

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



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

For The Fiscal Year Ended June 30th, 2014

Together with Independent Auditor's Report

Prepared by:
North Salt Lake City
Finance Department

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake, as of and for the year ended June 30, 2014, 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. 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Salt Lake's basic financial statements. The combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures and changes in fund balances for nonmajor funds and major capital projects funds, and the schedule of net revenues and aggregate debt service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures and changes in fund balances for nonmajor funds and major capital projects funds, and the schedule of net revenues and aggregate debt service 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wood Richards & Associates, PC

Ogden, Utah
September 29, 2014

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2014**

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, 2014. 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, 2014 by \$83,577,215. Of this amount, unrestricted net position of \$6,267,341 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall net position increased by \$6,186,832 from the prior year; the increase includes a prior period adjustment. Business-type activities increased net position by \$3,485,231 while governmental activities had an increase in net position of \$2,701,601.
- As of the close of the current fiscal year, the City of North Salt Lake's governmental funds reported combined ending fund balance of \$7,416,138, an increase of \$288,358 over the prior year. Of the total fund balance, \$1,190,260 is unassigned and available for spending. The remaining \$6,225,878 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 \$1,683,947 or 21.50% of total General Fund expenditures.
- The City of North Salt Lake's long-term debt obligations decreased by the net amount of \$2,629,246. The net decrease was attributable to a prior period adjustment increase of \$191,340 and payments of \$1,618,829 in notes payable to developers and the Weber Basin Water District, and principal payments and bond premium amortizations of \$1,287,184 made on existing debt. The city also purchased vehicles through a capital lease in the amount of \$279,014, the lease principal due was reduced by payments in the amount of \$186,435. Compensated absences decreased in the amount of \$7,150.

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, 2014

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, golf, and fleet.

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, Park Development Fund and, Road Development fund, which are considered major funds. Data from the other three 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, Park Development Fund, and Road 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 2014 budget.

Proprietary funds.

Enterprise service 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.

Internal service funds are used to account for the financing and operation of services provided by one department to other departments within the City. The city maintains an internal service fund for fleet management.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Other information. The notes provide additional information 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, Park Development, and Road Development Funds.

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 \$74,092,882 (88.65%) 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		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 12,083,143	\$ 10,879,280	\$ 2,849,173	\$ 2,420,884	\$ 14,932,316	\$ 13,300,164	
Capital assets	54,229,305	52,894,978	33,088,727	32,454,103	87,318,032	85,349,081	
Total assets	<u>66,312,448</u>	<u>63,774,258</u>	<u>35,937,900</u>	<u>34,874,987</u>	<u>102,250,348</u>	<u>98,649,245</u>	
Long-term liabilities outstanding	4,112,191	4,831,045	9,666,240	11,576,632	13,778,431	16,407,677	
Other liabilities	2,154,683	1,697,354	589,932	910,519	2,744,615	2,607,873	
Total liabilities	<u>6,266,874</u>	<u>6,528,400</u>	<u>10,256,172</u>	<u>12,487,151</u>	<u>16,523,046</u>	<u>19,015,551</u>	
Unearned revenues - property taxes	2,150,087	2,051,972	-	-	2,150,087	2,051,972	
Total Deferred inflows	<u>2,150,087</u>	<u>2,051,972</u>	<u>-</u>	<u>-</u>	<u>2,150,087</u>	<u>2,051,972</u>	
Net Position:							
Net investment in capital assets	50,481,677	48,449,675	23,611,205	21,224,278	74,092,882	69,673,953	
Restricted	2,170,815	1,359,314	1,046,177	1,326,390	3,216,992	2,685,704	
Unrestricted	5,242,995	5,384,897	1,024,346	(162,832)	6,267,341	5,222,065	
Total Net Position	<u>\$ 57,895,487</u>	<u>\$ 55,193,886</u>	<u>\$ 25,681,728</u>	<u>\$ 22,387,836</u>	<u>\$ 83,577,215</u>	<u>\$ 77,581,722</u>	

An additional portion of the net position, \$3,216,992 (3.85%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,267,341 (7.50%), 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, and the Park Development fund.

The City's overall net position increased \$6,186,832 (7.40%). 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, 2014

Government-wide Financial Analysis (Continued)

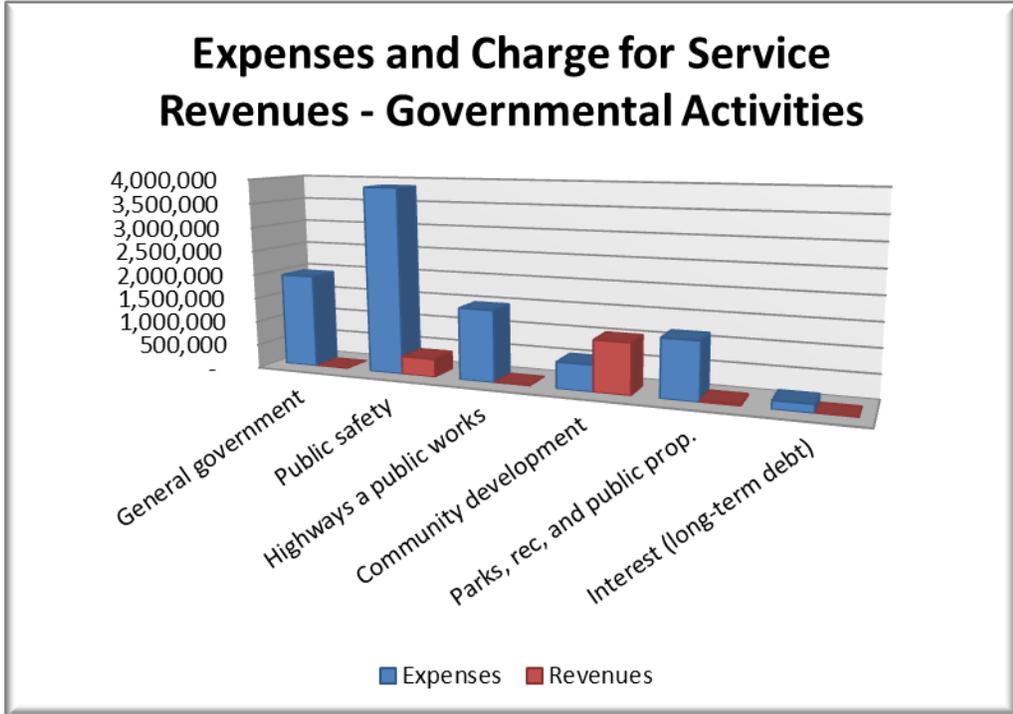
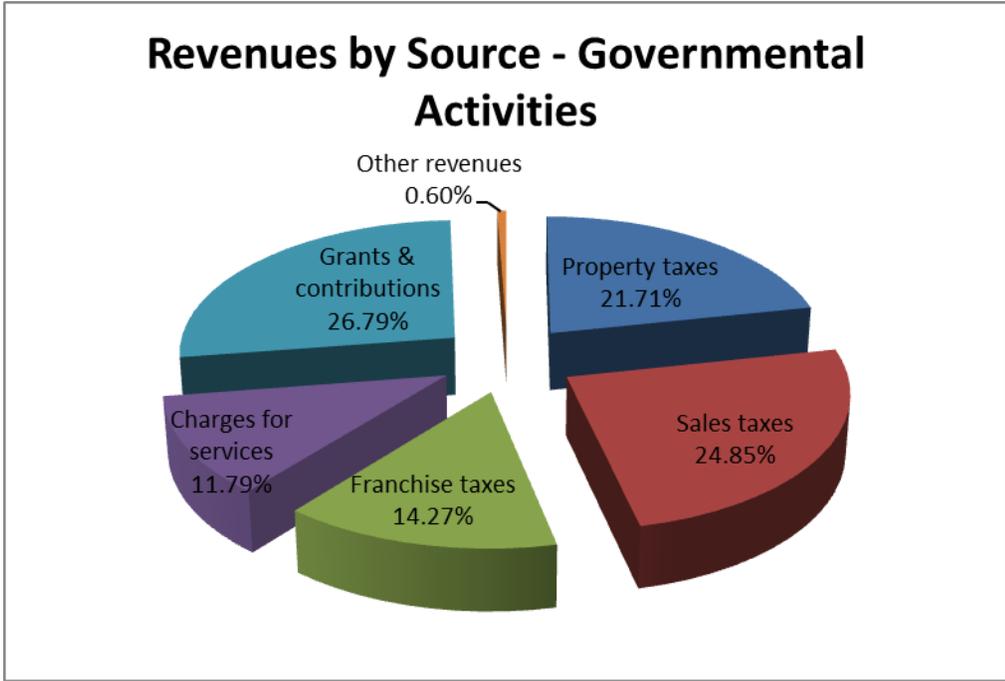
City of North Salt Lake's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,467,571	\$ 1,342,622	\$ 6,061,491	\$ 5,676,435	\$ 7,529,062	\$ 7,019,057
Operating grants and contributions	698,253	737,753	-	-	698,253	737,753
Capital grants and contributions	2,636,856	3,085,963	2,976,508	2,182,792	5,613,364	5,268,755
General revenues:						
Property taxes	2,703,722	2,855,698	-	-	2,703,722	2,855,698
Other taxes	4,870,430	4,407,737	-	-	4,870,430	4,407,737
Other	74,325	60,139	61,771	66,781	136,096	126,920
Total revenues	12,451,157	12,489,912	9,099,770	7,926,008	21,550,927	20,415,920
Expenses:						
General government	1,944,409	2,271,420	-	-	1,944,409	2,271,420
Public safety	3,860,098	3,613,311	-	-	3,860,098	3,613,311
Highways and public works	1,480,682	1,899,378	-	-	1,480,682	1,899,378
Community development	544,108	401,891	-	-	544,108	401,891
Parks, recreation, and public property	1,180,194	636,264	-	-	1,180,194	636,264
Interest on long-term debt	171,065	174,743	-	-	171,065	174,743
Water	-	-	3,049,936	3,243,508	3,049,936	3,243,508
Pressurized irrigation	-	-	359,579	314,754	359,579	314,754
Storm water	-	-	381,122	322,550	381,122	322,550
Solid waste	-	-	899,392	855,109	899,392	855,109
Golf course	-	-	1,493,510	1,466,378	1,493,510	1,466,378
Total expenses	9,180,556	8,997,006	6,183,539	6,202,299	15,364,095	15,199,305
Increase in Net Position before transfers	3,270,601	3,492,906	2,916,231	1,723,709	6,186,832	5,216,615
Transfers	(569,000)	(547,200)	569,000	547,200	-	-
Increase (Decrease) in Net Position	2,701,601	2,945,706	3,485,231	2,270,909	6,186,832	5,216,615
Net Position - beginning of year	55,193,886	52,354,453	22,387,836	20,418,485	77,581,722	72,772,938
Prior Period Adjustment	-	(106,273)	(191,339)	(301,558)	(191,339)	(407,831)
Net Position - end of year	\$ 57,895,487	\$ 55,193,886	\$ 25,681,728	\$ 22,387,836	\$ 83,577,215	\$ 77,581,722

Governmental activities. As indicated by the data in the table above, governmental activities increased the net position of the City's by \$2,701,601 (4.90%). The increase, before transfers, totaled \$3,270,601. Comparison of total revenues and total expenditures to fiscal year 2013 shows a decrease in revenues from governmental activities of \$38,755, while total expenses, before transfers and prior period adjustments, increased by \$183,550.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Governmental Activities (Continued)

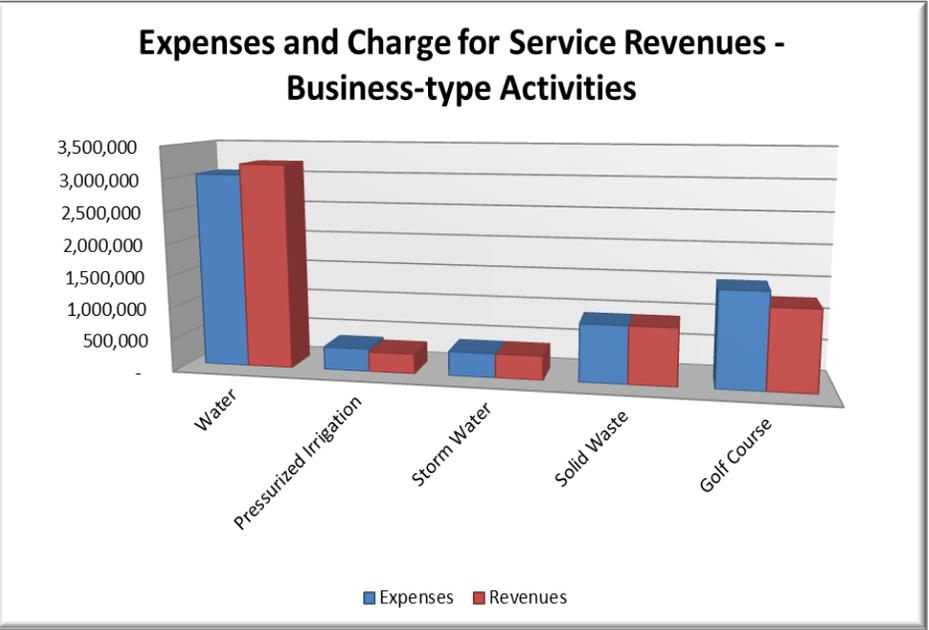
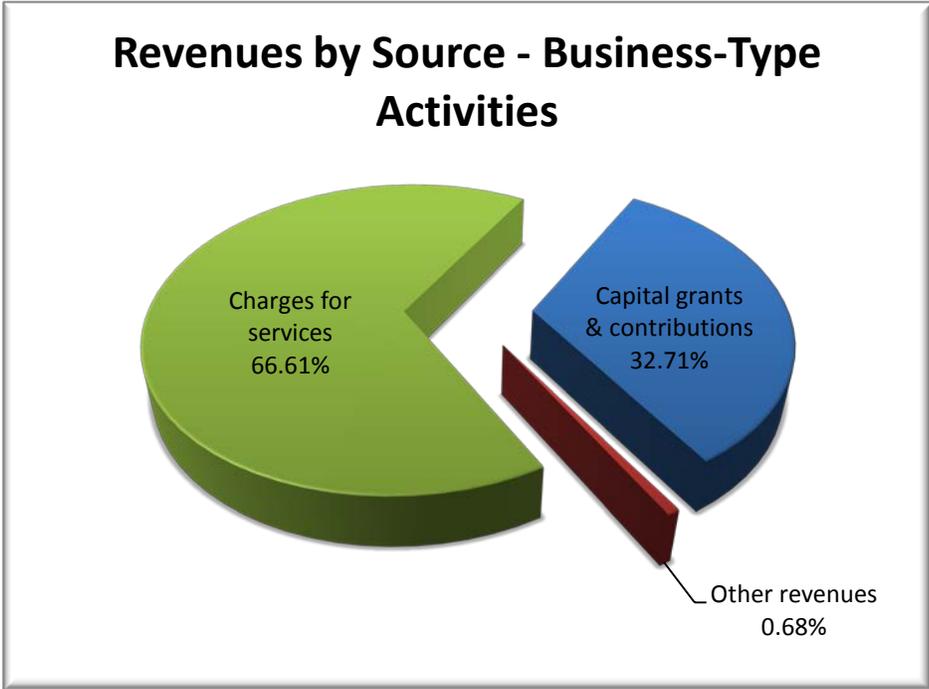
The graph presented below and on the following page reflects only regular operating revenues from governmental activities and not the effects of special one-time items or transfers.



**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Business-type activities. Business-type activities increased the City's net position by \$3,293,892 (14.71%). 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 \$1,324,541 more than last year's increase. In comparison to the previous fiscal year 2013, revenues from all business-type activities increased by \$1,173,762 while expenses from all business-type activities decreased by \$18,760.

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, 2014

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, 2014, the City's governmental funds reported combined ending fund balance of \$7,416,138, an increase of \$288,358 from the prior fiscal year. \$1,190,260 (16.05%) is available for spending at the government's discretion. The remaining \$6,225,878 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 (\$1,939,945), 2) debt service (\$27,932), and 3) road construction projects (\$202,938); or assigned to specific fund purposes.

General Fund - 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 \$1,683,947. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$7,834,016 (21.50%). The fund balance of the City's General Fund increased \$412,717 during the current fiscal year. This represents a 26.47% change in fund balance.

This increase consisted of: 1) a 3.29% increase in revenues of \$296,807 and a 3.94% decrease in expenditures of \$321,142, 2) an increase in the sale of fixed assets by \$5,616, and 3) the General Fund had a net transfer out of \$1,087,649 in the current year while last year it had a net transfer out of \$973,050.

The increase in revenue can be principally attributed to: 1), sales taxes increased \$238,516), 2) building permit fees and plan check fees increased \$177,843 and \$35,990, respectively, and 3) franchise taxes increased \$114,155. The revenue increases were offset by revenue decreases: 1) court revenue \$103,104, 2) federal grants and class B and C road revenues (intergovernmental revenues) decreased \$137,390 and \$28,670, respectively.

The principal decrease in general fund expenditures related to: 1) a \$505,060 decrease in highways and public improvement (In the current fiscal year, road repair using C road revenue was budgeted and carried out in the Road Development fund), 2) a \$42,338 decrease in general government, 3) a \$25,599 decrease in community development, 4) and these expenditure decreases were offset by a \$242,976 increase in public safety expenditures.

Capital Projects Fund - This fund has a total fund balance of \$3,672,214, 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, 2014, the fund balance in the Capital Projects Fund decreased by \$445,003 (10.81%) compared to last year's decrease of \$196,672. The decrease in the City's Capital Projects Fund balance is a result of transfers to the fleet fund and road development fund amount of \$270,000 and \$260,000, respectively. The expenditures were offset by transfers-in from the Police Facilities Capital Project fund in the amount of \$100,000.

Park Development Fund - This fund has a total negative fund balance of \$467,735. The net decrease in fund balance during the current fiscal year was \$750,876, compared to last year's decrease of \$1,353,524. The net change in fund balance consisted of: 1) intergovernmental revenue from a federal reimbursement grant in the amount of \$198,376 to purchase property and construction, 2) impact fee revenue and related interest in the amount of \$783,400, 3) and expenditures for park projects in the amount of \$1,030,973) and 4) debt payments in the amount of \$901,400.

Road Development Fund - This fund has a total fund balance of \$2,030,356, of which \$1,873,220 is restricted for impact fee related road projects, and \$157,136 assigned to road development projects. The net increase in fund balance during the current fiscal year was \$990,531 compared to last year's increase of \$109,032. The net change in fund balance consisted of an increase in impact fee revenue in the amount of \$403,186, compared to last year, an increase in transfers in of \$518,649, and a decrease in transfers out in the amount of \$300,000; offset by an increase in expenditures in the amount of \$341,845.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

Financial Analysis of the Government's Funds (Continued)

Proprietary funds. At June 30, 2014, the City's proprietary funds reported combined ending net position of \$25,681,734, an increase of \$3,293,892 over the prior year. The unrestricted portion of proprietary fund net position has a balance of \$1,024,352. The remaining \$24,657,382 of net position is not available for new spending because it is invested in capital assets (\$23,611,205) or legally restricted by parties outside the financial reporting entity for 1) debt service (\$421,354) and 2) impact fees (\$624,823).

Water Fund – This fund ended fiscal year 2014 with a total net position of \$12,964,814; a net position increase of \$2,089,103, compared to a prior year increase of \$1,021,608. The increase is primarily attributable to restructuring and increased utility rates. Other factors contributing to the overall increase, in comparison to the previous year, are as follows: 1) an increase of \$307,500 in impact fee revenues, 2) an increase of \$230,860 in capital contributions, 3) a decrease of \$55,203, due to scheduled decreases in the interest on outstanding debt, 4) a \$371,165 increase in operating expenses related to source of water purchase, power purchases, salaries and benefits, and depreciation.

Pressurized Irrigation Fund - This fund has a total net position of \$5,306,851. During the year ended June 30, 2014, the Pressurized Irrigation Fund's net position increased \$234,476, compared to prior year increase of \$117,650. The current year increase in the Pressurized Irrigation Fund's net position is primarily attributable to; 1) prior period adjustments in the current fiscal year and the prior fiscal year in the amount of \$191,339 and \$416,670, respectively, and 2) a decrease in impact fee revenues in the amount of \$174,817.

Storm Water, Solid Waste, & Golf Funds - These remaining proprietary funds had total net positions of \$4,858,357, \$135,265, and \$2,416,447 respectively. The total net positions did not have significant changes from prior year. The Storm Water and Solid Waste funds had positive current year operating income of \$36,853 and \$4,838 respectively. The Golf Fund experienced a net operating loss in the amount of \$166,638, attributable to a 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 \$163,000; reflecting expected actual growth in property and sales.
- Building permit fees and plan check fees were revised upwards \$160,300, and \$50,000, respectively; related to growth in residential and commercial construction.
- Public safety expenditures were revised upwards \$82,500; for equipment and professional and technical services.
- Legislative department expenditures were revised upwards \$46,300; for professional and technical services, operating supplies, and wage and benefit increases.
- Public works building department expenditures were revised upwards \$40,000 for security equipment in city hall.
- Other general government, public works, and parks expenditures were revised upwards from the original budget by a combined \$59,500.
- Overall the general fund expenditures increased by \$228,300, from original to final budget.
- Transfers out increased \$460,000. Transfers-out to the Road Development fund and Golf fund increased \$230,000 and \$569,000, respectively, offset by a decrease of \$339,000 in transfers-out to the Fleet fund.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2014, amounts to \$87,318,032 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles and equipment, furniture and fixtures, streetlights, sidewalks, curb and gutter, roads, water rights, and water utilities infrastructure. A total increase in the City's investment in capital assets for the current fiscal year was \$1,968,951 (a total 2.31% increase equaling increases of \$1,334,327 for governmental activities and \$634,624 for business-type activities).

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

City of North Salt Lake's Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 23,578,120	\$ 23,504,869	\$ 2,551,013	\$ 2,551,013	\$ 26,129,133	\$ 26,055,882
Water rights	-	-	2,864,052	2,864,052	2,864,052	2,864,052
Construction in progress	729,471	2,207,485	1,244,704	2,504,937	1,974,175	4,712,422
Buildings	6,371,625	6,627,754	960,883	993,627	7,332,508	7,621,381
Improvements	6,416,434	4,920,872	-	-	6,416,434	4,920,872
Golf course	-	-	2,975,217	3,074,054	2,975,217	3,074,054
Water distribution system	-	-	16,702,971	14,644,297	16,702,971	14,644,297
Storm water system	-	-	4,696,020	4,681,790	4,696,020	4,681,790
Machinery, equipment, and vehicles	1,741,129	1,553,517	1,093,867	1,140,333	2,834,996	2,693,850
Infrastructure	15,392,528	14,080,480	-	-	15,392,528	14,080,480
Total	\$ 54,229,305	\$ 52,894,978	\$ 33,088,727	\$ 32,454,103	\$ 87,318,032	\$ 85,349,081

City of North Salt Lake's Schedule of Capital Asset Changes From Prior Year			
	Governmental Activities	Business-type Activities	Totals
Land purchase for 1100 North road widening project	\$ 73,251	\$ -	\$ 73,251
Public safety equipment	39,982	-	39,982
Public safety, streets, and administration vehicles	566,032	-	566,032
Developer contributions of roadway infrastructure and golf course fencing	841,080	-	841,080
Current year expenses on City Hall camera and WIFI improvement projects included in CIP	31,553	-	31,553
Current year expenses on the various park development projects included in CIP	967,041	-	967,041
Current year expenses on the major road reconstruction projects included in CIP	81,933	-	81,933
Water mains - Center Street and 1100 N. projects included in CIP	-	60,367	60,367
Water machinery and equipment	-	93,919	93,919
Developer contributions of water lines	-	268,360	268,360
Developer contributions of secondary water lines	-	151,791	151,791
Secondary water mains - golf course project included in CIP	-	83,040	83,040
Secondary water detention basin - Deer Hollow project included in CIP	-	3,945	3,945
Secondary water pump houses - Deer Hollow and golf course projects included in CIP	-	420,449	420,449
Storm drains - Deer Hollow project included in CIP	-	521,567	521,567
Developer contributions of storm water lines	-	143,627	143,627
Golf course machinery and equipment	-	75,568	75,568
Garbage and recycling bins	-	29,660	29,660
Less current year deletions	(189,332)	(234,525)	(423,857)
Less current year depreciation expense	(1,266,545)	(1,210,747)	(2,477,292)
Add current year accumulated depreciation deletions	189,332	227,603	416,935
Total	\$ 1,334,327	\$ 634,624	\$ 1,968,951

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

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014**

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City had \$13,262,550 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	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 75,170	\$ 776,570	\$ 1,275,341	\$ 2,001,430	\$ 1,350,511	\$ 2,778,000
Sales Tax revenue bonds	3,380,000	3,545,000	-	-	3,380,000	3,545,000
Water revenue bonds	-	-	6,427,690	7,021,704	6,427,690	7,021,704
General obligation bonds	-	-	1,674,508	2,202,678	1,674,508	2,202,678
Capital leases	292,458	123,733	137,383	213,529	429,841	337,262
Total	\$ 3,747,628	\$ 4,445,303	\$ 9,514,922	\$ 11,439,341	\$ 13,262,550	\$ 15,884,644

During the 2014 fiscal year, the City's total debt decreased by \$2,622,094. 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.

Economic Factors and Next Year's Budgets and Rates

- In fiscal year 2014, sales tax revenue increased 8.3 percent over the previous year. Sales tax revenue was budgeted to increase 2 percent above the year end forecast. The most recent sales tax revenue estimates project actual sales tax revenues to be slightly above the original fiscal year 2015 budget.
- The unemployment rate for the State of Utah is currently 3.5 percent, which is a 1.2 percent decrease from a rate of 4.7 percent a year ago. The local unemployment rate is likely to remain near the current level experienced by the State of Utah.
- The City will present a utility rate analysis to Council during fiscal year 2015, 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 2015.
- 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, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,467,286	\$ 2,520,189	\$ 6,987,475
Receivables:			
Taxes	2,212,248	-	2,212,248
Accounts net	240,940	398,364	639,304
Intergovernmental	958,345	-	958,345
Internal balances	1,846,237	(1,846,237)	-
Inventories	-	152,403	152,403
Prepays	87,271	278,115	365,386
Restricted assets cash and cash equivalents	2,270,816	1,346,339	3,617,155
Capital assets not being depreciated:			
Land	23,578,120	2,551,013	26,129,133
Water rights	-	2,864,052	2,864,052
Construction in progress	729,471	1,244,704	1,974,175
Capital assets, net of accumulated depreciation:			
Buildings	6,371,625	960,883	7,332,508
Improvements other than buildings	6,416,434	-	6,416,434
Golf course	-	2,975,217	2,975,217
Water distribution system	-	16,702,971	16,702,971
Storm water system	-	4,696,020	4,696,020
Machinery, equipment, and vehicles	1,741,129	1,093,867	2,834,996
Infrastructure	15,392,528	-	15,392,528
Total Assets	<u>66,312,448</u>	<u>35,937,900</u>	<u>102,250,348</u>
Liabilities			
Accounts payable	594,958	110,690	705,648
Accrued liabilities	138,910	170,796	309,706
Developer and customer deposits	1,320,815	308,446	1,629,261
Unearned revenues	100,000	-	100,000
Noncurrent liabilities:			
Due within one year	626,328	1,598,587	2,224,915
Due in more than one year	3,485,863	8,067,653	11,553,516
Total Liabilities	<u>6,266,874</u>	<u>10,256,172</u>	<u>16,523,046</u>
Deferred Inflows of Resources			
Unearned revenues - property taxes	2,150,087	-	2,150,087
Total Deferred Inflows of Resources	<u>2,150,087</u>	<u>-</u>	<u>2,150,087</u>
Net Position			
Net investment in capital assets	50,481,677	23,611,205	74,092,882
Restricted for:			
Impact fees	1,939,945	624,823	2,564,768
Debt Service	27,932	421,354	449,286
Road Construction	202,938	-	202,938
Unrestricted	5,242,995	1,024,346	6,267,341
Total Net Position	<u>57,895,487</u>	<u>25,681,728</u>	<u>83,577,215</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 66,312,448</u>	<u>\$ 35,937,900</u>	<u>\$ 102,250,348</u>

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, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities							
General governmental	\$ 1,944,409	\$ -	\$ -	\$ 15,600	\$ (1,928,809)	\$ -	\$ (1,928,809)
Public safety	3,860,098	374,944	17,355	55,019	(3,412,780)	-	(3,412,780)
Highways and public improvements	1,480,682	10,385	461,587	1,653,116	644,406	-	644,406
Community development	544,108	1,041,166	-	129,721	626,779	-	626,779
Parks, recreation, and public property	1,180,194	41,076	219,311	783,400	(136,407)	-	(136,407)
Interest on long-term debt	171,065	-	-	-	(171,065)	-	(171,065)
Total Governmental Activities	9,180,556	1,467,571	698,253	2,636,856	(4,377,876)	-	(4,377,876)
Business-type Activities							
Water	3,049,936	3,204,095	-	1,884,822	-	2,038,981	2,038,981
Pressurized irrigation	359,579	315,070	-	467,687	-	423,178	423,178
Storm water	381,122	380,307	-	623,999	-	623,184	623,184
Solid waste	899,392	901,537	-	-	-	2,145	2,145
Golf course	1,493,510	1,260,482	-	-	-	(233,028)	(233,028)
Total Business-type Activities	6,183,539	6,061,491	-	2,976,508	-	2,854,460	2,854,460
Total Government	\$ 15,364,095	\$ 7,529,062	\$ 698,253	\$ 5,613,364	(4,377,876)	2,854,460	(1,523,416)
			General Revenues				
			Property taxes		2,703,722	-	2,703,722
			Sales taxes		3,094,214	-	3,094,214
			Franchise taxes		1,776,216	-	1,776,216
			Unrestricted interest on investments		32,692	18,639	51,331
			Miscellaneous		27,077	28,022	55,099
			Gain on sale of capital assets		14,556	15,110	29,666
			Transfers		(569,000)	569,000	-
			Total General Revenues		7,079,477	630,771	7,710,248
			Changes in Net Position		2,701,601	3,485,231	6,186,832
			Net Position, Beginning		55,193,886	22,387,836	77,581,722
			Prior Period Adjustment		-	(191,339)	(191,339)
			Net Position, Ending		\$ 57,895,487	\$ 25,681,728	\$ 83,577,215

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

CITY OF NORTH SALT LAKE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 2,512,734	\$ 1,331,964	\$ 7,265	\$ 175,914	\$ 78,309	\$ 4,106,186
Receivables:						
Taxes	2,150,087	-	-	-	62,161	2,212,248
Accounts - net	9,329	-	-	231,611	-	240,940
Intergovernmental	958,345	-	-	-	-	958,345
Prepays	85,243	-	-	-	-	85,243
Due from other funds	-	2,347,189	-	-	-	2,347,189
Restricted cash and cash equivalents	202,938	-	100,000	1,873,220	94,657	2,270,815
Total Assets	\$ 5,918,676	\$ 3,679,153	\$ 107,265	\$ 2,280,745	\$ 235,127	\$ 12,220,966
Liabilities						
Accounts payable	\$ 336,736	\$ 6,939	\$ -	\$ 250,389	\$ -	\$ 594,064
Accrued liabilities	138,910	-	-	-	-	138,910
Due to other funds	-	-	475,000	-	25,952	500,952
Developer deposits	1,320,815	-	-	-	-	1,320,815
Unearned revenue	-	-	100,000	-	-	100,000
Total Liabilities	1,796,461	6,939	575,000	250,389	25,952	2,654,741
Deferred Inflows of Resources						
Unavailable revenues - property taxes	2,150,087	-	-	-	-	2,150,087
Total Deferred Inflows of Resource	2,150,087	-	-	-	-	2,150,087
Fund Balances						
Nonspendable:						
Prepays	85,243	-	-	-	-	85,243
Restricted:						
Impact fees	-	-	-	1,873,220	66,725	1,939,945
Debt service	-	-	-	-	27,932	27,932
Road Construction	202,938	-	-	-	-	202,938
Assigned:						
Capital projects	-	3,672,214	-	-	-	3,672,214
Road development	-	-	-	157,136	-	157,136
Debt service	-	-	-	-	140,470	140,470
Unassigned	1,683,947	-	(467,735)	-	(25,952)	1,190,260
Total Fund Balances	1,972,128	3,672,214	(467,735)	2,030,356	209,175	7,416,138
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,918,676	\$ 3,679,153	\$ 107,265	\$ 2,280,745	\$ 235,127	\$ 12,220,966

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, 2014

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

Total fund balance - governmental funds	\$ 7,416,138
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,828,418
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	(3,819,733)
Internal service funds are used by management to charge the cost of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,470,664
Total net position - governmental activities	<u><u>\$ 57,895,487</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, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 7,250,813	\$ -	\$ -	\$ -	\$ 323,339	\$ 7,574,152
Licenses and permits	228,926	-	-	-	-	228,926
Intergovernmental	553,195	-	198,376	-	55,019	806,590
Charges for services	880,228	-	-	-	-	880,228
Fines and forfeitures	358,417	-	-	-	-	358,417
Impact fees	-	-	783,400	827,636	129,721	1,740,757
Interest	10,827	14,459	96	6,984	326	32,692
Miscellaneous	27,077	-	-	-	-	27,077
Total Revenues	<u>9,309,483</u>	<u>14,459</u>	<u>981,872</u>	<u>834,620</u>	<u>508,405</u>	<u>11,648,839</u>
Expenditures						
Current:						
General government	1,550,349	-	-	-	21,351	1,571,700
Public safety	3,896,401	-	-	-	-	3,896,401
Highways and public improvement	1,182,832	-	-	362,738	-	1,545,570
Community development	544,108	-	-	-	-	544,108
Parks, recreation, and public property	660,326	-	375	-	-	660,701
Debt service:						
Principal	-	-	866,400	-	-	866,400
Interest	-	-	35,000	-	136,065	171,065
Capital outlay:						
General government	-	29,462	-	-	-	29,462
Parks, recreation, and public property	-	-	1,030,973	-	-	1,030,973
Total Expenditures	<u>7,834,016</u>	<u>29,462</u>	<u>1,932,748</u>	<u>362,738</u>	<u>157,416</u>	<u>10,316,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,475,467</u>	<u>(15,003)</u>	<u>(950,876)</u>	<u>471,882</u>	<u>350,989</u>	<u>1,332,459</u>
Other Financing Sources (Uses)						
Transfer in	-	100,000	200,000	518,649	30,000	848,649
Transfer out	(1,087,649)	(530,000)	-	-	(300,000)	(1,917,649)
Contributions	10,343	-	-	-	-	10,343
Sale of capital assets	14,556	-	-	-	-	14,556
Total Other Financing Sources (Uses)	<u>(1,062,750)</u>	<u>(430,000)</u>	<u>200,000</u>	<u>518,649</u>	<u>(270,000)</u>	<u>(1,044,101)</u>
Net Change in Fund Balances	412,717	(445,003)	(750,876)	990,531	80,989	288,358
Fund Balance, Beginning	<u>1,559,411</u>	<u>4,117,217</u>	<u>283,141</u>	<u>1,039,825</u>	<u>128,186</u>	<u>7,127,780</u>
Fund Balance, Ending	<u>\$ 1,972,128</u>	<u>\$ 3,672,214</u>	<u>\$ (467,735)</u>	<u>\$ 2,030,356</u>	<u>\$ 209,175</u>	<u>\$ 7,416,138</u>

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, 2014

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

Net change in fund balances - total governmental funds	\$ 288,358
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.	(1,036,607)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	1,223,363
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	866,400
Internal service funds are used by management to charge the cost of fleet management to individual funds. The transfers from governmental funds to the internal service fund are included in governmental activities in the statement of net position.	500,000
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.	21,179
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	61,488
Capital assets contributed by developers constitute revenues on the government-wide statements, while these revenues are not reported in the fund statements as they represent long-term capital asset inflows.	841,080
Change in net position of governmental activities	\$ 2,701,601

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
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 2,379,400	\$ 2,379,400	\$ 2,380,383	\$ 983
Sales and use	2,938,000	3,043,000	3,094,214	51,214
Franchise	1,643,000	1,701,000	1,776,216	75,216
Licenses and permits	207,000	207,000	228,926	21,926
Intergovernmental revenues	683,000	683,000	553,195	(129,805)
Charges for services	746,500	956,800	880,228	(76,572)
Fines and forfeitures	475,000	475,000	358,417	(116,583)
Interest	25,000	25,000	10,827	(14,173)
Miscellaneous	36,000	36,000	27,077	(8,923)
Total Revenues	<u>9,132,900</u>	<u>9,506,200</u>	<u>9,309,483</u>	<u>(196,717)</u>
Expenditures				
Current:				
General government:				
Legislative	134,050	180,350	178,149	2,201
Administrative	707,400	712,400	704,489	7,911
Judicial	277,600	294,600	291,471	3,129
Engineering	197,750	200,250	178,423	21,827
Buildings	224,600	239,600	197,817	41,783
Total general government	<u>1,541,400</u>	<u>1,627,200</u>	<u>1,550,349</u>	<u>76,851</u>
Public safety:				
Police department	2,720,200	2,802,700	2,709,032	93,668
Fire department	1,194,800	1,194,800	1,163,309	31,491
Animal control	25,000	25,000	24,060	940
Total public safety	<u>3,940,000</u>	<u>4,022,500</u>	<u>3,896,401</u>	<u>126,099</u>
Public works:				
Streets department	982,367	993,867	986,253	7,614
Buildings	180,080	220,080	196,579	23,501
Total public works	<u>1,162,447</u>	<u>1,213,947</u>	<u>1,182,832</u>	<u>31,115</u>
Community Development				
Planning and zoning	331,145	331,145	301,608	29,537
Building inspection	324,600	324,600	242,500	82,100
Total community development	<u>655,745</u>	<u>655,745</u>	<u>544,108</u>	<u>111,637</u>
Parks	621,600	630,100	660,326	(30,226)
Recreation	-	-	-	-
Total Expenditures	<u>\$ 7,921,192</u>	<u>\$ 8,149,492</u>	<u>\$ 7,834,016</u>	<u>\$ 315,476</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, 2014

	<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	\$ 1,211,708	\$ 1,356,708	\$ 1,475,467	\$ 118,759
Other Financing Sources (Uses)				
Transfer in	140,000	140,000	-	(140,000)
Transfer out	(849,000)	(1,309,000)	(1,087,649)	221,351
Sale of capital assets	20,000	20,000	14,556	(5,444)
Contributions	1,000	1,000	10,343	9,343
Total Other Financing Sources (Uses)	<u>(688,000)</u>	<u>(1,148,000)</u>	<u>(1,062,750)</u>	<u>85,250</u>
Net Change in Fund Balance	<u>\$ 523,708</u>	<u>\$ 208,708</u>	412,717	<u>\$ 204,009</u>
Fund Balance, Beginning			<u>1,559,411</u>	
Fund Balance, Ending			<u>\$ 1,972,128</u>	

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

CITY OF NORTH SALT LAKE
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,818,459	\$ 193,189	\$ 492,951	\$ 15,590	\$ -	\$ 2,520,189	\$ 361,100
Accounts receivable, net	225,599	35,549	37,789	89,952	9,475	398,364	-
Inventories	62,934	-	-	-	89,469	152,403	-
Prepaid expenses	204,430	62,388	260	-	11,037	278,115	2,028
Total Current Assets	2,311,422	291,126	531,000	105,542	109,981	3,349,071	363,128
Noncurrent Assets							
Restricted cash and cash equivalents	1,094,318	154,289	48,980	-	48,752	1,346,339	-
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	19,736,478	2,438,771	-	-	-	22,175,249	-
Storm water system	-	-	5,209,572	-	-	5,209,572	-
Machinery, equipment, and vehicles	724,121	116,774	182,415	442,918	1,234,165	2,700,393	2,994,865
Construction-in-progress	592,396	-	652,308	-	-	1,244,704	-
Less accumulated depreciation	(5,705,289)	(385,755)	(640,738)	(277,939)	(2,949,935)	(9,959,656)	(1,593,978)
Total Noncurrent Assets	17,098,407	5,024,194	5,452,537	164,979	6,694,949	34,435,066	1,400,887
Total Assets	\$ 19,409,829	\$ 5,315,320	\$ 5,983,537	\$ 270,521	\$ 6,804,930	\$ 37,784,137	\$ 1,764,015

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, 2014

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Liabilities							
Current Liabilities							
Accounts payable	\$ 36,459	\$ 101	\$ 2,273	\$ 68,453	\$ 3,404	\$ 110,690	\$ 893
Compensated absences	45,275	3,081	4,584	888	17,481	71,309	-
Accrued liabilities	110,577	1,963	11,683	1,723	44,850	170,796	-
Notes payable	-	-	118,000	-	-	118,000	-
Leases payable	-	-	-	20,058	36,036	56,094	75,119
Revenue and general obligation bonds payable	788,219	-	21,796	-	543,169	1,353,184	-
Total Current Liabilities	980,530	5,145	158,336	91,122	644,940	1,880,073	76,012
Noncurrent Liabilities							
Compensated absences	-	3,324	4,871	859	70,955	80,009	-
Customer deposits	308,446	-	-	-	-	308,446	-
Due to other funds	-	-	-	-	1,846,237	1,846,237	-
Notes payable	-	-	500,341	-	657,000	1,157,341	-
Leases payable	-	-	-	43,275	38,014	81,289	217,339
Revenue and general obligation bonds payable	5,156,042	-	461,633	-	1,131,339	6,749,014	-
Total Noncurrent Liabilities	5,464,488	3,324	966,845	44,134	3,743,545	10,222,336	217,339
Total Liabilities	6,445,018	8,469	1,125,181	135,256	4,388,485	12,102,409	293,351
Net Position							
Net investment in capital assets	10,075,432	4,869,905	4,323,583	101,646	4,240,639	23,611,205	1,108,429
Restricted:							
Debt service	421,354	-	-	-	-	421,354	-
Impact fees	421,554	154,289	48,980	-	-	624,823	-
Unrestricted	2,046,471	282,657	485,793	33,619	(1,824,194)	1,024,346	362,235
Total Net Position	12,964,811	5,306,851	4,858,356	135,265	2,416,445	25,681,728	1,470,664
Total Liabilities and Net Position	\$ 19,409,829	\$ 5,315,320	\$ 5,983,537	\$ 270,521	\$ 6,804,930	\$ 37,784,137	\$ 1,764,015

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, 2014

	Business-type Activities					Total	Governmental
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Enterprise	Internal Service Fund - Fleet
Operating Revenues							
Charges for services:							
Metered water sales	\$ 3,047,481	\$ 315,070	\$ -	\$ -	\$ -	\$ 3,362,551	\$ -
User fees	-	-	380,307	901,537	-	1,281,844	353,051
Connection and servicing fees	156,614	-	-	-	-	156,614	-
Admissions and lesson fees	-	-	-	-	607,896	607,896	-
Equipment and facility rents	-	-	-	-	452,403	452,403	-
Concession and merchandise sales	-	-	-	-	200,183	200,183	-
Miscellaneous	28,022	-	-	-	-	28,022	-
Total Operating Revenues	3,232,117	315,070	380,307	901,537	1,260,482	6,089,513	353,051
Operating Expenses							
Salaries and benefits	605,216	91,182	117,310	715,978	626,538	2,156,224	-
Office expense and supplies	34,229	9,681	10,526	13,353	4,093	71,882	-
Equipment - supplies and maintenance	200,308	-	33,575	-	153,913	387,796	119,597
Buildings and grounds - supplies and maintenance	28,109	-	-	-	48,733	76,842	-
Special department supplies	92,607	-	-	-	-	92,607	-
Power purchases	505,358	-	-	-	34,356	539,714	-
Water purchases	447,388	123,804	-	-	142,387	713,579	-
Professional services	99,842	42,631	32,711	2,662	37,021	214,867	-
Contracted services	-	-	-	130,278	-	130,278	-
Merchandise	-	-	-	-	101,900	101,900	-
Depreciation	694,167	91,664	148,762	34,428	241,726	1,210,747	229,937
Miscellaneous	54,514	617	570	-	36,453	92,154	-
Total Operating Expenses	2,761,738	359,579	343,454	896,699	1,427,120	5,788,590	349,534
Operating Income (Loss)	\$ 470,379	\$ (44,509)	\$ 36,853	\$ 4,838	\$ (166,638)	\$ 300,923	\$ 3,517

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, 2014

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Nonoperating Income (Expense)							
Interest income	\$ 14,565	\$ 2,637	\$ 1,247	\$ 190	\$ -	\$ 18,639	\$ -
Interest expense	(288,198)	-	(37,668)	(2,693)	(66,390)	(394,949)	(3,517)
Gain (loss) from sale of capital assets	7,535	-	-	(3,710)	11,285	15,110	-
Total Nonoperating Income (Expense)	(266,098)	2,637	(36,421)	(6,213)	(55,105)	(361,200)	(3,517)
Income (loss) before contributions and transfers	204,281	(41,872)	432	(1,375)	(221,743)	(60,277)	-
Capital Contributions	333,560	86,591	143,627	-	-	563,778	970,664
Build America Bond Interest Subsidy	57,162	-	8,876	-	-	66,038	-
Impact Fees	1,494,100	381,096	471,496	-	-	2,346,692	-
Transfers in	-	-	-	-	569,000	569,000	500,000
Change in Net Position	2,089,103	425,815	624,431	(1,375)	347,257	3,485,231	1,470,664
Net Position, Beginning	10,875,708	5,072,375	4,233,925	136,640	2,069,188	22,387,836	-
Prior Period Adjustment	-	(191,339)	-	-	-	(191,339)	-
Net Position, Ending	\$ 12,964,811	\$ 5,306,851	\$ 4,858,356	\$ 135,265	\$ 2,416,445	\$ 25,681,728	\$ 1,470,664

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, 2014

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 3,246,480	\$ 310,339	\$ 378,268	\$ 895,466	\$ 1,259,350	\$ 6,089,903	\$ 353,051
Receipts from customer deposits	36,247	-	-	-	-	36,247	-
Payments to suppliers and service providers	(1,717,719)	(175,641)	(118,880)	(863,424)	(587,254)	(3,462,918)	(120,732)
Payments to employees and related benefits	(605,797)	(89,938)	(117,618)	(32,367)	(608,215)	(1,453,935)	-
Net cash flows from operating activities	959,211	44,760	141,770	(325)	63,881	1,209,297	232,319
Cash Flows From Non-Capital Financing Activities							
Transfers in	-	-	-	-	569,000	569,000	500,000
Due to/from other funds	-	-	(310,000)	-	127,991	(182,009)	-
Net cash flows from non-capital financing activities	-	-	(310,000)	-	696,991	386,991	500,000
Cash Flows From Capital and Related Financing Activities							
Acquisition and construction of capital assets	(661,723)	-	(521,573)	(29,660)	(75,570)	(1,288,526)	(257,413)
Proceeds from sales of capital assets	7,535	-	-	-	14,500	22,035	-
Impact fees and interest subsidies received	1,551,262	381,096	480,372	-	-	2,412,730	-
Proceeds from bonds	-	-	505,225	-	-	505,225	-
Principal paid on capital bonds and leases	(1,077,443)	(819,587)	(119,636)	(19,656)	(584,660)	(2,620,982)	(110,289)
Interest paid on capital bonds and leases	(288,198)	-	(37,668)	(2,693)	(66,390)	(394,949)	(3,517)
Net cash flows from capital and related financing activities	\$ (468,567)	\$ (438,491)	\$ 306,720	\$ (52,009)	\$ (712,120)	\$ (1,364,467)	\$ (371,219)

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, 2014

	Business-type Activities					Total	Governmental
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Enterprise	Internal Service Fund - Fleet
Cash Flows From Investing Activities							
Interest on investments	\$ 14,565	\$ 2,637	\$ 1,247	\$ 190	\$ -	\$ 18,639	\$ -
Net cash flows from investing activities	<u>14,565</u>	<u>2,637</u>	<u>1,247</u>	<u>190</u>	<u>-</u>	<u>18,639</u>	<u>-</u>
Net Increase (Decrease) In Cash and Cash Equivalents	505,209	(391,094)	139,737	(52,144)	48,752	250,460	361,100
Cash and Cash Equivalents, Beginning	<u>2,407,568</u>	<u>738,572</u>	<u>402,194</u>	<u>67,734</u>	<u>-</u>	<u>3,616,068</u>	<u>-</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,912,777</u>	<u>\$ 347,478</u>	<u>\$ 541,931</u>	<u>\$ 15,590</u>	<u>\$ 48,752</u>	<u>\$ 3,866,528</u>	<u>\$ 361,100</u>
Reconciliation of operating income to net cash flows from operating activities							
Earnings (loss) from operations	\$ 470,379	\$ (44,509)	\$ 36,853	\$ 4,838	\$ (166,638)	\$ 300,923	\$ 3,517
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:							
Depreciation	694,167	91,664	148,762	34,428	241,726	1,210,747	229,937
Changes in assets and liabilities							
Accounts receivable, net	14,360	(4,731)	(2,044)	(6,071)	(1,131)	383	-
Inventories	24,621	-	-	-	(14,892)	9,729	-
Prepaid expenses	(4,291)	(972)	(260)	-	(409)	(5,932)	(2,028)
Accounts payable	(176,064)	101	(52,916)	(33,649)	(39,319)	(301,847)	893
Compensated absences	(5,099)	1,244	(308)	(133)	18,323	14,027	-
Accrued liabilities	(95,109)	1,963	11,683	262	26,221	(54,980)	-
Customer deposits	36,247	-	-	-	-	36,247	-
Net cash flows from operating activities	<u>\$ 959,211</u>	<u>\$ 44,760</u>	<u>\$ 141,770</u>	<u>\$ (325)</u>	<u>\$ 63,881</u>	<u>\$ 1,209,297</u>	<u>\$ 232,319</u>
Schedule of non-cash capital and related financing activities:							
Contributions of capital assets	\$ 333,560	\$ 86,591	\$ 143,627	\$ -	\$ -	\$ 563,778	\$ 970,664
Purchase of machinery, equipment, and vehicles on account	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,748

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). Capital project funds are used to account for resources designated to construct governmental capital assets which may require more than one fiscal year for completion.

The Park Development Fund is a capital project fund. Capital project funds account 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). This fund is used to account for the park impact fees received.

The Road Development Fund is a capital projects fund. Capital project funds account 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). This fund is used to account for the road impact fees received.

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:

Internal service fund – Fleet. The fleet internal service fund accounts for fleet management provided to the City's governmental funds on a cost-reimbursement basis. Each proprietary fund provides its own fleet management services.

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 Redevelopment Agency Fund as a nonmajor special revenue funds.

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)

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

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

City 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 25% 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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.

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

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

When an internal service fund provides goods or services to another fund, redundancy is inherent because expenditures/expenses are reported in both the fund providing and the fund receiving the goods or services. Since internal service funds primarily benefit governmental funds, they are included in the governmental activities in the entity-wide statements. The basic assumption for internal service funds is that they operate on a breakeven basis. Accordingly, any net profit or loss has been allocated to the functions that benefited from the goods or services provided based on proportionate benefit. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Equity – Government-wide & Proprietary Financial Statements

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

1. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. 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.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

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, 2014, \$970,415 of the City’s bank balances of \$1,472,042 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, 2014, the City had all of its investments in the PTIF totaling \$9,330,489, 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

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

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

PTIF are allocated based upon the participants' average daily balances. As of June 30, 2014, the fair value per share factor for investments in the PTIF was 1.00550620.

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

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits 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, 2014:

Cash on hand and on deposit:	
Petty Cash	\$ 3,600
Cash on Deposit	1,270,541
PTIF Investment	9,330,489
	<hr/>
Total cash and investments	<u>\$ 10,604,630</u>

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

Cash and cash equivalents	\$ 6,987,475
Restricted cash and cash equivalents	3,617,155
	<hr/>
Total cash and investments	<u>\$ 10,604,630</u>

NOTE 3 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.

	Restricted Cash	Restricted Net Position	Restricted Fund Balance
Water Bonds Debt Service Reserves	\$ 657,160	\$ 421,354	\$ -
Unspent Bond Proceeds for Construction - Water	15,604	-	-
Golf GO Bonds Debt Service Reserves	48,752	-	-
Sales Tax Bonds Debt Service Reserves	27,932	-	27,932
Impact Fees	2,564,768	624,823	1,939,945
Park Construction	100,000	-	-
Unspent B&C Road Money	202,938	-	202,938
	<hr/>	<hr/>	<hr/>
	<u>\$ 3,617,154</u>	<u>\$ 1,046,177</u>	<u>\$ 2,170,815</u>

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

NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2014 for all funds is \$10,000.

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 23,504,869	\$ 73,251	\$ -	\$ 23,578,120
Construction in progress	2,207,485	1,080,527	(2,558,541)	729,471
Total capital assets, not being depreciated	25,712,354	1,153,778	(2,558,541)	24,307,591
Capital assets, being depreciated				
Infrastructure	15,637,867	1,744,103	-	17,381,970
Buildings	7,632,076	-	-	7,632,076
Improvements other than buildings	5,529,196	1,655,519	-	7,184,715
Machinery, equipment, and vehicles	3,784,912	606,014	(189,332)	4,201,594
Total capital assets, being depreciated	32,584,051	4,005,636	(189,332)	36,400,355
Less accumulated depreciation for				
Infrastructure	(1,557,387)	(432,056)	-	(1,989,443)
Buildings	(1,004,321)	(256,131)	-	(1,260,452)
Improvements other than buildings	(608,324)	(159,957)	-	(768,281)
Machinery, equipment, and vehicles	(2,231,395)	(418,402)	189,332	(2,460,465)
Total accumulated depreciation	(5,401,427)	(1,266,546)	189,332	(6,478,641)
Total capital assets, being depreciated, net	27,182,624	2,739,090	-	29,921,714
Governmental activities capital assets, net	\$ 52,894,978	\$ 3,892,868	\$ (2,558,541)	\$ 54,229,305

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

Governmental activities	
General government	\$ 376,205
Public safety	111,342
Highways and public improvements	584,638
Parks, recreation, and public property	194,361
Total depreciation expense - governmental activities	\$ 1,266,546

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, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance June 30, 2014</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	2,504,937	1,089,368	-	(2,349,601)	1,244,704
Total capital assets, not being depreciated	<u>7,920,002</u>	<u>1,089,368</u>	<u>-</u>	<u>(2,349,601)</u>	<u>6,659,769</u>
Capital assets, being depreciated					
Buildings	1,492,976	-	-	-	1,492,976
Golf course	4,810,424	-	-	-	4,810,424
Water distribution system	19,405,497	420,151	-	2,349,601	22,175,249
Storm water system	5,065,945	143,627	-	-	5,209,572
Machinery, equipment, and vehicles	2,735,773	199,148	(204,923)	(29,605)	2,700,393
Total capital assets, being depreciated	<u>33,510,615</u>	<u>762,926</u>	<u>(204,923)</u>	<u>2,319,996</u>	<u>36,388,614</u>
Less accumulated depreciation for					
Buildings	(499,349)	(32,744)	-	-	(532,093)
Golf course	(1,736,370)	(98,837)	-	-	(1,835,207)
Water distribution system	(4,761,200)	(711,078)	-	-	(5,472,278)
Storm water system	(384,155)	(129,397)	-	-	(513,552)
Machinery, equipment, and vehicles	(1,595,440)	(238,691)	198,000	29,605	(1,606,526)
Total accumulated depreciation	<u>(8,976,514)</u>	<u>(1,210,747)</u>	<u>198,000</u>	<u>29,605</u>	<u>(9,959,656)</u>
Total capital assets, being depreciated, net	<u>24,534,101</u>	<u>(447,821)</u>	<u>(6,923)</u>	<u>2,349,601</u>	<u>26,428,958</u>
Business-type activities capital assets, net	<u>\$ 32,454,103</u>	<u>\$ 641,547</u>	<u>\$ (6,923)</u>	<u>\$ -</u>	<u>\$ 33,088,727</u>

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

Business-type Activities	
Water	\$ 694,167
Secondary Water	91,664
Storm Water	148,762
Solid Waste	34,428
Golf Course	241,726
Total depreciation expense - business-type activities	<u>\$ 1,210,747</u>

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 \$2,150,087.

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, 2014 is not expected to be received within 60 days after the year ended June 30, 2014, 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, 2014.

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, 2014:

	Long-term debt payable at June 30, 2013			Long-term debt payable at June 30, 2014		Due within One Year
	Additions	Reductions				
Governmental activities						
Series 2010 Sales Tax	\$ 3,545,000	\$ -	\$ 165,000	\$ 3,380,000		\$ 170,000
2012 Police Vehicle Lease	123,733	-	40,504	83,229		41,240
2014 Public Works Lease	-	279,014	69,785	209,229		33,879
Woodside Homes N/P	776,570	-	701,400	75,170		75,170
Compensated absences	385,742	331,738	352,917	364,563		306,039
	<u>4,831,045</u>	<u>610,752</u>	<u>1,329,606</u>	<u>4,112,191</u>		<u>626,328</u>
Governmental activity long-term liabilities						
	<u>\$ 4,831,045</u>	<u>\$ 610,752</u>	<u>\$ 1,329,606</u>	<u>\$ 4,112,191</u>		<u>\$ 626,328</u>
Business-type activities						
Series 2002 Water Revenue	\$ 477,000	\$ -	\$ 138,000	\$ 339,000		\$ 339,000
Series 2006 Water Revenue	2,755,000	-	290,000	2,465,000		305,000
Plus unamortized premium	30,834	-	3,854	26,980		3,854
Series 2010 Water Revenue	3,720,000	-	160,000	3,560,000		160,000
Plus unamortized premium	38,870	-	2,160	36,710		2,160
Series 2009 G.O. Bonds	2,150,000	-	515,000	1,635,000		530,000
Plus unamortized premium	52,678	-	13,170	39,508		13,169
Eaglewood Development N/P	657,000	-	-	657,000		-
2009 Golf Equip. Capital Lease	20,454	-	20,454	-		-
2012 Golf Equip. Capital Lease	110,086	-	36,036	74,050		36,036
Weber Water N/P	628,248	191,340	819,588	-		-
Compass Development N/P	716,182	-	97,841	618,341		118,000
Solid Waste Capital Lease	82,989	-	19,656	63,333		20,058
Compensated absences	137,289	118,069	104,040	151,318		71,310
	<u>11,576,630</u>	<u>309,409</u>	<u>2,219,799</u>	<u>9,666,240</u>		<u>1,598,587</u>
Business-type activity long-term liabilities						
	<u>\$ 11,576,630</u>	<u>\$ 309,409</u>	<u>\$ 2,219,799</u>	<u>\$ 9,666,240</u>		<u>\$ 1,598,587</u>

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

For the year ended June 30, 2014, \$171,012 of interest was charged as a direct expense on the *statement of activities* for Governmental activities and \$394,949 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2014, 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 5.16% and a true interest cost of 3.38%. However, the City will be reimbursed by the Federal Government equal to 35% of the interest paid. The bonds require interest payments in June and December of each year until maturity in 2030. Principal payments are due in June of each year until June 2030. These bonds were issued for the purpose of park construction. The bonds proceeds were received in the Park Improvement Fund and will be liquidated in the Debt Service Fund.

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

NOTE 8 LONG-TERM DEBT (Continued)

Sales Tax Revenue Bonds, Series 2010 (Continued):

The annual debt service requirements to maturity, including principal and interest, for the Series 2010 Sales Tax Revenue Bonds, as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2020-2024	4.50-5.15%	1,020,000	565,130	1,585,130
2025-2029	5.15-5.50%	1,205,000	286,738	1,491,738
2030	5.80%	265,000	15,370	280,370
Total		<u>\$ 3,380,000</u>	<u>\$ 1,632,309</u>	<u>\$ 5,012,309</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%. From lease inception through June 30, 2013 this lease was liquidated in the general fund; however, beginning in the fiscal year ending June 30, 2014 this lease along with the associated assets were transferred to the fleet internal service fund where the lease will be liquidated until maturity. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.81%	\$ 41,240	\$ 1,321	\$ 42,561
2016	1.81%	41,989	571	42,560
Total		<u>\$ 83,229</u>	<u>\$ 1,892</u>	<u>\$ 85,120</u>

2014 Public Works Vehicle Capital Lease

In April 2014 the City entered into an equipment lease purchase in the amount of \$279,014. The lease is secured by capital equipment with a historical cost of \$279,014 and accumulated depreciation of \$4,778 at June 30, 2014. Payments are due in April and October of each year until October 2017. The lease has an interest rate of 2.31%. The fleet 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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2.31%	\$ 33,879	\$ 2,416	\$ 36,295
2016	2.31%	68,934	3,654	72,588
2017	2.31%	70,535	2,053	72,588
2018	2.31%	35,881	414	36,295
Total		<u>\$ 209,229</u>	<u>\$ 8,537</u>	<u>\$ 217,766</u>

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

NOTE 8 LONG-TERM DEBT (Continued)

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, 2014 is \$75,170.

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, 2014 is \$116,418.

The annual debt service requirements to maturity, including principal and interest for the Series 2002 Water Revenue and Refunding Bonds, as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.80%	\$ 339,000	\$ 6,102	\$ 345,102
Total		<u>\$ 339,000</u>	<u>\$ 6,102</u>	<u>\$ 345,102</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, 2014 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, 2014, the City has \$182,868 in a reserved cash account with an additional \$138,962 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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		2,465,000	<u>\$ 441,950</u>	<u>\$ 2,906,950</u>
	Plus unamortized premium	<u>26,980</u>		
	Total	<u>\$ 2,491,980</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.

During the fiscal year ended June 30, 2014, the City used \$500,000 of these bond's issuance proceeds to fund a Storm Water project. This portion of the long-term debt outstanding was transferred along with the associated unamortized bond premium to the Storm Water fund during the fiscal year ended June 30, 2014, and will be liquidated/amortized throughout the remaining life of these bonds. The amortization schedule for these bonds presented on page 46 can be broken out between the Water and Storm Water funds by using each fund's percentage of the outstanding debt as follows: Water 86.56% and Storm Water 13.44%.

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, 2014 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.

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

NOTE 8 LONG-TERM DEBT (Continued)

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, 2014, the City has \$122,068 in a reserved cash account with an additional \$96,844 in restricted cash to meet the debt covenants.

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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	3.15%	\$ 160,000	\$ 130,532	\$ 290,532
2016	3.75%	165,000	127,255	292,255
2017	4.25%	170,000	123,234	293,234
2018	4.50%	175,000	118,537	293,537
2019	4.75%	180,000	113,418	293,418
2020 - 2024	5.15-6.00%	985,000	473,230	1,458,230
2025 - 2029	6.00-6.50%	1,180,000	270,334	1,450,334
2030 - 2031	6.75%	545,000	36,197	581,197
		3,560,000	\$ 1,392,737	\$ 4,952,737
Plus unamortized premium		36,710		
Total		\$ 3,596,710		

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	\$ 116,418	\$ -	\$ -
2006 Water Bond Fund	138,962	138,962	-
2006 Water Reserve Fund	182,868	-	419,680
2010 Water Bond Fund	96,844	96,844	-
2010 Water Reserve Fund	122,068	-	182,489
Unspent bond proceeds for construction	15,604	15,604	-
	\$ 672,764	\$ 251,410	\$ 602,169

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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		1,635,000	<u>\$ 112,850</u>	<u>\$ 1,747,850</u>
	Plus unamortized premium	<u>39,508</u>		
Total		<u>\$ 1,674,508</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.

2012 Golf Course Capital Lease

In September 2012 the City entered into an equipment lease purchase for \$146,796. The lease is secured by capital equipment amortized through depreciation expense. Payments are due in September and March of each year until 2016. 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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.81%	\$ 36,036	\$ 1,009	\$ 37,045
2016	1.81%	38,014	339	38,353
		<u>\$ 74,050</u>	<u>\$ 1,348</u>	<u>\$ 75,398</u>

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

NOTE 8 LONG-TERM DEBT (Continued)

Weber Basin Water Conservancy District Note Payable & Restatement of Net Position

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. This note payable balance was non-interest bearing unless the City became delinquent on their payments, at which point the current prime interest rate would have been charged. During the fiscal year ending June 30, 2014, it was determined that the City had previously understated the outstanding portion of this liability by \$191,339 and this was corrected through restating the Pressurized Irrigation Fund's beginning net position balance. During the fiscal year ending June 30, 2014, the City paid off the outstanding balance of this note payable completing the agreement.

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, 2014 is \$618,341.

Solid Waste Lease

In January of 2010 the City entered into an equipment lease for \$138,000 for the purchase of sanitation equipment amortized through depreciation expense. The lease is secured by the equipment. Payments are due in January and July of each year until 2017. The lease has an interest rate of 3.87%. The Solid Waste fund is used to liquidate the lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		\$ 63,333	\$ 4,383	\$ 67,716

NOTE 9 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue for the year ended June 30, 2014 consists of the following:

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
Utah Class "C" Road allotment	\$ 461,587	57.23%
Utah Liquor Law Enforcement Grant	17,355	2.15
Various Federal, State and Local Grants	74,252	9.21
FEMA Slide Mitigation Grant	198,376	24.59
Federal Build America Bond Interest Reimbursement Grant	55,019	6.82
	\$ 806,590	100.00%

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

NOTE 10 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, 2014:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Paid/Accrued to Date</u>	<u>Commitment Outstanding</u>
Gencomm	City Hall Camera System	\$ 39,293	\$ 19,647	\$ 19,647
Staker and Parson Companies	1100 North Road Recons/Widening	3,705,500	451,438	3,254,062
Project Engineering Consultants	1100 North Road Recons/Widening	85,000	9,068	75,933
Staker and Parson Companies	Lofty Ln., Hidden Ln., & Hidden Cir. Road Reconstruction	146,016	-	146,016
Hughes General Contractors	Elk Hollow Rd. & Cove Cir. Rd Recon	173,973	-	173,973
Staker and Parson Companies	Center Street Overlay	101,588	-	101,588
Intermountain Slurry Seal, Inc.	Misc. Street Preservations	189,115	184,188	4,927
Total Construction Commitments Outstanding		\$ 4,440,485	\$ 664,340	\$ 3,776,145

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 *
Position Bond	900,000	-
Treasurer's Fidelity Bond	750,000	-

* Deductible is per incidence

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

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.

	Ended June 30	Employee contribution	Employee contr. paid by employer	Employer contribution	Salary subject to retirement contributions
Contributory System:					
Local Governmental Division Tier 2	2014	\$ -	\$ -	\$ 24,556	\$ 288,904
	2013	-	-	13,865	161,978
	2012	-	-	3,204	42,213
Noncontributory System:					
Local Governmental Division Tier 1	2014	\$ -	\$ -	\$ 355,443	\$ 1,973,918
	2013	-	-	320,374	1,960,548
	2012	-	-	286,770	2,092,777
Public Safety System:*					
Other Division A Contributory	2014	\$ -	\$ -	\$ 8,402	\$ 76,250
	2013	-	-	4,322	38,935
Other Division A Noncontributory Tier 1	2014	\$ -	\$ -	\$ 303,575	\$ 977,775
	2013	-	-	278,013	956,965
	2012	-	-	244,626	957,943
Defined Contribution System:					
457 Plan	2014	\$ 38,394	\$ -		
	2013	40,804	-		
	2012	51,684	-		
401(k) Plan	2014	\$ 55,989	\$ 200,738		
	2013	43,558	152,970		
	2012	41,335	149,301		
Traditional IRA Plan	2014	\$ 450	\$ -		
	2013	650	-		
	2012	675	-		
Roth IRA Plan	2014	\$ 180	\$ -		
	2013	-	-		
	2012	3,600	-		

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

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

NOTE 12 RETIREMENT PLAN (Continued)

The contribution requirements of the USRS are authorized by the statute and specified by the Board. The contributions rates for the fiscal year ending June 30, 2014 were as follows:

	Employee contribution	Employee contribution paid by employer	Employer contribution
<u>Contributory System:</u>			
Local Governmental Division Tier 2	N/A	N/A	13.99%
<u>Noncontributory System:</u>			
Local Governmental Division Tier 1	N/A	N/A	17.29%
<u>Public Safety System:</u>			
Other Division A Contributory Tier 2	N/A	N/A	20.85%
Other Division A Noncontributory Tier 1	N/A	N/A	32.14%

NOTE 13 INTERFUND TRANSACTIONS

At June 30, 2014, the City's internal balances due to or from other activities were as follows:

Due To	Due from			Total
	Governmental		Enterprise	
	Redevelopment Agency	Parks Capital Projects	Golf Fund	
Governmental:				
Capital Projects Fund	\$ 25,952	\$ 475,000	\$ 1,846,237	\$ 2,347,189
Total	<u>\$ 25,952</u>	<u>\$ 475,000</u>	<u>\$ 1,846,237</u>	<u>\$ 2,347,189</u>

The Golf Fund payable represents transferred subsidies made to the Golf Fund from fiscal years 1994 through 2014. The Redevelopment Agency will not begin collection of tax increment from the project areas until Fiscal Year 2016. The City does not expect to be repaid from the Golf Fund or the Redevelopment Agency within one year. The Parks Capital Project 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.

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

NOTE 13 INTERFUND TRANSACTIONS (Continued)

In addition to the above, transfers were made which will not be repaid. Interfund transfers for the year ended June 30, 2014 are as follows:

	Transfer - In	Transfer - Out
Governmental:		
General Fund	\$ -	\$ 1,087,649
Debt Service Fund	30,000	200,000
Capital Projects Fund	100,000	530,000
Police Facilities Fund	-	100,000
Parks Devel fund	200,000	-
Roadway Devel. Fund	518,649	-
Enterprise:		
Golf Fund	569,000	-
Internal Service Fund:		
Fleet Fund	500,000	-
	\$ 1,917,649	\$ 1,917,649

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 to the Roadway Development Fund was for the construction of C Road qualifying road projects and seal coating. 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 Debt Service Fund transferred funds to the Park Development Fund for the construction and rehabilitation of non-growth related Park projects. The transfers from the Capital Projects fund to the Fleet fund were to fund purchase of new vehicles.

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 \$1,163,308 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.

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

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 \$21,351 towards professional and technical costs.

NOTE 16 – RESTATEMENT OF NET POSITION

Weber Basin Water Conservancy District Note Payable Restatement

During the fiscal year ending June 30, 2014, it was determined that the City had previously understated the outstanding portion of the note payable to Weber Basin for the installation of secondary water line by \$191,339. This was corrected through a restatement of net position in the current year.

NOTE 17 – DEFICIT FUND BALANCES

The City had two funds with deficit fund balances at year end. The Park Development fund had a deficit fund balance of \$467,735. The RDA fund had a deficit fund balance of \$25,952.

NOTE 18 – NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement Number 68 and will be effective for the City in the 06/30/15 fiscal year. The Statement requires a new methodology to be used in reporting the unfunded liabilities of defined benefit pension plans. Formerly, local governments only needed to report their contributions to Utah Retirement Systems as an expense.

With Statement 68 governments will also have to report their respective share of the unfunded pension liability on the Statement of Net Position – Government Wide and on the Statement of Net Position – Proprietary Funds. Additionally, the net change in this volatile liability will need to be reported as an expense/income each year. This change will not affect the fund financial statements for governmental funds.

As of December 31, 2013 the Utah Retirement Systems estimated the City's share of the unfunded liability to be \$2,266,973. This liability will also result in a prior year adjustment to the net position in the year of implementation. Additional reporting requirements are included with this liability in the notes to the financial statements and as required supplementary schedules.

SUPPLEMENTAL INFORMATION

CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Redevelopment Agency	Debt Service	Police Facilities	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 78,309	\$ -	\$ 78,309
Taxes receivable	-	62,161	-	62,161
Restricted cash and cash equivalents	-	27,932	66,725	94,657
Total Assets	\$ -	\$ 168,402	\$ 66,725	\$ 235,127
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	25,952	-	-	25,952
Total Liabilities	25,952	-	-	25,952
Fund Balances				
Restricted:				
Impact fees	-	-	66,725	66,725
Debt service	-	27,932	-	27,932
Assigned	-	140,470	-	140,470
Unassigned	(25,952)	-	-	(25,952)
Total Fund Balances	(25,952)	168,402	66,725	209,175
Total Liabilities and Fund Balances	\$ -	\$ 168,402	\$ 66,725	\$ 235,127

CITY OF NORTH SALT LAKE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	Redevelopment		Police	Total Nonmajor Governmental
	Agency	Debt Service	Facilities	Funds
Revenues				
Property taxes	\$ -	\$ 323,339	\$ -	\$ 323,339
Intergovernmental	-	55,019	-	55,019
Impact fees	-	-	129,721	129,721
Interest	-	-	326	326
Total Revenues	-	378,358	130,047	508,405
Expenditures				
General government	21,351	-	-	21,351
Debt service:				
Interest	53	136,012	-	136,065
Total Expenditures	21,404	136,012	-	157,416
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,404)	242,346	130,047	350,989
Other Financing Sources (Uses)				
Transfer in	-	30,000	-	30,000
Transfer out	-	(200,000)	(100,000)	(300,000)
Total Other Financing Sources (Uses)	-	(170,000)	(100,000)	(270,000)
Net Change in Fund Balances	(21,404)	72,346	30,047	80,989
Fund Balance, Beginning	(4,548)	96,056	36,678	128,186
Fund Balance, Ending	\$ (25,952)	\$ 168,402	\$ 66,725	\$ 209,175

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, 2014

	<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	\$ 14,459	\$ (10,541)
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>14,459</u>	<u>(10,541)</u>
Expenditures				
Parks, recreation, and public property	49,000	66,600	29,462	37,138
Total Expenditures	<u>49,000</u>	<u>66,600</u>	<u>29,462</u>	<u>37,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(24,000)</u>	<u>(41,600)</u>	<u>(15,003)</u>	<u>26,597</u>
Other Financing Sources (Uses)				
Transfer in	-	100,000	100,000	-
Transfer out	<u>(285,000)</u>	<u>(530,000)</u>	<u>(530,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(285,000)</u>	<u>(430,000)</u>	<u>(430,000)</u>	<u>-</u>
Net Change in Fund Balance *	<u><u>\$ (309,000)</u></u>	<u><u>\$ (471,600)</u></u>	<u><u>(445,003)</u></u>	<u><u>\$ 26,597</u></u>
Fund Balance, Beginning			<u>4,117,217</u>	
Fund Balance, Ending			<u><u>\$ 3,672,214</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 –MAJOR PARK DEVELOPMENT
CAPITAL PROJECTS FUND
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 736,000	\$ 736,000	\$ 783,400	\$ 47,400
Intergovernmental revenues	297,408	615,508	198,376	(417,132)
Interest	3,000	3,000	96	(2,904)
Total Revenues	<u>1,036,408</u>	<u>1,354,508</u>	<u>981,872</u>	<u>(372,636)</u>
Expenditures				
Current:				
Interest	35,000	35,000	35,000	-
Improvements	990,545	1,560,425	1,031,348	529,077
Professional and technical	15,000	15,000	-	15,000
Payments to developers	292,600	767,600	866,400	(98,800)
Total Expenditures	<u>1,333,145</u>	<u>2,378,025</u>	<u>1,932,748</u>	<u>445,277</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(296,737)</u>	<u>(1,023,517)</u>	<u>(950,876)</u>	<u>72,641</u>
Other Financing Sources (Uses)				
Transfer in	200,000	200,000	200,000	-
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balance *	<u>\$ (96,737)</u>	<u>\$ (823,517)</u>	<u>(750,876)</u>	<u>\$ 72,641</u>
Fund Balance, Beginning			<u>283,141</u>	
Fund Balance, Ending			<u>\$ (467,735)</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 – MAJOR ROADWAY DEVELOPMENT
CAPITAL PROJECTS FUND
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 575,700	\$ 785,700	\$ 827,636	\$ 41,936
Intergovernmental revenues	2,135,200	2,898,456	-	(2,898,456)
Interest	2,000	2,000	6,984	4,984
Total Revenues	<u>2,712,900</u>	<u>3,686,156</u>	<u>834,620</u>	<u>(2,851,536)</u>
Expenditures				
Highways and public improvements	2,660,200	5,121,913	362,738	4,759,175
Total Expenditures	<u>2,660,200</u>	<u>5,121,913</u>	<u>362,738</u>	<u>4,759,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>52,700</u>	<u>(1,435,757)</u>	<u>471,882</u>	<u>(7,610,711)</u>
Other Financing Sources (Uses)				
Transfer in	510,000	740,000	518,649	(221,351)
Total Other Financing Sources (Uses)	<u>510,000</u>	<u>740,000</u>	<u>518,649</u>	<u>(221,351)</u>
Net Change in Fund Balance *	<u>\$ 562,700</u>	<u>\$ (695,757)</u>	990,531	<u>\$ (7,832,062)</u>
Fund Balance, Beginning			<u>1,039,825</u>	
Fund Balance, Ending			<u>\$ 2,030,356</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Interest on investments	35,000	35,000	-	(35,000)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Expenditures				
Improvements	40,000	40,000	21,404	18,596
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>21,404</u>	<u>18,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,000</u>	<u>10,000</u>	<u>(21,404)</u>	<u>(31,404)</u>
Other Financing Sources (Uses)				
Transfer out	(10,000)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>(21,404)</u>	<u>\$ 10,000</u>
Fund Balance, Beginning			<u>(4,548)</u>	
Fund Balance, Ending			<u>\$ (25,952)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 250,000	\$ 250,000	\$ 323,339	\$ 73,339
Intergovernmental	59,269	59,269	55,019	(4,250)
Interest	-	-	-	-
Total Revenues	<u>309,269</u>	<u>309,269</u>	<u>378,358</u>	<u>69,089</u>
Expenditures				
Debt service:				
Interest	138,569	138,569	136,012	2,557
Total Expenditures	<u>138,569</u>	<u>138,569</u>	<u>136,012</u>	<u>2,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>170,700</u>	<u>170,700</u>	<u>242,346</u>	<u>71,646</u>
Other Financing Sources (Uses)				
Transfer in	30,000	30,000	30,000	-
Transfer out	(200,000)	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	<u>(170,000)</u>	<u>(170,000)</u>	<u>(170,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 700</u>	<u>\$ 700</u>	72,346	<u>\$ 71,646</u>
Fund Balance, Beginning			<u>96,056</u>	
Fund Balance, Ending			<u>\$ 168,402</u>	

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 215,600	\$ 215,600	\$ 129,721	\$ (85,879)
Interest	3,000	3,000	326	(2,674)
Total Revenues	<u>218,600</u>	<u>218,600</u>	<u>130,047</u>	<u>(88,553)</u>
Expenditures				
Public Safety	100,000	100,000	-	100,000
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>118,600</u>	<u>118,600</u>	<u>130,047</u>	<u>11,447</u>
Other Financing Sources (Uses)				
Transfer out	-	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 118,600</u>	<u>\$ 18,600</u>	<u>30,047</u>	<u>\$ 11,447</u>
Fund Balance, Beginning			<u>36,678</u>	
Fund Balance, Ending			<u>\$ 66,725</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE
AS DESCRIBED IN THE BOND DOCUMENTS FOR THE WATER BONDS
For The Year Ended June 30, 2014

Net Revenues:		
Total Operating Revenues		\$ 3,927,494
Non-Operating Revenues		
	Impact Fees	2,346,692
	Interest Income	18,449
		<u>6,292,635</u>
Operating Expenses (excluding depreciation)		<u>2,530,178</u>
	Total Expenses (excluding depreciation)	<u>2,530,178</u>
Net Revenues		<u><u>\$ 3,762,457</u></u>
 Fiscal Year 2015 Debt Service Requirements:		
	2002 Bonds	\$ 345,102
	2006 Bonds	413,668
	2010 Bonds	290,532
		<u><u>\$ 1,049,302</u></u>
 Net revenues divided by aggregate fiscal year 2015 debt service		 359%
Minimum requirement		125%
Excess (Deficiency)		234%

**INDEPENDENT AUDITOR'S 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, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of North Salt Lake, State Y's basic financial statements, and have issued our report thereon dated September 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of 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 the City of North Salt Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Salt Lake's internal control.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
September 29, 2014

INDEPENDENT AUDITOR’S REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE ON:

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS**
- **INTERNAL CONTROL OVER COMPLIANCE**

To the Mayor and City Council
City of North Salt Lake

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited North Salt Lake’s compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on North Salt Lake or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Transfers from Utility Enterprise Funds
- Cash Management
- Conflicts of Interest
- Nepotism

The City of North Salt Lake did not have any state funding classified as a major program during the year ended June 30, 2014.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the City of North Salt Lake’s compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City of North Salt Lake or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City of 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 with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City of North Salt Lake's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, the City of North Salt Lake complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City of North Salt Lake or on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings as items [2014-1, 2014-2, and 2014-3]. Our opinion on compliance is not modified with respect to these matters.

The City of North Salt Lake's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings. The City of 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 the response.

Report On Internal Control Over Compliance

Management of the City 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 of compliance, we considered the City of North Salt Lake's internal control over compliance with the compliance requirements that could have a direct and material effect on the City of North Salt Lake or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 general state or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Wood Richards & Associates, PC
Ogden, Utah
September 29, 2014

**CITY OF NORTH SALT LAKE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

2014-01: State Compliance – Budgetary Compliance

Criteria: A municipality is required to adopt an annual budget and stay within the parameter of the approved budget.

Condition: The City had an approved budget for all of its funds. However, the total expenses incurred during the year exceeded the approved budget in the Solid Waste Fund.

Cause: The City did not closely monitor the budget to actual within the City's enterprise funds.

Effect: The City is noncompliant with this requirement.

Recommendation: We recommend the City review its budget and financial statements throughout the year and amend the budget prior to incurring any unbudgeted purchases.

Management's Response: Both revenues and expenditures exceeded budget primarily due to growth. Audits performed in previous years would not have included a finding when actual expenses exceeded the approved budget in an enterprise fund. The current Utah State Auditor has interpreted budget compliance differently and now requires a finding when the total actual expenses in any fund exceed the amounts appropriated in the final adopted budget. The City will monitor and compare budget to actual expenditures more closely throughout the year and amend the budget as required.

2014-02: State Compliance – Fund Balance

Criteria: A municipality is required to maintain a positive fund balance for all funds at year end.

Condition: The City had a deficit fund balance in the Park Development and Redevelopment Agency (RDA) Funds.

Cause: The City has begun working on its RDA projects; however the funding has lagged behind the actual cost of the projects at year end. Within the Park Development Fund the City decided to take advantage of some favorable construction contracts for capital projects, however, all the funding had not been received by year end.

Effect: The City is noncompliant with this requirement.

Recommendation: We recommend the City either wait for funding to come in before incurring expenditures or provide other means to finance projects, to avoid negative fund balance.

**CITY OF NORTH SALT LAKE
SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Management's Response: The Parks Development Fund is in a negative fund balance position due to timing of construction expenditures and impact fee revenue collection. Staff expects impact fee revenue in Fiscal Year 2015 to exceed construction expenditures and return the fund balance to a positive balance.

Tax increment revenue will be received by the City in the RDA fund beginning in Fiscal Year 2017. The city will review its policies and keep all funds within the State Compliance limits in regards to fund balance.

2014-03:

State Compliance – Interfund Services Provided

Criteria: Services provided by enterprise funds to the general fund and other funds must be charged at the same rate charged to other customers of the utility.

Condition: The City's golf course and parks are paying the water fund for water used, but not at the same rate as other customers.

Cause: A pressurized irrigation system was completed during Fiscal Year 2014. The golf course and several parks began utilizing the new system towards the end of the season. When the most recent utility rate study was completed the new system had only been operational for a few months and adequate information was not available to set new rates.

Effect: The City is noncompliant with this requirement.

Recommendation: We recommend the City align the internal charges with external charges to customers or go through the necessary public hearings for the interfund transfers.

Management's Response: A pressurized irrigation system was completed during Fiscal Year 2014. The golf course and several parks began utilizing the new system towards the end of the season. When the most recent utility rate study was completed the new system had only been operational for a few months and adequate information was not available to set new rates. The city will complete a new rate study in January 2015 and adjust city usage rates to be equivalent with other customers.