

Heber City Corporation
Wasatch County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Heber City Corporation
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June 30, 2015

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GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Heber City Corporation
Heber City, Utah

Report on the Financial Statements

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 Heber City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 Heber City, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 4-D to the financial statements, in 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the required supplementary information regarding pensions, as listed in the table of contents 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.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and budgetary comparison schedules as listed in the supplementary section in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015 on our consideration of Heber City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heber City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC
December 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

As management of Heber City Corporation (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$7,525,539.
- *Total unrestricted net position for the City as a whole increased by \$3,326,619.
- *Total net position for governmental activities increased by \$4,599,984.
- *Total net position for business-type activities increased by \$2,925,555.

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

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

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

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

The City maintains two major governmental funds, the general fund and a capital projects fund.

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

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

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

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

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

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

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

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

FINANCIAL ANALYSIS

Heber City Corporation's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 21,859,835	11,658,811	25,183,752	23,197,250	47,043,588	34,856,061
Net capital assets	55,005,354	49,548,666	36,505,843	35,273,910	91,511,197	84,822,576
Deferred outflows of resources	280,599	221,684	73,845	58,340	354,444	280,024
Total assets and deferred outflows	<u>77,145,789</u>	<u>61,429,161</u>	<u>61,763,440</u>	<u>58,529,500</u>	<u>138,909,228</u>	<u>119,958,661</u>
Long-term debt	7,273,849	854,507	793,000	900,000	8,066,849	1,754,507
Other liabilities	7,326,847	2,925,406	1,058,159	695,587	8,385,005	3,620,993
Deferred inflows of resources	1,442,468	1,146,607	52,813	-	1,495,281	1,146,607
Total liabilities and deferred inflows	<u>16,043,163</u>	<u>4,926,520</u>	<u>1,903,972</u>	<u>1,595,587</u>	<u>17,947,135</u>	<u>6,522,107</u>
Net position:						
Net investment in capital assets	47,731,505	48,694,159	35,712,843	34,373,910	83,444,348	83,068,069
Restricted	8,130,068	4,547,272	20,655,652	20,415,806	28,785,720	24,963,078
Unrestricted	5,241,053	3,261,211	3,490,973	2,144,196	8,732,026	5,405,407
Total net position	<u>\$ 61,102,626</u>	<u>56,502,642</u>	<u>59,859,467</u>	<u>56,933,913</u>	<u>120,962,093</u>	<u>113,436,555</u>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$120,962,093, an increase of \$7,525,539 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$8,732,026, which represents an increase of \$3,326,619 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

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

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

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

FINANCIAL ANALYSIS (continued)

Heber City Corporation's Change in Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 1,230,507	1,676,286	2,843,941	3,163,196	4,074,448	4,839,482
Operating grants	141,174	37,802	-	-	141,174	37,802
Capital grants	3,952,952	1,671,112	1,713,485	1,475,475	5,666,437	3,146,587
General revenues:						
Property taxes	1,306,497	948,033	-	-	1,306,497	948,033
Sales tax	3,156,067	2,782,862	-	-	3,156,067	2,782,862
Other taxes	850,276	848,209	-	-	850,276	848,209
Other revenues	1,789,002	93,395	2,043,809	303,658	3,832,811	397,053
Total revenues	<u>12,426,475</u>	<u>8,057,699</u>	<u>6,601,235</u>	<u>4,942,329</u>	<u>19,027,710</u>	<u>13,000,028</u>
Expenses:						
General government	1,904,362	1,502,552	-	-	1,904,362	1,502,552
Public safety	2,616,698	2,411,653	-	-	2,616,698	2,411,653
Public works	2,273,056	2,406,282	-	-	2,273,056	2,406,282
Parks and recreation	276,527	264,163	-	-	276,527	264,163
Cemetery	302,286	256,224	-	-	302,286	256,224
Airport	406,479	684,255	-	-	406,479	684,255
Interest on long-term debt	47,083	16,975	-	-	47,083	16,975
Water	-	-	2,135,977	1,975,488	2,135,977	1,975,488
Sewer	-	-	1,346,397	1,211,699	1,346,397	1,211,699
Airport hangars	-	-	39,796	462,379	39,796	462,379
Utility	-	-	153,510	172,316	153,510	172,316
Total expenses	<u>7,826,490</u>	<u>7,542,104</u>	<u>3,675,680</u>	<u>3,821,882</u>	<u>11,502,170</u>	<u>11,363,986</u>
Change in net position	<u>\$ 4,599,984</u>	<u>515,596</u>	<u>2,925,555</u>	<u>1,120,446</u>	<u>7,525,539</u>	<u>1,636,042</u>

For the City as a whole, total revenues increased by \$6,027,682 compared to the previous year, while total expenses increased by \$138,184. The total net change of \$7,525,539 is, in private sector terms, the net change for the year which is \$5,889,497 more than the previous year's net change (net income).

Governmental activities revenues of \$12,426,475 is \$4,368,776 more than the previous year. This increase is primarily due to increases in capital grants and contributions. Governmental activities expenses of \$7,826,490 is \$284,386 more than the previous year. Decreases in public works and airport expenses were more than offset by increases in all other departments.

Business-type activities revenue of \$6,601,235 is \$1,658,906 more than the previous year. Capital grants and contributions revenues increased significantly compared to the previous year. Business-type activities expenses of \$3,675,680 were less than the previous year by \$146,202. Decreases in the airport hangar and utility funds expenses more than offset increases in the water and sewer funds.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$4,736,058 reflects an increase of \$1,324,542 from the previous year. Total revenues increased by \$2,066,002. Tax revenues, including property taxes and sales taxes increased by \$733,736. Intergovernmental revenues increased by \$183,613. Charges for licenses and permits decreased by \$85,394. Charges for services decreased by \$155,953. All other revenues increased by \$1,389,998.

Total expenditures increased by \$579,241. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government increased by \$288,550, public safety increased by \$371,238, public works decreased by \$180,505, parks and recreation increased by \$41,079, cemetery increased by \$50,982, and airport decreased by \$3,482. Capital outlay expenditures increased by \$1,380. Transfers out were made to other funds for \$1,827,335.

Nonspendable fund balance for the prepaid assets amounts to \$2,344. Fund balance restricted for Class C roads, transportation tax, and debt service amount to \$1,035,810, \$1,366,943, and \$280,205, respectively. The unassigned fund balance is \$2,050,755.

Water Fund

Net operating loss for the year was \$553,742 compared to the previous year amount of \$513,212. The change in net position (net income) was \$1,742,645, compared to the previous year's amount of \$631,800. The amounts restricted for impact fees and construction are \$2,231,878 and \$92,173, respectively. Unrestricted net position amounts to \$1,355,377.

Sewer Fund

Net operating loss for the year was \$354,790, compared to the previous year's loss of \$268,978. The change in net position (net income) was \$747,783, compared to the previous year's amount of \$78,618. The amount restricted for impact fees is \$1,197,741. Unrestricted net position amounts to \$1,787,220.

Airport Hangar Sales Fund

Net operating income for the year was \$6,911 compared to the previous year amount \$80,047. The change in net position (net income) was \$8,124 compared to the previous year's amount of \$81,083. Unrestricted net position amounts to \$199,460.

Utility Fund

Net operating income for the year was \$85,402 compared to the previous year amount \$54,676. The change in net position (net income) was \$86,190 compared to the previous year's amount of \$55,137. Unrestricted net position amounts to \$148,915.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year were originally budgeted in the amount of \$6,879,547. This amount was amended during the year to \$8,234,158. Actual revenues amounted to \$8,813,263, which was \$579,105 more than budget.

Expenditures for the current year were originally budgeted in the amount of \$6,339,315. This amount was amended during the year to \$6,493,926. Actual expenditures amounted to \$5,661,385 which was \$832,541 under the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Capital Assets:						
Land	\$ 15,789,407	16,221,548	557,761	696,428	16,347,168	16,917,976
Water shares and rights	-	-	8,215,836	7,678,650	8,215,836	7,678,650
Buildings	2,326,285	2,218,080	1,074,297	1,074,297	3,400,582	3,292,376
Improvements	51,618,899	51,397,114	-	-	51,618,899	51,397,114
Water system	-	-	23,672,464	22,113,331	23,672,464	22,113,331
Sewer system	-	-	13,214,260	13,019,844	13,214,260	13,019,844
Airport hangars	-	-	354,580	354,580	354,580	354,580
Machinery and equipment	3,109,715	3,049,995	2,444,105	1,804,637	5,553,819	4,854,631
Construction in progress	7,702,363	236,336	62,180	546,796	7,764,543	783,132
Total Capital Assets	<u>80,546,669</u>	<u>73,123,072</u>	<u>49,595,482</u>	<u>47,288,562</u>	<u>130,142,150</u>	<u>120,411,634</u>
Less Accumulated Depreciation	<u>(25,541,315)</u>	<u>(23,574,406)</u>	<u>(13,089,639)</u>	<u>(12,014,652)</u>	<u>(38,630,954)</u>	<u>(35,589,059)</u>
Net Capital Assets	<u>\$ 55,005,354</u>	<u>49,548,666</u>	<u>36,505,843</u>	<u>35,273,910</u>	<u>91,511,197</u>	<u>84,822,576</u>

The total amount of capital assets, net of depreciation, of \$91,511,197 has increased by \$6,688,621 from the previous year.

Governmental activities capital assets, net of depreciation, of \$55,005,354 represents an increase of \$5,456,688 from the previous year.

Business-type activities capital assets, net of depreciation, of \$36,505,843 increased during the year by \$1,231,933.

The amount of increases in capital asset balances, net of depreciation, represent the amount that new investments in capital assets exceeded depreciation charged on capital assets.

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

Heber City Corporation
Management's Discussion and Analysis
 June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Heber City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2011 Copier Lease	\$ 849	2,507
2011 Sales Tax Revenue	573,000	852,000
2014 Sales Tax Revenue	6,700,000	-
Compensated absences	286,454	252,321
Total governmental	\$ 7,560,303	1,106,828
 Business-type activities:		
2013 Water Revenue	\$ 9,500	900,000
Compensated absences	137,000	123,275
Total business-type	930,000	1,023,275
 Total outstanding debt	\$ 8,490,303	2,130,103

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

City Manager
 75 North Main
 Heber City, UT 84032

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BASIC FINANCIAL STATEMENTS

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Heber City Corporation
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 9,666,199	3,562,130	13,228,329
Accounts receivable, net	4,820,545	356,743	5,177,289
Prepaid expenses	2,344	-	2,344
Other assets	1,344	-	1,344
Total current assets	14,490,433	3,918,873	18,409,306
Non-current assets:			
Restricted cash and cash equivalents	7,362,729	4,129,263	11,491,992
Capital assets:			
Not being depreciated	23,491,770	8,835,777	32,327,547
Net of accumulated depreciation	31,513,584	27,670,066	59,183,649
Investment in joint venture	-	17,133,860	17,133,860
Net pension asset	6,674	1,756	8,430
Total non-current assets	62,374,756	57,770,722	120,145,478
Total assets	76,865,189	61,689,595	138,554,784
Deferred outflows of resources - pensions	280,599	73,845	354,444
Total assets and deferred outflows of resources	\$ 77,145,789	61,763,440	138,909,228
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 5,860,338	601,044	6,461,381
Customer deposits	-	14,295	14,295
Accrued interest payable	37,420	5,120	42,540
Compensated absences, current portion	107,070	41,729	148,799
Long-term debt, current portion	462,849	108,000	570,849
Total current liabilities	6,467,676	770,188	7,237,864
Non-current liabilities:			
Compensated absences, non-current portion	179,384	95,271	274,655
Long-term debt, non-current portion	6,811,000	685,000	7,496,000
Net pension liability	1,142,635	300,700	1,443,335
Total non-current liabilities	8,133,019	1,080,971	9,213,990
Total liabilities	14,600,695	1,851,159	16,451,854
Deferred inflows of resources - property taxes	1,241,788	-	1,241,788
Deferred inflows of resources - pensions	200,680	52,813	253,493
Total liabilities and deferred inflows of resources	16,043,163	1,903,972	17,947,135
NET POSITION:			
Net investment in capital assets	47,731,505	35,712,843	83,444,348
Restricted:			
Investment in joint venture	-	17,133,860	17,133,860
Community improvements	7,614,155	3,429,619	11,043,774
Perpetual care endowment	234,328	-	234,328
Debt service	281,585	-	281,585
Unrestricted	5,241,053	3,583,145	8,824,198
Total net position	61,102,626	59,859,467	120,962,093
Total liabilities, deferred inflows of resources, and net position	\$ 77,145,789	61,763,440	138,909,228

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

Heber City Corporation
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 1,904,362	1,006,156	-	-	(898,206)
Public safety	2,616,698	-	141,174	41,029	(2,434,496)
Public works	2,273,056	-	-	788,122	(1,484,934)
Parks and recreation	276,527	640	-	69,600	(206,287)
Cemetery	302,286	76,525	-	-	(225,761)
Airport	406,479	147,186	-	3,054,201	2,794,908
Interest on long-term debt	47,083	-	-	-	(47,083)
Total governmental activities	<u>7,826,490</u>	<u>1,230,507</u>	<u>141,174</u>	<u>3,952,952</u>	<u>(2,501,858)</u>
Business-type activities:					
Water	2,135,977	1,566,715	-	1,384,426	815,164
Sewer	1,346,397	991,607	-	329,059	(25,731)
Airport hangar sales	39,796	46,707	-	-	6,911
Utility	153,510	238,912	-	-	85,402
Total business-type activities	<u>3,675,680</u>	<u>2,843,941</u>	<u>-</u>	<u>1,713,485</u>	<u>881,746</u>
Total primary government	<u>\$ 11,502,170</u>	<u>4,074,448</u>	<u>141,174</u>	<u>5,666,437</u>	<u>(1,620,112)</u>

(The statement of activities continues on the following page)

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

Heber City Corporation
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (2,501,858)</u>	<u>881,746</u>	<u>(1,620,112)</u>
General revenues:			
Property taxes	1,306,497	-	1,306,497
Sales tax	3,156,067	-	3,156,067
Other taxes	850,276	-	850,276
Unrestricted investment earnings	92,503	38,424	130,927
Miscellaneous	791,843	-	791,843
Gain on sale of capital asset	904,656	1,664,573	2,569,229
Change in joint venture equity	-	340,812	340,812
Total general revenues	<u>7,101,842</u>	<u>2,043,809</u>	<u>9,145,651</u>
Change in net position	<u>4,599,984</u>	<u>2,925,555</u>	<u>7,525,539</u>
Net position - beginning, restated	<u>56,502,642</u>	<u>56,933,913</u>	<u>113,436,554</u>
Net position - ending	<u><u>\$ 61,102,625</u></u>	<u><u>59,859,467</u></u>	<u><u>120,962,093</u></u>

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

Heber City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Airport Capital Projects	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,171,417	447,889	4,301,870	1,082,264	9,003,440
Receivables:					
Property taxes	1,241,788	-	-	-	1,241,788
Due from other governments	478,738	2,803,658	-	236,818	3,519,214
Other receivables	59,544	-	-	-	59,544
Prepaid expenses	2,344	-	-	-	2,344
Other assets	1,344	-	-	-	1,344
Restricted cash and cash equivalents	<u>2,261,220</u>	<u>-</u>	<u>2,876,331</u>	<u>2,225,178</u>	<u>7,362,729</u>
TOTAL ASSETS	<u>\$ 7,216,395</u>	<u>3,251,547</u>	<u>7,178,201</u>	<u>3,544,260</u>	<u>21,190,403</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities:					
Accounts payable	\$ 202,329	3,148,534	1,442,520	30,734	4,824,117
Accrued liabilities	<u>1,036,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,221</u>
Total liabilities	<u>1,238,550</u>	<u>3,148,534</u>	<u>1,442,520</u>	<u>30,734</u>	<u>5,860,338</u>
Deferred inflows of resources - taxes	<u>1,241,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241,788</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,480,338</u>	<u>3,148,534</u>	<u>1,442,520</u>	<u>30,734</u>	<u>7,102,126</u>
 FUND BALANCES:					
Nonspendable:					
Prepaid assets	2,344	-	-	236,818	239,162
Perpetual care	-	-	-	234,328	234,328
Restricted for:					
Class C Roads	1,035,810	-	-	-	1,035,810
Transportation tax	1,366,943	-	-	-	1,366,943
Debt service	280,205	-	-	1,380	281,585
Impact fees	-	-	-	2,332,726	2,332,726
Capital projects	-	-	2,876,331	-	2,876,331
Assigned for:					
Capital projects	-	103,013	2,859,350	708,274	3,670,637
Unassigned	<u>2,050,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,050,755</u>
TOTAL FUND BALANCES	<u>4,736,058</u>	<u>103,013</u>	<u>5,735,681</u>	<u>3,513,526</u>	<u>14,088,277</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,216,395</u>	<u>3,251,547</u>	<u>7,178,201</u>	<u>3,544,260</u>	<u>21,190,403</u>

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

Heber City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2015

	General Fund	Airport Capital Projects	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 1,306,497	-	-	-	1,306,497
Sales	3,156,067	-	-	-	3,156,067
Other taxes	850,276	-	-	-	850,276
Licenses and permits	627,574	-	-	-	627,574
Intergovernmental revenues	662,282	3,054,201	-	-	3,716,483
Charges for services	299,736	-	-	26,004	325,740
Fines and forfeitures	277,192	-	-	-	277,192
Interest	31,632	2,414	33,806	21,227	89,079
Miscellaneous revenue	1,320,756	201,956	-	-	1,522,712
Total revenues	<u>8,532,013</u>	<u>3,258,571</u>	<u>33,806</u>	<u>47,231</u>	<u>11,871,621</u>
EXPENDITURES:					
General government	1,724,510	-	-	-	1,724,510
Public safety	2,688,298	-	-	-	2,688,298
Public works	558,799	-	-	91,858	650,657
Parks and recreation	234,976	-	-	750	235,726
Cemetery	284,385	-	-	-	284,385
Airport	76,210	-	-	-	76,210
Capital outlay	94,208	3,403,205	3,823,669	412,264	7,733,346
Debt service:					
Principal	-	-	-	280,659	280,659
Interest	-	-	-	13,261	13,261
Total expenditures	<u>5,661,385</u>	<u>3,403,205</u>	<u>3,823,669</u>	<u>798,792</u>	<u>13,687,051</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>2,870,628</u>	<u>(144,634)</u>	<u>(3,789,863)</u>	<u>(751,561)</u>	<u>(1,815,430)</u>
Other Financing Sources and (Uses):					
Heber Light and Power dividend	281,250	-	-	-	281,250
Proceeds from bonds issued	-	-	6,700,000	-	6,700,000
Impact fees	-	-	-	377,643	377,643
Transfer in (out)	(1,827,335)	-	1,250,000	377,335	(200,000)
Total other financing sources and (uses)	<u>(1,546,085)</u>	<u>-</u>	<u>7,950,000</u>	<u>754,978</u>	<u>7,158,893</u>
Net Change in Fund Balances	1,324,542	(144,634)	4,160,137	3,418	5,343,463
Fund balances - beginning of year, restated	3,411,515	247,647	1,575,544	3,510,108	8,744,814
Fund balances - end of year	<u>\$ 4,736,058</u>	<u>103,013</u>	<u>5,735,681</u>	<u>3,513,526</u>	<u>14,088,277</u>

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

Heber City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2015

Total Fund Balances for Governmental Funds	<u>\$ 14,088,277</u>
Total net position reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	78,357,647
Less accumulated depreciation	<u>(24,086,876)</u>
Net capital assets	<u>54,270,770</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>6,674</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>280,599</u>
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
Long-term debt outstanding	<u>(7,273,849)</u>
Accrued interest payable	<u>(37,420)</u>
Compensated absences	<u>(286,454)</u>
Net pension liability	<u>(1,142,635)</u>
Deferred inflows of resources - pensions	<u>(200,680)</u>
One internal service fund is used by management to charge the cost of vehicle replacement to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.	
Internal service fund balance	<u>1,397,343</u>
Total Net Position of Governmental Activities	<u><u>\$ 61,102,626</u></u>

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

Heber City Corporation
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 5,343,463**

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

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

Capital outlays	7,733,346
Contributed fixed assets	139,755
Depreciation expense	<u>(2,104,478)</u>
Net	<u>5,768,623</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. 169,576

Retirement of fixed assets reduces the total fixed assets in the statement of net position, however, no expenditure or revenue is recognized in the fund statement. (448,405)

Bond proceeds are reported as financing sources in governmental funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (6,700,000)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 280,659

Accrued interest for long-term debt is not reported as an expenditure for the current period, while it is recorded in the statement of activities. (33,822)

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

Change in compensated absences (34,133)

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

Change in internal service fund 254,024

Change in Net Position of Governmental Activities **\$ 4,599,984**

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

Heber City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:							
Assets:							
Current assets:							
Cash and cash equivalents	\$ 1,181,655	2,038,700	-	182,753	159,023	3,562,130	662,759
Accounts receivable, net	156,433	160,742	-	16,707	22,861	356,743	-
Total current assets	<u>1,338,087</u>	<u>2,199,442</u>	<u>-</u>	<u>199,460</u>	<u>181,884</u>	<u>3,918,873</u>	<u>662,759</u>
Non-current assets:							
Restricted cash and cash equivalents	2,931,523	1,197,739	-	-	-	4,129,263	-
Capital assets:							
Not being depreciated	8,591,338	244,439	-	-	-	8,835,777	-
Net of accumulated depreciation	16,971,066	10,347,335	-	277,755	73,911	27,670,066	734,583
Net pension asset	1,096	534	-	-	126	1,756	-
Other non-current assets	-	-	17,133,860	-	-	17,133,860	-
Total non-current assets	<u>28,495,023</u>	<u>11,790,048</u>	<u>17,133,860</u>	<u>277,755</u>	<u>74,037</u>	<u>57,770,722</u>	<u>734,583</u>
Total assets	<u>29,833,110</u>	<u>13,989,490</u>	<u>17,133,860</u>	<u>477,214</u>	<u>255,921</u>	<u>61,689,595</u>	<u>1,397,343</u>
Deferred outflows of resources - pensions	46,092	22,462	-	-	5,291	73,845	-
Total assets and deferred outflows of resources	<u>\$ 29,879,202</u>	<u>14,011,952</u>	<u>17,133,860</u>	<u>477,214</u>	<u>261,211</u>	<u>61,763,440</u>	<u>1,397,343</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:							
Liabilities:							
Current liabilities:							
Accounts payable	\$ 322,818	270,165	-	-	8,061	601,044	-
Customer deposits	14,295	-	-	-	-	14,295	-
Compensated absences, current portion	23,130	17,087	-	-	1,512	41,729	-
Revenue bonds, current portion	108,000	-	-	-	-	108,000	-
Total current liabilities	<u>473,363</u>	<u>287,252</u>	<u>-</u>	<u>-</u>	<u>9,573</u>	<u>770,188</u>	<u>-</u>
Non-current liabilities:							
Compensated absences, long-term	51,354	40,432	-	-	3,485	95,271	-
Revenue bonds, long-term	685,000	-	-	-	-	685,000	-
Net pension liability	187,690	91,467	-	-	21,543	300,700	-
Total non-current liabilities	<u>924,044</u>	<u>131,899</u>	<u>-</u>	<u>-</u>	<u>25,028</u>	<u>1,080,971</u>	<u>-</u>
Total liabilities	<u>1,397,406</u>	<u>419,151</u>	<u>-</u>	<u>-</u>	<u>34,601</u>	<u>1,851,159</u>	<u>-</u>
Deferred inflows of resources - pensions	32,964	16,065	-	-	3,784	52,813	-
Total liabilities and deferred inflows of resources	<u>1,430,371</u>	<u>435,216</u>	<u>-</u>	<u>-</u>	<u>38,385</u>	<u>1,903,972</u>	<u>-</u>
NET POSITION:							
Net investment in capital assets	24,769,403	10,591,774	-	277,755	73,911	35,712,843	734,583
Restricted for:							
Investment in joint venture	-	17,133,860	-	-	-	17,133,860	-
Impact fees	2,231,878	1,197,741	-	-	-	3,429,619	-
Construction	92,173	-	-	-	-	92,173	-
Unrestricted	<u>1,355,377</u>	<u>1,787,220</u>	<u>-</u>	<u>199,460</u>	<u>148,915</u>	<u>3,490,973</u>	<u>662,759</u>
Total net position	<u>28,448,831</u>	<u>13,576,736</u>	<u>17,133,860</u>	<u>477,214</u>	<u>222,826</u>	<u>59,859,467</u>	<u>1,397,343</u>
Total liabilities, deferred inflows of resource, and net position	<u>\$ 29,879,202</u>	<u>14,011,952</u>	<u>17,133,860</u>	<u>477,214</u>	<u>261,211</u>	<u>61,763,440</u>	<u>1,397,343</u>

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

Heber City Corporation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
Operating income:							
Charges for sales and service	\$ 1,545,140	985,325	-	46,707	238,912	2,816,084	-
Connection fees	20,998	6,282	-	-	-	27,280	-
Other operating income	577	-	-	-	-	577	-
Total operating revenue	<u>1,566,715</u>	<u>991,607</u>	<u>-</u>	<u>46,707</u>	<u>238,912</u>	<u>2,843,941</u>	<u>-</u>
Operating expenses:							
Personnel services	869,899	445,934	-	-	92,215	1,408,048	-
Cost of sales	-	-	-	27,977	-	27,977	-
Utilities	113,722	23,814	-	-	12,366	149,902	-
Repair & maintenance	54,637	316,136	-	-	9,416	380,190	-
Other supplies & expenses	394,419	148,411	-	-	32,944	575,774	-
Depreciation expense	687,779	412,101	-	11,819	6,569	1,118,269	150,587
Total operating expense	<u>2,120,457</u>	<u>1,346,397</u>	<u>-</u>	<u>39,796</u>	<u>153,510</u>	<u>3,660,160</u>	<u>150,587</u>
Net operating income (loss)	<u>(553,742)</u>	<u>(354,790)</u>	<u>-</u>	<u>6,911</u>	<u>85,402</u>	<u>(816,219)</u>	<u>(150,587)</u>
Non-operating income (expense):							
Intergovernmental revenue	-	-	-	-	-	-	182,107
Impact fees	390,352	159,468	-	-	-	549,820	-
Sale of fixed assets	900,000	764,573	-	-	-	1,664,573	19,080
Interest income	27,481	8,941	-	1,213	789	38,424	3,424
Interest on long-term debt	(15,521)	-	-	-	-	(15,521)	-
Change in joint venture equity	-	-	340,812	-	-	340,812	-
Total non-operating income (expense)	<u>1,302,313</u>	<u>932,982</u>	<u>340,812</u>	<u>1,213</u>	<u>789</u>	<u>2,578,108</u>	<u>204,611</u>
Income (loss) before contributions	748,571	578,192	340,812	8,124	86,190	1,761,890	54,024
Capital contributions	994,074	169,591	-	-	-	1,163,665	-
Transfers in (out)	-	-	-	-	-	-	200,000
Change in net position	1,742,645	747,783	340,812	8,124	86,190	2,925,555	254,024
Net position - beginning, restated	26,706,186	12,828,953	16,793,048	469,090	136,636	56,933,913	1,143,319
Net position - ending	<u>\$ 28,448,831</u>	<u>13,576,736</u>	<u>17,133,860</u>	<u>477,214</u>	<u>222,826</u>	<u>59,859,467</u>	<u>1,397,343</u>

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

Heber City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
Cash flows from operating activities:							
Cash received from customers - service	\$ 1,560,015	988,968	-	30,000	238,281	2,817,264	-
Cash paid to suppliers	(349,259)	(285,322)	-	-	(55,113)	(689,694)	(16,042)
Cash paid to employees	(880,852)	(454,743)	-	-	(92,171)	(1,427,766)	-
Net cash provided (used) in operating activities	<u>329,904</u>	<u>248,903</u>	<u>-</u>	<u>30,000</u>	<u>90,997</u>	<u>699,804</u>	<u>(16,042)</u>
Cash flows from noncapital financing activities:							
Transfers in	-	-	-	-	-	-	200,000
Net cash provided (used) in noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Cash flows from capital and related financing activities:							
Cash from intergovernmental revenues	-	-	-	-	-	-	182,107
Cash from impact fees	390,352	159,468	-	-	-	549,820	-
Cash from sale of fixed assets	900,000	764,573	-	-	-	1,664,573	19,080
Cash payments for capital assets	(844,025)	(318,579)	-	-	(23,933)	(1,186,537)	(287,057)
Cash payments for long-term debt	(107,000)	-	-	-	-	(107,000)	-
Cash payments for long-term debt interest	(15,842)	-	-	-	-	(15,842)	-
Net cash provided (used) in capital and related financing activities	<u>323,485</u>	<u>605,462</u>	<u>-</u>	<u>-</u>	<u>(23,933)</u>	<u>905,015</u>	<u>(85,870)</u>
Cash flows from investing activities:							
Cash received from interest earned	27,481	8,941	-	1,213	789	38,424	3,424
Net cash provided (used) in investing activities	<u>27,481</u>	<u>8,941</u>	<u>-</u>	<u>1,213</u>	<u>789</u>	<u>38,424</u>	<u>3,424</u>
Net increase (decrease) in cash	680,871	863,306	-	31,213	67,853	1,643,242	101,512
Cash balance, beginning	3,432,308	2,373,133	-	151,539	91,170	6,048,151	561,247
Cash balance, ending	<u>\$ 4,113,178</u>	<u>3,236,439</u>	<u>-</u>	<u>182,753</u>	<u>159,023</u>	<u>7,691,392</u>	<u>662,759</u>
Cash reported on the balance sheet:							
Cash and cash equivalents	\$ 1,181,655	2,038,700	-	182,753	159,023	3,562,130	662,759
Non-current restricted cash	2,931,523	1,197,739	-	-	-	4,129,263	-
Total cash and cash equivalents	<u>\$ 4,113,178</u>	<u>3,236,439</u>	<u>-</u>	<u>182,753</u>	<u>159,023</u>	<u>7,691,392</u>	<u>662,759</u>

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

Heber City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2015

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

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
Net operating income (loss)	\$ (553,742)	(354,790)	-	6,911	85,402	(816,219)	(150,587)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:							
Depreciation and amortization	687,779	412,101	-	11,819	6,569	1,118,269	150,587
Changes in assets and liabilities:							
(Increase) decrease in receivables	(9,200)	(2,639)	-	(16,707)	(631)	(29,177)	-
(Increase) decrease in inventory	-	-	-	27,977	-	27,977	-
(Increase) decrease in non-current assets	(779)	(380)	-	-	(89)	(1,248)	-
(Increase) decrease in deferred outflows	(9,678)	(4,716)	-	-	(1,111)	(15,505)	-
Increase (decrease) in payables	172,806	177,441	-	-	(3,579)	346,668	(16,042)
Increase (decrease) in customer deposits	2,500	-	-	-	-	2,500	-
Increase (decrease) in compensated absences	7,252	5,821	-	-	652	13,725	-
Increase (decrease) in deferred inflows	32,964	16,065	-	-	3,784	52,813	-
Net cash provided (used) in operating activities	<u>\$ 329,904</u>	<u>248,903</u>	<u>-</u>	<u>30,000</u>	<u>90,997</u>	<u>699,804</u>	<u>(16,042)</u>
Noncash financing and investing transactions:							
Developer contributions	\$ 994,074	169,591	-	-	-	1,163,665	-
Change in equity in joint venture	-	-	340,812	-	-	340,812	-

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Heber City Corporation (the City), a municipal corporation located in Wasatch County, Utah, operates under a Six Member-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

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

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

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

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

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

Policy regarding use of restricted resources

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental fund:

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

The *airport capital projects* fund is used to account for financial resources of capital projects related to the airport.

The *capital projects fund* is used to account for financial resources for capital projects of the City not accounted for through other funds.

Proprietary funds

The City reports the following major proprietary funds:

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

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

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

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

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

1-E-1. Deposit and Investments

All of the City's deposits are in demand deposit accounts, in accounts with the Utah Public Treasurers Investments Fund or with marketable securities with maturities of three years or less managed by Zions Wealth Advisors. Deposits are reported at cost, which approximates fair value. Additional information is contained in Note 3.

1-E-2. Cash and Cash Equivalents

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

1-E-3. Receivables and Payables

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

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

1-E-4. *Restricted Assets*

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

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

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

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories consist of immaterial amounts of expendable supplies for consumption and so no inventory balance is reported.

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

1-E-6. *Capital Assets*

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

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

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-6. Capital Assets (continued)

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

Assets	Years
Buildings	20-50
Improvements	7-50
Infrastructure	7-50
Machinery and equipment	5-15

1-E-7. Long-term Obligations

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

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

1-E-8. Compensated absences

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

1-E-9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10. Fund Equity

Government-wide Financial Statements

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-10. Fund Equity (continued)

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are reported as deferred inflows. The City also reports deferred inflows related to pensions as required by GASB 68.

1-E-12. *Estimates*

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

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

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

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the 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 are prepared on the modified accrual basis of accounting. Encumbrances are not used.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2015 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 200
Demand deposits - checking	3,155,934
Investment in marketable securities	5,073,828
Deposits - PTIF	<u>16,490,358</u>
Total cash	<u>\$ 24,720,320</u>

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

Cash and cash equivalents (current)	\$ 13,228,329
Restricted cash and cash equivalents (non-current)	<u>11,491,992</u>
Total cash and cash equivalents	<u>\$ 24,720,320</u>

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

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

The City also invests with Zions Wealth Advisors who invests in money market funds and short and intermediate-term fixed income securities (including taxable, tax-exempt or tax advantaged). Zions Wealth Advisors meets the requirements of the Utah Money Management Act. The City's investment policy allows for the purchase of investments that have a maturity date of less than three years. As of June 30, 2015, the average adjusted maturity was less than two years.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-A. Deposits and investments (continued)

Deposit and Investment Risk

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

Interest rate risk

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

Credit risk

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

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2015, \$3,075,366 of the City's demand deposits of \$3,325,366 were uninsured and uncollateralized.

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

Concentration of credit risk

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

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of June 30, 2015 for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Customers, current	\$ -	292,591	292,591
Property taxes receivable	1,241,788	-	1,241,788
Due from other governments	3,519,214	-	3,519,214
Other receivables	59,544	74,152	133,696
Total receivables	4,820,545	366,743	5,187,289
Allowance for uncollectibles	-	(10,000)	(10,000)
Net receivables	<u>\$ 4,820,545</u>	<u>356,743</u>	<u>5,177,289</u>

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirement	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 16,221,548	7,905	440,046	15,789,407
Construction in progress	236,336	7,684,754	218,727	7,702,363
Total capital assets, not being depreciated	16,457,884	7,692,659	658,773	23,491,770
Capital assets, being depreciated:				
Building	2,218,080	108,205	-	2,326,285
Improvements other than buildings	51,397,113	242,372	20,587	51,618,898
Machinery and equipment	3,049,994	353,258	293,539	3,109,713
Total capital assets, being depreciated	56,665,187	703,835	314,126	57,054,896
Less accumulated depreciation for:				
Building	662,374	47,999	-	710,373
Improvements other than buildings	20,857,851	1,975,798	12,227	22,821,422
Machinery and equipment	2,054,180	231,268	275,929	2,009,519
Total accumulated depreciation	23,574,405	2,255,065	288,156	25,541,314
Total capital assets being depreciated, net	33,090,782	(1,551,230)	25,970	31,513,582
Governmental activities capital assets, net	\$49,548,666	6,141,429	684,743	55,005,352

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

Governmental activities:	
General government	\$ 29,216
Public safety	43,056
Public works	1,630,910
Parks and recreation	45,808
Cemetery	23,632
Airport	331,856
Internal service	150,587
Total	\$ 2,255,065

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital Assets (continued)

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

	Beginning Balance	Additions	Retirement	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 696,428	-	138,667	557,761
Water shares	7,678,650	537,186	-	8,215,836
Construction in progress	546,796	753,267	1,237,883	62,180
Total capital assets, not being depreciated	8,921,874	1,290,453	1,376,550	8,835,777
Capital assets, being depreciated:				
Buildings	1,074,297	-	-	1,074,297
Water system	22,113,331	1,559,133	-	23,672,464
Sewer system	13,019,844	194,416	-	13,214,260
Airport infrastructure	354,580	-	-	354,580
Machinery and equipment	1,804,637	682,750	43,283	2,444,104
Total capital assets, being depreciated	38,366,689	2,436,299	43,283	40,759,705
Less accumulated depreciation for:				
Buildings	191,703	21,486	-	213,189
Water system	7,146,682	622,869	-	7,769,551
Sewer system	3,829,732	321,742	-	4,151,474
Airport infrastructure	65,006	11,819	-	76,825
Machinery and equipment	781,529	140,354	43,283	878,600
Total accumulated depreciation	12,014,652	1,118,270	43,283	13,089,639
Total capital assets being depreciated, net	26,352,037	1,318,029	-	27,670,066
Business-type activities capital assets, net	\$ 35,273,911	2,608,482	1,376,550	36,505,843

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

Business-type activities:	
Water	\$ 687,779
Sewer	412,102
Airport hangars	11,819
Utility	6,570
Total	\$ 1,118,270

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term debt

<u>Governmental activities:</u>	Original Principal	% Rate	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
2011 Copier Lease							
Matures 11/4/2015	\$ 7,929	3.07	\$ 2,507	-	1,659	848	848
2011 Sales Tax Revenue							
Matures 10/15/2016	1,400,000	1.27-2.12	852,000	-	279,000	573,000	284,000
2014 Sales Tax Revenue							
Matures 3/1/2045	6,700,000	1.5	-	6,700,000	-	6,700,000	178,000
Compensated absences			252,322	164,525	130,393	286,454	107,070
Total governmental activity							
 long-term liabilities			\$1,106,829	6,864,525	411,052	7,560,302	569,918

The 2011 Sales Tax Bonds were used to prepay all of the City's outstanding bonds and to make road improvements within the City. The City pledges income derived from sales tax to repay the revenue bonds. Annual principal and interest payments are expected to require approximately sixteen percent of the sales tax revenue. Although sales tax has been pledged, it is the City's practice to fund the debt service on this bond with Class C Road fund monies.

The 2014 Sales Tax Bonds were issued for the construction of the new public safety building. The City pledges income derived from sales tax to repay the revenue bonds. The revenue stream related to each type of bond is pledged through the maturity of the bond.

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

	Principal	Interest	Total
2016	462,848	109,107	571,955
2017	470,000	100,893	570,893
2018	184,000	95,115	279,115
2019	187,000	92,355	279,355
2020	189,000	89,550	278,550
2021-2025	990,000	404,325	1,394,325
2026-2030	1,067,000	327,810	1,394,810
2031-2035	1,149,000	245,355	1,394,355
2036-2040	1,238,000	156,540	1,394,540
2041-2045	1,337,000	60,765	1,397,765
Total	\$7,273,848	1,681,815	8,955,663

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-D. Long-term debt (continued)

	Original Principal	% Rate	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
business-type activities:							
2013 Water Revenue Matures 11/4/2015	\$900,000	.90 - 2.75	\$ 900,000	-	107,000	793,000	108,000
Compensated absences			123,275	66,156	52,431	137,000	41,729
total business-type activity long-term liabilities			\$1,023,275	66,156	159,431	930,000	149,729

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

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

	Principal	Interest	Total
2016	108,000	14,793	122,793
2017	109,000	13,518	122,518
2018	110,000	11,929	121,929
2019	112,000	9,957	121,957
2020	115,000	7,571	122,571
2021-2022	239,000	6,466	245,466
Total	\$ 793,000	64,234	857,234

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-E. Operating transfer reconciliation

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 22,013	1,450,000
Debt Service Fund	292,203	-
Capital Projects Fund	1,250,000	-
Streets Fund	107,146	-
Class C Road Fund	-	292,203
Transportation Tax Fund	-	107,146
Internal Service Fund	200,000	-
Permanent Fund	-	22,013
	\$ 1,871,362	1,871,362

The Class C road fund transferred \$292,023 to the Debt Service Fund to cover the costs of bond payments. The General Fund transferred \$1,250,000 to the Capital Projects Fund for future capital projects and \$200,000 to the Internal Service Fund for future capital purchases. \$107,146 was transferred from the Transportation Tax Fund to the Capital Projects-Streets Fund for street projects. \$22,013 was transferred from the Permanent Fund to the General Fund for construction of a storage building at the cemetery.

NOTE 4 - OTHER INFORMATION

4-A. Risk management

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

4-B. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 30, 2015, the date the financial statements were available to be used.

4-C. Investment in Joint Venture

Heber Light & Power Company

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4-C. Investment in Joint Venture (continued)

- a. Participants and their percentage shares were: Heber City, 75.0%; Charleston, 12.5%; and Midway, 12.5%.
- b. The utility is governed by the Power Board which is selected from the Mayor and City Council of the participating municipalities.
- c. The Power Board governs the operations of the utility through management employed by the Board. Since the utility is subject to the same laws as the creating entities, it must follow state law for cities in the areas of fiscal management, budgeting, and financing. As the governing board is made up of the participants' mayors and appointees from the city councils, each participant has indirect control over these matters.
- d. Summary financial information, as of the joint venture's last year end of December 31, 2014 is as follows:

	Heber Light and Power	Heber City's Share
Total assets	\$ 37,984,223	28,488,167
Total liabilities	15,139,076	11,354,307
Net position	22,845,147	17,133,860
Total operating revenues	15,578,146	11,683,610
Cost of sales	8,817,110	6,612,833
Gross profit	6,761,036	5,070,777
Operating expenses	7,200,078	5,400,059
Net operating income (loss)	(439,042)	(329,282)
Non-operating income	45,519	34,139
Non-operating expense	(511,985)	(383,989)
Loss before contributions	(905,508)	(679,131)
Impact fees	571,682	428,762
Capital contributed by developers	1,088,243	816,182
Less withdrawals	(300,000)	(225,000)
Change in net position	\$ 454,417	340,813

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

Revenue bonds	\$ 9,170,000
Capital lease payable	2,334,867
Unamortized bond premiums	182,508
Compensated absences	154,808
Termination benefits	558,952
Other post employment benefits	534,985
Cat escrow account	6,579
	12,942,699
Less current portion	(546,255)
Net long-term debt	\$ 12,396,444

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

Heber City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan

Plan description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.

The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing multiple-employer retirement system.

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 year any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

Heber City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan (continued)

* with actuarial reductions

** All past-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

<u>Utah Retirement Systems</u>	Employee Paid	Pay by Employer for Employee	Employer Contribution Rates
Contribution System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2014, we reported a net pension asset of \$8,430 and a net pension liability of \$1,443,335.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1908641%	\$ -	\$ 828,777
Public Safety System	0.4886821%	\$ -	\$ 614,558
Tier 2 Public Employees System	0.0765151%	\$ 2,319	\$ -
Tier 2 Public Safety and Firefighter System	0.4130641%	\$ 6,111	\$ -
Total Net Pension Asset/Liability		<u>\$ 8,430</u>	<u>\$ 1,443,335</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

Heber City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4-D. General Information about the Pension Plan (continued)

For the year ended December 31, 2014, we recognized pension expense of \$414,325. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 199	\$ 88,853
Changes in assumptions	\$ -	\$ 164,640
Net difference between projected and actual earnings on pension plan investments	\$ 33,912	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 320,333	\$ -
Total	\$ 354,444	\$ 253,493

\$320,333 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2015	\$ (60,268)
2016	\$ (60,268)
2017	\$ 960,268
2018	\$ (35,813)
2019	\$ (423)
Thereafter	\$ (2,339)

Actuarial assumptions:

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, Including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumption are highlighted in the table below.

Heber City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan (continued)

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	31.50%	0.57%
Cash and cash equivalents	0	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Heber City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan (continued)

Discount rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	\$ 3,567,213	\$ 1,434,905	\$ (320,807)

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

4-E. Prior period adjustments

The requirement to apply GASB 68 this fiscal year resulted in adjustments to the prior period net positions. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources, and if applicable, a Net Pension Asset.

In addition, the City failed to remit the correct amount of Justice Court security surcharges to the State in prior years. As a result, a prior period adjustment has been recorded to report as an accrued liability the amount yet to be remitted.

The results to beginning net positions are as follows:

	Governmental Activities	Business-type Activities			
	General Fund	Water Fund	Sewer Fund	Utility Fund	Total
Net position - beginning	\$ 57,833,549	26,907,507	12,927,064	159,744	97,827,864
GASB 68 adjustments	(1,225,617)	(201,321)	(98,111)	(23,108)	(1,548,157)
Security surcharge adjustment	(105,290)	-	-	-	(105,290)
Net position - beginning, restated	\$ 56,502,642	26,706,186	12,828,953	136,636	96,174,417

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Heber City Corporation
Notes to Required Supplementary Information
June 30, 2015

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2015, spending for all departments was within the appropriated budget.

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

For the Year Ended June 30, 2015

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 4,815,500	4,897,111	5,312,840	415,729
Licenses and permits	508,250	528,250	627,574	99,324
Intergovernmental revenues	609,197	609,197	662,282	53,085
Charges for services	260,300	260,300	299,736	39,436
Fines and forfeitures	436,000	436,000	277,192	(158,808)
Interest	23,300	23,300	31,632	8,332
Miscellaneous revenue	2,000	1,255,000	1,320,756	65,756
Total revenues	<u>6,654,547</u>	<u>8,009,158</u>	<u>8,532,013</u>	<u>522,855</u>
Expenditures				
General government	1,781,375	1,916,825	1,752,318	164,507
Public safety	2,736,780	2,755,941	2,688,298	67,643
Public works	1,118,700	1,118,700	620,065	498,635
Parks and recreation	271,960	271,960	234,976	36,984
Cemetery	342,950	342,950	289,517	53,433
Airport	87,550	87,550	76,210	11,340
Total expenditures	<u>6,339,315</u>	<u>6,493,926</u>	<u>5,661,385</u>	<u>832,541</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	315,232	1,515,232	2,870,628	1,355,396
Other Financing Sources and (Uses)				
Heber Light and Power dividend	225,000	225,000	281,250	56,250
Transfers in (out)	(597,203)	(1,837,203)	(1,827,335)	9,868
Total Other Financing Sources and (Uses)	<u>(372,203)</u>	<u>(1,612,203)</u>	<u>(1,546,085)</u>	<u>66,118</u>
Net Change in Fund Balances	(56,971)	(96,971)	1,324,542	1,421,513
Fund Balances - beginning of year	3,411,515	3,411,515	3,411,515	-
Fund Balances - end of year	<u>\$ 3,354,544</u>	<u>3,314,544</u>	<u>4,736,058</u>	<u>1,421,513</u>

Heber City Corporation
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	0.1908641 %	0.4886821 %	0.0765151 %	0.4130641 %
Proportionate share of the net pension liability (asset)	\$ 828,777	\$ 614,558	\$ (2,319)	\$ (6,111)
Covered employee payroll	\$ 1,547,653	\$ 670,715	\$ 375,680	\$ 171,002
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.6 %	91.6 %	-0.6 %	-3.6 %
Plan fiduciary net position as a percentage of the total pension liability	90.2 %	90.5 %	103.5 %	120.5 %

* In accordance with paragraph 81.a of GASB 68, employees will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

Heber City Corporation
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	<u>Noncontributory System</u>	<u>Public Safety System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Contractually required contribution	\$ 299,985	\$ 240,703	\$ 31,568	\$ 18,612
Contributions in relation to the contractually required contribution	<u>\$ (299,985)</u>	<u>\$ (240,703)</u>	<u>\$ (31,568)</u>	<u>\$ (18,612)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 1,547,653	\$ 670,715	\$ 375,680	\$ 171,002
Contributions as a percentage of covered- employee payroll **	19.38 %	35.89 %	8.40 %	10.88 %

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above is only for the current year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

Heber City Corporation
Notes to Required Supplementary Information
Utah Retirement Systems
For the Year Ended June 30, 2015

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for information purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

Defined Contribution System

	Employee Paid <u>Contributions</u>	Employer Paid <u>Contributions</u>
401(k) Plan	\$ 38,128	\$ 49,986
457 Plan	23,720	-
Roth IRA Plan	1,430	-
Traditional IRA Plan	-	-
HRA Plan	-	-

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

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Heber City Corporation
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Debt Service	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	709,024	-	373,240	-	-	1,082,264
Due from other governments	-	-	-	236,818	-	-	236,818
Restricted cash and cash equivalents	1,380	-	86,020	1,541,871	350,815	245,091	2,225,178
TOTAL ASSETS	1,380	709,024	86,020	2,151,929	350,815	245,091	3,544,260
LIABILITIES							
Accrued liabilities	-	750	-	19,221	-	10,763	30,734
TOTAL LIABILITIES	-	750	-	19,221	-	10,763	30,734
FUND BALANCES:							
Nonspendable:							
Perpetual care	-	-	-	-	-	234,328	234,328
Prepaid assets	-	-	-	236,818	-	-	236,818
Restricted for:							
Impact fees	-	-	86,020	1,895,890	350,815	-	2,332,726
Debt service	1,380	-	-	-	-	-	1,380
Assigned for:							
Capital projects	-	708,274	-	-	-	-	708,274
TOTAL FUND BALANCES	1,380	708,274	86,020	2,132,708	350,815	234,328	3,513,526
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,380	709,024	86,020	2,151,929	350,815	245,091	3,544,260

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

Heber City Corporation
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2015

	Debt Service	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:							
Charges for services	\$ -	-	-	-	-	26,004	26,004
Interest	207	4,707	571	11,822	2,307	1,614	21,227
Total revenues	207	4,707	571	11,822	2,307	27,618	47,231
EXPENDITURES:							
Public works	-	-	-	91,858	-	-	91,858
Parks and recreation	-	750	-	-	-	-	750
Capital outlay	-	-	-	378,604	33,660	-	412,264
Debt service:							
Principal	280,659	-	-	-	-	-	280,659
Interest	13,261	-	-	-	-	-	13,261
Total expenditures	293,919	750	-	470,462	33,660	-	798,792
Excess (Deficiency) of Revenues over (Under) Expenditures	(293,713)	3,957	571	(458,641)	(31,353)	27,618	(751,561)
Other Financing Sources and (Uses):							
Impact fees	-	-	-	308,043	69,600	-	377,643
Transfers in	292,203	-	-	107,146	-	-	399,349
Transfers (out)	-	-	-	-	-	(22,013)	(22,013)
Total other financing sources and (uses)	292,203	-	-	415,189	69,600	(22,013)	754,978
Net Change in Fund Balances	(1,510)	3,957	571	(43,452)	38,247	5,604	3,418
Fund balances - beginning of year	2,890	704,317	85,449	2,176,160	312,569	228,723	3,510,108
Fund balances - end of year	\$ 1,380	708,274	86,020	2,132,708	350,815	234,328	3,513,526

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

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HEBER CITY CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor Number</u>	<u>Expended</u>
U.S. Department of Transportation			
Direct:			
Airport Improvement Program	20.106	-	<u>\$ 2,904,124</u>
U.S. Department of Interior			
Passed Through Utah Department of Heritage and Arts			
Historic Preservation Fund	15.904	142249	10,000
Historic Preservation Fund	15.904	151198	<u>7,735</u>
Total U.S. Department of Interior			<u>17,735</u>
U.S. Department of Homeland Security			
Passed Through Utah Division of Emergency Managemen			
Pre-Disater Mitigation	97.047		<u>3,675</u>
Total Federal Awards Expended			<u><u>\$ 2,925,534</u></u>

HEBER CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal programs of Heber City. The City reporting entity is defined in Note 1 to the City's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial assistance passed through from other agencies are included in the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the City's basic financial statements.



**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**

City Council
Heber City Corporation
Heber City, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Heber City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Heber City’s basic financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Heber City’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 of 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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
December 30, 2015



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

City Council
Heber City Corporation
Heber City, Utah

Report on Compliance for Each Major Federal Program

We have audited Heber City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Heber City's major federal programs for the year ended June 30, 2015. Heber City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Heber City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Heber City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Heber City's internal control over compliance with the types of requirements that could

have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heber City's internal control over compliance.

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

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

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

Gilbert & Stewart

Gilbert & Stewart, CPA PC
December 30, 2015

HEBER CITY CORPORATION
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

No matters were reported in the prior year.

HEBER CITY CORPORATION
Schedule of Findings and Questioned Costs
Year ending June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

-Material weaknesses identified? Yes No

-Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

-Material weaknesses identified? Yes No

-Significant deficiencies identified that are not considered to be material weakness(es)? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

2. FINANCIAL STATEMENT FINDINGS

No matters were identified.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were identified.



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE ON: COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS COMPLIANCE FOR EACH MAJOR STATE PROGRAM INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF STATE AWARDS*

Honorable Mayor and City Council
Heber City Corporation
Heber City, Utah

REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND FOR EACH MAJOR STATE PROGRAM

We have audited Heber City's compliance with 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 Heber City or each of its major state programs for the year ended June 30, 2015.

State compliance requirements were tested for the year ended June 30, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Restricted Taxes
- Open & Public Meetings Act
- Cash Management
- Nepotism

The City received state funding from the following programs classified as major programs for the year ended June 30, 2015:

- B&C Road Funds (Department of Transportation)
- Community Impact Board (Division of Housing and Community Development)

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 Heber City'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 or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Heber City complied, in all material respects, with the compliance requirements identified above that could have a direct and material effect on the City or on its major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in a separate letter of communication with those charged with governance dated December 30, 2015. Our opinion on compliance is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in a separate letter of communication with those charged with governance. The City'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 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's internal control over compliance with the compliance requirements that could have a direct and material effect on the City 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'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.

REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Heber City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC
December 30, 2015

Heber City
Schedule of Expenditures of State Grants, Contracts, and Loan Funds
For the Year Ended June 30, 2015

<u>Grant Name</u>	<u>Award/Contract # (if applicable)</u>	<u>Year of Last Audit</u>	<u>Expenditures</u>
<u>Division of Housing and Community Development</u>			
Community Impact Board		2015	\$ 3,823,669
Subtotal -- Division of Housing and Community Development			\$ 3,823,669
<u>Department of Transportation</u>			
B&C Roads		2015	\$ 319,437
Airport Expansion			150,077
Subtotal – Department of Transportation			\$ 469,514
<u>Department of Alcoholic Beverage Control</u>			
State Liquor Funds Allotment			\$ 21,326
Subtotal – Department of Alcoholic Beverage Control			\$ 21,326
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES			\$ 4,314,509