), may be used to meet the government's ongoing obligations to citizens and creditors.

Net position of the City's governmental activities decreased by \$182,673 (-.35%). While the total governmental net position did not change significantly from prior year, the portions of invested in capital assets and unrestricted net position did have large swings. The principal portion of the decrease of \$989,401 (-2.19%) to net position invested in capital assets and associated increase to unrestricted net position of \$793,616 (14.66%) can be attributed to the current year booking of a note payable of \$1,069,170 (outstanding at year end) to Woodside Homes for the purchase of land for a Foxboro park that was included in fixed assets in a prior year. This acted to reduce the net position invested in capital assets as the land booked in a prior year now has an associated liability.

The net position of the City's business-type activities increased by \$1,529,452 (8.10%). The portions of invested in capital assets and unrestricted net position had large swings from the prior fiscal year. This increase came principally from the \$639,930 (-2.99%) decrease in net position invested in capital assets and an offsetting increase in unrestricted net position of \$2,182,744 (62.75%) brought about by improvement in enterprise fund operations and various prior period adjustments booked during the current year. The prior period adjustments are shown in the basic financial statements and described in the notes to the basic financial statements.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Government-wide Financial Analysis (Continued)

City of North Salt Lake's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,115,055	\$ 1,241,873	\$ 5,642,795	\$ 5,499,978	\$ 6,757,850	\$ 6,741,851
Operating grants and contributions	546,225	686,125	-	-	546,225	686,125
Capital grants and contributions	1,253,155	4,325,174	1,272,227	1,578,405	2,525,382	5,903,579
General revenues:						
Property taxes	2,615,059	2,337,137	-	-	2,615,059	2,337,137
Other taxes	4,129,531	3,921,136	-	-	4,129,531	3,921,136
Other	165,138	180,190	65,486	18,554	230,624	198,744
Total revenues	9,824,163	12,691,635	6,980,508	7,096,937	16,804,671	19,788,572
Expenses:						
General government	1,864,118	1,688,385	-	-	1,864,118	1,688,385
Public safety	3,460,816	3,142,608	-	-	3,460,816	3,142,608
Highways and public works	1,613,839	1,606,030	-	-	1,613,839	1,606,030
Community development	547,001	554,810	-	-	547,001	554,810
Parks, recreation, and public property	721,882	1,034,273	-	-	721,882	1,034,273
Redevelopment	-	64	-	-	-	64
Interest on long-term debt	175,583	-	-	-	175,583	-
Water	-	-	2,646,336	2,673,519	2,646,336	2,673,519
Pressurized irrigation	-	-	291,957	223,444	291,957	223,444
Storm water	-	-	260,806	247,242	260,806	247,242
Solid waste	-	-	807,827	783,643	807,827	783,643
Golf course	-	-	1,441,992	1,484,299	1,441,992	1,484,299
Total expenses	8,383,239	8,026,170	5,448,918	5,412,147	13,832,157	13,438,317
Increase in Net Position before transfers	1,440,924	4,665,465	1,531,590	1,684,790	2,972,514	6,350,255
Transfers	(499,000)	(615,250)	499,000	615,250	-	-
Increase (Decrease) in Net Position	941,924	4,050,215	2,030,590	2,300,040	2,972,514	6,350,255
Net Position - beginning of year	52,537,126	48,486,911	18,889,033	16,588,993	71,426,159	65,075,904
Prior Period Adjustment	(1,124,597)	-	(501,138)	-	(1,625,735)	-
Net Position - end of year	\$ 52,354,453	\$ 52,537,126	\$ 20,418,485	\$ 18,889,033	\$ 72,772,938	\$ 71,426,159

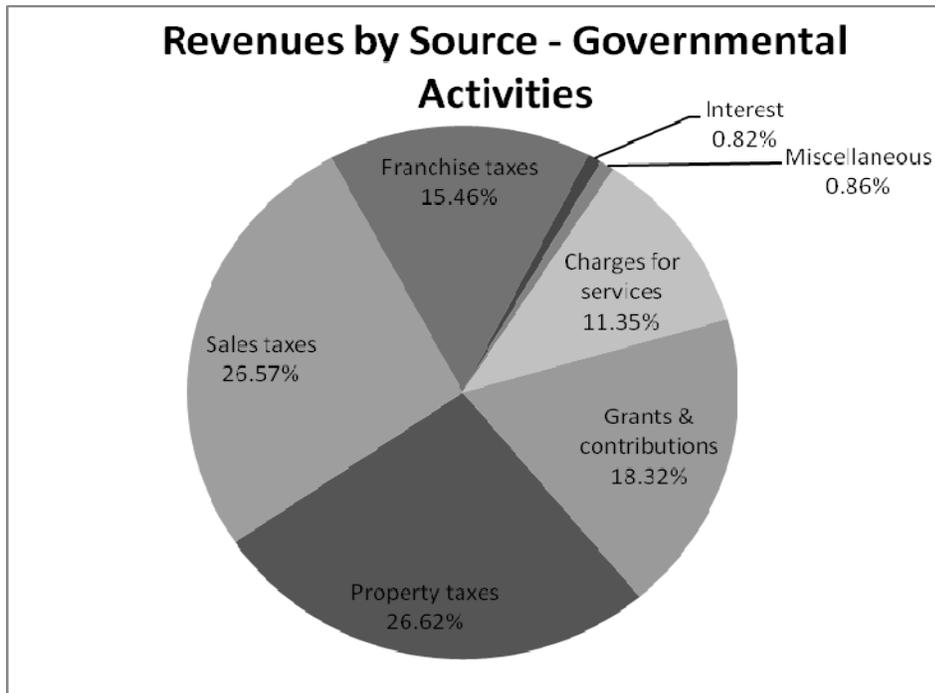
Governmental activities. Governmental activities decreased the City's net position by \$182,673. When combined with the \$1,529,452 increase in net position from business-type activities, overall net position increased by \$1,346,779 (1.89%). As indicated by the data in the table above, the increase in the City's net position provided this year by governmental activities before the prior period adjustment was \$3,108,291 less than last year's increase due to the following factors:

- Revenues from all governmental activities decreased by \$2,867,472 from 2011 while expenses from all governmental activities increased by \$357,069 from 2011. The main reduction in revenue came from capital grants and contributions as there were no developer contributions during the current year. The main increase in expenses came from general government and public safety.
- In 2011 governmental activities transferred \$615,250 to the business-type activities while in the current year a net \$499,000 was transferred to the business-type activities.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Governmental Activities (Continued)

The graph presented below and on the following page reflects only regular operating revenues from governmental activities and not the effects of special one-time items or transfers.



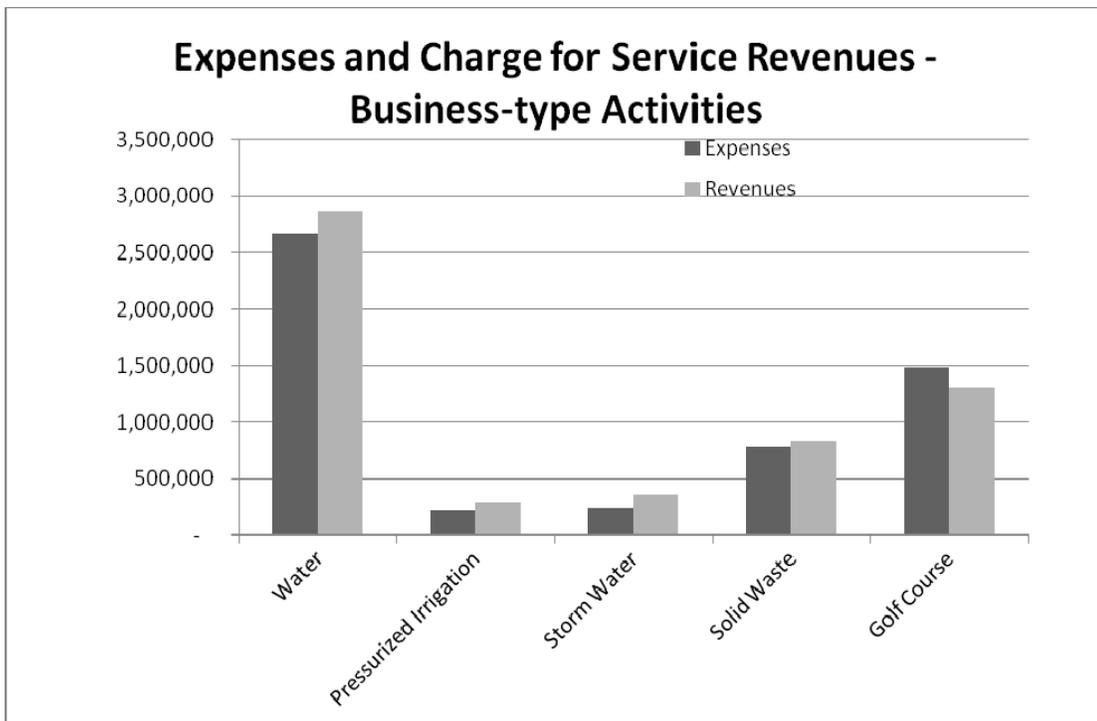
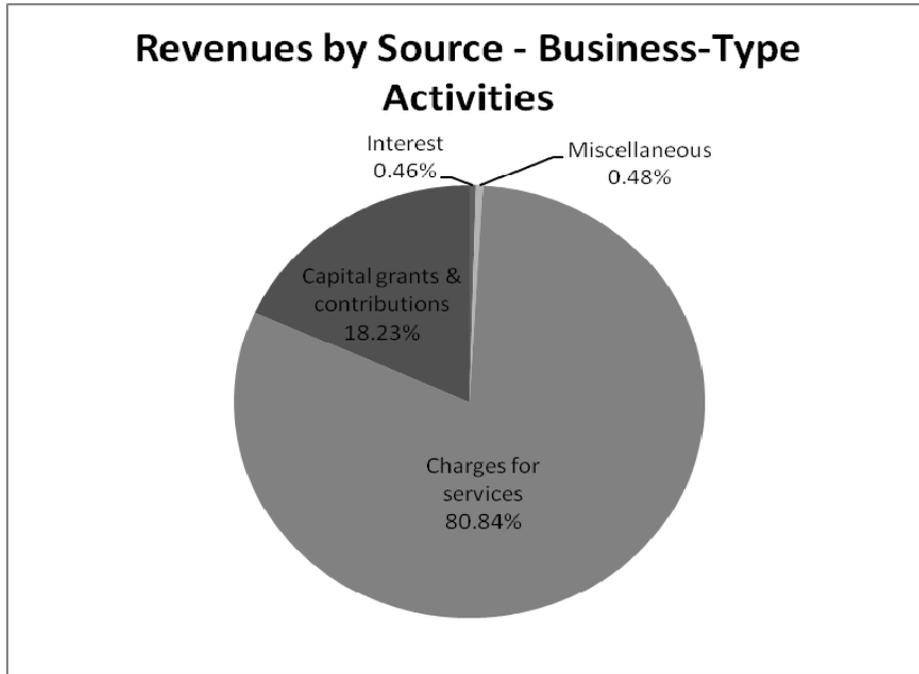
Business-type activities. Business-type activities increased the City's net position by \$1,529,452. As indicated by the data in the table on page 6, the increase in the City's net position provided this year by business-type activities was \$269,450 less than last year's increase due to the following factors:

- Revenues from all business-type activities decreased by \$116,429 from 2011 while expenses from all governmental activities increased by \$36,771 from 2011. The main reduction in revenue came from capital grants and contributions. The main increase in expenses came from the Pressurized Irrigation fund.
- In 2011 governmental activities transferred \$615,250 to the business-type activities while in the current year only \$499,000 was transferred to the business-type activities.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Business-type Activities (Continued)

The graphs presented below reflect only regular operating revenues and expenses from business-type activities and not the effects of special one-time items or transfers.



CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012

Financial Analysis of the Government's Funds

Governmental funds. The purpose of these funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2012, the City's governmental funds reported combined ending fund balance of \$8,362,237, a decrease of \$110,359 from the prior fiscal year. \$1,409,767 (16.86%) is available for spending at the government's discretion. The remaining \$6,952,470 of fund balance is not available for new spending because it is non-spendable in form (prepaid expenses); legally restricted by parties outside the financial reporting entity for 1) impact fees (\$1,903,481), 2) property tax increment (\$4,984), and 3) construction projects (\$652,272); or assigned to specific fund purposes.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,409,767. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$7,554,802 (18.66% or 68 calendar days). The fund balance of the City's General Fund increased \$268,109 during the current fiscal year. This represents a 22.06% change in fund balance. This increase consisted of 1) a 7.38% increase in revenues of \$575,010 offset by a 6.46% increase in expenditures of \$459,038, 2) a decrease in the sale of fixed assets by \$181,097, and 3) the General Fund had a net transfer out of \$549,000 in the current year while last year it had a net transfer out of \$895,250.

The Capital Projects Fund has a total fund balance of \$4,313,889, all of which has been assigned to finance future capital projects within the City. This fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities and equipment of the City other than those financed by proprietary and special revenue funds. During the year ended June 30, 2012, the fund balance in the Capital Projects Fund decreased by \$119,900 (2.7%) compared to last year's decrease of \$375,657. The \$255,757 smaller decrease in the City's Capital Projects Fund balance consisted of 1) a \$450,971 decrease in project expenditures, 2) \$4,786 more interest earned on investments, and 3) a \$200,000 decrease in money transferred in.

The Park Development Fund has a total fund balance of \$1,606,665, all of which has been assigned for eligible park projects. The net decrease in fund balance during the current fiscal year was \$733,438 compared to last year's decrease of \$2,622,291. The \$1,888,853 smaller decrease consisted of 1) an increase in revenues of \$409,596 and a reduction in project expenditures of \$1,479,257.

Proprietary funds. At June 30, 2012, the City's proprietary funds reported combined ending net position of \$20,418,485, an increase of \$1,529,452 over the prior year. The unrestricted portion of proprietary fund net position has a negative balance of \$1,295,744; however, this negative balance decreased by \$2,182,744 from the previous fiscal year showing significant improvement. The remaining \$21,714,229 of net position is not available for new spending because it is invested in capital assets (\$20,777,804) or legally restricted by parties outside the financial reporting entity for 1) debt service (\$514,553) and 2) impact fees (\$422,592).

The Water Fund has a total net position of \$9,668,036. During the year ended June 30, 2012, the Water Fund's net position decreased \$4,245,791 (30.51%) compared to last year's increase of \$1,136,926. The \$5,382,717 decrease in the Water Fund's net position compared to last year's increase consisted of 1) a \$5,502,059 prior period adjustment to move capital assets and associated net position out of the Water Fund and into the Pressurized Irrigation Fund, 2) a \$386,233 prior period adjustment to remove a Weber Basin payable and record a prepaid asset that had been expensed last year, 3) a \$460,825 increase in operating revenue principally due to the hotter weather increasing water sales, 4) a \$178,133 decrease in operating expenses principally due to decreases in salaries and benefits and depreciation, 5) a \$363,520 decrease in capital contributions due to no developer contributions during the current year, and 6) a \$150,950 increase in interest expense due to scheduled increases in the interest on outstanding debt.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Financial Analysis of the Government's Funds (Continued)

The Pressurized Irrigation Fund has a total net position of \$4,954,725. During the year ended June 30, 2012, the Pressurized Irrigation Fund's net position increased \$4,783,332 (2,790.85%) compared to last year's increase of \$32,422. The \$4,750,910 increase in the Pressurized Irrigation Fund's net position consisted of principally 1) a \$5,502,059 prior period adjustment to move capital assets and associated net position out of the Water Fund and into the Pressurized Irrigation Fund, 2) a \$62,377 prior period adjustment to record a prepaid asset that had been expensed last year, and 3) a \$178,357 increase in capital contributions due to accounting for the secondary water impact fees in the Pressurized Irrigation Fund rather than in the Water Fund as in prior years.

The remaining proprietary funds of Storm Water, Solid Waste, and Golf had total net positions of \$3,919,385, \$129,210, and \$1,747,129 respectively. The total net positions did not have significant changes from prior year and each had positive current year operating income of \$103,571, \$23,374, and \$38,199 respectively.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget to reflect new information they received regarding revenues and expenditures. The originally adopted budget has been adjusted as follows:

- General tax revenues were revised downward \$115,500; however, the final budget amount increased by \$208,500 reflecting actual growth in property, sales, and utility taxes from prior fiscal year.
- Building permit & plan check fees were revised downwards \$35,000; however, the final budget amount increased by \$91,000 from prior fiscal year showing significant improvement.
- For a third consecutive year, court fines and forfeitures declined, a decrease of \$75,000 from the original budget.
- General government, public safety, community development, parks, and recreation expenditures were revised upwards from the original budget by a combined \$196,750. The largest increases came from the administrative and judicial departments due to one-time retirement costs less decreased service costs elsewhere.
- Expenditure increases outlined in the preceding paragraph to increase service levels became possible due to a rebound in property and sales taxes, coupled with an increase in revenues from charges for services.
- The public works expenditures were revised downwards from the original budget by \$390,650. This decrease from the original to final budget was due to a late start of the center street reconstruction project that was anticipated to be principally complete in the current fiscal year but will ultimately span over into fiscal year 2013 as well.
- South Davis Metro Fire Agency service fees increased by \$20,330 over prior fiscal year amounts.
- The general fund increased its support of the golf operations by \$195,000.
- Overall the general fund expenditures decreased by \$193,900 from original to final budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2012, amounts to \$79,694,806 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, furniture and fixtures, streetlights, sidewalks, curb and gutter, roads, and similar infrastructure. A total increase in the City's investment in capital assets for the current fiscal year was \$1,929,418 (a total 2.48% increase equaling increases of \$953,303 for governmental activities and \$976,115 for business-type activities).

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Capital Asset and Debt Administration (Continued)

Major capital asset activity during the current fiscal year has been summarized in the following two tables.

City of North Salt Lake's Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 21,294,705	\$ 21,047,953	\$ 2,551,013	\$ 2,551,013	\$ 23,845,718	\$ 23,598,966
Water rights	-	-	2,864,076	2,864,051	2,864,076	2,864,051
Construction in progress	867,288	3,279,775	1,138,936	1,327,915	2,006,224	4,607,690
Buildings	6,883,884	6,660,911	1,026,372	1,059,117	7,910,256	7,720,028
Improvements	5,061,625	1,712,933	-	-	5,061,625	1,712,933
Golf course	-	-	3,172,892	3,196,718	3,172,892	3,196,718
Water distribution system	-	-	14,077,336	14,561,251	14,077,336	14,561,251
Storm water system	-	-	4,808,439	2,951,430	4,808,439	2,951,430
Machinery, equipment, and vehicles	1,274,599	1,357,088	1,039,155	1,190,609	2,313,754	2,547,697
Infrastructure	13,634,486	14,004,624	-	-	13,634,486	14,004,624
Total	\$ 49,016,587	\$ 48,063,284	\$ 30,678,219	\$ 29,702,104	\$ 79,694,806	\$ 77,765,388

City of North Salt Lake's Schedule of Capital Asset Additions			
	Governmental Activities	Business-type Activities	Totals
Land purchase for Washburn park	\$ 246,752	\$ -	\$ 246,752
New City Hall - external improvements	58,959	-	58,959
Other City building improvements	6,800	-	6,800
New servers, computers, and associated equipment and software	101,107	24,875	125,982
Public Safety vehicles	136,599	-	136,599
Current year expenses on the public works and parks maintenance building CIP	450,179	-	450,179
Current year expenses on the various park development projects included in CIP	562,504	-	562,504
Current year expenses on the Center street reconstruction projects included in CIP	242,303	-	242,303
Current year expenses on a project to rebuild various City trucks included in CIP	255,242	-	255,242
Eaglewood Village water mains	-	111,855	111,855
Water mains - Center Street & Orchard Drive projects in progress at 6/30/2012	-	641,841	641,841
Secondary water mains - golf course project in progress at 6/30/2012	-	39,155	39,155
Storm drains - Lacey way	-	119,759	119,759
Storm drains - Eaglewood Village project in progress at 6/30/2012	-	973,468	973,468
Golf course parking lot improvements	-	134,687	134,687
Golf course machinery and equipment	-	50,151	50,151
Garbage and recycling bins	-	11,514	11,514
Less current year deletions	(394,042)	(293,974)	(688,016)
Less current year depreciation expense	(1,056,124)	(1,064,272)	(2,120,396)
Add current year accumulated depreciation deletions	343,024	227,056	570,080
Total	\$ 953,303	\$ 976,115	\$ 1,929,418

Additional information on the City's capital assets can be found in Note 5 of this report.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Long-term debt. At the end of the current fiscal year, the City had \$17,540,260 in outstanding long-term debt. All of the bonded debt was secured by specific revenue sources.

City of North Salt Lake's Outstanding debt						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ 1,069,170	\$ -	\$ 2,291,911	\$ 657,000	\$ 3,361,081	\$ 657,000
Sales Tax revenue bonds	3,710,000	3,875,000	-	-	3,710,000	3,875,000
Water revenue bonds	-	-	7,590,718	8,101,624	7,590,718	8,101,624
General obligation bonds	-	-	2,715,847	3,214,016	2,715,847	3,214,016
Capital leases	-	-	162,614	261,668	162,614	261,668
Total	\$ 4,779,170	\$ 3,875,000	\$ 12,761,090	\$ 12,234,308	\$ 17,540,260	\$ 16,109,308

The City's total debt increased by \$1,430,952 during the current fiscal year, which included the recording of two notes payable through prior period adjustments. Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic news and overall picture of the City has improved tremendously in a year's time. Overall City fund balance increased nearly 1.35 million and total cash, restricted and unrestricted combined, increased 1.67 million. Non-debt related checking and PTIF account balances totaled over 6 million for the first time in over two years. Excluding parks and other capital expenditures, net revenue increased for both governmental and enterprise funds.

The City's consolidated water fund debt service ratio has increased dramatically from 1.08 times debt to 2.53 times debt as of June 30th, 2012. Excluding impact fee revenues, it still increased from 1.08 to 1.38 times debt or nearly 28 percent. Moreover, the water fund's interfund borrowings went from \$893,589 at June 30th, 2011 to \$169,251 in this twelve month period. This is in line with commitments the City made in late 2010 to improve its water system's financial position.

In the golf enterprise fund, overall revenues are the best they have been in at least five years. This underscores and punctuates the dramatic turn of economic events that have prospered the City since last fiscal year.

Residential growth has rebounded in substantial ways. There continues to be a demand for water system improvements. For this reason, the City's management secured a \$4,000,000 bond obligation in December 2010. With these pending increases to the culinary and secondary water system infrastructure, and supported by a major 30%+ rate increase in March 2010, the City enacted a 3% increase to all its water rates and types effective July 1, 2011. A subsequent, modest 1% increase was enacted in July 2012. The storm water infrastructure system was valued at over \$20 million by the City Engineer. Future, CPI based rate increases will continue to be proposed to the City Council each spring during budget adoption hearings and regular council meetings.

In addition to more routine equipment and repair expenditures, the City is pleased that its new banner parks were either entirely or mostly completed. The Legacy Regional Park went into service in summer 2011, a large park in the northwestern corner of the City with numerous improvements, including a splash pad. On the southeastern bench of the City, Tunnel Springs Park is another state-of-the-art park and trailhead improvement area. As of June 30th, 2012, a majority of this park was in place. Abutting the New City Hall, a park and plaza project is planned for FY2013, known as 'City Hall Plaza' to the City.

Following three consecutive years of economic downturn, City management has observed noticeable increases to overall general fund revenues during the fiscal year. Overall general fund revenues increased in excess of \$575,000 over the prior fiscal year. Because the strongest revenue increases occurred in the areas of tax and building related revenues, it is expected that City revenue resources will likely increase very strongly this upcoming year. That continues to be a much

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2012**

Economic Factors and Next Year's Budgets and Rates (Continued)

better prospect than what occurred in prior fiscal years ending June 30th in 2011 and 2010. The City is hopeful also that interest earnings rates increase from their woeful current rates hovering around .08% at the present time. In short, the City is seeing its own financial future on the upswing after 3~4 years of economic adversity. The foreseeable future is indeed bright.

Requests for Information

This financial report is designed to provide a general overview of the City of North Salt Lake's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of North Salt Lake, 10 East Center Street, North Salt Lake, UT 84054.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH SALT LAKE
STATEMENT OF NET POSITION
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,772,307	\$ 19,854	\$ 3,792,161
Receivables:			
Taxes	2,747,866	-	2,747,866
Accounts net	27,517	496,336	523,853
Intergovernmental	83,000	-	83,000
Internal balances	2,328,500	(2,328,500)	-
Inventories	-	154,734	154,734
Prepays	73,724	272,358	346,082
Deferred charges	106,273	301,557	407,830
Restricted assets cash and cash equivalents	2,692,178	4,432,940	7,125,118
Capital assets not being depreciated:			
Land	21,294,705	2,551,013	23,845,718
Water rights	-	2,864,076	2,864,076
Construction in progress	867,288	1,138,936	2,006,224
Capital assets, net of accumulated depreciation:			
Buildings	6,883,884	1,026,372	7,910,256
Improvements	5,061,625	-	5,061,625
Golf course	-	3,172,892	3,172,892
Water distribution system	-	14,077,336	14,077,336
Storm water system	-	4,808,439	4,808,439
Machinery, equipment, and vehicles	1,274,599	1,039,155	2,313,754
Infrastructure	13,634,486	-	13,634,486
Total Assets	60,847,952	34,027,498	94,875,450
Liabilities			
Accounts payable	\$ 567,313	\$ 394,117	\$ 961,430
Accrued liabilities	209,591	129,361	338,952
Developer and customer deposits	585,951	241,542	827,493
Noncurrent liabilities:			
Due within one year	468,568	1,442,691	1,911,259
Due in more than one year	4,662,076	11,401,302	16,063,378
Total Liabilities	6,493,499	13,609,013	20,102,512
Deferred Inflows of Resources			
Unearned revenues - property taxes	2,000,000	-	2,000,000
Total Deferred Inflows of Resources	2,000,000	-	2,000,000
Net Position			
Invested in capital assets, net of related debt	44,237,417	20,777,084	65,014,501
Restricted for:			
Impact fees	1,903,481	422,592	2,326,073
Debt Service	-	514,553	514,553
Property tax increment	4,984	-	4,984
Unrestricted	6,208,571	(1,295,744)	4,912,827
Total Net Position	52,354,453	20,418,485	72,772,938
Total Liabilities, Deferred Inflows, and Net Position	\$ 60,847,952	\$ 34,027,498	\$ 94,875,450

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

**CITY OF NORTH SALT LAKE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Government Activities							
General governmental	\$ 1,864,118	\$ 100	\$ -	\$ 61,454	\$ (1,802,564)	\$ -	\$ (1,802,564)
Public safety	3,460,816	434,752	79,101	172,739	(2,774,224)	-	(2,774,224)
Highways and public improvements	1,613,839	11,924	460,407	455,762	(685,746)	-	(685,746)
Community development	547,001	631,255	-	-	84,254	-	84,254
Parks, recreation, and public property	721,882	37,024	6,717	563,200	(114,941)	-	(114,941)
Interest on long-term debt	175,583	-	-	-	(175,583)	-	(175,583)
Total Governmental Activities	<u>8,383,239</u>	<u>1,115,055</u>	<u>546,225</u>	<u>1,253,155</u>	<u>(5,468,804)</u>	<u>-</u>	<u>(5,468,804)</u>
Business-type Activities							
Water	2,646,336	2,869,680	-	723,555	-	946,899	946,899
Pressurized irrigation	291,957	282,244	-	178,357	-	168,644	168,644
Storm water	260,806	363,107	-	370,315	-	472,616	472,616
Solid waste	807,827	827,210	-	-	-	19,383	19,383
Golf course	1,441,992	1,300,554	-	-	-	(141,438)	(141,438)
Total Business-type Activities	<u>5,448,918</u>	<u>5,642,795</u>	<u>-</u>	<u>1,272,227</u>	<u>-</u>	<u>1,466,104</u>	<u>1,466,104</u>
Total Government	<u>\$ 13,832,157</u>	<u>\$ 6,757,850</u>	<u>\$ 546,225</u>	<u>\$ 2,525,382</u>	<u>(5,468,804)</u>	<u>1,466,104</u>	<u>(4,002,700)</u>
General Revenues							
					2,615,059	-	2,615,059
					2,610,642	-	2,610,642
					1,518,889	-	1,518,889
					80,780	32,161	112,941
					84,358	33,325	117,683
					(499,000)	499,000	-
					<u>6,410,728</u>	<u>564,486</u>	<u>6,975,214</u>
						941,924	2,972,514
						2,030,590	2,972,514
					52,537,126	18,889,033	71,426,159
					(1,124,597)	(501,138)	(1,625,735)
					<u>\$ 52,354,453</u>	<u>\$ 20,418,485</u>	<u>\$ 72,772,938</u>

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

CITY OF NORTH SALT LAKE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012

	General	Capital Projects	Park Development	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,780,806	\$ 1,987,381	\$ -	\$ 4,120	\$ 3,772,307
Receivables:					
Taxes	2,747,866	-	-	-	2,747,866
Accounts - net	27,517	-	-	-	27,517
Intergovernmental	83,000	-	-	-	83,000
Prepays	73,724	-	-	-	73,724
Due from other funds	-	2,328,500	-	-	2,328,500
Restricted cash and cash equivalents	-	-	1,736,440	955,738	2,692,178
Total Assets	\$ 4,712,913	\$ 4,315,881	\$ 1,736,440	\$ 959,858	\$ 11,725,092
Liabilities					
Accounts payable	\$ 433,880	\$ 1,992	\$ 129,775	\$ 1,666	\$ 567,313
Accrued liabilities	209,591	-	-	-	209,591
Developer deposits	585,951	-	-	-	585,951
Total Liabilities	1,229,422	1,992	129,775	1,666	1,362,855
Deferred Inflows of Resources					
Unearned revenues - property taxes	2,000,000	-	-	-	2,000,000
Total Deferred Inflows of Resources	2,000,000	-	-	-	2,000,000
Fund Balances					
Nonspendable:					
Prepays	73,724	-	-	-	73,724
Restricted:					
Impact fees	-	-	954,393	949,088	1,903,481
Property tax increment	-	-	-	4,984	4,984
Construction	-	-	652,272	-	652,272
Assigned:					
Capital projects	-	4,313,889	-	-	4,313,889
Debt service	-	-	-	4,120	4,120
Unassigned	1,409,767	-	-	-	1,409,767
Total Fund Balances	1,483,491	4,313,889	1,606,665	958,192	8,362,237
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,712,913	\$ 4,315,881	\$ 1,736,440	\$ 959,858	\$ 11,725,092

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

CITY OF NORTH SALT LAKE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2012

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

Total fund balance - governmental funds	\$ 8,362,237
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,016,587
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	(5,130,644)
Costs of issuance are not amortized in the current period and therefore are not recorded in the funds.	<u>106,273</u>
Total net position - governmental activities	<u><u>\$ 52,354,453</u></u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2012

	General	Capital Projects	Park Development	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 6,504,874	\$ -	\$ -	\$ 239,716	\$ 6,744,590
Licenses and permits	202,291	-	-	-	202,291
Intergovernmental	539,508	-	-	61,454	600,962
Charges for services	484,734	-	-	-	484,734
Fines and forfeitures	427,930	-	-	-	427,930
Impact fees	78,334	-	563,200	550,167	1,191,701
Interest	43,065	22,090	11,594	4,031	80,780
Miscellaneous	84,458	-	-	-	84,458
Total Revenues	8,365,194	22,090	574,794	855,368	9,817,446
Expenditures					
Current:					
General government	1,346,467	-	-	-	1,346,467
Public safety	3,493,905	-	-	-	3,493,905
Highways and public improvements	1,677,554	-	-	750	1,678,304
Community development	543,555	-	-	-	543,555
Parks, recreation, and public property	493,321	-	1,308,232	2,500	1,804,053
Debt service:					
Principal	-	-	-	165,000	165,000
Interest	-	-	-	175,583	175,583
Capital outlay:					
General government	-	223,135	-	-	223,135
Public safety	-	-	-	1,666	1,666
Parks, recreation, and public property	-	3,855	-	-	3,855
Total Expenditures	7,554,802	226,990	1,308,232	345,499	9,435,523
Excess (Deficiency) of Revenues Over (Under) Expenditures	810,392	(204,900)	(733,438)	509,869	381,923
Other Financing Sources (Uses)					
Transfer in	140,000	85,000	-	50,000	275,000
Transfer out	(689,000)	-	-	(85,000)	(774,000)
Contributions	6,717	-	-	-	6,717
Total Other Financing Sources (Uses)	(542,283)	85,000	-	(35,000)	(492,283)
Net Change in Fund Balances	268,109	(119,900)	(733,438)	474,869	(110,360)
Fund Balance, Beginning	1,215,382	4,433,789	2,340,103	483,323	8,472,597
Fund Balance, Ending	\$ 1,483,491	\$ 4,313,889	\$ 1,606,665	\$ 958,192	\$ 8,362,237

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

CITY OF NORTH SALT LAKE
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

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

Net change in fund balances - total governmental funds	\$ (110,360)
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,056,124)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	2,068,266
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	165,000
The effect of the sale and disposal of capital assets.	(58,838)
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	(66,020)
 Change in net position of governmental activities	 <u><u>\$ 941,924</u></u>

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

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CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
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:				
Property	\$ 2,140,000	\$ 2,255,500	\$ 2,375,343	\$ 119,843
Sales and use	2,675,000	2,500,000	2,610,642	110,642
Franchise	1,656,000	1,600,000	1,518,889	(81,111)
Licenses and permits	240,000	205,000	202,291	(2,709)
Impact fees	90,000	90,000	78,334	(11,666)
Intergovernmental revenues	536,000	543,000	539,508	(3,492)
Charges for services	255,000	446,000	484,734	38,734
Fines and forfeitures	500,000	425,000	427,930	2,930
Interest	18,000	43,000	43,065	65
Miscellaneous	21,500	96,500	91,175	(5,325)
Total Revenues	8,131,500	8,204,000	8,371,911	167,911
Expenditures				
Current:				
General government:				
Legislative	145,850	172,350	157,035	15,315
Administrative	496,750	582,550	555,807	26,743
Judicial	289,000	341,500	315,595	25,905
Engineering	282,750	242,250	223,200	19,050
Buildings	124,700	102,700	94,830	7,870
Total general government	<u>1,339,050</u>	<u>1,441,350</u>	<u>1,346,467</u>	<u>94,883</u>
Public safety:				
Police department	2,251,000	2,279,500	2,257,466	22,034
Fire department	1,241,500	1,231,500	1,214,916	16,584
Animal control	24,000	24,000	21,523	2,477
Total public safety	<u>3,516,500</u>	<u>3,535,000</u>	<u>3,493,905</u>	<u>41,095</u>
Public works:				
Streets department	1,124,700	1,088,700	1,083,225	5,475
Buildings	50,000	74,000	64,659	9,341
Capital projects	1,195,000	816,350	529,670	286,680
Total public works	<u>2,369,700</u>	<u>1,979,050</u>	<u>1,677,554</u>	<u>301,496</u>
Community Development				
Planning and zoning	335,000	350,200	342,265	7,935
Community development	35,000	45,000	44,756	244
Building inspection	173,600	177,250	156,534	20,716
Total community development	<u>543,600</u>	<u>572,450</u>	<u>543,555</u>	<u>28,895</u>
Parks	<u>420,650</u>	<u>457,950</u>	<u>455,632</u>	<u>2,318</u>
Recreation	<u>28,000</u>	<u>37,800</u>	<u>37,689</u>	<u>111</u>
Total Expenditures	\$ 8,217,500	\$ 8,023,600	\$ 7,554,802	\$ 468,798

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
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>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (86,000)	\$ 180,400	\$ 817,109	\$ 636,709
Other Financing Sources (Uses)				
Transfer in	465,000	465,000	140,000	(325,000)
Transfer out	(494,000)	(689,000)	(689,000)	-
Total Other Financing Sources (Uses)	<u>(29,000)</u>	<u>(224,000)</u>	<u>(549,000)</u>	<u>(325,000)</u>
Net Change in Fund Balance *	<u>\$ (115,000)</u>	<u>\$ (43,600)</u>	268,109	<u>\$ 311,709</u>
Fund Balance, Beginning			<u>1,215,382</u>	
Fund Balance, Ending			<u>\$ 1,483,491</u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – PARK DEVELOPMENT
SPECIAL REVENUE FUND
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				
Impact fees	\$ 200,000	\$ 550,000	\$ 563,200	\$ 13,200
Interest	10,000	11,000	11,594	594
Total Revenues	<u>210,000</u>	<u>561,000</u>	<u>574,794</u>	<u>13,794</u>
Expenditures				
Current:				
Improvements	1,455,000	1,661,000	1,303,933	357,067
Professional and technical	15,000	15,000	4,299	10,701
Payments to developers	150,000	100,000	-	100,000
Total Expenditures	<u>1,620,000</u>	<u>1,776,000</u>	<u>1,308,232</u>	<u>467,768</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,410,000)</u>	<u>(1,215,000)</u>	<u>(733,438)</u>	<u>481,562</u>
Net Change in Fund Balance *	<u><u>\$ (1,410,000)</u></u>	<u><u>\$ (1,215,000)</u></u>	<u>(733,438)</u>	<u><u>\$ 481,562</u></u>
Fund Balance, Beginning			<u>2,340,103</u>	
Fund Balance, Ending			<u><u>\$ 1,606,665</u></u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

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CITY OF NORTH SALT LAKE
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2012

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 19,854	\$ -	\$ 19,854
Accounts receivable, net	328,010	38,340	34,860	79,257	15,869	496,336
Inventories	87,555	-	-	-	67,179	154,734
Prepaid expenses	198,744	62,377	-	-	11,237	272,358
Total Current Assets	<u>614,309</u>	<u>100,717</u>	<u>34,860</u>	<u>99,111</u>	<u>94,285</u>	<u>943,282</u>
Noncurrent Assets						
Restricted cash and cash equivalents	4,010,348	183,265	239,327	-	-	4,432,940
Capital assets:						
Land	197,538	-	-	-	2,353,475	2,551,013
Water rights	163,961	2,700,115	-	-	-	2,864,076
Buildings	294,908	-	-	-	1,198,068	1,492,976
Golf course	-	-	-	-	4,810,424	4,810,424
Water distribution system	15,864,779	2,352,180	-	-	-	18,216,959
Storm water system	-	-	5,065,945	-	-	5,065,945
Machinery, equipment, and vehicles	701,128	116,774	182,415	428,411	1,092,981	2,521,709
Construction-in-progress	652,866	486,070	-	-	-	1,138,936
Less accumulated depreciation	(4,577,596)	(204,008)	(345,963)	(234,542)	(2,621,710)	(7,983,819)
Deferred charges	230,606	-	-	-	70,951	301,557
Total Noncurrent Assets	<u>17,538,538</u>	<u>5,634,396</u>	<u>5,141,724</u>	<u>193,869</u>	<u>6,904,189</u>	<u>35,412,716</u>
Total Assets	<u>\$ 18,152,847</u>	<u>\$ 5,735,113</u>	<u>\$ 5,176,584</u>	<u>\$ 292,980</u>	<u>\$ 6,998,474</u>	<u>\$ 36,355,998</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)
June 30, 2012

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>
Liabilities						
Current Liabilities						
Accounts payable	\$ 313,906	\$ 140	\$ 1,267	\$ 59,697	\$ 19,107	\$ 394,117
Compensated absences	36,840	-	19	-	7,704	44,563
Accrued liabilities	120,550	-	1,186	1,800	5,825	129,361
Due to other funds	169,251	-	225,000	-	-	394,251
Notes payable	-	207,140	50,000	-	-	257,140
Leases payable	-	-	-	18,917	39,888	58,805
Revenue bond payable	569,014	-	-	-	513,169	1,082,183
Total Current Liabilities	<u>1,209,561</u>	<u>207,280</u>	<u>277,472</u>	<u>80,414</u>	<u>585,693</u>	<u>2,360,420</u>
Noncurrent Liabilities						
Compensated absences	12,004	-	64	-	26,272	38,340
Customer deposits	241,542	-	-	-	-	241,542
Due to other funds	-	-	175,000	-	1,759,249	1,934,249
Notes payable	-	573,108	804,663	-	657,000	2,034,771
Leases payable	-	-	-	83,356	20,453	103,809
Revenue bond payable	7,021,704	-	-	-	2,202,678	9,224,382
Total Noncurrent Liabilities	<u>7,275,250</u>	<u>573,108</u>	<u>979,727</u>	<u>83,356</u>	<u>4,665,652</u>	<u>13,577,093</u>
Total Liabilities	<u>8,484,811</u>	<u>780,388</u>	<u>1,257,199</u>	<u>163,770</u>	<u>5,251,345</u>	<u>15,937,513</u>
Net Position						
Invested in capital assets, net of related debt	8,966,821	4,670,883	3,647,734	91,596	3,400,050	20,777,084
Restricted:						
Debt service	514,553	-	-	-	-	514,553
Impact fees	-	183,265	239,327	-	-	422,592
Unrestricted	186,662	100,577	32,324	37,614	(1,652,921)	(1,295,744)
Total Net Position	<u>9,668,036</u>	<u>4,954,725</u>	<u>3,919,385</u>	<u>129,210</u>	<u>1,747,129</u>	<u>20,418,485</u>
Total Liabilities and Net Position	<u>\$ 18,152,847</u>	<u>\$ 5,735,113</u>	<u>\$ 5,176,584</u>	<u>\$ 292,980</u>	<u>\$ 6,998,474</u>	<u>\$ 36,355,998</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2012

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>
Operating Revenues						
Charges for services:						
Metered water sales	\$ 2,806,630	\$ 282,244	\$ -	\$ -	\$ -	\$ 3,088,874
User fees	-	-	363,107	827,210	-	1,190,317
Connection and servicing fees	63,050	-	-	-	-	63,050
Admissions and lesson fees	-	-	-	-	650,597	650,597
Equipment and facility rents	-	-	-	-	441,257	441,257
Concession and merchandise sales	-	-	-	-	208,700	208,700
Miscellaneous	32,511	-	-	-	814	33,325
Total Operating Revenues	2,902,191	282,244	363,107	827,210	1,301,368	5,676,120
Operating Expenses						
Salaries and benefits	551,605	70,633	92,343	640,743	540,087	1,895,411
Office expense and supplies	19,752	997	5,401	8,236	2,698	37,084
Equipment - supplies and maintenance	192,555	-	17,982	-	63,348	273,885
Buildings and grounds - supplies and maintenance	84,322	43	-	-	27,849	112,214
Special department supplies	9,972	-	-	-	62,361	72,333
Power purchases	329,410	-	-	-	31,207	360,617
Water purchases	375,796	124,754	-	-	112,560	613,110
Professional services	73,009	4,951	17,296	857	45,459	141,572
Contracted services	-	-	-	121,438	-	121,438
Merchandise	-	-	-	-	98,155	98,155
Depreciation	571,925	90,083	125,582	32,269	244,413	1,064,272
Miscellaneous	19,008	496	932	293	35,032	55,761
Total Operating Expenses	2,227,354	291,957	259,536	803,836	1,263,169	4,845,852
Operating Income (Loss)	\$ 674,837	\$ (9,713)	\$ 103,571	\$ 23,374	\$ 38,199	\$ 830,268

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
(Continued)
For The Year Ended June 30, 2012

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>
Nonoperating Income (Expense)						
Interest income	\$ 30,625	\$ -	\$ 1,243	\$ 268	\$ 25	\$ 32,161
Interest expense	(418,982)	-	(1,270)	(3,991)	(117,452)	(541,695)
Gain (loss) from sale of capital assets	-	-	-	-	(61,371)	(61,371)
Total Nonoperating Income (Expense)	<u>(388,357)</u>	<u>-</u>	<u>(27)</u>	<u>(3,723)</u>	<u>(178,798)</u>	<u>(570,905)</u>
Income (loss) before contributions and transfers	286,480	(9,713)	103,544	19,651	(140,599)	259,363
Build America Bond Interest Subsidy	88,930	-	-	-	-	88,930
Impact Fees	634,625	178,357	370,315	-	-	1,183,297
Transfers in	-	-	-	-	639,000	639,000
Transfers out	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>
Change in Net Position	870,035	168,644	473,859	19,651	498,401	2,030,590
Net Position, Beginning	13,913,827	171,393	3,445,526	109,559	1,248,728	18,889,033
Prior Period Adjustment	<u>(5,115,826)</u>	<u>4,614,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(501,138)</u>
Net Position, Ending	<u>\$ 9,668,036</u>	<u>\$ 4,954,725</u>	<u>\$ 3,919,385</u>	<u>\$ 129,210</u>	<u>\$ 1,747,129</u>	<u>\$ 20,418,485</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2012

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 2,803,445	\$ 263,887	\$ 363,210	\$ 824,903	\$ 1,297,765	\$ 5,553,210
Receipts from customer deposits	15,285	-	-	-	-	15,285
Payments to suppliers and service providers	(821,456)	(132,472)	(62,077)	(711,168)	(516,145)	(2,243,318)
Payments to employees and related benefits	(564,068)	(70,633)	(94,491)	(32,020)	(559,002)	(1,320,214)
Net cash flows from operating activities	<u>1,433,206</u>	<u>60,782</u>	<u>206,642</u>	<u>81,715</u>	<u>222,618</u>	<u>2,004,963</u>
Cash Flows From Non-Capital Financing Activities						
Transfers in	-	-	-	-	639,000	639,000
Transfers out	(140,000)	-	-	-	-	(140,000)
Due to/from other funds	(724,338)	-	(266,137)	(28,418)	(21,189)	(1,040,082)
Net cash flows from non-capital financing activities	<u>(864,338)</u>	<u>-</u>	<u>(266,137)</u>	<u>(28,418)</u>	<u>617,811</u>	<u>(541,082)</u>
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(778,622)	(39,155)	(1,093,232)	(11,514)	(184,838)	(2,107,361)
Proceeds from sales of capital assets	-	-	-	-	5,600	5,600
Impact fees and interest subsidies received	723,555	178,357	1,343,783	-	-	2,245,695
Principal paid on bonds and leases	(510,906)	(169,500)	(139,868)	(18,206)	(557,954)	(1,396,434)
Interest Paid	(400,618)	-	(1,270)	(3,991)	(103,262)	(509,141)
Net cash flows from capital and related financing activities	<u>\$ (966,591)</u>	<u>\$ (30,298)</u>	<u>\$ 109,413</u>	<u>\$ (33,711)</u>	<u>\$ (840,454)</u>	<u>\$ (1,761,641)</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2012

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>
Cash Flows From Investing Activities						
Interest on investments	\$ 30,625	\$ -	\$ 1,243	\$ 268	\$ 25	\$ 32,161
Net cash flows from investing activities	<u>30,625</u>	<u>-</u>	<u>1,243</u>	<u>268</u>	<u>25</u>	<u>32,161</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(367,098)	30,484	51,161	19,854	-	(265,599)
Cash and Cash Equivalents, Beginning	<u>4,377,446</u>	<u>152,781</u>	<u>188,166</u>	<u>-</u>	<u>-</u>	<u>4,718,393</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,010,348</u>	<u>\$ 183,265</u>	<u>\$ 239,327</u>	<u>\$ 19,854</u>	<u>\$ -</u>	<u>\$ 4,452,794</u>
Reconciliation of operating income to net cash flows from operating activities						
Earnings (loss) from operations	\$ 674,837	\$ (9,713)	\$ 103,571	\$ 23,374	\$ 38,199	\$ 830,268
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:						
Depreciation	571,925	90,083	125,582	32,269	244,413	1,064,272
Changes in assets and liabilities						
Accounts receivable, net	(98,746)	(18,357)	103	(2,307)	(3,603)	(122,910)
Inventories	21,879	-	-	-	1,327	23,206
Prepaid expenses	(8,944)	-	-	-	(1,849)	(10,793)
Accounts payable	295,496	140	(18,227)	29,697	2,619	309,725
Compensated absences	(14,095)	-	(2,148)	-	(18,915)	(35,158)
Accrued liabilities	(24,431)	(1,371)	(2,239)	(1,318)	(39,573)	(68,932)
Customer deposits	15,285	-	-	-	-	15,285
Net cash flows from operating activities	<u>\$ 1,433,206</u>	<u>\$ 60,782</u>	<u>\$ 206,642</u>	<u>\$ 81,715</u>	<u>\$ 222,618</u>	<u>\$ 2,004,963</u>

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

CITY OF NORTH SALT LAKE NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Salt Lake (the City) was incorporated under the laws of the State of Utah in 1946 and operates under a manager-council form of government and provides the following services as authorized by its charter: public safety, public health, public improvements, highways, recreation, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

The Reporting Entity

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

Blended Component Units

The City established a Redevelopment Agency (RDA) pursuant to state code and designated the Mayor and City Council as the Redevelopment Agency Board. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the RDA have been included in the financial reporting entity as a blended component unit as a nonmajor governmental fund.

The City established a Municipal Building Authority pursuant to state code. The Governing Board of the Building Authority is comprised of the Mayor and members of the City Council. The purpose of the Authority is to serve the City as a financing agency for debt financed projects. During fiscal year 2004, all of the remaining debt related to the Authority was paid off and no other activity has occurred in the Authority since that time.

Financial information for the above mentioned component units may be obtained at the City's offices, located at 10 East Center Street, North Salt Lake, UT 84054.

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental services, public safety, highways and public improvements, parks, recreation, and public property, and community development are classified as governmental activities. The City's water, secondary water, storm water, solid waste, and golf course services are classified as business-type activities.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the *statement of net position* and the *statement of activities*) report information on all of the activities of the City and its blended component units. 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 user fees and charges for support.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

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

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary Funds and Special Revenue Funds).

The Park Development Fund is a special revenue fund. Special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. This fund is used to account for the park impact fees received. Accounting and financial reporting for General and special revenue funds are identical.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's culinary water distribution system.

The Pressurized Irrigation Fund accounts for the activities of the City's secondary water distribution system.

The Storm Water Fund accounts for the activities of the City's storm water collection system.

The Solid Waste Fund accounts for the activities of the City's solid waste services.

The Golf Course Fund accounts for the activities of the City's golf course.

Additionally, the City reports the following fund types:

As mentioned above, special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The City accounts for the Police Facilities, Roadway Development, and Redevelopment Agency Funds as nonmajor special revenue funds.

As mentioned above, debt service funds are used to account for resources that will be used to service general long-term debt. The City has a nonmajor debt service fund and its principal function is the collection of RAP tax revenue and the payment of RAP tax revenue bonds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers. Operating expenses for enterprise 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 nonoperating revenues and expenses.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

City policy states that when fund balance is available for use the following spending order will be followed: restricted, committed, assigned, and then unassigned fund balance as it is needed.

The City records utility revenues billed to its customers when meters are read on a monthly basis.

Budgets

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, which begins July 1.

Budgets include activities in several different funds, including the General Fund, special revenue funds, Debt Service Fund, and proprietary funds. Annual budgets are also adopted for capital projects, which may include activities overlapping several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed General Fund balance until it exceeds 5% of the General Fund revenues. Until the sum of the stated fund balance categories is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law also prohibits the accumulation of the stated fund balance categories in any amount greater than 18% of the next year's budgeted revenues.

By resolution, the City Council can amend the budget to any extent, provided the amended budget does not exceed the original budgeted expenditures, in which case a public hearing must be held. With the consent of the City Manager, 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, special revenue funds, debt service funds, and Capital Projects Fund are prepared on the modified accrual basis of accounting. The City does not use encumbrance accounting.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is neither practicable, nor appropriate, to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes

On or before June 22 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. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the City are assessed and collected by Davis County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears 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 taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utilities, and cable television companies and remitted to the City periodically.

Cash and cash equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Inventory and Prepaid Items

Inventories of materials used in the construction and repair of the transmission, distribution, and collection systems are valued at the lower of cost or market on a weighted average basis. Golf course merchandise inventories are valued at the lower of cost or market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the governmental funds are accounted for using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, curb and gutter, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets 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 where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add materially to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	30-50
Machinery and equipment	3-12
Furniture and fixtures	5-10
Infrastructure	40

Interfund transactions

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement or termination, all unpaid accrued vacation, up to 240 hours, is paid to the employee. Sick leave is earned at a rate of 8 hours (one day) per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave to a maximum of 180 days. Employees with at least 120 hours of accumulate sick leave are allowed to cash in one-third (1/3) of their annual sick leave that exceeds the 120 minimum. Accumulated sick leave paid to employees upon retirement is limited to 20% to 50% of accumulated hours depending upon years of service. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave. The amount of accumulated leave 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.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity – Fund Financial Statements

In the governmental fund financial statements fund equity is classified as fund balance. Fund Balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

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

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

Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remain binding unless removed in the same manner.

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

Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Equity – Government-wide & Proprietary Financial Statements

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

1. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of 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.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 2 DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's investment pool that is considered as a demand deposit. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" which also includes cash accounts that are separately held by several of the City's funds.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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

Custodial credit risk – deposits is the risk that in the event of bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2012, \$390,463 of the City’s bank balances of \$690,157 was uninsured and uncollateralized.

Custodial credit risk – investments 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 that are in the possession of an outside party. As of June 30, 2012, the City had all of its investments in the PTIF totaling \$10,338,757, all of which was exposed to custodial credit risk because it was uninsured and uncollateralized.

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances. As of June 30, 2012, the fair value per share factor for investments in the PTIF was 1.00586284.

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

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

and corporate obligations to 365 days or less. Maturities of the City's PTIF investments are less than one year.

Following are the City's cash on hand, on deposit, and investments at June 30, 2012:

Cash on hand and on deposit:	
Petty Cash	\$ 3,600
Cash on Deposit	574,922
PTIF Investment	<u>10,338,757</u>
Total cash and investments	<u><u>\$ 10,917,279</u></u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 3,792,161
Restricted cash and cash equivalents	<u>7,125,118</u>
Total cash and investments	<u><u>\$ 10,917,279</u></u>

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2012 for all funds is \$10,000.

NOTE 4 RESTRICTED BALANCES

The following table illustrates the amounts reported as restricted net position, restricted fund balance, and restricted cash. The variances between restricted cash and restricted net position occur under two occasions. First, if expenditures have been incurred for restricted purposes, but have yet to be paid with cash. Second, if the restriction is also offset by a corresponding debt such as the unspent bond proceeds.

	<u>Restricted Cash</u>	<u>Restricted Net Position</u>	<u>Restricted Fund Balance</u>
Water Bonds Debt Service Reserves	\$ 750,393	\$ 514,553	\$ -
Unspent Bond Proceeds for Construction - Water	3,259,955	-	-
Unspent Bond Proceeds for Construction - RAP	652,272	-	652,272
Impact Fees	2,457,514	422,592	1,903,481
Property Tax Increment	4,984	-	4,984
	<u>\$ 7,125,118</u>	<u>\$ 937,145</u>	<u>\$ 2,560,737</u>

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 21,047,953	\$ 246,752	\$ -	\$ 21,294,705
Construction in progress	3,279,775	1,518,049	(3,930,536)	867,288
Total capital assets, not being depreciated	24,327,728	1,764,801	(3,930,536)	22,161,993
Capital assets, being depreciated				
Infrastructure	14,805,498	-	-	14,805,498
Buildings	7,162,165	469,911	-	7,632,076
Improvements other than buildings	2,100,332	3,480,864	(52,000)	5,529,196
Machinery, equipment, and vehicles	3,407,316	275,405	(342,042)	3,340,679
Total capital assets, being depreciated	27,475,311	4,226,180	(394,042)	31,307,449
Less accumulated depreciation for				
Infrastructure	(800,874)	(370,138)	-	(1,171,012)
Buildings	(501,254)	(246,938)	-	(748,192)
Improvements other than buildings	(387,398)	(112,687)	32,514	(467,571)
Machinery, equipment, and vehicles	(2,050,229)	(326,361)	310,510	(2,066,080)
Total accumulated depreciation	(3,739,755)	(1,056,124)	343,024	(4,452,855)
Total capital assets, being depreciated, net	23,735,556	3,170,056	(51,018)	26,854,594
Governmental activities capital assets, net	\$ 48,063,284	\$ 4,934,857	\$ (3,981,554)	\$ 49,016,587

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

Governmental activities	
General government	\$ 367,137
Public safety	86,326
Highways and public improvements	457,068
Parks, recreation, and public property	145,593
Total depreciation expense - governmental activities	\$ 1,056,124

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance June 30, 2012</u>
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 2,551,013	\$ -	\$ -	\$ -	\$ 2,551,013
Water rights	2,864,051	25	-	-	2,864,076
Construction in progress	1,327,915	1,654,489	-	(1,843,468)	1,138,936
Total capital assets, not being depreciated	6,742,979	1,654,514	-	(1,843,468)	6,554,025
Capital assets, being depreciated					
Buildings	1,492,976	-	-	-	1,492,976
Golf course	4,765,185	134,687	(89,448)	-	4,810,424
Water distribution system	18,142,726	111,855	(37,622)	-	18,216,959
Storm water system	3,102,718	119,759	-	1,843,468	5,065,945
Machinery, equipment, and vehicles	2,602,073	86,540	(166,904)	-	2,521,709
Total capital assets, being depreciated	30,105,678	452,841	(293,974)	1,843,468	32,108,013
Less accumulated depreciation for					
Buildings	(433,859)	(32,745)	-	-	(466,604)
Golf course	(1,568,467)	(98,311)	29,246	-	(1,637,532)
Water distribution system	(3,581,475)	(595,770)	37,622	-	(4,139,623)
Storm water system	(151,288)	(106,218)	-	-	(257,506)
Machinery, equipment, and vehicles	(1,411,464)	(231,228)	160,138	-	(1,482,554)
Total accumulated depreciation	(7,146,553)	(1,064,272)	227,006	-	(7,983,819)
Total capital assets, being depreciated, net	22,959,125	(611,431)	(66,968)	1,843,468	24,124,194
Business-type activities capital assets, net	\$ 29,702,104	\$ 1,043,083	\$ (66,968)	\$ -	\$ 30,678,219

Depreciation expense was charged to funds of the business-type activities as follows:

Business-type Activities	
Water	\$ 571,925
Secondary Water	90,083
Storm Water	125,582
Golf Course	244,413
Solid Waste	32,269
Total depreciation expense - business-type activities	\$ 1,064,272

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 UNEARNED PROPERTY TAXES

In conjunction with the implementation of GASB Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” the City has accrued a property tax receivable and an unearned property tax revenue in the General Fund in the amounts of \$2,000,000.

Property taxes in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30.

Since the property tax to be levied on October 1, 2012 is not expected to be received within 60 days after the year ended June 30, 2012, the City is required to record a receivable and unearned revenue of the estimated amount of the total property tax to be levied on October 1, 2012.

NOTE 7 DEVELOPER AND CUSTOMER DEPOSITS

General Fund deposits are principally deposits and construction bonds from developers that are held by the City until building projects receive the required City inspections and are in compliance with all City ordinances.

Water fund deposits are customer deposits the City requires from all residential or commercial customers before they receive a water connection. The deposit is a flat fee charged based on the size of the water meter. The deposit is refunded only at termination of service.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2012:

	Long-term debt payable at June 30, 2011	Additions	Reductions	Long-term debt payable at June 30, 2012	Due within One Year
Governmental activities					
Series 2010 Sales Tax	\$ 3,875,000	\$ -	\$ 165,000	\$ 3,710,000	\$ 165,000
Woodside Homes N/P *	1,069,170	-	-	1,069,170	226,600
Compensated absences	285,454	245,490	179,470	351,474	76,968
	<u>5,229,624</u>	<u>245,490</u>	<u>344,470</u>	<u>5,130,644</u>	<u>468,568</u>
Governmental activity long-term liabilities					
	<u>\$ 5,229,624</u>	<u>\$ 245,490</u>	<u>\$ 344,470</u>	<u>\$ 5,130,644</u>	<u>\$ 468,568</u>
Business-type activities					
Series 2002 Water Revenue	\$ 720,000	\$ -	\$ 115,000	\$ 605,000	\$ 128,000
Series 2006 Water Revenue	3,300,000	-	265,000	3,035,000	280,000
Plus unamortized premium	38,542	-	3,854	34,688	3,854
Series 2010 Water Revenue	4,000,000	-	125,000	3,875,000	155,000
Plus unamortized premium	43,082	-	2,052	41,030	2,160
Series 2009 G.O. Bonds	3,135,000	-	485,000	2,650,000	500,000
Plus unamortized premium	79,016	-	13,169	65,847	13,169
Eaglewood Development N/P	657,000	-	-	657,000	-
Golf Course Capital Lease	21,219	-	21,219	-	-
Golf Course Capital Lease	98,907	-	38,565	60,342	39,888
Weber Water N/P *	949,748	-	169,500	780,248	207,140
Storm Water Capital Lease	21,063	-	21,063	-	-
Compass Development N/P	-	973,468	118,805	854,663	50,000
Solid Waste Capital Lease	120,479	-	18,207	102,272	18,917
Compensated absences	118,061	101,532	136,690	82,903	44,563
	<u>13,302,117</u>	<u>1,075,000</u>	<u>1,533,124</u>	<u>12,843,993</u>	<u>1,442,691</u>
Business-type activity long-term liabilities					
	<u>\$ 13,302,117</u>	<u>\$ 1,075,000</u>	<u>\$ 1,533,124</u>	<u>\$ 12,843,993</u>	<u>\$ 1,442,691</u>

* Prior period adjustment to record debt that had previously been unrecorded.

The General Fund and all Enterprise Funds typically liquidate the liability for compensated absences.

For the year ended June 30, 2012, \$175,583 of interest was charged as a direct expense on the *statement of activities* for Governmental activities and \$541,695 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2012, in Governmental or Business-type Activities.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Governmental Activities:

Sales Tax Revenue Bonds, Series 2010

In May of 2010 the City issued the Sales Tax Revenue Bonds, Series 2010 with a par value of \$4,030,000. The bonds are Build America Bonds (BABS) and are not tax exempt to the holder of the bonds. The bonds have a net interest cost of 4.73% and a true interest cost of 3.1%. However, the City will be reimbursed by the Federal Government equal to 35% of the interest paid. The bonds require interest payments in June and December of each year until maturity in 2030. Principal payments are due in June of each year until June 2030. These bonds were issued for the purpose of park construction. The bonds were issued with \$118,081 in issuance costs. The bonds proceeds were received in the Park Improvement Fund and will be liquidated in the Debt Service Fund.

The annual debt service requirements to maturity, including principal and interest, for the Series 2010 Sales Tax Revenue Bonds, as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2.15%	\$ 165,000	\$ 112,413	\$ 337,943
2014	2.55%	165,000	110,107	334,395
2015	3.10%	170,000	107,372	335,188
2016	3.55%	175,000	103,947	334,918
2017	3.80%	180,000	99,908	333,705
2018	4.15%	180,000	95,462	326,865
2019	4.30%	185,000	90,607	324,395
2020	4.50%	190,000	85,436	321,440
2021	4.65%	200,000	79,879	322,890
2022	4.80%	205,000	73,834	318,590
2023	4.90%	210,000	67,438	313,750
2024	5.15%	215,000	60,749	308,460
2025	5.15%	225,000	53,552	307,388
2026	5.15%	230,000	46,020	300,800
2027	5.50%	240,000	37,798	298,150
2028	5.50%	250,000	29,218	294,950
2029	5.50%	260,000	19,793	290,450
2030	5.80%	265,000	9,991	280,370
Total		<u>\$ 3,710,000</u>	<u>\$ 1,283,521</u>	<u>\$ 5,684,647</u>

Woodside Homes Note Payable

On November 24, 2008 the City entered into a note payable agreement with Woodside Homes for the purchase of 13 acres of land for the Foxboro North Park. In exchange for the 13 acres, the City committed to a non-interest bearing note of \$1,522,170 that would be repaid with park development impact fees (\$2,200 fee) as the fees are collected along with building permits from that respective development area. The total remaining payable to the developer at June 30, 2012 is \$1,069,170.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Business-type activities:

Water Revenue and Refunding Bonds, Series 2002

In April of 2002 the City issued Series 2002 Water Revenue and Refunding Bonds with a par value of \$1,158,000. Upon issuance of the Series 2002 bonds, \$718,000 was exchanged with the Board of Water Resources to retire the Series 2000B Bonds. The final payment for the Series 2002 Bonds is due December 2014. The City is required to maintain a debt service reserve account. The balance in the reserve account related to this bond as of June 30, 2012 is \$116,847.

The annual debt service requirements to maturity, including principal and interest for the Series 2002 Water Revenue and Refunding Bonds, as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1.80%	\$ 128,000	\$ 10,890	\$ 138,890
2014	1.80%	138,000	8,586	146,586
2015	1.80%	339,000	6,102	345,102
Total		<u>\$ 605,000</u>	<u>\$ 25,578</u>	<u>\$ 630,578</u>

Water Revenue Bonds, Series 2006

In August of 2006 the City issued Series 2006 Water Revenue Bonds with a par value of \$4,560,000. The interest rate on the Series 2006 bonds varies. Water sales are security for the bond. Interest payments are due on March 1st and September 1st of each year. Principal payments are due on March 1st of each year with final payment being due in March 2021.

The annual debt service requirements to maturity, including principal and interest for the Series 2006 Water Revenue Bonds, as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	5.00%	\$ 280,000	\$ 137,168	\$ 417,168
2014	5.00%	290,000	123,167	413,167
2015	4.50%	305,000	108,668	413,668
2016	4.25%	320,000	93,417	413,417
2017	4.25%	340,000	77,418	417,418
2018	4.25%	350,000	63,393	413,393
2019	4.25%	365,000	48,692	413,692
2020	4.25%	385,000	33,362	418,362
2021	4.25%	400,000	17,000	417,000
		3,035,000	\$ 702,285	\$ 3,737,285
	Plus unamortized premium	34,688		
Total		<u>\$ 3,069,688</u>		

The Series 2006 Water Revenue Bonds have a rate covenant requirement. This requires the Water Fund to have its rates and fees (including connection fees) to be sufficient to pay the system's operation and

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2006 (Continued)

maintenance expenses (excluding depreciation) and to provide net revenues of not less than 125% of the annual debt service requirement for the forthcoming year. The City did meet this requirement for the fiscal year ended June 30, 2012 using the water fund, pressurized irrigation fund, and storm water fund revenues and expenses in making the calculations. The calculation is shown in the supplementary information.

The City is required to, by the 15th day of each month, transfer and deposit into the Bond Fund, an amount equal to approximately one-sixth of the interest falling due on the next interest payment date, plus approximately one-twelfth of the principal and premium, if any, falling due on the next principal payment date, in an amount sufficient to pay the principal and interest on the bonds promptly on each such payment date.

A Debt Service Reserve Fund is required set at a total amount upon the time of issuance to be \$648,900. Of this amount, \$419,680 has been included in the reserve through a surety bond and is not reported as an asset or a reserve on the *statement of net position*. The City was required to fund the difference with a deposit in a reserved cash account in the amount of \$229,220.

Water Revenue Bonds, Series 2010

In December of 2010 the City issued Series 2010 Water Revenue Bonds with a par value of \$4,000,000. The bonds are Build America Bonds (BABS) and are not tax exempt to the holder of the bonds. The bonds have a net interest cost of 5.99% and a true interest cost of 3.88%. However, the City will be reimbursed by the Federal Government equal to 35% of the interest paid. The purpose of the bond issue was finance the cost of various capital improvements to the water distribution system, including the construction of wells, a pump building, waterlines, pump stations, and a 0.5 million gallon water tank. Water sales are security for the bond. Payments are due in March and September of each year, with final payment being due in March 2031. Below is a schedule of payments, shown net of the federal subsidy.

The annual debt service requirements to maturity, including principal and interest for the Series 2010 Water Revenue Bonds as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 155,000	\$ 135,351	\$ 290,351
2014	160,000	133,235	293,235
2015	160,000	130,532	290,532
2016	165,000	127,255	292,255
2017	170,000	123,234	293,234
2018 - 2022	925,000	536,668	1,461,668
2023 - 2027	1,095,000	359,129	1,454,129
2028 - 2031	1,045,000	115,919	1,160,919
	<u>3,875,000</u>	<u>\$ 1,661,323</u>	<u>\$ 5,536,323</u>
Plus unamortized premium	<u>41,030</u>		
Total	<u><u>\$ 3,916,030</u></u>		

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2010 (Continued)

The Series 2010 Water Revenue Bonds have a rate covenant requirement. This requires the Water Fund to have its rates and fees (including connection fees) to be sufficient to pay the system's operation and maintenance expenses (excluding depreciation) and to provide net revenues of not less than 125% of the annual debt service requirement for the forthcoming year. The City did meet this requirement for the fiscal year ended June 30, 2012 using the water fund, pressurized irrigation fund, and storm water fund revenues and expenses in making the calculations. The calculation is shown in the supplementary information.

The City is required to, by the 15th day of each month, transfer and deposit into the Bond Fund, an amount equal to approximately one-sixth of the interest falling due on the next interest payment date, plus approximately one-twelfth of the principal and premium, if any, falling due on the next principal payment date, in an amount sufficient to pay the principal and interest on the bonds promptly on each such payment date.

A Debt Service Reserve Fund is required set at a total amount upon the time of issuance to be \$364,978. One-half of this reserve is satisfied with an insurance policy, the other half is satisfied with a deposit made into a reserve cash account at the time of issuance in the amount of \$182,489 (balance of \$184,435 at June 30, 2012).

Below is a table illustrating the various water bond reserves of the City and the method of funding those reserves:

	Restricted Cash Reported in Statements	Restricted Cash Offset by Debt or Due to other fund	Restriction Funded with Insurance Policy
2002 Water Reserve Fund	\$ 116,847	\$ -	\$ -
2006 Water Bond Fund	139,056	139,056	-
2006 Water Reserve Fund	213,271	-	419,680
2010 Water Bond Fund	96,784	96,784	-
2010 Water Reserve Fund	184,435	-	182,489
Unspent bond proceeds for construction	3,259,955	3,259,955	-
	<u>\$ 4,010,348</u>	<u>\$ 3,495,795</u>	<u>\$ 602,169</u>

General Obligation Refunding Bonds, Series 2009

In 2009 the City issued the General Obligation Bonds, Series 2009 with a par value of \$4,525,000 and a face value of \$4,633,647. The bonds require interest payments in June and December of each year until maturity. Principal payments are due in June of each year until June 2017. These bonds were issued for the purpose of refunding in advance of maturity the 2003 Series Bonds and to pay certain costs of issuance in the amount of \$99,332. These costs are being amortized over the life of the 2009 bonds. The bonds are reported in the golf course fund. There are no reserve requirements for these bonds.

The annual debt service requirements to maturity, including principal and interest for the Series 2009 General Obligation Refunding Bond as of June 30, 2012, are as follows:

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

General Obligation Refunding Bonds, Series 2009 (Continued)

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.00%	\$ 500,000	\$ 85,025	\$ 585,025
2014	3.00%	515,000	70,025	585,025
2015	3.00%	530,000	54,575	584,575
2016	3.50%	545,000	38,675	583,675
2017	3.50%	560,000	19,600	579,600
		2,650,000	\$ 267,900	\$ 2,917,900
	Plus unamortized premium	65,847		
Total		<u>\$ 2,715,847</u>		

Golf Course Note Payable – Eaglewood Development LTD

On December 18, 1992 the City entered into a non-interest bearing note payable agreement with Eaglewood Development LTD where the City borrowed \$657,000. The City shall pay a lender an amount equal to 100% of all cash flow until the lender shall have been paid an amount equal to 5% of the total participation net income which has accrued from the date hereof through the end of the fiscal year for which the payment is being made and which has not been previously paid to the lender. The City's obligation to make payments to the lender shall commence at such time as the City shall have accumulated in the golf enterprise fund an unrestricted net position balance the amount of \$175,000, which amount shall include any interest earned on funds deposited in the enterprise reserve fund. Prior to the accumulation of \$175,000, 100% of the cash flow shall be deposited in the enterprise fund. In any fiscal year the cash flow is not available to permit actual payment to the lender of amount required to be paid pursuant to the above stipulations, then payment of such amount shall be deferred until such time as cash flow shall be available to make payments with zero interest. The annual due date of all payments shall be 90 days after the close of each fiscal year. Computation of payment on this note is not determinable as it is based on net income. The golf course had a net loss for the current year.

Golf Course Capital Lease

In September 2009 the City entered into an equipment lease purchase for \$154,500. The lease is secured by capital equipment amortized through depreciation expense. Payments are due in September and March of each year until 2014. The lease has an interest rate of 3.40%. The golf fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.40%	\$ 39,888	\$ 1,715	\$ 41,603
2014	3.40%	20,454	347	20,801
Total		<u>\$ 60,342</u>	<u>\$ 2,062</u>	<u>\$ 62,404</u>

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Weber Basin Water Conservancy District Note Payable

In addition, the City entered into an agreement in January 2007 to reimburse the Weber Basin Water Conservancy District (Weber Basin) for constructing an extensive secondary waterline to service outdoor watering needs in the Foxboro area in the westernmost part of the City. The original engineer's estimate for this waterline was \$4,104,520 in January 2007. Based on this original estimate, and based on payments made by the City since that time, the City has a remaining balance of \$780,248 due to Weber Basin as of June 30, 2012. Payments from the City to Weber Basin are contingent upon water connection fees received. However, the contract requires a lump sum payment of the remaining balance on January 1, 2015 if the connection fees have not paid off the balance due. The City is obligated to pay Weber Basin \$950 for each new water connection. Payments are made from secondary water impact fees collected in the Foxboro service area. The agreement stipulates these payments to be made on a quarterly basis and the balance is non-interest bearing unless the City becomes delinquent on their payments, at which point the current prime interest rate is charged.

Eaglewood Village, Inc. (DBA Compass Development Group) Note Payable

On November 16, 2010 the City entered into a note payable agreement with Compass Development Group for the construction of storm drain improvements within the storm drainage service area #2 (Eaglewood Village). In exchange for the storm drain improvements, the City committed to a note of \$973,468 that would be repaid with storm drain impact fees as the fees are collected from that respective development area. The agreement stipulates that the City must remit to the developer 54.2 percent of the impact fees collected from service area #2 and that from the time the fees are collected to when they are remitted they bear interest at a rate of 6 percent. The total remaining payable to the developer at June 30, 2012 is \$854,663 with \$1,186 in accrued interest.

Solid Waste Lease

In January of 2010 the City entered into an equipment lease for \$138,000 for the purchase of sanitation equipment amortized through depreciation expense. The lease is secured by the equipment. Payments are due in January and July of each year until 2017. The lease has an interest rate of 3.87%. The Solid Waste fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.87%	\$ 18,917	\$ 3,777	\$ 22,694
2014	3.87%	19,656	3,038	22,694
2015	3.87%	20,424	2,270	22,694
2016	3.87%	21,223	1,471	22,694
2017	3.87%	22,052	642	22,694
Total		\$ 102,272	\$ 11,198	\$ 113,470

**CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 COMMITMENTS AND CONTINGENCIES

The City believes that possible contingencies (contingencies incurred but not reported) where the loss cannot be reasonably estimated are immaterial to the financial statements of the City. The City had the following outstanding construction commitments at June 30, 2012:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Paid/Accrued to Date</u>	<u>Commitment Outstanding</u>
Green Construction	Center Street - Orchard Drive Waterline	\$ 423,497	\$ 286,789	\$ 136,708
Wolff Excavating, Inc.	Center Street Waterline - US 89 to I-15	456,831	299,033	157,798
Hughes General Contractors	Tunnel Springs Park	1,034,276	253,976	780,300
Kilgore Contracting	Center Street - Road Reconstruction	286,034	240,600	45,434
Hunt Electric, Inc.	Center Street - Road Reconstruction	53,575	-	53,575
Acme Construction, Inc.	Center Street - Road Reconstruction	658,267	-	658,267
Total Construction Commitments Outstanding		\$ 2,912,480	\$ 1,080,398	\$ 1,832,082

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial liability and property insurance for all major programs. There have been no significant reductions in insurance coverage. The City makes monthly premium payments to the insurance provider to cover any claims on workers compensation. Settlement amounts have not exceeded insurance coverage for the prior four years. The table below illustrates the coverage limits and deductibles for the various areas of risks that the City is exposed to:

	<u>Coverage Limits</u>	<u>Deductible</u>
General Liability	2,000,000	-
Auto Bodily Injury	2,000,000	-
Auto Property Damage	2,000,000	-
Underinsured Motorist	80,000	-
Uninsured Motorist	80,000	-
Building	10,876,300	1,000 *
Building Contents	2,280,287	1,000 *
Contractors Equipment	892,433	1,000 *
Electronic Data Equipment	59,800	1,000 *
Equipment in the Open	23,690	1,000 *
Mobile Equipment	45,640	1,000 *
Sewer/Water Buildings	4,566,600	1,000 *
Sewer/Water Building Contents	1,536,500	1,000 *
Treasurer's Fidelity Bond	750,000	-

* Deductible is per incidence

NOTE 11 RETIREMENT PLAN

Cost Sharing Defined Benefits Pension Plans

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 RETIREMENT PLAN (Continued)

Cost Sharing Defined Benefits Pension Plans (Continued)

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 Utah Retirement 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 and the Local Governmental Noncontributory Retirement System. 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 10.33% of their annual covered salary (all of which is paid by the City). Plan members in the Public Safety Noncontributory Retirement System are required to contribute 27.07% of their annual covered salary (all of which is paid by the City). In the Local Governmental Noncontributory Retirement System, the City is required to contribute 13.77% of members' annual covered salary. 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 contributions to the Local Governmental Contributory Retirement System for the year ended June 30, 2012 was \$3,204; for the Noncontributory Retirement System, the contributions for the years ended June 30, 2012, 2011, and 2010, were \$286,770, \$286,119, and \$235,746 respectively; for the Public Safety Retirement System, the contributions for the years ended June 30, 2012, 2011, and 2010, were \$244,626, \$205,048, and \$156,823 respectively. The contributions were equal to the required contributions for each year.

401(k) defined contribution plans

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under Internal Revenue Code Section 401(k). The plan, available to all permanent full-time City employees, is adopted and amended by the City Council and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. 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. The employer's share of contributions for the years ended June 30, 2012, 2011, and 2010 totaled \$149,301, \$151,211, and \$220,144 respectively. The 401(k) plan has an elective deferral option. Employee contributions for the years ended June 30, 2012, 2011, and 2010 totaled \$41,335, \$25,109, and \$61,129 respectively.

457 deferred compensation plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, administered by the Utah Retirement Systems. The plan, available to all permanent City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. In the City's opinion, the plan does not meet the fiduciary requirements and therefore has not been included in an agency fund, in accordance with GASB Statement No. 32, and is currently held in trust by the Utah Retirement Systems. The City does not contribute to the 457 plan. Employee contributions for the years ended June 30, 2012, 2011, and 2010 totaled \$51,684, \$39,405, and \$63,846 respectively.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 INTERFUND TRANSACTIONS

At June 30, 2012, the City's internal balances due to or from other activities were as follows:

Due to Capital Projects Fund - Payable	Capital Projects - Receivable
Water	\$ 169,251
Storm Water	400,000
Golf	1,759,249
Total	\$ 2,328,500

The Golf Fund payable represents transferred subsidies made to the Golf Fund from fiscal years 1994 through 2012. The City does not expect this to be repaid within one year. \$225,000 of the Capital Projects Fund receivable from the Storm Water Fund is budgeted to be repaid in fiscal year 2013. The Water Fund payable is expected to be repaid within one year. The balances are owed to the Capital Projects Fund as it has the financial resources available to loan the money.

In addition to the above, transfers were made which will not be repaid. Interfund transfers for the year ended June 30, 2012 are as follows:

	In	Out
Governmental:		
General Fund	\$ 140,000	\$ 689,000
Capital Projects Fund	85,000	
Debt Service Fund	50,000	
Police Facilities Fund		85,000
Enterprise:		
Water Fund		140,000
Golf Fund	639,000	
	\$ 914,000	\$ 914,000

These transfers occurred primarily to finance programs, accounted for in one fund, with resources collected in other funds in accordance with budgetary authorizations. The transfer to the General Fund was for the Water Fund to cover administrative costs. The Police Facilities Fund transferred its share of the capital cost of the new building to the Capital Projects Fund. The transfer to the Debt Service Fund was to cover the difference between the R.A.P. bond payments and the R.A.P. sales taxes produced by the R.A.P. tax.

The City participates in the following special districts to provide services to its residents:

- Davis County Solid Waste Management and Energy Recovery Special Service District
- South Davis Metro Fire Agency
- South Davis County Sewer District
- South Davis Recreation District

The Solid Waste Management District, Sewer District and Recreation District charge users directly for services received. During the current fiscal year the City paid the Fire Agency \$1,133,609 for fire services.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 INTERFUND TRANSACTIONS (Continued)

The City has representatives on the governing boards of the above districts but does not have total or final control over the fiscal or administrative activities of these entities. Payments or services to these entities are included in the expenditures of the City's general fund. Separate financial statements are prepared by these districts and are publicly available through their respective offices.

NOTE 13 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue for the year ended June 30, 2012 consists of the following:

Utah Class "C" Road allotment	\$ 460,407	76.61%
Utah Liquor Law Enforcement Grant	17,755	2.95
Various State and Local Grants	29,313	4.88
Federal Gang Enforcement/Education Grant	25,620	4.26
FEMA - wind storm expense reimbursement	6,413	1.07
Federal Build America Bond Interest Reimbursement Grant	61,454	10.23
	\$ 600,962	100.00%

NOTE 14 REDEVELOPMENT AGENCY OF THE CITY OF NORTH SALT LAKE

In accordance with Utah State Law, the City makes the following disclosures relative to the North Salt Lake City Redevelopment Agency (RDA): The RDA collected \$0 for project area 2 of tax increment monies. No funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area.

The RDA expended \$750 towards professional and technical costs.

NOTE 15 OTHER REQUIRED FUNDS DISCLOSURE

For the year ended June 30, 2012, the following funds had expenditure classifications that exceeded their final budgets:

	Final Budget	Actual	Actual Over Budget
Capital Projects Fund:			
Parks, recreation, and public property	\$ 211,500	\$ 226,990	\$ 15,490
Debt Service Fund:			
Interest	\$ 114,500	\$ 175,583	\$ 61,083

NOTE 16 RESTATED NET POSITION

As shown on the *statement of activities* and the *statement of revenues, expenses, and changes in net position – proprietary funds*, there were restatements of the fiscal year 2011 net position.

The restatement of net position for governmental activities on the *statement of activities* was the reversal of a 2011 accrual of compensated absences in the City's general fund of \$55,427 and the booking of a note payable of \$1,069,170 that was previously disclosed in the footnotes as only an outstanding commitment.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 RESTATED NET POSITION (Continued)

The restatement of net position on the *statement of revenues, expenses, and changes in net position – proprietary funds* is the net of the following:

In fiscal year 2011 the City split out the secondary water operations out of the water fund into the pressurized irrigation fund. The fixed assets for the secondary water were not split out at this time and remained in the water fund. During the current year these assets, the associated accumulated depreciation, and corresponding net position were moved to the pressurized irrigation fund in the net amount of \$5,502,059.

In fiscal year 2011 the City paid and expensed \$250,143 (\$187,766 pertains to the Water fund and \$62,377 to the Pressurized Irrigation Fund) in Weber Basin water fees for fiscal year 2012 water use. This was corrected to properly state the current year expense.

In fiscal year 2011 the City booked a \$198,467 payable to Weber Basin in the Water Fund for 2011's balance due on a secondary water agreement that was then only disclosed in the footnotes as an outstanding commitment. In the current year it was determined that this agreement established a note payable and not just a commitment, so the Water Fund's net position was restated by the payable amount and a note payable of \$949,748 was booked in the Pressurized Irrigation Fund also restating net position.

SUPPLEMENTAL INFORMATION

CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	<u>Special Revenue Fund</u>				Total Nonmajor Governmental Funds
	<u>Police Facilities</u>	<u>Roadway Development</u>	<u>Redevelopment Agency</u>	<u>Debt Service</u>	
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,120	\$ 4,120
Restricted cash and cash equivalents	19,961	930,793	4,984	-	955,738
Total Assets	<u>\$ 19,961</u>	<u>\$ 930,793</u>	<u>\$ 4,984</u>	<u>\$ 4,120</u>	<u>\$ 959,858</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,666	\$ -	\$ -	\$ -	\$ 1,666
Total Liabilities	<u>1,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,666</u>
Fund Balances					
Restricted:					
Impact fees	18,295	930,793	-	-	949,088
Property tax increment	-	-	4,984	-	4,984
Assigned	-	-	-	4,120	4,120
Total Fund Balances	<u>18,295</u>	<u>930,793</u>	<u>4,984</u>	<u>4,120</u>	<u>958,192</u>
Total Liabilities and Fund Balances	<u>\$ 19,961</u>	<u>\$ 930,793</u>	<u>\$ 4,984</u>	<u>\$ 4,120</u>	<u>\$ 959,858</u>

CITY OF NORTH SALT LAKE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2012

	<u>Special Revenue Fund</u>				Total Nonmajor Governmental Funds
	Police Facilities	Roadway Development	Redevelopment Agency	Debt Service	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 239,716	\$ 239,716
Intergovernmental	-	-	-	61,454	61,454
Impact fees	94,405	455,762	-	-	550,167
Interest	204	3,575	30	222	4,031
Total Revenues	<u>94,609</u>	<u>459,337</u>	<u>30</u>	<u>301,392</u>	<u>855,368</u>
Expenditures					
Parks, recreation, and public property	-	-	-	2,500	2,500
Highways and public improvements	-	-	750	-	750
Capital outlay:					
Public safety	1,666	-	-	-	1,666
Debt service:					
Principal	-	-	-	165,000	165,000
Interest	-	-	-	175,583	175,583
Total Expenditures	<u>1,666</u>	<u>-</u>	<u>750</u>	<u>343,083</u>	<u>345,499</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>92,943</u>	<u>459,337</u>	<u>(720)</u>	<u>(41,691)</u>	<u>509,869</u>
Other Financing Sources (Uses)					
Transfer in	-	-	-	50,000	50,000
Transfer out	(85,000)	-	-	-	(85,000)
Total Other Financing Sources (Uses)	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(35,000)</u>
Net Change in Fund Balances	7,943	459,337	(720)	8,309	474,869
Fund Balance, Beginning	<u>10,352</u>	<u>471,456</u>	<u>5,704</u>	<u>(4,189)</u>	<u>483,323</u>
Fund Balance, Ending	<u>\$ 18,295</u>	<u>\$ 930,793</u>	<u>\$ 4,984</u>	<u>\$ 4,120</u>	<u>\$ 958,192</u>

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND
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				
Interest	\$ 10,000	\$ 21,500	\$ 22,090	\$ 590
Total Revenues	<u>10,000</u>	<u>21,500</u>	<u>22,090</u>	<u>590</u>
Expenditures				
Parks, recreation, and public property	40,000	211,500	226,990	(15,490)
Total Expenditures	<u>40,000</u>	<u>211,500</u>	<u>226,990</u>	<u>(15,490)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,000)</u>	<u>(190,000)</u>	<u>(204,900)</u>	<u>(14,900)</u>
Other Financing Sources (Uses)				
Transfer in	140,000	285,000	85,000	(200,000)
Transfer out	<u>(325,000)</u>	<u>(325,000)</u>	<u>-</u>	<u>325,000</u>
Total Other Financing Sources (Uses)	<u>(185,000)</u>	<u>(40,000)</u>	<u>85,000</u>	<u>125,000</u>
Net Change in Fund Balance *	<u><u>\$ (215,000)</u></u>	<u><u>\$ (230,000)</u></u>	<u><u>(119,900)</u></u>	<u><u>\$ 110,100</u></u>
Fund Balance, Beginning			<u>4,433,789</u>	
Fund Balance, Ending			<u><u>\$ 4,313,889</u></u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL –NONMAJOR POLICE FACILITIES
SPECIAL REVENUE FUND
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				
Impact fees	\$ 25,000	\$ 95,000	\$ 94,405	\$ (595)
Interest	3,000	500	204	(296)
Total Revenues	<u>28,000</u>	<u>95,500</u>	<u>94,609</u>	<u>(891)</u>
Expenditures				
Capital outlay	10,000	10,000	1,666	8,334
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>1,666</u>	<u>8,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,000</u>	<u>85,500</u>	<u>92,943</u>	<u>7,443</u>
Other Financing Sources (Uses)				
Transfer out	(15,000)	(85,000)	(85,000)	-
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ 500</u>	7,943	<u>\$ 7,443</u>
Fund Balance, Beginning			<u>10,352</u>	
Fund Balance, Ending			<u>\$ 18,295</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR ROADWAY DEVELOPMENT
SPECIAL REVENUE FUND
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				
Impact fees	\$ 150,000	\$ 440,000	\$ 455,762	\$ 15,762
Interest	2,000	3,000	3,575	575
Total Revenues	<u>152,000</u>	<u>443,000</u>	<u>459,337</u>	<u>16,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>152,000</u>	<u>443,000</u>	<u>459,337</u>	<u>16,337</u>
Net Change in Fund Balance	<u>\$ 152,000</u>	<u>\$ 443,000</u>	<u>459,337</u>	<u>\$ 16,337</u>
Fund Balance, Beginning			<u>471,456</u>	
Fund Balance, Ending			<u>\$ 930,793</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
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	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Interest on investments	-	-	30	30
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>30</u>	<u>(24,970)</u>
Expenditures				
Improvements	25,000	25,000	750	24,250
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>750</u>	<u>24,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(720)</u>	<u>(720)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(720)</u>	<u>\$ (720)</u>
Fund Balance, Beginning			<u>5,704</u>	
Fund Balance, Ending			<u>\$ 4,984</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR DEBT SERVICE FUND
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				
Property taxes	\$ 278,900	\$ 231,400	\$ 239,716	\$ 8,316
Intergovernmental	-	-	61,454	61,454
Interest	600	600	222	(378)
Total Revenues	<u>279,500</u>	<u>232,000</u>	<u>301,392</u>	<u>69,392</u>
Expenditures				
Parks, recreation, and public property	-	2,500	2,500	-
Debt service:				
Principal	165,000	165,000	165,000	-
Interest	114,500	114,500	175,583	(61,083)
Total Expenditures	<u>279,500</u>	<u>282,000</u>	<u>343,083</u>	<u>(61,083)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(50,000)</u>	<u>(41,691)</u>	<u>8,309</u>
Other Financing Sources (Uses)				
Transfer in	-	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>8,309</u>	<u>\$ 8,309</u>
Fund Balance, Beginning			<u>(4,189)</u>	
Fund Balance, Ending			<u>\$ 4,120</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE
AS DESCRIBED IN THE BOND DOCUMENTS FOR THE WATER BONDS
For The Year Ended June 30, 2012

Net Revenues:	
Total Operating Revenues	\$ 3,547,542
Non-Operating Revenues	
Impact Fees	1,183,297
Interest Income	31,868
	<u>4,762,707</u>
Operating Expenses (excluding depreciation)	1,991,257
Interest Expense	420,252
Total Expenses (excluding depreciation)	<u>2,411,509</u>
Net Revenues	<u><u>\$ 2,351,198</u></u>
Fiscal Year 2013 Debt Service Requirements:	
2002 Bonds	138,890
2006 Bonds	417,168
2010 Bonds	290,351
	<u><u>\$ 846,409</u></u>
Net revenues divided by aggregate fiscal year 2013 debt service	278%
Minimum requirement	125%
Excess (Deficiency)	153%

**AUDITORS' REPORTS AND
SCHEDULE OF FINDINGS**

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

Honorable Mayor and City Council
The City of North Salt Lake

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake as of and for the year ended June 30, 2012, which collectively comprise the City of North Salt Lake's basic financial statements and have issued our report thereon dated October 15, 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 of North Salt Lake is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of North Salt Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of North Salt Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of North Salt Lake's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of North Salt Lake'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*.

October 15, 2012
Page 2

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

Wood Richards & Associates, PC

Ogden, UT
October 15, 2012

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

The Honorable Mayor and City Council
The City of North Salt Lake, Utah

We have audited the City of North Salt Lake's compliance with general and major state program compliance requirements described in *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	Liquor Law Enforcement
Cash Management	Purchasing Requirements
B & C Road Funds	Budgetary Compliance
Other General Issues	Truth in Taxation
Uniform Building Code Standards	Impact Fees
URS Compliance	Asset Forfeiture
Fund Balance	Justice Court

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

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 material 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 procedures as we consider 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, the City of North Salt Lake, 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 instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings as items #2012-01 and #2012-02.

Independent Auditor's Report on State Legal Compliance
Page 2

Management's responses to the findings identified in our audit are described in the schedule of findings. We did not audit management's responses and accordingly, we express no opinion on them.

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

Wood Richards & Associates, PC

October 15, 2012

**CITY OF NORTH SALT LAKE
SUMMARY OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

STATE COMPLIANCE FINDINGS:

Finding #2012-01: Utah State Code 10-6 requires special revenue funds, capital projects funds, and debt service funds not incur expenditures in excess of the total appropriation of that fund. We noted the City did not comply with this requirement in the capital projects fund and the debt service fund.

Recommendation: We recommend the City maintain expenditures within their appropriations and make necessary adjustments for unexpected expenditures in the year.

Response: The City agrees with this recommendation and will make efforts to maintain actual expenditures within their respective budgets.

Finding #2012-02: The State Code requires entities to maintain an accounting of the impact fees on hand by identifying the funds by year in which they were received, the project from which the funds were collected, the capital projects for which the funds were budgeted, and the projected schedule for expenditures. While the City has complied in all material respects with this requirement, the accounting for certain impact fees is not regularly maintained by City personnel for the amount of fees on hand for the impact fees in the water fund, pressurized irrigation fund, and storm water fund.

Recommendation: We recommend the City maintain a separate accounting of these funds and the residual balances or deficit balances that will carry over each year.

Response: The City agrees with this recommendation to keep a separate accounting to track the restricted balances with each respective impact fee.