

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



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

For The Fiscal Year Ended June 30th, 2013

Together with Independent Auditor's Report

Prepared by:
North Salt Lake City
Finance Department

**CITY OF NORTH SALT LAKE
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of North Salt Lake

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of North Salt Lake as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Salt Lake as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and supporting schedules are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, supporting schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of North Salt Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Salt Lake's internal control over financial reporting and compliance.

Wood Richards & Associates, PC

Ogden, Utah

November 6, 2013

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2013

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, 2013. 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, 2013 by \$77,581,721. Of this amount, unrestricted net position of \$5,222,065 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall net position increased by \$4,808,783 from the prior year; the increase includes prior period adjustments. Business-type activities increased net position by \$1,969,350 while governmental activities had an increase in net position of \$2,839,433.
- As of the close of the current fiscal year, the City of North Salt Lake's governmental funds reported combined ending fund balance of \$7,127,779, a decrease of \$1,234,459 over the prior year. Of the total fund balance, \$1,461,512 is unrestricted and available for spending. The remaining \$5,572,917 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 \$1,466,060 or 17.98% of total General Fund expenditures.
- The City of North Salt Lake's long-term debt obligations decreased by the net amount of \$1,655,616. The net decrease was attributable to payments of; \$431,081 in notes payable to developers and the Weber Basin Water District, and principal payments and bond premium amortizations of \$1,323,781 made on existing debt. The city also purchased vehicles through a capital lease in the amount of \$311,789, the lease principal due was reduced by payments in the amount of \$77,970.

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, 2013

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 2013 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, 2013**

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 \$69,673,953 (89.81%) 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 10,879,280	\$ 11,831,365	\$ 2,420,884	\$ 3,349,279	\$ 13,300,164	\$ 15,180,644
Capital assets	52,894,978	49,016,587	32,454,103	30,678,219	85,349,081	79,694,806
Total assets	63,774,258	60,847,952	34,874,987	34,027,498	98,649,245	94,875,450
Long-term liabilities outstanding	4,831,045	5,130,644	11,576,632	12,843,993	16,407,677	17,974,637
Other liabilities	1,697,354	1,362,855	910,519	765,020	2,607,873	2,127,875
Total liabilities	6,528,400	6,493,499	12,487,151	13,609,013	19,015,551	20,102,512
Unearned revenues - property taxes	2,051,972	2,000,000	-	-	2,051,972	2,000,000
Total Deferred inflows	2,051,972	2,000,000	-	-	2,051,972	2,000,000
Net Position:						
Invested in capital assets, net of related debt	48,449,675	44,237,417	21,224,278	20,777,084	69,673,953	65,014,501
Restricted	1,359,314	1,908,465	1,326,390	937,145	2,685,704	2,845,610
Unrestricted	5,384,897	6,208,571	(162,832)	(1,295,744)	5,222,065	4,912,827
Total Net Position	<u>\$ 55,193,886</u>	<u>\$ 52,354,453</u>	<u>\$ 22,387,836</u>	<u>\$ 20,418,485</u>	<u>\$ 77,581,722</u>	<u>\$ 72,772,938</u>

An additional portion of the net position, \$2,685,704 (3.46%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,222,065 (6.73%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the city is able to report positive balances in all reported categories of net position both for the government as a whole, as well as for its separate governmental and business-type activities, with the exception of the Redevelopment Agency, a non-major, component unit of the city.

The City's overall net position increased \$4,808,783 (6.61%). The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Government-wide Financial Analysis (Continued)

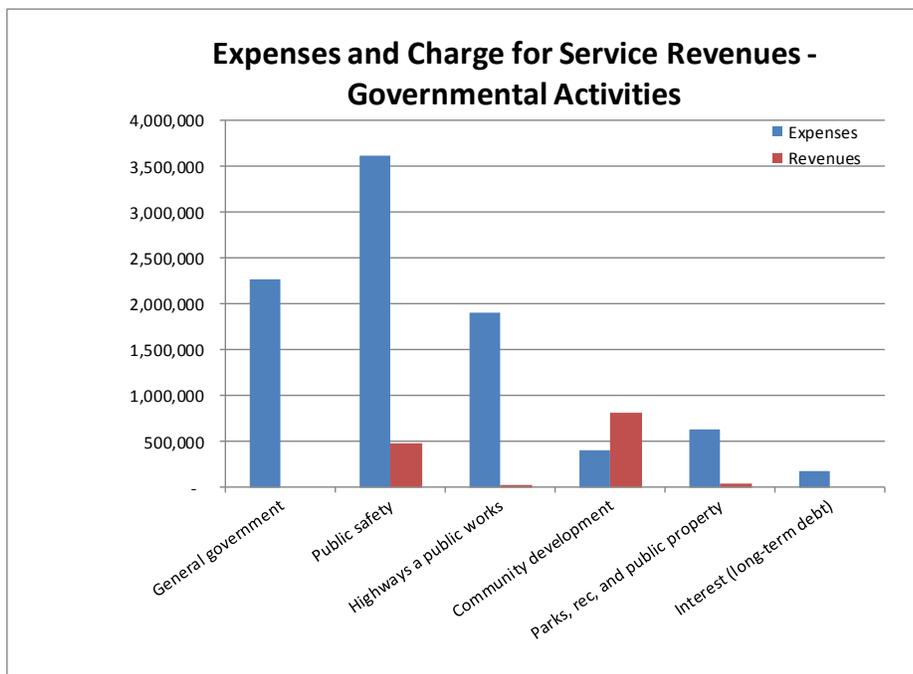
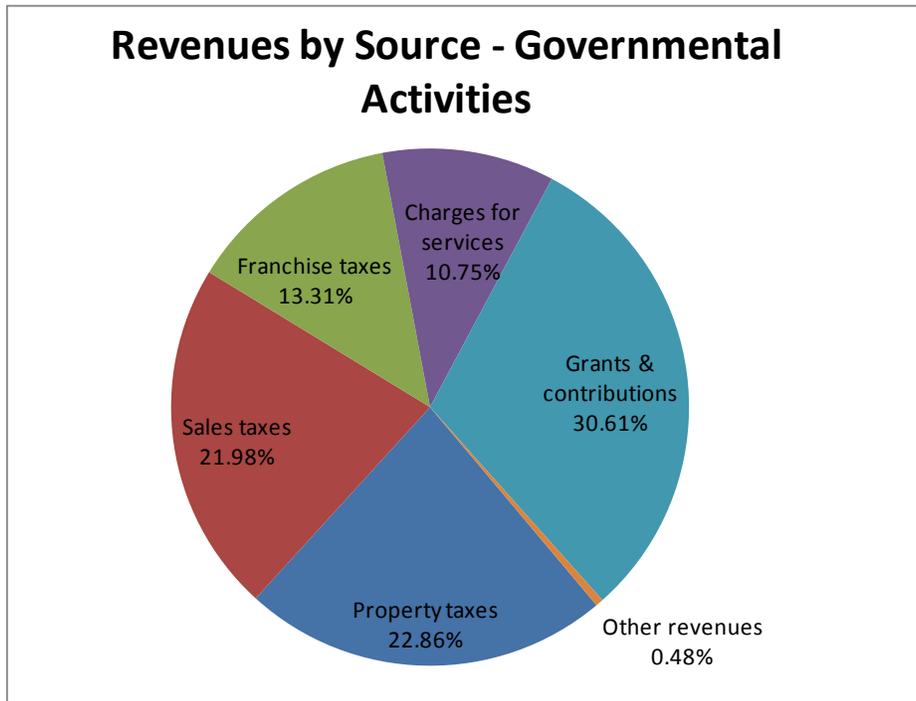
City of North Salt Lake's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,342,622	\$ 1,115,055	\$ 5,676,435	\$ 5,642,795	\$ 7,019,057	\$ 6,757,850
Operating grants and contributions	737,753	546,225	-	-	737,753	546,225
Capital grants and contributions	3,085,963	1,253,155	2,182,792	1,272,227	5,268,755	2,525,382
General revenues:						
Property taxes	2,855,698	2,615,059	-	-	2,855,698	2,615,059
Other taxes	4,407,737	4,129,531	-	-	4,407,737	4,129,531
Other	60,139	165,138	66,781	65,486	126,920	230,624
Total revenues	<u>12,489,912</u>	<u>9,824,163</u>	<u>7,926,008</u>	<u>6,980,508</u>	<u>20,415,920</u>	<u>16,804,671</u>
Expenses:						
General government	2,271,420	1,864,118	-	-	2,271,420	1,864,118
Public safety	3,613,311	3,460,816	-	-	3,613,311	3,460,816
Highways and public works	1,899,378	1,613,839	-	-	1,899,378	1,613,839
Community development	401,891	547,001	-	-	401,891	547,001
Parks, recreation, and public property	636,264	721,882	-	-	636,264	721,882
Interest on long-term debt	174,743	175,583	-	-	174,743	175,583
Water	-	-	3,243,508	2,646,336	3,243,508	2,646,336
Pressurized irrigation	-	-	314,754	291,957	314,754	291,957
Storm water	-	-	322,550	260,806	322,550	260,806
Solid waste	-	-	855,109	807,827	855,109	807,827
Golf course	-	-	1,466,378	1,441,992	1,466,378	1,441,992
Total expenses	<u>8,997,006</u>	<u>8,383,239</u>	<u>6,202,299</u>	<u>5,448,918</u>	<u>15,199,305</u>	<u>13,832,157</u>
Increase in Net Position before transfers	3,492,906	1,440,924	1,723,709	1,531,590	5,216,615	2,972,514
Transfers	(547,200)	(499,000)	547,200	499,000	-	-
Increase (Decrease) in Net Position	2,945,706	941,924	2,270,909	2,030,590	5,216,615	2,972,514
Net Position - beginning of year	52,354,453	52,537,126	20,418,485	18,889,033	72,772,938	71,426,159
Prior Period Adjustment	(106,273)	(1,124,597)	(301,558)	(501,138)	(407,831)	(1,625,735)
Net Position - end of year	<u>\$ 55,193,886</u>	<u>\$ 52,354,453</u>	<u>\$ 22,387,836</u>	<u>\$ 20,418,485</u>	<u>\$ 77,581,722</u>	<u>\$ 72,772,938</u>

Governmental activities. As indicated by the data in the table above, governmental activities increased the net position of the City's by \$2,839,433 (5.42%). The increase, before transfers and a prior period adjustment, totaled \$3,492,906. Comparison of total revenues and total expenditures to fiscal year 2012 shows an increase in revenues from governmental activities of \$2,665,749, while total expenses, before transfers and prior period adjustments, increased by \$613,767.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Governmental Activities (Continued)

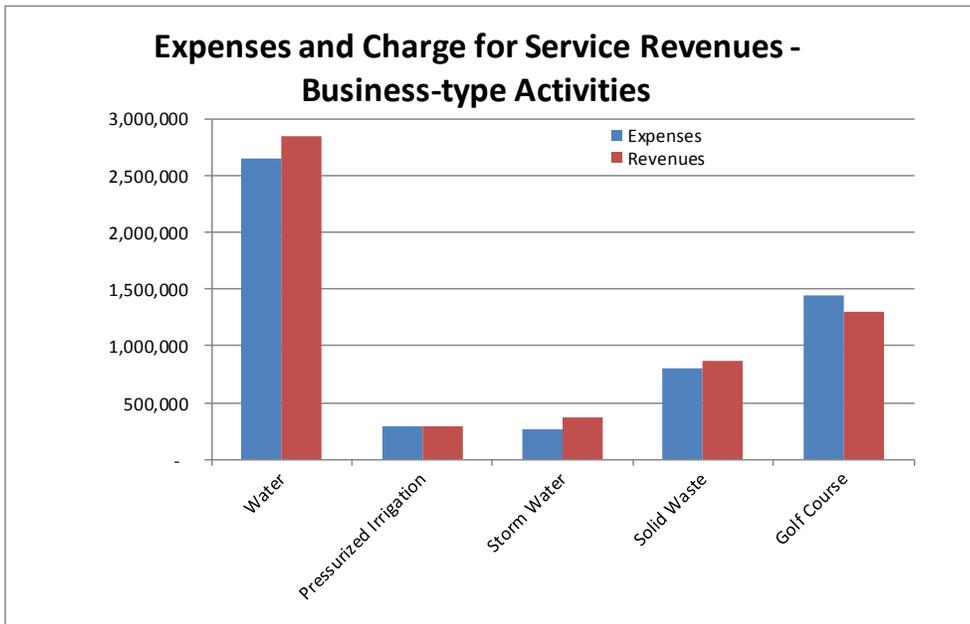
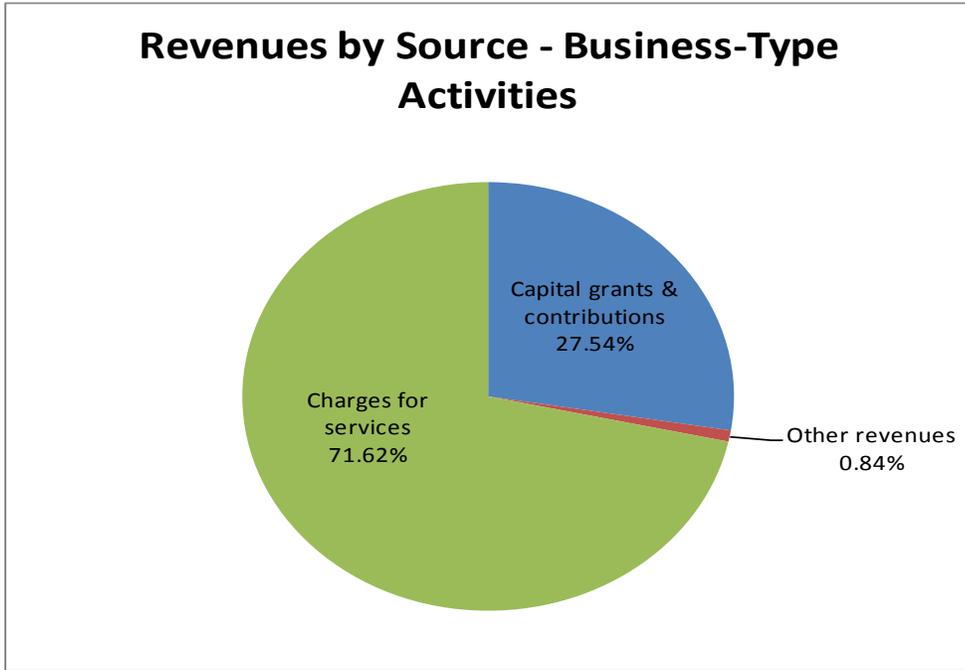
The graph presented below and on the following page reflects only regular operating revenues from governmental activities and not the effects of special one-time items or transfers.



**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Business-type activities. Business-type activities increased the City's net position by \$1,969,350 (9.60%). 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 \$240,318 more than last year's increase. In comparison to the previous fiscal year 2012, revenues from all business-type activities increased by \$945,500 while expenses from all business-type activities increased by \$753,382.

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, 2013

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, 2013, the City's governmental funds reported combined ending fund balance of \$7,127,779, a decrease of \$1,234,459 from the prior fiscal year. \$1,461,512 (20.50%) is available for spending at the government's discretion. The remaining \$5,666,267 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 (\$1,359,314), 2) debt service (\$96,256), and 3) construction projects (\$4,117,547); 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 \$1,466,060. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$8,155,158 (17.98%). The fund balance of the City's General Fund increased \$75,919 during the current fiscal year. This represents a 5.12% change in fund balance.

This increase consisted of 1) a 7.74% increase in revenues of \$647,482 offset by a 7.95% increase in expenditures of \$613,767, 2) an increase in the sale of fixed assets by \$8,940, 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 \$547,200.

The increase in revenue can be attributed to 1) property taxes increased by \$240,708, 2) sales taxes increased \$312,522, and 3) building permit fees and plan check fees increased \$118,320 and \$44,542, respectively. The single most significant expenditure increase resulted from a settlement with a developer in the amount of \$225,000.

The Capital Projects Fund has a total fund balance of \$4,117,217, 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, 2013, the fund balance in the Capital Projects Fund decreased by \$196,672 (4.56%) compared to last year's decrease of \$119,900. The decrease in the City's Capital Projects Fund balance is a result of a major road repair project in the amount of \$889,516. The expenditures were offset by transfers-in from the Roadway fund in the amount of \$300,000 of development impact fee restricted cash, along with \$395,850, transferred in from the General fund for the project.

The Park Development Fund has a total fund balance of \$283,141, of which \$282,811 is restricted for impact fee related park projects. The net decrease in fund balance during the current fiscal year was \$1,353,524, compared to last year's decrease of \$733,438. The net change in fund balance consisted of 1) intergovernmental revenue from a federal reimbursement grant in the amount of \$1,665,664 to purchase property and construction, 2) impact fee revenue and related interest in the amount of \$469,804, 3) and expenditures for park projects in the amount of \$3,143,939, 4) administrative expenditures in the amount of \$22,453, and 5) debt payments in the amount of \$292,600.

Proprietary funds. At June 30, 2013, the City's proprietary funds reported combined ending net position of \$22,387,835, an increase of \$1,969,350 over the prior year. The unrestricted portion of proprietary fund net position has a negative balance of \$1,132,912; however, this negative balance decreased by \$923,277 from the previous fiscal year showing significant improvement. The remaining \$22,760,302 of net position is not available for new spending because it is invested in capital assets (\$21,224,278) or legally restricted by parties outside the financial reporting entity for 1) debt service (\$439,305) and 2) impact fees (\$887,085).

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013

Financial Analysis of the Government's Funds (Continued)

The Water Fund ended fiscal year 2013 with a total net position of \$10,875,708; a net position increase of \$1,207,672, compared to a prior year decrease of \$4,245,791. The decrease in the prior year is primarily attributable to a prior period adjustment in the amount of \$5,502,059. In comparison, a \$186,064 prior period adjustment was made in fiscal year 2013 to remove bond issuance costs as required by GASB 65 and to reclassify assets from the Pressurized Irrigation fund to the Water Fund. Other factors contributing to the overall increase, in comparison to the previous year, are as follows: 1) an increase of \$551,975 in development impact fee revenues, 2) a \$140,000 decrease in transfers to the general fund 3) a decrease of \$75,581 due to scheduled decreases in the interest on outstanding debt, 4) a \$423,964 increase in operating expenses related to source of water purchase, power purchases ,salaries and benefits, and depreciation, 5) a \$209,634 increase in professional and technical expenses for design on a project deemed infeasible.

The Pressurized Irrigation Fund has a total net position of \$5,072,375. During the year ended June 30, 2013, the Pressurized Irrigation Fund's net position increased \$117,650, compared to prior year increase of \$4,954,725. The prior year increase was primarily attributable to a prior period adjustment in the amount of \$5,502,059. The current year increase in the Pressurized Irrigation Fund's net position is primarily attributable to an increase in impact fee revenues in the amount of \$377,556, related to development.

The remaining proprietary funds of Storm Water, Solid Waste, and Golf had total net positions of \$4,233,925, \$136,640, and \$2,069,188 respectively. The total net positions did not have significant changes from prior year the Storm Water and Solid Water had positive current year operating income of \$49,696 and \$17,635 respectively. The Golf Fund experienced a net loss in the amount of \$74,147, attributable to a slight decrease in operating revenue and increase in operating expenditures.

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 upward \$200,000; reflecting expected actual growth in property and sales.
- Federal Grant revenues were revised upwards \$216,660,
- Building permit fees were revised upwards \$189,500; related to growth in residential and commercial construction.
- Miscellaneous revenues were revised upwards \$17,350. Related to contributions for K9 activities and other sundry revenues.
- Lease proceeds were revised upwards \$165,000.
- Public safety expenditures were revised upwards \$214,350; for expenditures directly associated to the revenue increase for K9 activities, vehicles purchased with lease proceeds and expenditure increases is due to increases in wages, benefits, and professional and technical services.
- Administrative department expenditures were revised upwards \$255,000; due to one-time settlement cost of \$225,000, and other expenditure of \$35,000.
- Other general government, public works, community development, parks, and recreation expenditures were revised upwards from the original budget by a combined \$460,235.
- Overall the general fund expenditures increased by \$934,585 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, 2013, amounts to \$85,349,081 (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

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

infrastructure. A total increase in the City's investment in capital assets for the current fiscal year was \$5,654,275 (a total 7.09% increase equaling increases of \$3,878,391 for governmental activities and \$1,775,884 for business-type activities).

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 Schedule of Capital Asset Changes From Prior Year			
	Governmental Activities	Business-type Activities	Totals
Land purchase for Springhill Geological Park	\$ 2,210,164	\$ -	\$ 2,210,164
General government and roadway equipment	67,927	-	67,927
Roadway reconstruction	239,615	-	239,615
Public Safety and Parks vehicles	204,571	-	204,571
Dump truck conversions to natural gas	111,445	-	111,445
Developer contributions of roadway infrastructure	362,000	-	362,000
Current year expenses on the various park development projects included in CIP	916,880	-	916,880
Current year expenses on the major road reconstruction projects included in CIP	917,135	-	917,135
Water mains - Center Street & Orchard Drive projects	-	184,174	184,174
Water mains - Center Street projects included in CIP	-	61,790	61,790
Water truck conversion to natural gas	-	96,018	96,018
Developer contributions of water lines	-	102,700	102,700
Secondary water mains	-	167,460	167,460
Secondary water mains - Deer Hollow projects included in CIP	-	1,946,828	1,946,828
Storm drains - Deer Hollow project included in CIP	-	130,741	130,741
Golf course club house improvements	-	29,995	29,995
Golf course machinery and equipment	-	199,828	199,828
Garbage and recycling bins	-	21,325	21,325
Less current year deletions	(202,774)	(172,280)	(375,054)
Less current year depreciation expense	(1,145,104)	(1,110,599)	(2,255,703)
Add current year accumulated depreciation deletions	196,532	117,904	314,436
Total	<u>\$ 3,878,391</u>	<u>\$ 1,775,884</u>	<u>\$ 5,654,275</u>

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

Long-term debt. At the end of the current fiscal year, the City had \$15,884,644 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	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 776,570	\$ 1,069,170	\$ 2,001,430	\$ 2,291,911	\$ 2,778,000	\$ 3,361,081
Sales Tax revenue bonds	3,545,000	3,710,000	-	-	3,545,000	3,710,000
Water revenue bonds	-	-	7,021,704	7,590,718	7,021,704	7,590,718
General obligation bonds	-	-	2,202,678	2,715,847	2,202,678	2,715,847
Capital leases	123,733	-	213,529	162,614	337,262	162,614
Total	<u>\$ 4,445,303</u>	<u>\$ 4,779,170</u>	<u>\$ 11,439,341</u>	<u>\$ 12,761,090</u>	<u>\$ 15,884,644</u>	<u>\$ 17,540,260</u>

During the 2013 fiscal year, the City's total debt decreased by \$1,655,616. The net change is primarily a result of normally scheduled debt service payments. Additional information on the City's long-term debt can be found in Note 8 of this report.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2013**

Economic Factors and Next Year's Budgets and Rates

- In fiscal year 2013, sales tax revenue increased 9.4 percent over the previous year. Sales tax revenue is budgeted to increase an additional 2.9 percent for the upcoming fiscal year 2014. The most recent sales tax revenue estimates project actual sales tax revenues to be slightly above the original fiscal year 2014 budget.
- The unemployment rate for the State of Utah is currently 4.7 percent, which is a slight decrease from a rate of 5.8 percent a year ago. The local unemployment rate is likely to remain near the current level experienced by the State of Utah.
- The City is completing an extensive utility rate study. The result of this comprehensive analysis will be presented to Council during fiscal year 2014, along with recommendations for any necessary rate adjustments. The City is committed to building long-term financial stability in the enterprise utility funds.
- Growth in residential and commercial construction is expected to continue through the upcoming fiscal year.
- Interest rates are expected to remain low throughout fiscal year 2014.
- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.

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, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,301,586	\$ 1,519,091	\$ 5,820,677
Receivables:			
Taxes	2,847,801	-	2,847,801
Accounts net	92,607	398,747	491,354
Intergovernmental	156,376	-	156,376
Internal balances	2,028,246	(2,028,246)	-
Inventories	-	162,132	162,132
Prepays	93,350	272,183	365,533
Restricted assets cash and cash equivalents	1,359,314	2,096,977	3,456,291
Capital assets not being depreciated:			
Land	23,504,869	2,551,013	26,055,882
Water rights	-	2,864,052	2,864,052
Construction in progress	2,207,485	2,504,937	4,712,422
Capital assets, net of accumulated depreciation:			
Buildings	6,627,754	993,627	7,621,381
Improvements other than buildings	4,920,872	-	4,920,872
Golf course	-	3,074,054	3,074,054
Water distribution system	-	14,644,297	14,644,297
Storm water system	-	4,681,790	4,681,790
Machinery, equipment, and vehicles	1,553,517	1,140,333	2,693,850
Infrastructure	14,080,480	-	14,080,480
Total Assets	63,774,258	34,874,987	98,649,245
Liabilities			
Accounts payable	290,964	412,544	703,508
Accrued liabilities	302,911	225,776	528,687
Developer and customer deposits	1,103,479	272,199	1,375,678
Noncurrent liabilities:			
Due within one year	639,643	1,529,047	2,168,690
Due in more than one year	4,191,402	10,047,585	14,238,987
Total Liabilities	6,528,400	12,487,151	19,015,551
Deferred Inflows of Resources			
Unearned revenues - property taxes	2,051,972	-	2,051,972
Total Deferred Inflows of Resources	2,051,972	-	2,051,972
Net Position			
Net investment in capital assets	48,449,675	21,224,278	69,673,953
Restricted for:			
Impact fees	1,359,314	887,085	2,246,399
Debt Service		439,305	439,305
Unrestricted	5,384,897	(162,832)	5,222,065
Total Net Position	55,193,886	22,387,836	77,581,722
Total Liabilities, Deferred Inflows, and Net Position	\$ 63,774,258	\$ 34,874,987	\$ 98,649,245

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities							
General governmental	\$ 2,271,420	\$ -	\$ -	\$ -	\$ (2,271,420)	\$ -	\$ (2,271,420)
Public safety	3,613,311	476,606	-	40,197	(3,096,508)	-	(3,096,508)
Highways and public improvements	1,899,378	17,363	490,257	850,110	(541,648)	-	(541,648)
Community development	401,891	806,229	229,979	62,392	696,709	-	696,709
Parks, recreation, and public property	636,264	42,424	17,517	2,133,264	1,556,941	-	1,556,941
Interest on long-term debt	174,743	-	-	-	(174,743)	-	(174,743)
Total Governmental Activities	8,997,006	1,342,622	737,753	3,085,963	(3,830,668)	-	(3,830,668)
Business-type Activities							
Water	3,243,508	2,849,463	-	1,362,181	-	968,136	968,136
Pressurized irrigation	314,754	292,490	-	555,913	-	533,649	533,649
Storm water	322,550	370,617	-	264,698	-	312,765	312,765
Solid waste	855,109	862,311	-	-	-	7,202	7,202
Golf course	1,466,378	1,301,554	-	-	-	(164,824)	(164,824)
Total Business-type Activities	6,202,299	5,676,435	-	2,182,792	-	1,656,928	1,656,928
Total Government	\$ 15,199,305	\$ 7,019,057	\$ 737,753	\$ 5,268,755	(3,830,668)	1,656,928	(2,173,740)
			General Revenues				
			Property taxes	2,855,698	-	2,855,698	
			Sales taxes	2,745,676	-	2,745,676	
			Franchise taxes	1,662,061	-	1,662,061	
			Unrestricted interest on investments	40,830	29,755	70,585	
			Miscellaneous	16,325	27,560	43,885	
			Gain on sale of capital assets	2,984	9,466	12,450	
			Transfers	(547,200)	547,200	-	
			Total General Revenues	6,776,374	613,981	7,390,355	
			Changes in Net Position	2,945,706	2,270,909	5,216,615	
			Net Position, Beginning	52,354,453	20,418,485	72,772,938	
			Prior Period Adjustment	(106,273)	(301,558)	(407,831)	
			Net Position, Ending	\$ 55,193,886	\$ 22,387,836	\$ 77,581,722	

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

CITY OF NORTH SALT LAKE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 2,169,176	\$ 2,088,971	\$ 330	\$ 43,109	\$ 4,301,586
Receivables:					
Taxes	2,847,801	-	-	52,947	2,900,748
Accounts - net	92,607	-	-	-	92,607
Intergovernmental	103,428	-	-	-	103,428
Prepays	93,350	-	-	-	93,350
Due from other funds	4,548	2,028,246	-	-	2,032,794
Restricted cash and cash equivalents	-	-	282,811	1,076,503	1,359,314
Total Assets	<u>\$ 5,310,910</u>	<u>\$ 4,117,217</u>	<u>\$ 283,141</u>	<u>\$ 1,172,559</u>	<u>\$ 10,883,827</u>
Liabilities					
Accounts payable	\$ 290,964	\$ -	\$ -	\$ -	\$ 290,964
Accrued liabilities	241,425	-	-	-	241,425
Due to other funds	-	-	-	4,548	4,548
Developer deposits	1,103,479	-	-	-	1,103,479
Deferred revenue	63,660	-	-	-	63,660
Total Liabilities	<u>1,699,528</u>	<u>-</u>	<u>-</u>	<u>4,548</u>	<u>1,704,076</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	2,051,972	-	-	-	2,051,972
Total Deferred Inflows of Resources	<u>2,051,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,051,972</u>
Fund Balances					
Nonspendable:					
Prepays	93,350	-	-	-	93,350
Restricted:					
Impact fees	-	-	282,811	1,076,503	1,359,314
Assigned:					
Capital projects	-	4,117,217	330	-	4,117,547
Debt service	-	-	-	96,056	96,056
Unassigned	1,466,060	-	-	(4,548)	1,461,512
Total Fund Balances	<u>1,559,410</u>	<u>4,117,217</u>	<u>283,141</u>	<u>1,168,011</u>	<u>7,127,779</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,310,910</u>	<u>\$ 4,117,217</u>	<u>\$ 283,141</u>	<u>\$ 1,172,559</u>	<u>\$ 10,883,827</u>

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, 2013

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

Total fund balance - governmental funds	\$ 7,127,779
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,894,978
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	(4,831,045)
Certain revenue is deferred in the governmental funds but is not in the statement of net position because it qualifies for recognition under the economic resources measurement focus	63,660
Accrued liabilities	(61,486)
Total net position - governmental activities	<u><u>\$ 55,193,886</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, 2013

	General	Capital Projects	Park Development	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 6,922,099	\$ -	\$ -	\$ 341,336	\$ 7,263,435
Licenses and permits	211,474	-	-	-	211,474
Intergovernmental	720,236	-	1,665,664	57,897	2,443,797
Charges for services	669,812	-	-	-	669,812
Fines and forfeitures	461,336	-	-	-	461,336
Impact fees	-	-	467,600	486,842	954,442
Interest	11,398	20,844	2,204	6,388	40,834
Miscellaneous	16,321	-	-	-	16,321
Total Revenues	9,012,676	20,844	2,135,468	892,463	12,061,451
Expenditures					
Current:					
General government	1,574,987	-	-	49,644	1,624,631
Public safety	3,481,187	-	-	4,165	3,485,352
Highways and public improvements	1,212,352	-	-	20,893	1,233,245
Community development	569,707	-	-	-	569,707
Parks, recreation, and public property	608,386	-	22,453	-	630,839
Debt service:					
Principal	41,260	-	292,600	165,000	498,860
Interest	1,801	-	-	172,943	174,744
Capital outlay:					
General government	17,700	913,366	-	-	931,066
Public safety	172,238	-	-	-	172,238
Highways and public improvements	475,540	-	-	-	475,540
Parks, recreation, and public property	-	-	3,143,939	-	3,143,939
Total Expenditures	8,155,158	913,366	3,458,992	412,645	12,940,161
Excess (Deficiency) of Revenues Over (Under) Expenditures	857,518	(892,522)	(1,323,524)	479,818	(878,710)
Other Financing Sources (Uses)					
Transfer in	-	735,850	-	70,000	805,850
Transfer out	(973,050)	(40,000)	-	(340,000)	(1,353,050)
Lease proceeds	164,994	-	-	-	164,994
Contributions	17,517	-	-	-	17,517
Sale of capital assets	8,940	-	-	-	8,940
Total Other Financing Sources (Uses)	(781,599)	695,850	-	(270,000)	(355,749)
Net Change in Fund Balances	75,919	(196,672)	(1,323,524)	209,818	(1,234,459)
Fund Balance, Beginning	1,483,491	4,313,889	1,606,665	958,193	8,362,238
Fund Balance, Ending	\$ 1,559,410	\$ 4,117,217	\$ 283,141	\$ 1,168,011	\$ 7,127,779

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, 2013

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

Net change in fund balances - total governmental funds	\$ (1,234,459)
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.	(1,145,106)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	5,029,737
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	498,860
Governmental funds report issuance of lease proceeds as other financing sources.	(164,994)
The effect of the sale and disposal of capital assets.	(6,242)
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.	(34,265)
Deferred revenue	63,660
Accrued liabilities	(61,486)
Change in net position of governmental activities	\$ 2,945,706

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 2,141,264	\$ 2,241,264	\$ 2,404,340	\$ 163,076
Sales and use	2,801,736	2,901,736	2,855,698	(46,038)
Franchise	1,684,500	1,684,500	1,662,061	(22,439)
Licenses and permits	205,000	205,000	211,474	6,474
Impact fees	90,000	90,000	-	(90,000)
Intergovernmental revenues	538,000	754,660	720,236	(34,424)
Charges for services	359,500	549,000	669,812	120,812
Fines and forfeitures	475,000	475,000	461,336	(13,664)
Interest	25,000	25,000	11,398	(13,602)
Miscellaneous	26,500	31,500	16,321	(15,179)
Total Revenues	<u>8,346,500</u>	<u>8,957,660</u>	<u>9,012,676</u>	<u>55,016</u>
Expenditures				
Current:				
General government:				
Legislative	181,350	286,350	258,164	28,186
Administrative	521,350	781,350	777,052	4,298
Judicial	287,500	287,500	287,492	8
Engineering	138,850	138,850	132,687	6,163
Buildings	111,200	130,850	119,592	11,258
Total general government	<u>1,240,250</u>	<u>1,624,900</u>	<u>1,574,987</u>	<u>49,913</u>
Public safety:				
Police department	2,402,900	2,617,250	2,542,322	74,928
Fire department	1,256,500	1,256,500	1,149,482	107,018
Animal control	24,000	24,000	22,382	1,618
Total public safety	<u>3,683,400</u>	<u>3,897,750</u>	<u>3,714,186</u>	<u>183,564</u>
Public works:				
Streets department	939,200	1,096,800	1,088,337	8,463
Buildings	72,000	72,000	65,551	6,449
Capital projects	500,000	563,660	534,004	29,656
Total public works	<u>1,511,200</u>	<u>1,732,460</u>	<u>1,687,892</u>	<u>44,568</u>
Community Development				
Planning and zoning	293,700	317,345	301,601	15,744
Community development	45,000	45,000	44,836	164
Building inspection	178,450	231,930	223,270	8,660
Total community development	<u>517,150</u>	<u>594,275</u>	<u>569,707</u>	<u>24,568</u>
Parks	541,950	579,150	579,933	(783)
Recreation	38,000	38,000	28,453	9,547
Total Expenditures	<u>\$ 7,531,950</u>	<u>\$ 8,466,535</u>	<u>\$ 8,155,158</u>	<u>\$ 311,377</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
BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
For The Year Ended June 30, 2013

	<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	\$ 814,550	\$ 491,125	\$ 857,518	\$ 366,393
Other Financing Sources (Uses)				
Transfer in	140,000	140,000	-	(140,000)
Transfer out	(973,050)	(973,050)	(973,050)	-
Lease proceeds	-	165,000	164,994	(6)
Sale of capital assets	20,000	20,000	8,940	(11,060)
Contributions	1,000	13,350	17,517	4,167
Total Other Financing Sources (Uses)	<u>(812,050)</u>	<u>(634,700)</u>	<u>(781,599)</u>	<u>(146,899)</u>
Net Change in Fund Balance *	<u>\$ 2,500</u>	<u>\$ (143,575)</u>	75,919	<u>\$ 219,494</u>
Fund Balance, Beginning			<u>1,483,491</u>	
Fund Balance, Ending			<u>\$ 1,559,410</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
BALANCE – BUDGET AND ACTUAL – PARK DEVELOPMENT
SPECIAL REVENUE FUND
For The Year Ended June 30, 2013

	<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	\$ 466,000	\$ 467,600	\$ 1,600
Intergovernmental revenues	40,000	1,721,700	1,665,664	(56,036)
Interest	10,000	10,000	2,204	(7,796)
Total Revenues	<u>250,000</u>	<u>2,197,700</u>	<u>2,135,468</u>	<u>(62,232)</u>
Expenditures				
Current:				
Improvements	1,210,000	3,543,000	3,159,607	383,393
Professional and technical	15,000	15,000	6,785	8,215
Payments to developers	100,000	300,000	292,600	7,400
Total Expenditures	<u>1,325,000</u>	<u>3,858,000</u>	<u>3,458,992</u>	<u>399,008</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,075,000)</u>	<u>(1,660,300)</u>	<u>(1,323,524)</u>	<u>336,776</u>
Net Change in Fund Balance *	<u>\$ (1,075,000)</u>	<u>\$ (1,660,300)</u>	<u>(1,323,524)</u>	<u>\$ 336,776</u>
Fund Balance, Beginning			<u>1,606,665</u>	
Fund Balance, Ending			<u>\$ 283,141</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
For The Year Ended June 30, 2013

	<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	\$ 1,055,943	\$ 132,345	\$ 263,069	\$ 67,734	\$ -	\$ 1,519,091
Accounts receivable, net	239,959	30,818	35,745	83,881	8,344	398,747
Due from other funds	-	-	-	-	-	-
Inventories	87,555	-	-	-	74,577	162,132
Prepaid expenses	200,139	61,416	-	-	10,628	272,183
Total Current Assets	1,583,596	224,579	298,814	151,615	93,549	2,352,153
Noncurrent Assets						
Restricted cash and cash equivalents	1,351,625	606,227	139,125	-	-	2,096,977
Capital assets:						
Land	197,538	-	-	-	2,353,475	2,551,013
Water rights	163,937	2,700,115	-	-	-	2,864,052
Buildings	294,908	-	-	-	1,198,068	1,492,976
Golf course	-	-	-	-	4,810,424	4,810,424
Water distribution system	17,053,317	2,352,180	-	-	-	19,405,497
Storm water system	-	-	5,065,945	-	-	5,065,945
Machinery, equipment, and vehicles	787,949	116,774	182,415	439,373	1,209,262	2,735,773
Construction-in-progress	2,374,196	-	130,741	-	-	2,504,937
Less accumulated depreciation	(5,168,869)	(294,091)	(491,976)	(265,916)	(2,755,662)	(8,976,514)
Total Noncurrent Assets	17,054,601	5,481,205	5,026,250	173,457	6,815,567	34,551,080
Total Assets	\$ 18,638,197	\$ 5,705,784	\$ 5,325,064	\$ 325,072	\$ 6,909,116	\$ 36,903,233

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)
For The Year Ended June 30, 2013

	<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	\$ 212,526	\$ -	\$ 55,194	\$ 102,102	\$ 42,722	\$ 412,544
Compensated absences	28,733	2,891	5,347	1,003	38,794	76,768
Accrued liabilities	205,686	-	-	1,461	18,629	225,776
Due to other funds	-	-	50,000	-	-	50,000
Notes payable	-	133,950	120,000	-	-	253,950
Leases payable	-	-	-	19,656	56,490	76,146
Revenue and general obligation bonds payable	594,014	-	-	-	528,169	1,122,183
Total Current Liabilities	<u>1,040,959</u>	<u>136,841</u>	<u>230,541</u>	<u>124,222</u>	<u>684,804</u>	<u>2,217,367</u>
Noncurrent Liabilities						
Compensated absences	21,641	2,270	4,416	877	31,319	60,523
Customer deposits	272,199	-	-	-	-	272,199
Due to other funds	-	-	260,000	-	1,718,246	1,978,246
Notes payable	-	494,298	596,182	-	657,000	1,747,480
Leases payable	-	-	-	63,333	74,050	137,383
Revenue and general obligation bonds payable	6,427,690	-	-	-	1,674,509	8,102,199
Total Noncurrent Liabilities	<u>6,721,530</u>	<u>496,568</u>	<u>860,598</u>	<u>64,210</u>	<u>4,155,124</u>	<u>12,298,030</u>
Total Liabilities	<u>7,762,489</u>	<u>633,409</u>	<u>1,091,139</u>	<u>188,432</u>	<u>4,839,928</u>	<u>14,515,397</u>
Net Position						
Net investment in capital assets	9,200,788	4,246,730	3,860,943	90,468	3,825,349	21,224,278
Restricted:						
Debt service	439,305	-	-	-	-	439,305
Impact fees	141,733	606,227	139,125	-	-	887,085
Unrestricted	1,093,882	219,418	233,857	46,172	(1,756,161)	(162,832)
Total Net Position	<u>10,875,708</u>	<u>5,072,375</u>	<u>4,233,925</u>	<u>136,640</u>	<u>2,069,188</u>	<u>22,387,836</u>
Total Liabilities and Net Position	<u>\$ 18,638,197</u>	<u>\$ 5,705,784</u>	<u>\$ 5,325,064</u>	<u>\$ 325,072</u>	<u>\$ 6,909,116</u>	<u>\$ 36,903,233</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, 2013

	<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	\$ 2,705,005	\$ 292,490	\$ -	\$ -	\$ -	\$ 2,997,495
User fees	-	-	370,617	862,311	-	1,232,928
Connection and servicing fees	144,458	-	-	-	-	144,458
Admissions and lesson fees	-	-	-	-	632,276	632,276
Equipment and facility rents	-	-	-	-	468,367	468,367
Concession and merchandise sales	-	-	-	-	200,911	200,911
Miscellaneous	26,598	-	-	-	962	27,560
Total Operating Revenues	2,876,061	292,490	370,617	862,311	1,302,516	5,703,995
Operating Expenses						
Salaries and benefits	679,103	96,017	125,300	680,065	618,156	2,198,641
Office expense and supplies	27,163	3,910	7,893	7,554	2,000	48,520
Equipment - supplies and maintenance	200,454	-	11,047	-	62,748	274,249
Buildings and grounds - supplies and maintenance	81,221	-	-	-	21,020	102,241
Special department supplies	17,217	-	402	-	79,666	97,285
Power purchases	408,447	-	-	-	34,083	442,530
Water purchases	544,180	123,793	-	-	142,607	810,580
Professional services	286,709	-	25,271	2,231	48,327	362,538
Contracted services	-	-	-	120,424	-	120,424
Merchandise	-	-	-	-	96,095	96,095
Depreciation	600,470	90,083	146,013	34,376	239,657	1,110,599
Miscellaneous	15,988	951	4,995	26	32,304	54,264
Total Operating Expenses	2,860,952	314,754	320,921	844,676	1,376,663	5,717,966
Operating Income (Loss)	\$ 15,109	\$ (22,264)	\$ 49,696	\$ 17,635	\$ (74,147)	\$ (13,971)

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, 2013

	<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	\$ 26,874	\$ 671	\$ 1,775	\$ 228	\$ 207	\$ 29,755
Interest expense	(343,401)	-	(1,629)	(3,071)	(89,715)	(437,816)
Gain (loss) from sale of capital assets	(39,155)	-	-	(7,362)	9,466	(37,051)
Total Nonoperating Income (Expense)	<u>(355,682)</u>	<u>671</u>	<u>146</u>	<u>(10,205)</u>	<u>(80,042)</u>	<u>(445,112)</u>
Income (loss) before contributions and transfers	(340,573)	(21,593)	49,842	7,430	(154,189)	(459,083)
Capital Contributions	102,700	-	-	-	-	102,700
Build America Bond Interest Subsidy	72,881	-	-	-	-	72,881
Impact Fees	1,186,600	555,913	264,698	-	-	2,007,211
Transfers in	-	-	-	-	547,200	547,200
Change in Net Position	<u>1,021,608</u>	<u>534,320</u>	<u>314,540</u>	<u>7,430</u>	<u>393,011</u>	<u>2,270,909</u>
Net Position, Beginning	9,668,036	4,954,725	3,919,385	129,210	1,747,129	20,418,485
Prior Period Adjustment	186,064	(416,670)	-	-	(70,952)	(301,558)
Net Position, Ending	<u><u>\$ 10,875,708</u></u>	<u><u>\$ 5,072,375</u></u>	<u><u>\$ 4,233,925</u></u>	<u><u>\$ 136,640</u></u>	<u><u>\$ 2,069,188</u></u>	<u><u>\$ 22,387,836</u></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, 2013

	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 2,964,112	\$ 300,012	\$ 369,737	\$ 857,687	\$ 1,310,043	\$ 5,801,591
Receipts from customer deposits	30,657	-	-	-	-	30,657
Payments to suppliers and service providers	(1,600,465)	(127,833)	3,025	(730,672)	(489,219)	(2,945,164)
Payments to employees and related benefits	(676,126)	(90,856)	(115,512)	(35,682)	(582,020)	(1,500,196)
Net cash flows from operating activities	718,178	81,323	257,250	91,333	238,804	1,386,888
Cash Flows From Non-Capital Financing Activities						
Transfers in	-	-	-	-	547,200	547,200
Transfers out	-	-	-	-	-	-
Due to/from other funds	(169,251)	-	(90,000)	-	(41,003)	(300,254)
Net cash flows from non-capital financing activities	(169,251)	-	(90,000)	-	506,197	246,946
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(2,456,247)	-	(130,746)	(21,326)	(229,823)	(2,838,142)
Proceeds from sales of capital assets	-	-	-	-	17,300	17,300
Impact fees and interest subsidies received	1,259,481	555,913	264,698	-	-	2,080,092
Principal paid on capital bonds and leases	(569,014)	(152,000)	(138,481)	(19,284)	(442,970)	(1,321,749)
Interest paid on capital bonds and leases	(343,401)	-	(1,629)	(3,071)	(89,715)	(437,816)
Net cash flows from capital and related financing activities	\$ (2,109,181)	\$ 403,913	\$ (6,158)	\$ (43,681)	\$ (745,208)	\$ (2,500,315)

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, 2013

	<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	\$ 26,874	\$ 671	\$ 1,775	\$ 228	\$ 207	\$ 29,755
Net cash flows from investing activities	<u>26,874</u>	<u>671</u>	<u>1,775</u>	<u>228</u>	<u>207</u>	<u>29,755</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(1,533,380)	485,907	162,867	47,880	-	(836,726)
Cash and Cash Equivalents, Beginning	<u>3,940,948</u>	<u>252,665</u>	<u>239,327</u>	<u>19,854</u>	<u>-</u>	<u>4,452,794</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,407,568</u>	<u>\$ 738,572</u>	<u>\$ 402,194</u>	<u>\$ 67,734</u>	<u>\$ -</u>	<u>\$ 3,616,068</u>
Reconciliation of operating income to net cash flows from operating activities						
Earnings (loss) from operations	\$ 15,109	\$ (22,264)	\$ 49,696	\$ 17,635	\$ (74,147)	\$ (13,971)
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:						
Depreciation	600,470	90,083	146,013	34,376	239,657	1,110,599
Changes in assets and liabilities						
Accounts receivable, net	88,051	7,522	(885)	(4,624)	7,525	97,589
Inventories	-	-	-	-	(7,398)	(7,398)
Prepaid expenses	(1,395)	961	-	-	609	175
Accounts payable	(101,380)	(140)	53,932	42,405	23,617	18,434
Compensated absences	1,530	5,161	9,680	1,880	36,137	54,388
Accrued liabilities	85,136	-	(1,186)	(339)	12,804	96,415
Customer deposits	30,657	-	-	-	-	30,657
Net cash flows from operating activities	<u>\$ 718,178</u>	<u>\$ 81,323</u>	<u>\$ 257,250</u>	<u>\$ 91,333</u>	<u>\$ 238,804</u>	<u>\$ 1,386,888</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). The City has adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. 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. In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Under GASB Statement No. 61, The Financial Reporting Entity, the financial reporting entity consists of the primary government and the following component units:

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 another 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 and the City's east side secondary water distribution system.

The Pressurized Irrigation Fund accounts for the activities of the City's west side 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

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)

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 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 \$10,000 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
Infrastructure	30-50
Machinery and equipment	5-12
Vehicles	5-7

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. These amounts are reported in both the government-wide statements and the governmental fund statements.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 been 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.

Implementation of New Accounting Pronouncements

Beginning in 2013, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes guidance from the classification of items that were previously reported as assets or liabilities that would now be classified as deferred outflows and inflows of resources. Implementation of this standard on the City's financial statements resulted in a prior year adjustment to the net position and is described below.

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

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.

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, 2013, \$3,967,441 of the City's bank balances of \$4,438,065 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, 2013, the City had all of its investments in the PTIF totaling \$5,959,323, 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, 2013, the fair value per share factor for investments in the PTIF was 1.005022.

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.

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

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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 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, 2013:

Cash on hand and on deposit:	
Petty Cash	\$ 3,900
Cash on Deposit	3,313,745
PTIF Investment	<u>5,959,323</u>
Total cash and investments	<u><u>\$ 9,276,968</u></u>

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

Cash and cash equivalents	\$ 5,820,677
Restricted cash and cash equivalents	<u>3,456,291</u>
Total cash and investments	<u><u>\$ 9,276,968</u></u>

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2013 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	\$ 674,772	\$ 439,305	\$ -
Unspent Bond Proceeds for Construction - Water	519,516	-	-
Unspent Bond Proceeds for Construction - Water Impact Fees	15,604	-	-
	<u>2,246,399</u>	<u>887,085</u>	<u>1,359,314</u>
	<u><u>\$ 3,456,291</u></u>	<u><u>\$ 1,326,390</u></u>	<u><u>\$ 1,359,314</u></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, 2013, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 21,294,705	\$ 2,210,164	\$ -	\$ 23,504,869
Construction in progress	867,288	1,946,611	(606,414)	2,207,485
Total capital assets, not being depreciated	22,161,993	4,156,775	(606,414)	25,712,354
Capital assets, being depreciated				
Infrastructure	14,805,498	832,369	-	15,637,867
Buildings	7,632,076	-	-	7,632,076
Improvements other than buildings	5,529,196	-	-	5,529,196
Machinery, equipment, and vehicles	3,340,679	647,007	(202,774)	3,784,912
Total capital assets, being depreciated	31,307,449	1,479,376	(202,774)	32,584,051
Less accumulated depreciation for				
Infrastructure	(1,171,012)	(386,375)	-	(1,557,387)
Buildings	(748,192)	(256,129)	-	(1,004,321)
Improvements other than buildings	(467,571)	(140,753)	-	(608,324)
Machinery, equipment, and vehicles	(2,066,080)	(361,847)	196,532	(2,231,395)
Total accumulated depreciation	(4,452,855)	(1,145,104)	196,532	(5,401,427)
Total capital assets, being depreciated, net	26,854,594	334,272	(6,242)	27,182,624
Governmental activities capital assets, net	\$ 49,016,587	\$ 4,491,047	\$ (612,656)	\$ 52,894,978

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

Governmental activities	
General government	\$ 373,439
Public safety	94,741
Highways and public improvements	502,244
Parks, recreation, and public property	174,680
Total depreciation expense - governmental activities	\$ 1,145,104

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, 2013:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance June 30, 2013</u>
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 2,551,013	\$ -	\$ -	\$ -	\$ 2,551,013
Water rights	2,864,052	-	-	-	2,864,052
Construction in progress	1,138,936	2,323,533	(39,155)	(918,377)	2,504,937
Total capital assets, not being depreciated	6,554,001	2,323,533	(39,155)	(918,377)	7,920,002
Capital assets, being depreciated					
Buildings	1,492,976	-	-	-	1,492,976
Golf course	4,810,424	-	-	-	4,810,424
Water distribution system	18,216,959	270,161	-	918,377	19,405,497
Storm water system	5,065,945	-	-	-	5,065,945
Machinery, equipment, and vehicles	2,521,709	347,165	(133,101)	-	2,735,773
Total capital assets, being depreciated	32,108,013	617,326	(133,101)	918,377	33,510,615
Less accumulated depreciation for					
Buildings	(466,604)	(32,745)	-	-	(499,349)
Golf course	(1,637,532)	(98,838)	-	-	(1,736,370)
Water distribution system	(4,139,623)	(621,577)	-	-	(4,761,200)
Storm water system	(257,506)	(126,649)	-	-	(384,155)
Machinery, equipment, and vehicles	(1,482,554)	(230,790)	117,904	-	(1,595,440)
Total accumulated depreciation	(7,983,819)	(1,110,599)	117,904	-	(8,976,514)
Total capital assets, being depreciated, net	24,124,194	(493,273)	(15,197)	918,377	24,534,101
Business-type activities capital assets, net	\$ 30,678,195	\$ 1,830,260	\$ (54,352)	\$ -	\$ 32,454,103

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

Business-type Activities	
Water	\$ 600,470
Secondary Water	90,083
Storm Water	146,013
Solid Waste	34,376
Golf Course	239,657
Total depreciation expense - business-type activities	\$ 1,110,599

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

NOTE 6 DEFERRED INFLOW OF RESOURCES – UNAVAILABLE REVENUES 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 a deferred inflow of resources for unavailable property tax revenue in the General Fund in the amounts of \$2,051,972.

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, 2013 is not expected to be received within 60 days after the year ended June 30, 2013, the City is required to record a receivable and a deferred inflow of resources for unavailable property tax revenue of the estimated amount of the total property tax to be levied on October 1, 2013.

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, 2013:

	Long-term debt payable at June 30, 2012	Additions	Reductions	Long-term debt payable at June 30, 2013	Due within One Year
Governmental activities					
Series 2010 Sales Tax	\$ 3,710,000	\$ -	\$ 165,000	\$ 3,545,000	\$ 165,000
2012 Police Vehicle Lease	-	164,993	41,260	123,733	40,504
Woodside Homes N/P	1,069,170	-	292,600	776,570	213,400
Compensated absences	351,474	302,268	268,000	385,742	220,739
	<u>\$ 5,130,644</u>	<u>\$ 467,261</u>	<u>\$ 766,860</u>	<u>\$ 4,831,045</u>	<u>\$ 639,643</u>
Governmental activity long-term liabilities					
Business-type activities					
Series 2002 Water Revenue	\$ 605,000	\$ -	\$ 128,000	\$ 477,000	\$ 138,000
Series 2006 Water Revenue	3,035,000	-	280,000	2,755,000	290,000
Plus unamortized premium	34,688	-	3,854	30,834	3,854
Series 2010 Water Revenue	3,875,000	-	155,000	3,720,000	160,000
Plus unamortized premium	41,030	-	2,160	38,870	2,160
Series 2009 G.O. Bonds	2,650,000	-	500,000	2,150,000	515,000
Plus unamortized premium	65,847	-	13,169	52,678	13,169
Eaglewood Development N/P	657,000	-	-	657,000	-
2009 Golf Equip. Capital Lease	60,342	-	39,888	20,454	20,454
2012 Golf Equip. Capital Lease	-	146,796	36,710	110,086	36,036
Weber Water N/P	780,248	-	152,000	628,248	133,950
Compass Development N/P	854,663	-	138,481	716,182	120,000
Solid Waste Capital Lease	102,272	-	19,283	82,989	19,656
Compensated absences	82,903	71,297	16,911	137,289	76,768
	<u>\$ 12,843,993</u>	<u>\$ 218,093</u>	<u>\$ 1,485,456</u>	<u>\$ 11,576,630</u>	<u>\$ 1,529,047</u>
Business-type activity long-term liabilities					

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

For the year ended June 30, 2013, \$174,743 of interest was charged as a direct expense on the *statement of activities* for Governmental activities and \$437,816 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2013, in Governmental or Business-type Activities.

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

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

NOTE 8 LONG-TERM DEBT (Continued)

Sales Tax Revenue Bonds, Series 2010 (Continued):

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, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2.55%	\$ 165,000	\$ 169,395	\$ 334,395
2015	3.10%	170,000	165,188	335,188
2016	3.55%	175,000	159,918	334,918
2017	3.80%	180,000	153,705	333,705
2018	4.15%	180,000	146,865	326,865
2019	4.30%	185,000	139,395	324,395
2020	4.50%	190,000	131,440	321,440
2021	4.65%	200,000	122,890	322,890
2022	4.80%	205,000	113,590	318,590
2023	4.90%	210,000	103,750	313,750
2024	5.15%	215,000	93,460	308,460
2025	5.15%	225,000	82,388	307,388
2026	5.15%	230,000	70,800	300,800
2027	5.50%	240,000	58,150	298,150
2028	5.50%	250,000	44,950	294,950
2029	5.50%	260,000	30,450	290,450
2030	5.80%	265,000	15,370	280,370
Total		<u>\$ 3,545,000</u>	<u>\$ 1,801,704</u>	<u>\$ 5,346,704</u>

2012 Police Vehicle Capital Lease

In September 2012 the City entered into an equipment lease purchase for \$164,993. The lease is secured by capital equipment amortized through depreciation expense. Payments are due in June and December of each year until June 2016. The lease has an interest rate of 1.81%. The general 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, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1.81%	\$ 40,504	\$ 2,057	\$ 42,561
2015	1.81%	41,240	1,321	42,561
2016	1.81%	41,990	571	42,561
Total		<u>\$ 123,733</u>	<u>\$ 3,949</u>	<u>\$ 127,682</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 in conjunction with issuing building permits from that respective development area. The total remaining payable to the developer at June 30, 2013 is \$776,570.

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, 2013 is \$116,412.

The annual debt service requirements to maturity, including principal and interest for the Series 2002 Water Revenue and Refunding Bonds, as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1.80%	\$ 138,000	\$ 8,586	\$ 146,586
2015	1.80%	339,000	6,102	345,102
Total		<u>\$ 477,000</u>	<u>\$ 14,688</u>	<u>\$ 491,688</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 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 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, 2013 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 restriction 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. At June 30, 2013, the City has \$140,072 in a reserved cash account with an additional \$137,722 in restricted cash to meet the debt covenants.

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

NOTE 8 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2006 (Continued)

The annual debt service requirements to maturity, including principal and interest for the Series 2006 Water Revenue Bonds, as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		2,755,000	<u>\$ 565,117</u>	<u>\$ 3,320,117</u>
	Plus unamortized premium	<u>30,834</u>		
	Total	<u>\$ 2,785,834</u>		

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.

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, 2013 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. At June 30, 2013, the City has \$184,435 in a reserved cash account with an additional \$96,784 in restricted cash to meet the debt covenants.

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

NOTE 8 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2010 (Continued)

The annual debt service requirements to maturity, including principal and interest for the Series 2010 Water Revenue Bonds as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	175,000	118,537	293,537
2019 - 2023	955,000	506,154	1,461,154
2024 - 2028	1,135,000	316,143	1,451,143
2029 - 2031	800,000	70,882	870,882
	<u>3,720,000</u>	<u>\$ 1,525,972</u>	<u>\$ 5,245,972</u>
Plus unamortized premium	<u>38,870</u>		
Total	<u><u>\$ 3,758,870</u></u>		

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

	<u>Restricted Cash Reported in Statements</u>	<u>Restricted Cash Offset by Debt</u>	<u>Restriction Funded with Insurance Policy</u>
2002 Water Reserve Fund	\$ 116,412	\$ -	\$ -
2006 Water Bond Fund	137,722	137,722	-
2006 Water Reserve Fund	140,072	-	419,680
2010 Water Bond Fund	97,745	97,745	-
2010 Water Reserve Fund	182,821	-	182,489
Unspent bond proceeds for construction	519,516	519,516	-
	<u><u>\$ 1,194,288</u></u>	<u><u>\$ 754,983</u></u>	<u><u>\$ 602,169</u></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. The bonds are reported in the golf course fund. There are no reserve requirements for these bonds.

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

NOTE 8 LONG-TERM DEBT (Continued)

General Obligation Refunding Bonds, Series 2009 (Continued)

The annual debt service requirements to maturity, including principal and interest for the Series 2009 General Obligation Refunding Bond as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		2,150,000	<u>\$ 182,875</u>	<u>\$ 2,332,875</u>
	Plus unamortized premium	<u>52,678</u>		
Total		<u>\$ 2,202,678</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 an operating loss for the current year.

2009 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, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.40%	\$ 20,454	\$ 347	\$ 20,801
Total		<u>\$ 20,454</u>	<u>\$ 347</u>	<u>\$ 20,801</u>

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

NOTE 8 LONG-TERM DEBT (Continued)

2012 Golf Course Capital Lease

In September 2012 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 1.81%. 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, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1.81%	\$ 36,036	\$ 1,667	\$ 37,703
2015	1.81%	36,691	1,009	37,700
2016	1.81%	37,359	339	37,698
		<u>\$ 110,086</u>	<u>\$ 3,015</u>	<u>\$ 113,101</u>

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 \$628,248 due to Weber Basin as of June 30, 2013. 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, 2013 is \$716,182.

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.

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

NOTE 8 LONG-TERM DEBT (Continued)

Solid Waste Lease (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.87%	\$ 19,656	\$ 3,038	\$ 22,694
2015	3.87%	20,058	2,270	22,328
2016	3.87%	21,223	1,471	22,694
2017	3.87%	22,052	642	22,694
Total		\$ 82,989	\$ 7,421	\$ 90,410

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, 2013:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Paid/Accrued to Date</u>	<u>Commitment Outstanding</u>
Cody Ekker Construction	Secondary Water Transmission Line	\$ 576,731	\$ 515,568	\$ 61,162
Hughes General Contractors	Tunnel Springs Park	1,055,746	1,029,746	26,000
COP Construction, LLC.	Deer Hollow Wtr Basin Expansion	1,215,809	867,840	347,969
Acme Construction, Inc.	Center Street - Road Reconstruction	750,021	740,021	10,000
Bowen Construction Company	City Hall Park (Hatch Park)	239,136	-	239,136
Project Engineering Consultants	1100 North Street: Redwood Rd to 110 E.	293,472	-	293,472
LSI Contractors, LLC.	Foxboro South Park	180,902	-	180,902
Hills Construction, Inc.	Golf Course Hole #8 Pump Station	302,000	56,934	245,066
Total Construction Commitments Outstanding		\$ 4,613,816	\$ 3,210,109	\$ 1,403,707

NOTE 10 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue for the year ended June 30, 2013 consists of the following:

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
Utah Class "C" Road allotment	\$ 490,257	20.06%
Utah Liquor Law Enforcement Grant	17,175	0.70
Various State and Local Grants	9,970	0.41
State of Utah CNG Engine Repower Grant	202,834	8.30
FEMA Slide Mitigation Grant	1,665,664	68.16
Federal Build America Bond Interest Reimbursement Grant	57,897	2.37
	\$ 2,443,797	100.00%

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

NOTE 11 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	10,926,300	1,000 *
Building Contents	2,275,287	1,000 *
Contractors Equipment	1,216,639	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 12 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.

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. The Funding Policy for USRS is that contribution rates are the actuarially determined rates. The contribution requirements of the USRS are authorized by the statute and specified by the Board.

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

NOTE 12 RETIREMENT PLAN (Continued)

	Ended June 30	Employee contribution	Employee contribution paid by employer	Employer contribution	Salary subject to retirement contributions
Contributory System:					
Local Governmental Division Tier 2	2013	\$ -	\$ -	\$ 13,865	\$ 161,978
	2012	-	-	3,204	4,213
Noncontributory System:					
Local Governmental Division Tier 1	2013	\$ -	\$ -	\$ 320,374	\$ 1,960,548
	2012	-	-	286,770	2,092,777
	2011	-	-	283,119	2,140,005
Public Safety System:*					
Other Division A Contributory	2013	\$ -	\$ -	\$ 4,322	\$ 38,935
Other Division A Noncontributory Tier 1	2013	\$ -	\$ -	\$ 278,013	\$ 956,965
	2012	-	-	244,626	957,943
	2011	-	-	205,048	784,722
Defined Contribution System:					
457 Plan	2013	\$ 40,804	\$ -		
	2012	51,684	-		
	2011	39,405	-		
401(k) Plan	2013	\$ 43,558	\$ 152,970		
	2012	41,335	149,301		
	2011	251.9	151,211		
Traditional IRA Plan	2013	\$ 650	\$ -		
	2012	675	-		
	2011	650	-		
Roth IRA Plan	2012	\$ 3,600	\$ -		
	2011	3,150	-		

* In the Utah Retirement Systems Annual report the Public Safety Contributory and Noncontributory Divisions are combined for financial statement disclosure.

	Employee contribution	Employee contribution paid by employer	Employer contribution
<u>Contributory System:</u>			
Local Governmental Division Tier 2	N/A	N/A	12.74%
<u>Noncontributory System:</u>			
Local Governmental Division Tier 1	N/A	N/A	16.04%
<u>Public Safety System:</u>			
Other Division A Contributory Tier 2	N/A	N/A	19.25%
Other Division A Noncontributory Tier 1	N/A	N/A	30.45%

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

NOTE 13 INTERFUND TRANSACTIONS

At June 30, 2013, the City's internal balances due to or from other activities were as follows:

Due To	Due from				Total
	Governmental	Enterprise			
	Redevelopment Agency	Pressurized Irrigation	Storm Water Fund	Golf Fund	
Governmental:					
Capital Projects Fund	\$ -	\$ -	\$ 310,000	\$ 1,718,246	\$ 2,028,246
General Fund	4,548	-	-	-	4,548
Total	\$ 4,548	\$ -	\$ 310,000	\$ 1,718,246	\$ 2,032,794

The Golf Fund payable represents transferred subsidies made to the Golf Fund from fiscal years 1994 through 2013. The City does not expect this to be repaid within one year. \$50,000 of the Capital Projects Fund receivable from the Storm Water Fund is budgeted to be repaid in fiscal year 2014. 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. 2010 Water bond proceeds, reported as a liability in the Water Fund, were used to fund projects in the Pressurized Irrigation Fund.

In addition to the above, transfers were made which will not be repaid. Interfund transfers for the year ended June 30, 2013 are as follows:

	Transfer - In	Transfer - Out
Governmental:		
General Fund	\$ -	\$ 973,050
Capital Projects Fund	735,850	40,000
Police Facilities Fund	-	40,000
Roadway Devel. Fund	-	300,000
Debt Service Fund	30,000	-
Redevelopment Fund	40,000	-
Enterprise:		
Golf Fund	547,200	-
	\$ 1,353,050	\$ 1,353,050

These transfers occurred primarily to finance programs, accounted for in one fund, with resources collected in other funds in accordance with budgetary authorizations. The General Funds transfer and the Roadway Development Fund transfer to the Capital Projects Fund was for the construction of a major road project. 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 transfer to the Redevelopment Fund was to cover expenditures related to the creation of new project areas.

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

NOTE 14 – CONTRACT AGREEMENTS

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 \$1,148,715 for fire services.

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 15 - 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 \$49,644 towards professional and technical costs.

NOTE 16 – RESTATEMENT OF NET POSITION

Change in accounting standard

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012, but the City has elected to early implement this standard to coincide with the changes from Statement 63.

The effect of this statement on the financial statements of the City is the restatement of writing off the debt issuance costs, in the amount of \$407,831, as those costs no longer met the criteria of an asset or as a deferred outflow based on this Statement. Also the expenses of the City no longer include the amortization expense.

Fixed asset and bond draw reallocation

It was determined in the current fiscal year that a certain fixed asset in the amount of \$486,070 recorded in the pressurized irrigation fund actually pertained to the water fund. This was corrected through a restatement of net position in the current year. It was also determined that the proceeds of a bond draw in the amount of \$69,400 recorded in the water fund actually pertained to the pressurized irrigation fund. This was corrected through a restatement of net position in the current year.

SUPPLEMENTAL INFORMATION

CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	<u>Special Revenue Fund</u>				Total Nonmajor Governmental Funds
	Police Facilities	Roadway Development	Redevelopment Agency	Debt Service	
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 43,109	\$ 43,109
Taxes receivable	-	-	-	52,947	52,947
Restricted cash and cash equivalents	36,678	1,039,825	-	-	1,076,503
Total Assets	<u>\$ 36,678</u>	<u>\$ 1,039,825</u>	<u>\$ -</u>	<u>\$ 96,056</u>	<u>\$ 1,172,559</u>
Liabilities and Fund Balances					
Liabilities					
Due to other funds	\$ -	\$ -	\$ 4,548	\$ -	\$ 4,548
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,548</u>	<u>-</u>	<u>4,548</u>
Fund Balances					
Restricted:					
Impact fees	36,678	1,039,825	-	-	1,076,503
Assigned	-	-	-	96,056	96,056
Unassigned	-	-	(4,548)	-	(4,548)
Total Fund Balances	<u>36,678</u>	<u>1,039,825</u>	<u>(4,548)</u>	<u>96,056</u>	<u>1,168,011</u>
Total Liabilities and Fund Balances	<u>\$ 36,678</u>	<u>\$ 1,039,825</u>	<u>\$ -</u>	<u>\$ 96,056</u>	<u>\$ 1,172,559</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, 2013

	<u>Special Revenue Fund</u>				Total Nonmajor Governmental Funds
	Police Facilities	Roadway Development	Redevelopment Agency	Debt Service	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 341,336	\$ 341,336
Intergovernmental	-	-	-	57,897	57,897
Impact fees	62,392	424,450	-	-	486,842
Interest	155	5,475	112	646	6,388
Total Revenues	<u>62,547</u>	<u>429,925</u>	<u>112</u>	<u>399,879</u>	<u>892,463</u>
Expenditures					
General government	-	-	49,644	-	49,644
Highways and public improvements	-	20,893	-	-	20,893
Public safety	4,165	-	-	-	4,165
Debt service:					
Principal	-	-	-	165,000	165,000
Interest	-	-	-	172,943	172,943
Total Expenditures	<u>4,165</u>	<u>20,893</u>	<u>49,644</u>	<u>337,943</u>	<u>412,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,382</u>	<u>409,032</u>	<u>(49,532)</u>	<u>61,936</u>	<u>479,818</u>
Other Financing Sources (Uses)					
Transfer in	-	-	40,000	30,000	70,000
Transfer out	(40,000)	(300,000)	-	-	(340,000)
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(300,000)</u>	<u>40,000</u>	<u>30,000</u>	<u>(270,000)</u>
Net Change in Fund Balances	18,382	109,032	(9,532)	91,936	209,818
Fund Balance, Beginning	<u>18,296</u>	<u>930,793</u>	<u>4,984</u>	<u>4,120</u>	<u>958,193</u>
Fund Balance, Ending	<u>\$ 36,678</u>	<u>\$ 1,039,825</u>	<u>\$ (4,548)</u>	<u>\$ 96,056</u>	<u>\$ 1,168,011</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 25,000	\$ 25,000	\$ 20,844	\$ (4,156)
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>20,844</u>	<u>(4,156)</u>
Expenditures				
Parks, recreation, and public property	985,850	945,850	913,366	32,484
Total Expenditures	<u>985,850</u>	<u>945,850</u>	<u>913,366</u>	<u>32,484</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(960,850)</u>	<u>(920,850)</u>	<u>(892,522)</u>	<u>28,328</u>
Other Financing Sources (Uses)				
Transfer in	960,850	960,850	735,850	(225,000)
Transfer out	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>960,850</u>	<u>920,850</u>	<u>695,850</u>	<u>(225,000)</u>
Net Change in Fund Balance *	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(196,672)</u></u>	<u><u>\$ (196,672)</u></u>
Fund Balance, Beginning			<u>4,313,889</u>	
Fund Balance, Ending			<u><u>\$ 4,117,217</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 40,000	\$ 40,000	\$ 62,392	\$ 22,392
Interest	500	500	155	(345)
Total Revenues	<u>40,500</u>	<u>40,500</u>	<u>62,547</u>	<u>22,047</u>
Expenditures				
Capital outlay	-	4,500	4,165	335
Total Expenditures	<u>-</u>	<u>4,500</u>	<u>4,165</u>	<u>335</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40,500</u>	<u>36,000</u>	<u>58,382</u>	<u>22,382</u>
Other Financing Sources (Uses)				
Transfer out	(40,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 500</u>	<u>\$ (4,000)</u>	<u>18,382</u>	<u>\$ 22,382</u>
Fund Balance, Beginning			<u>18,296</u>	
Fund Balance, Ending			<u>\$ 36,678</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 ROADWAY DEVELOPMENT
SPECIAL REVENUE FUND
For The Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 166,000	\$ 166,000	\$ 424,450	\$ 258,450
Interest	4,000	4,000	5,475	1,475
Total Revenues	<u>170,000</u>	<u>170,000</u>	<u>429,925</u>	<u>259,925</u>
Expenditures				
Highways and public improvements	20,000	80,000	20,893	59,107
Total Expenditures	<u>20,000</u>	<u>80,000</u>	<u>20,893</u>	<u>59,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>150,000</u>	<u>90,000</u>	<u>409,032</u>	<u>200,818</u>
Other Financing Sources (Uses)				
Transfer out	(300,000)	(300,000)	(300,000)	-
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (150,000)</u>	<u>\$ (210,000)</u>	109,032	<u>\$ 200,818</u>
Fund Balance, Beginning			<u>930,793</u>	
Fund Balance, Ending			<u>\$ 1,039,825</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 50,000	\$ 50,000	\$ 69	\$ (49,931)
Interest on investments	-	-	43	43
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>112</u>	<u>(49,888)</u>
Expenditures				
Improvements	40,000	80,000	49,644	30,356
Total Expenditures	<u>40,000</u>	<u>80,000</u>	<u>49,644</u>	<u>30,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,000</u>	<u>(30,000)</u>	<u>(49,532)</u>	<u>(19,532)</u>
Other Financing Sources (Uses)				
Transfer in	-	40,000	40,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 40,000</u>	<u>(9,532)</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>4,984</u>	
Fund Balance, Ending			<u>\$ (4,548)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 249,400	\$ 249,400	\$ 341,336	\$ 91,936
Intergovernmental	-	67,000	57,897	(9,103)
Interest	600	600	646	46
Total Revenues	<u>250,000</u>	<u>317,000</u>	<u>399,879</u>	<u>82,879</u>
Expenditures				
Debt service:				
Principal	165,000	165,000	165,000	-
Interest	115,000	182,000	172,943	9,057
Total Expenditures	<u>280,000</u>	<u>347,000</u>	<u>337,943</u>	<u>9,057</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>61,936</u>	<u>91,936</u>
Other Financing Sources (Uses)				
Transfer in	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>91,936</u>	<u>\$ 91,936</u>
Fund Balance, Beginning			<u>4,120</u>	
Fund Balance, Ending			<u>\$ 96,056</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, 2013

Net Revenues:

Total Operating Revenues		\$ 3,539,168
Non-Operating Revenues		
	Impact Fees	2,007,211
	Interest Income	29,320
		5,575,699
Operating Expenses (excluding depreciation)		2,660,062
	Total Expenses (excluding depreciation)	2,660,062
Net Revenues		\$ 2,915,637

Fiscal Year 2013 Debt Service Requirements:

	2002 Bonds	\$ 146,586
	2006 Bonds	413,167
	2010 Bonds	293,235
		\$ 852,988

Net revenues divided by aggregate fiscal year 2013 debt service	342%
Minimum requirement	125%
Excess (Deficiency)	217%

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

To the Mayor and City Council
City of North Salt Lake

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, and each major fund of North Salt Lake as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise North Salt Lake's basic financial statements, and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

November 6, 2013

Page 2

Purpose of this Report

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

Wood Richards & Associates, PC

Ogden, UT

November 6, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Mayor and City Council
City of North Salt Lake

Report on Compliance for Each Major Federal Program

We have audited North Salt Lake's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Salt Lake's major federal programs for the year ended June 30, 2013. North Salt Lake's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Salt Lake's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of Stated, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Salt Lake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Salt Lake's compliance.

Opinion on Each Major Federal Program

In our opinion, North Salt Lake complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of North Salt Lake is responsible for establishing and maintaining effective internal control over compliance with the typed of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Salt Lake's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of North Salt Lake's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wood Richards & Associates, PC

Ogden, Utah
November 6, 2013

**CITY OF NORTH SALT LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Grantor Pass Through/Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Award Expended
Major Programs:			
U.S. Department of Homeland Security through the Utah Division of Emergency Management Pre-Disaster Mitigation Competitive Grant	97.047	N/A	\$ 1,522,566
____ Total Major Programs Department of Homeland Security			<u>\$ 1,522,566</u>
Nonmajor Programs:			
U.S. Environmental Protection Agency through the Utah Division of Emergency Management Hazard Mitigation Grant	97.039	N/A	\$ 143,098
____ Total Nonmajor Programs Department of Homeland Security			<u>\$ 143,098</u>
U.S. Environmental Protection Agency through the Utah Division of Air Quality State Clean Diesel Grant	66.040	N/A	\$ 202,834
____ Total Nonmajor U.S. Environmental Protection Agency			<u>\$ 202,834</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 1,868,498</u></u>

See Accompanying Notes.

CITY OF NORTH SALT LAKE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule of North Salt Lake's general purpose financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a select portion of the activities of North Salt Lake, it is not intended to and does not present the financial position, changes in fund balances or the revenues or expenditures of North Salt Lake. The schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation – The information in the Schedule is presented in accordance with OMB Circular A-133.

Federal Awards – Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. Federal awards do not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B Programs – OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A program threshold in 2013 was \$300,000.

- B. Reporting Entity – The reporting entity is fully described in the footnotes of the North Salt Lake's financial statements. The schedule includes all federal awards programs administered by the North Salt Lake for the year ended June 30, 2013.
- C. Basis of Accounting – The expenditures in the Schedule are recognized as incurred based on the modified accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, *Cost Principles of State and Local Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The information in the Schedule is presented in accordance with OMB Circular A-133.
- D. CFDA Numbers – OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

CITY OF NORTH SALT LAKE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- E. Major Programs – OMB Circular A-133 establishes a risk-based approach to be used in defining major federal financial programs. Major programs are identified in the schedule of findings and questioned costs.

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**CITY OF NORTH SALT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____ yes X no
 Noncompliance material of financial
 statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____ yes X no
 Type of auditors’ report issued on compliance
 for major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.047	Pre-Disaster Mitigation Competitive Grant

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000
 Auditee qualified as low-risk auditee? _____ yes X no

CITY OF NORTH SALT LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section II – Findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*.

There were no findings or questioned costs identified that would be required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2013.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs on federal awards for the year ended June 30, 2013.

**CITY OF NORTH SALT LAKE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013**

U.S. Department of Education

No findings were identified with respect to internal controls over financial reporting and compliance or with the audit on federal awards.

Name and address of independent public accounting firm:

Wood Richards and Associates P.C.
2490 Wall Ave
Ogden, Utah 84401

Audit period: Year Ending June 30, 2013

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**CITY OF NORTH SALT LAKE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

No findings were identified with respect to internal controls over financial reporting and compliance or with the audit on federal awards.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE
WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

To the Mayor and City Council
of the City of North Salt Lake

REPORT ON COMPLIANCE

We have audited North Salt Lake's compliance with the general and major state program compliance requirements described in the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2013.

The general compliance requirements applicable to North Salt Lake are identified as follows:

Cash Management	Budgetary Compliance
Utah Retirement Systems Compliance	Transfers from Utility Enterprise Funds
Justice Courts	Fund Balance
Impact Fees	Government Records Access Management Act
Open and Public Meetings Act	

North Salt Lake received the following major assistance programs from the State of Utah:

Class C Roads

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of North Salt Lake's management.

Auditor's Responsibility

Our responsibility is to express an opinion on North Salt Lake's compliance based on our audit.

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

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of North Salt Lake's compliance with those requirements.

Opinion

In our opinion, North Salt Lake, 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which is described in the accompanying schedule of findings as item 2013-1.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of North Salt Lake is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered North Salt Lake's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Salt Lake's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

Response to Finding

North Salt Lake's response to the finding identified in our audit is described in the schedule of findings. North Salt Lake's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on this response.

Purpose of Report

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

Wood Richards & Associates, PC

Ogden, Utah
November 6, 2013

**CITY OF NORTH SALT LAKE
SUMMARY OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

STATE COMPLIANCE FINDINGS:

Finding #2013-01: Utah State Code 11-36A-601 requires municipalities to prepare and remit a schedule identifying impact fee funds including the year in which they were received, the projects for which they are budgeted, and the projected schedule of expenditures. The report is due 180 days after year-end. The report that was due on December 31, 2012 for the June 30, 2012 year had not been submitted when we started the audit.

Recommendation: We recommend the entity ensure that this report is submitted by the required due date which is December 31st of each year.

Response: Management agrees with the finding and recognizes the importance of filing the report in a timely manner. In previous years the report has been filed before the deadline. During the last quarter of calendar year 2012, the Finance Director resigned and it took several months to fill the position. The new Finance Director was unaware the report had not been filed by the December 31st, deadline. The report for Fiscal Years 2012 and 2013 will be filed by December 31, 2013.