

Heber City Corporation
Wasatch County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

Heber City Corporation
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 June 30, 2013

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 10, 2013

Honorable Mayor
Members of the City Council
Heber City, Utah

Council Members:

Report on the Financial Statements

I 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, Utah (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heber City, Utah's financial statements taken as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements 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 my opinion, the combining nonmajor fund financial statements 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*, I have also issued a report dated December 10, 2013, on my consideration of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is written in a cursive style with a large, stylized "G" and "O".

Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Heber City Corporation
Management's Discussion and Analysis
June 30, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$5,223,070.
- *Total unrestricted net position for the City as a whole decreased by \$911,163.
- *Total net position for governmental activities increased by \$2,999,181.
- *Total net position for business-type activities increased by \$2,223,889.

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, 2013

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

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

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

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

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

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

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

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

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

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

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

Heber City Corporation
Management's Discussion and Analysis
June 30, 2013

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	\$ 10,684,213	10,136,834	22,827,493	22,759,460	33,511,706	32,896,294
Net capital assets	50,328,925	47,856,728	34,574,637	31,863,010	84,903,562	79,719,738
Total assets	<u>61,013,137</u>	<u>57,993,562</u>	<u>57,402,130</u>	<u>54,622,470</u>	<u>118,415,268</u>	<u>112,616,032</u>
Long-term liabilities	1,132,116	1,372,765	-	-	1,132,116	1,372,765
Other liabilities	1,816,931	1,587,616	642,638	86,867	2,459,568	1,674,483
Deferred inflow of resources	831,359	799,630	-	-	831,359	799,630
Total liabilities and deferred inflow	<u>3,780,406</u>	<u>3,760,011</u>	<u>642,638</u>	<u>86,867</u>	<u>4,423,043</u>	<u>3,846,878</u>
Net position:						
Net investment in capital assets	49,196,809	46,451,052	34,574,637	31,863,010	83,771,446	78,314,062
Restricted	3,649,085	3,639,410	19,930,703	19,263,527	23,579,787	22,902,937
Unrestricted	4,386,838	4,143,089	2,254,153	3,409,066	6,640,991	7,552,155
Total net position	<u>\$ 57,232,732</u>	<u>54,233,551</u>	<u>56,759,493</u>	<u>54,535,603</u>	<u>113,992,224</u>	<u>108,769,154</u>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities and deferred inflow of resources at the close of the year by \$113,992,225, an increase of \$5,223,071 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 \$6,640,991, which represents a decrease of \$911,163 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, 2013

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	\$ 1,509,933	1,433,305	2,965,713	2,172,004	4,475,646	3,605,309
Operating grants	19,733	18,196	-	-	19,733	18,196
Capital grants	2,902,902	2,432,598	2,055,641	1,722,903	4,958,543	4,155,501
General revenues:						
Property taxes	892,054	836,876	-	-	892,054	836,876
Sales tax	2,527,717	2,278,591	-	-	2,527,717	2,278,591
Other taxes	780,523	752,385	-	-	780,523	752,385
Other revenues	333,918	62,595	32,227	42,058	366,145	62,595
Change in joint venture equity	-	-	691,527	634,285	691,527	634,285
Total revenues	<u>8,966,781</u>	<u>7,814,546</u>	<u>5,745,108</u>	<u>4,571,250</u>	<u>14,711,889</u>	<u>12,385,796</u>
Expenses:						
General government	1,390,269	1,337,757	-	-	1,390,269	1,337,757
Public safety	2,215,165	1,953,018	-	-	2,215,165	1,953,018
Public works	1,429,913	1,792,877	-	-	1,429,913	1,792,877
Parks and recreation	202,081	186,877	-	-	202,081	186,877
Cemetery	230,279	219,741	-	-	230,279	219,741
Airport	479,598	399,725	-	-	479,598	399,725
Interest on long-term debt	20,296	35,445	-	-	20,296	35,445
Water	-	-	1,808,868	1,581,473	1,808,868	1,581,473
Sewer	-	-	1,160,174	1,082,014	1,160,174	1,082,014
Airport hangars	-	-	440,555	33,554	440,555	33,554
Utility	-	-	111,622	-	111,622	-
Total expenses	<u>5,967,600</u>	<u>5,925,460</u>	<u>3,521,219</u>	<u>2,697,041</u>	<u>9,488,819</u>	<u>8,522,501</u>
Change in net position	<u>\$ 2,999,181</u>	<u>1,889,086</u>	<u>2,223,889</u>	<u>1,874,209</u>	<u>5,223,070</u>	<u>3,763,295</u>

For the City as a whole, total revenues increased by \$2,326,093 compared to the previous year, while total expenses increased by \$966,318. The total net change of \$5,223,070 is, in private sector terms, the net income for the year which is \$1,459,775 more than the previous year's net change (net income).

Governmental activities revenues of \$8,966,781 is \$1,152,235 more than the previous year. Revenues from capital grants and contributions made up most of this increase. Governmental activities expenses of \$5,967,600 is \$42,140 more than the previous year.

Business-type activities revenue of \$5,745,108 is \$1,173,858 more than the previous year. Revenues from charges for services increased significantly during the year. Business-type activities expenses of \$3,521,219 were more than the previous year by \$824,178. All business-type expenses increased during the year, with the biggest increase occurring in the airport hangars fund.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2013

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$3,307,363 reflects an increase of \$820,396 from the previous year. Total revenues decreased by \$866,048. In the prior year bond proceeds were received in the amount of \$1,400,000, while no bond proceeds were received in the current year. Tax revenues, including property taxes and sales taxes increased by \$335,037. Intergovernmental revenues decreased by \$3,865. Charges for services increased by \$122,912. All other revenues increased by \$90,196.

Total expenditures decreased by \$2,418,659. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government increased by \$38,888, public safety decreased by \$317,249, streets and highways increased by \$57,082, parks and recreation increased by \$31,919, cemetery increased by \$24,281, and airport increased by \$6,691. Capital outlay expenditures decreased by \$2,894,769. Transfers out were made to other funds for \$576,757.

Nonspendable fund balance for the prepaid assets amounts to \$1,008. Fund balance restricted for Class C roads and transportation tax amount to \$1,001,370 and \$382,322, respectively. The unassigned fund balance is \$1,922,663.

Water Fund

Net operating loss for the year was \$478,143 compared to the previous year amount of \$326,585. The change in net position (net income) was \$907,077, compared to the previous year's amount of \$895,129. The amount restricted for impact fees is \$1,962,940. Unrestricted net position amounts to \$729,988.

Sewer Fund

Net operating loss for the year was \$280,001, compared to the previous year's loss of \$202,370. The change in net position (net income) was \$420,768, compared to the previous year's amount of \$340,606. Unrestricted net position amounts to \$1,361,423.

Airport Hangar Sales Fund

Net operating income for the year was \$99,958 compared to the previous year amount \$11,690. The change in net position (net income) was \$96,793 compared to the previous year's amount of \$4,189. Unrestricted net position amounts to \$86,614.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of previous year appropriations, were originally budgeted in the amount of \$5,450,054. This amount was amended during the year to \$5,747,054. Actual revenues amounted to \$6,262,584, which was \$515,530 more than budget.

Expenditures for the current year, exclusive of transfers out, were originally budgeted in the amount of \$5,382,480. This amount was amended during the year to \$5,454,480. Actual expenditures amounted to \$4,865,431, which was \$589,049 under the budgeted amount.

Transfers out of \$592,928 were budgeted, while actual transfers out amounted to \$576,757.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2013

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 and rights	\$ 16,091,948	15,842,943	696,428	696,428	16,788,376	16,539,371
Water shares and rights	-	-	7,391,970	7,259,520	7,391,970	7,259,520
Buildings	2,218,080	2,218,080	1,074,297	1,074,297	3,292,376	3,292,376
Improvements	50,722,653	47,800,224	-	-	50,722,653	47,800,224
Water system	-	-	21,259,707	19,952,845	21,259,707	19,952,845
Sewer system	-	-	12,675,878	11,667,474	12,675,878	11,667,474
Airport hangars	-	-	354,580	354,580	354,580	354,580
Utility fund assets	-	-	32,111	-	32,111	-
Machinery and equipment	2,825,783	2,394,508	1,669,353	894,224	4,495,136	3,288,731
Construction in progress	-	-	417,393	-	417,393	-
Total Capital Assets	<u>71,858,464</u>	<u>68,255,755</u>	<u>45,571,716</u>	<u>41,899,367</u>	<u>117,430,180</u>	<u>110,155,121</u>
 Less Accumulated Depreciation	 (21,529,539)	 (20,399,027)	 (10,997,079)	 (10,036,358)	 (32,526,618)	 (30,435,385)
 Net Capital Assets	 <u>\$ 50,328,925</u>	 <u>47,856,728</u>	 <u>34,574,637</u>	 <u>31,863,008</u>	 <u>84,903,562</u>	 <u>79,719,736</u>

The total amount of capital assets, net of depreciation, of \$84,903,562 has increased by \$5,183,826 from the previous year.

Governmental activities capital assets, net of depreciation, of \$50,328,925 represents an increase of \$2,472,197 from the previous year.

Business-type activities capital assets, net of depreciation, of \$34,574,637 increased during the year by \$2,711,629.

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

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

Heber City Corporation
Management's Discussion and Analysis
 June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Heber City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2011 Sales Tax Revenue	\$ 1,128,000	1,400,000
2011 Copier Lease	4,116	5,676
Compensated absences	295,007	329,094
Total governmental	\$ 1,427,123	1,734,770
 Business-type activities:		
Compensated absences	\$ 32,866	29,350
Total business-type	32,866	29,350
 Total outstanding debt	\$ 1,459,989	1,764,120

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, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 5,258,352	2,423,662	7,682,014
Accounts receivable, net	1,345,768	421,907	1,767,675
Inventory	-	481,221	481,221
Internal balances	430,000	(430,000)	-
Prepaid expenses	1,008	-	1,008
Total current assets	<u>7,035,128</u>	<u>2,896,790</u>	<u>9,931,918</u>
Non-current assets:			
Restricted cash and cash equivalents	3,649,085	2,873,198	6,522,282
Capital assets:			
Not being depreciated	16,091,948	8,505,791	24,597,739
Net of accumulated depreciation	34,236,977	26,068,846	60,305,823
Investment in joint venture	-	17,057,505	17,057,505
Total non-current assets	<u>53,978,009</u>	<u>54,505,340</u>	<u>108,483,349</u>
Total assets	<u>\$ 61,013,137</u>	<u>57,402,130</u>	<u>118,415,268</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 1,517,924	599,176	2,117,100
Compensated absences liability	295,007	32,866	327,873
Accrued interest payable	4,000	-	4,000
Customer deposits	-	8,795	8,795
Unearned revenues	-	1,800	1,800
Long-term debt, current portion	277,609	-	277,609
Total current liabilities	<u>2,094,540</u>	<u>642,638</u>	<u>2,737,177</u>
Non-current liabilities:			
Long-term debt, non-current portion	854,507	-	854,507
Total non-current liabilities	<u>854,507</u>	<u>-</u>	<u>854,507</u>
Total liabilities	<u>2,949,047</u>	<u>642,638</u>	<u>3,591,684</u>
Deferred inflow of resources	831,359	-	831,359
Total liabilities and deferred inflow of resources	<u>3,780,406</u>	<u>642,638</u>	<u>4,423,043</u>
NET POSITION:			
Net investment in capital assets	49,196,809	34,574,637	83,771,446
Restricted:			
Investment in joint venture	-	17,057,505	17,057,505
Community improvements	3,441,735	2,873,198	6,314,933
Perpetual care endowment	203,044	-	203,044
Debt service	4,305	-	4,305
Unrestricted	4,386,838	2,254,153	6,640,991
Total net position	<u>57,232,732</u>	<u>56,759,493</u>	<u>113,992,224</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 61,013,137</u>	<u>57,402,130</u>	<u>118,415,268</u>

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, 2013

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 1,390,269	1,151,517	-	-	(238,752)
Public safety	2,215,165	117,167	19,733	8,842	(2,069,423)
Public works	1,429,913	70	-	2,648,572	1,218,729
Parks and recreation	202,081	680	-	54,290	(147,111)
Cemetery	230,279	103,375	-	-	(126,904)
Airport	479,598	137,124	-	191,199	(151,275)
Interest on long-term debt	20,296	-	-	-	(20,296)
Total governmental activities	<u>5,967,600</u>	<u>1,509,933</u>	<u>19,733</u>	<u>2,902,902</u>	<u>(1,535,032)</u>
Business-type activities:					
Water	1,808,868	1,330,725	-	1,369,502	891,359
Sewer	1,160,174	880,173	-	686,139	406,138
Airport hangar sales	440,555	536,300	-	-	95,745
Utility	111,622	218,515	-	-	106,893
Total business-type activities	<u>3,521,219</u>	<u>2,965,713</u>	<u>-</u>	<u>2,055,641</u>	<u>1,500,135</u>
Total primary government	<u>\$ 9,488,819</u>	<u>4,475,646</u>	<u>19,733</u>	<u>4,958,543</u>	<u>(34,897)</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, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (1,535,032)</u>	<u>1,500,135</u>	<u>(34,897)</u>
General revenues:			
Property taxes	892,054	-	892,054
Sales tax	2,527,717	-	2,527,717
Other taxes	780,523	-	780,523
Unrestricted investment earnings	54,516	32,227	86,744
Miscellaneous	279,402	-	279,402
Change in joint venture equity	-	691,527	691,527
Total general revenues	<u>4,534,213</u>	<u>723,754</u>	<u>5,257,967</u>
Change in net position	2,999,181	2,223,889	5,223,070
Net position - beginning	<u>54,233,551</u>	<u>54,535,603</u>	<u>108,769,154</u>
Net position - ending	<u>\$ 57,232,732</u>	<u>56,759,493</u>	<u>113,992,224</u>

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

Heber City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,693,167	1,989,373	4,682,539
Receivables:			
Property taxes	831,359	-	831,359
Due from other governments	381,261	12,675	393,935
Other receivables	120,474	-	120,474
Due from other funds	-	430,000	430,000
Prepaid expenses	1,008	-	1,008
Restricted cash and cash equivalents	1,383,692	2,265,393	3,649,085
TOTAL ASSETS	\$ 5,410,960	4,697,440	10,108,400
 LIABILITIES AND DEFERRED INFLOW OF RESOURCES			
Liabilities:			
Accounts payable	\$ 300,964	142,932	443,896
Accrued liabilities	971,274	-	971,274
Total liabilities	1,272,238	142,932	1,415,169
Deferred inflow of resources	831,359	-	831,359
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	2,103,597	142,932	2,246,528
 FUND BALANCES:			
Nonspendable:			
Prepaid assets	1,008	-	1,008
Perpetual care	-	203,044	203,044
Restricted for:			
Class C Roads	1,001,370	-	1,001,370
Transportation tax	382,322	-	382,322
Debt service	-	4,305	4,305
Impact fees	-	2,058,043	2,058,043
Assigned for:			
Capital projects	-	2,289,116	2,289,116
Unassigned	1,922,663	-	1,922,663
TOTAL FUND BALANCES	3,307,363	4,554,509	7,861,872
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 5,410,960	4,697,440	10,108,400

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, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property	\$ 892,054	-	892,054
Sales	2,527,717	-	2,527,717
Other taxes	780,523	-	780,523
Licenses and permits	519,689	-	519,689
Intergovernmental revenues	476,575	191,199	667,774
Charges for services	409,248	44,630	453,878
Fines and forfeitures	311,366	-	311,366
Interest	20,411	29,748	50,159
Miscellaneous revenue	100,000	171,510	271,510
Total revenues	<u>6,037,584</u>	<u>437,087</u>	<u>6,474,671</u>
EXPENDITURES:			
General government	1,322,853	-	1,322,853
Public safety	2,205,781	-	2,205,781
Public works	444,441	95,822	540,264
Parks and recreation	193,868	192	194,060
Cemetery	218,148	-	218,148
Airport	69,335	206,139	275,474
Capital outlay	411,005	804,293	1,215,298
Debt service:			
Principal	-	273,560	273,560
Interest	-	20,656	20,656
Total expenditures	<u>4,865,431</u>	<u>1,400,662</u>	<u>6,266,093</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>1,172,153</u>	<u>(963,575)</u>	<u>208,578</u>
Other Financing Sources and (Uses):			
Heber Light and Power dividend	225,000	-	225,000
Impact fees	-	285,442	285,442
Impact fees refunded	-	(156,239)	(156,239)
Transfer in (out)	(576,757)	576,757	-
Total other financing sources and (uses)	<u>(351,757)</u>	<u>705,960</u>	<u>354,203</u>
Net Change in Fund Balances	820,396	(257,615)	562,781
Fund balances - beginning of year	<u>2,486,967</u>	<u>4,812,124</u>	<u>7,299,091</u>
Fund balances - end of year	<u>\$ 3,307,363</u>	<u>4,554,509</u>	<u>7,861,872</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, 2013

Total Fund Balances for Governmental Funds	<u>\$ 7,861,872</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	69,965,638
Less accumulated depreciation	<u>(20,047,495)</u>
Net capital assets	<u>49,918,143</u>
Long-term debt, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
Long-term debt outstanding	<u>(1,132,116)</u>
Accrued interest payable	<u>(4,000)</u>
Compensated absences	<u>(295,007)</u>
One internal service fund is used by management to charge the cost of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.	
Internal service fund balance	<u>883,839</u>
Total Net Position of Governmental Activities	<u><u>\$ 57,232,731</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 562,781

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	1,215,298
Contributed fixed assets	2,125,658
Depreciation expense	<u>(1,133,305)</u>
Net	<u>2,207,651</u>

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

Long-term debt principal repayments 273,560

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

Change in accrued interest on long-term debt 360

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 34,087

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 (79,259)

Change in Net Position of Governmental Activities \$ 2,999,181

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

Heber City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
ASSETS:							
Current assets:							
Cash and cash equivalents	\$ 950,294	1,361,784	-	37,193	74,390	2,423,662	575,812
Accounts receivable, net	238,113	159,607	-	-	24,187	421,907	-
Inventory	-	-	-	481,221	-	481,221	-
Total current assets	<u>1,188,407</u>	<u>1,521,392</u>	<u>-</u>	<u>518,414</u>	<u>98,577</u>	<u>3,326,790</u>	<u>575,812</u>
Non-current assets:							
Restricted cash and cash equivalents	1,962,940	910,258	-	-	-	2,873,198	-
Capital assets:							
Not being depreciated	8,068,290	437,501	-	-	-	8,505,791	-
Net of accumulated depreciation	15,560,427	10,175,430	-	301,393	31,596	26,068,846	410,782
Other non-current assets	-	-17,057,505	-	-	-	-17,057,505	-
Total non-current assets	<u>25,591,656</u>	<u>11,523,189</u>	<u>17,057,505</u>	<u>301,393</u>	<u>31,596</u>	<u>54,505,340</u>	<u>410,782</u>
Total assets	<u>\$ 26,780,064</u>	<u>13,044,581</u>	<u>17,057,505</u>	<u>819,807</u>	<u>130,174</u>	<u>57,832,130</u>	<u>986,594</u>
LIABILITIES:							
Current liabilities:							
Accounts payable	\$ 431,776	145,925	-	-	21,476	599,176	102,755
Due to other funds	-	-	-	430,000	-	430,000	-
Customer deposits	8,795	-	-	-	-	8,795	-
Compensated absences	17,849	14,043	-	-	974	32,866	-
Unearned revenue	-	-	-	1,800	-	1,800	-
Total current liabilities	<u>458,420</u>	<u>159,968</u>	<u>-</u>	<u>431,800</u>	<u>22,449</u>	<u>1,072,638</u>	<u>102,755</u>
Total liabilities	<u>458,420</u>	<u>159,968</u>	<u>-</u>	<u>431,800</u>	<u>22,449</u>	<u>1,072,638</u>	<u>102,755</u>
NET POSITION:							
Net investment in capital assets	23,628,717	10,612,931	-	301,393	31,596	34,574,637	410,782
Restricted for:							
Investment in joint venture	-	-17,057,505	-	-	-	-17,057,505	-
Impact fees	1,962,940	910,258	-	-	-	2,873,198	-
Unrestricted	729,988	1,361,423	-	86,614	76,128	2,254,153	473,058
Total net position	<u>26,321,644</u>	<u>12,884,612</u>	<u>17,057,505</u>	<u>388,007</u>	<u>107,724</u>	<u>56,759,493</u>	<u>883,839</u>
Total liabilities and net position	<u>\$ 26,780,064</u>	<u>13,044,581</u>	<u>17,057,505</u>	<u>819,807</u>	<u>130,174</u>	<u>57,832,130</u>	<u>986,594</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, 2013

	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	\$ 1,306,258	872,080	-	536,300	218,515	2,933,153	-
Connection fees	24,467	8,093	-	-	-	32,560	-
Other operating income	-	-	-	-	-	-	-
Total operating revenue	<u>1,330,725</u>	<u>880,173</u>	<u>-</u>	<u>536,300</u>	<u>218,515</u>	<u>2,965,713</u>	<u>-</u>
Operating expenses:							
Personnel services	738,577	339,248	-	-	69,432	1,147,258	-
Cost of sales	-	-	-	424,000	-	424,000	-
Utilities	133,263	25,673	-	-	7,371	166,307	-
Repair & maintenance	62,465	346,098	-	-	22,082	430,646	-
Other supplies & expenses	275,061	100,270	-	523	12,223	388,076	-
Depreciation expense	599,501	348,885	-	11,819	515	960,720	91,508
Total operating expense	<u>1,808,868</u>	<u>1,160,174</u>	<u>-</u>	<u>436,342</u>	<u>111,622</u>	<u>3,517,007</u>	<u>91,508</u>
Net operating income (loss)	<u>(478,143)</u>	<u>(280,001)</u>	<u>-</u>	<u>99,958</u>	<u>106,893</u>	<u>(551,294)</u>	<u>(91,508)</u>
Non-operating income (expense):							
Intergovernmental revenue	104,630	-	-	-	-	104,630	-
Impact fees	372,103	151,755	-	-	-	523,858	-
Sale of fixed assets	-	-	-	-	-	-	7,892
Interest income	15,718	14,630	-	1,048	831	32,227	4,357
Interest on long-term debt	-	-	-	(4,212)	-	(4,212)	-
Change in joint venture equity	-	-	691,527	-	-	691,527	-
Total non-operating income (expense)	<u>492,451</u>	<u>166,385</u>	<u>691,527</u>	<u>(3,165)</u>	<u>831</u>	<u>1,348,030</u>	<u>12,249</u>
Income (loss) before contributions	14,308	(113,616)	691,527	96,793	107,724	796,736	(79,259)
Capital contributions	892,769	534,384	-	-	-	1,427,153	-
Change in net position	907,077	420,768	691,527	96,793	107,724	2,223,889	(79,259)
Net position, beginning	25,414,567	12,463,844	16,365,978	291,214	-	54,535,603	963,098
Net position, ending	<u>\$ 26,321,644</u>	<u>12,884,612</u>	<u>17,057,505</u>	<u>388,007</u>	<u>107,724</u>	<u>56,759,493</u>	<u>883,839</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, 2013

	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	\$ 1,326,440	855,700	-	538,100	194,328	2,914,568	-
Cash paid to suppliers	(85,538)	(336,972)	-	(523)	(21,644)	(444,677)	102,755
Cash paid to employees	(734,134)	(334,587)	-	-	(67,015)	(1,135,735)	-
Net cash provided (used) in operating activities	506,768	184,142	-	537,577	105,670	1,334,157	102,755
Cash flows from noncapital financing activities:							
Due to other funds	-	-	-	(550,000)	-	(550,000)	-
Net cash provided (used) in noncapital financing activities	-	-	-	(550,000)	-	(550,000)	-
Cash flows from capital and related financing activities:							
Cash from impact fees	372,103	151,755	-	-	-	523,858	-
Cash from sale of fixed assets	-	-	-	-	-	-	7,892
Cash payments for capital assets	(1,233,080)	(980,006)	-	-	(32,111)	(2,245,196)	(356,054)
Cash payments for long-term debt	-	-	-	-	-	-	-
Cash payments for long-term debt interest	-	-	-	(4,212)	-	(4,212)	-
Net cash provided (used) in capital and related financing activities	(860,977)	(828,251)	-	(4,212)	(32,111)	(1,725,551)	(348,162)
Cash flows from investing activities:							
Cash received from interest earned	15,718	14,630	-	1,048	831	32,227	4,357
Net cash provided (used) in investing activities	15,718	14,630	-	1,048	831	32,227	4,357
Net increase (decrease) in cash	(338,490)	(629,479)	-	(15,588)	74,390	(909,166)	(241,050)
Cash balance, beginning	3,251,724	2,901,521	-	52,781	-	6,206,026	816,862
Cash balance, ending	\$ 2,913,234	2,272,042	-	37,193	74,390	5,296,860	575,812
Cash reported on the balance sheet:							
Cash and cash equivalents	\$ 950,294	1,361,784	-	37,193	74,390	2,423,662	575,812
Non-current restricted cash	1,962,940	910,258	-	-	-	2,873,198	-
Total cash and cash equivalents	\$ 2,913,234	2,272,042	-	37,193	74,390	5,296,860	575,812

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, 2013

**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)	\$ (478,143)	(280,001)	-	99,958	106,893	(551,294)	(91,508)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:							
Depreciation and amortization	599,501	348,885	-	11,819	515	960,720	91,508
Changes in assets and liabilities:							
(Increase) decrease in receivables	(6,380)	(24,473)	-	1,800	(24,187)	(53,240)	-
(Increase) decrease in inventory	-	-	-	424,000	-	424,000	-
Increase (decrease) in payables	388,342	138,541	-	-	21,476	548,359	102,755
Increase (decrease) in customer deposits	2,095	-	-	-	-	2,095	-
Increase (decrease) in compensated absences	1,353	1,190	-	-	974	3,516	-
Net cash provided (used) in operating activities	<u>\$ 506,768</u>	<u>184,142</u>	<u>-</u>	<u>537,577</u>	<u>105,670</u>	<u>1,334,157</u>	<u>102,755</u>
Noncash financing and investing transactions:							
Developer contributions	\$ 892,769	534,384	-	-	-	1,427,153	-
Change in equity in joint venture	-	-	691,527	-	-	691,527	-

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

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

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

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental fund:

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

Proprietary funds

The City reports the following major proprietary funds:

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

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

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

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

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

1-E-1. Deposit and Investments

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

1-E-2. Cash and Cash Equivalents

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

1-E-3. Receivables and Payables

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

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

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

1-E-4. Restricted Assets

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

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

1-E-5. Inventories and Prepaid items

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

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

1-E-6. Capital Assets

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

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

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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. 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, 2013

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

1-E-9. 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, 2013

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

1-E-10. Estimates

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

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

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

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the 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, 2013

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2013 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 350
Demand deposits - checking	284,718
Investment in marketable securities	848,414
Deposits - PTIF	<u>13,070,814</u>
Total cash	<u>\$ 14,204,296</u>

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

Cash and cash equivalents (current)	\$ 7,682,014
Restricted cash and cash equivalents (non-current)	<u>6,522,282</u>
Total cash and cash equivalents	<u>\$ 14,204,296</u>

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

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

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013, \$55,418 of the City's demand deposits of \$307,444 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, 2013 for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Customers, current	\$ -	261,832	261,832
Property taxes receivable	831,359	-	831,359
Due from other governments	393,935	104,630	498,565
Other receivables	120,474	57,445	177,919
Total receivables	1,345,768	423,907	1,769,675
Allowance for uncollectibles	-	(2,000)	(2,000)
Net receivables	<u>\$ 1,345,768</u>	<u>421,907</u>	<u>1,767,675</u>

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	\$ 15,842,943	249,005	-	16,091,948
Total capital assets, not being depreciated	15,842,943	249,005	-	16,091,948
Capital assets, being depreciated:				
Building	2,218,080	-	-	2,218,080
Improvements other than buildings	47,800,224	2,922,429	-	50,722,653
Machinery and equipment	2,394,508	525,575	64,300	2,855,783
Total capital assets, being depreciated	52,412,812	3,448,004	64,300	55,796,516
Less accumulated depreciation for:				
Building	586,518	27,947	-	614,465
Improvements other than buildings	17,799,445	1,086,279	-	18,885,724
Machinery and equipment	2,013,064	110,586	64,300	2,059,350
Total accumulated depreciation	20,399,027	1,224,812	64,300	21,559,539
Total capital assets being depreciated, net	32,013,785	2,223,192	-	34,236,977
Governmental activities capital assets, net	\$47,856,728	2,472,197	-	50,328,925

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

Governmental activities:	
General government	\$ 9,995
Public safety	9,384
Public works	889,649
Parks and recreation	8,022
Cemetery	12,130
Airport	204,124
Internal service	91,508
Total	\$ 1,224,812

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	-	-	696,428
Water shares	7,259,520	132,450	-	7,391,970
Construction in progress	-	417,393	-	417,393
Total capital assets, not being depreciated	7,955,948	549,843	-	8,505,791
Capital assets, being depreciated:				
Buildings	1,074,297	-	-	1,074,297
Water system	19,952,845	1,306,861	-	21,259,706
Sewer system	11,667,474	1,008,404	-	12,675,878
Airport hangars	354,580	-	-	354,580
Machinery and equipment	894,224	807,241	-	1,701,465
Total capital assets, being depreciated	33,943,420	3,122,506	-	37,065,926
Less accumulated depreciation for:				
Buildings	148,731	21,486	-	170,217
Water system	6,003,744	558,057	-	6,561,801
Sewer system	3,219,239	296,464	-	3,515,703
Airport hangars	41,368	11,819	-	53,187
Machinery and equipment	623,276	72,894	-	696,170
Total accumulated depreciation	10,036,358	960,720	-	10,997,078
Total capital assets being depreciated, net	23,907,062	2,161,786	-	26,068,848
Business-type activities capital assets, net	\$ 31,863,010	2,711,629	-	34,574,639

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

Business-type activities:	
Water	\$ 599,501
Sewer	348,885
Airport hangars	11,819
Utility	515
Total	\$ 960,720

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

3-D. Long-term debt

	Original Principal	% Rate	6/30/2012	Additions	Reductions	6/30/2013	Due Within One Year
Governmental activities:							
2011 Copier Lease							
Matures 11/4/2015	\$ 7,929	3.07	\$ 5,290	-	1,174	4,116	1,609
2011 Sales Tax Revenue							
Matures 10/15/2016	1,400,000	1.27-2.12	1,400,000	-	272,000	1,128,000	276,000
Compensated absences			329,094	65,250	99,337	295,007	77,553
Total governmental activity long-term liabilities			\$1,734,384	65,250	372,511	1,427,123	355,162

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

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

	Principal	Interest	Total
2014	\$ 277,609	17,377	294,986
2015	280,659	13,261	293,920
2016	284,848	8,607	293,455
2017	289,000	3,063	292,063
Total	\$ 1,132,116	42,308	1,174,424

3-E. Operating transfer reconciliation

The operating transfers among the funds were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	225,000
Debt Service Fund	292,928	-
Airport Fund	225,000	-
Streets Fund	58,829	-
Class C Road Fund	-	292,928
Transportation Tax Fund	-	58,829
	\$ 576,757	576,757

The Class C road fund transferred \$292,928 to the debt service fund to cover the costs of bond payments. The general fund transferred \$225,000 to the airport fund for future projects. \$58,829 was transferred from the transportation tax fund to the capital projects-streets fund for street projects.

The internal balance between the governmental activities and business-type activities on the statement of net position is to cover the cash deficit in the airport hangar sales fund. The deficit will be eliminated as the remaining hangars are sold.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - OTHER INFORMATION

4-A. Employee pension and other benefit plans

Plan Description:

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

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

Funding Policy:

Heber City is required to contribute 12.74% and 16.04% of plan members' annual covered salaries to the Local Governmental Contributory and Noncontributory Retirement Systems, respectively. Heber City is required to contribute 19.25% and 30.45% of plan members' annual covered salaries to the Public Safety Contributory and Noncontributory Retirement Systems, respectively. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Heber City's contributions to the Local Governmental Contributory Retirement System for 2013 and 2012 were \$14,851 and \$5,279, respectively. Heber City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2013, 2012, and 2011 were \$249,867, \$196,418 and \$198,272, respectively. The contributions for the Public Safety Contributory Retirement System for 2013 and 2012 were \$13,681 and \$5,252, respectively. Contributions for the Public Safety Noncontributory Retirement System for June 30, 2013, 2012 and 2011 were \$196,716, \$147,699 and \$138,582, respectively. The contributions were equal to the required contributions for each year.

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

401(k) Contributions

The City allows employees who are exempted from the defined benefit program to invest the City's retirement contribution into the 401(k) plan. During the years ended June 30, 2013, 2012 and 2011 contributions totaling \$32,823, \$49,691 and \$37,526, respectively, were made to the plan by employees and \$49,471, \$49,084 and \$45,947 respectively, by the City.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

457 Contributions

The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2013, 2012 and 2011 contributions totaling \$21,898, \$20,946 and \$24,486, respectively, were made to the plan by employees.

Roth IRA Contributions

The City sponsors a Roth Individual Retirement Account (Roth IRA) defined contribution deferred compensation plan administered by the Utah Retirement Systems for City employees. The plan, available to certain permanent full and some part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The Roth IRA deferred compensation monies are not available to the City or its general creditors. During the years ended June 30, 2013, 2012 and 2011 contributions totaling \$1,045, \$5,533 and \$8,240, respectively, were made to the plan by employees.

4-B. Risk management

Heber City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover most of these risks at a cost it considered to be economically justifiable. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through Utah Local Governments Trust. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

4-C. Adoption of New Accounting Principles

Implementation of GASB Statements No. 63 and No. 65 - In fiscal year 2013, the City implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. These statements provide financial reporting guidelines to standardize the presentation of deferred outflows of resources and deferred inflow of resources and their effects on a government's net position, and the establishment of accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, items that were previously reported as assets and liabilities. In addition, there are numerous terminology changes throughout the financial section of this report. These classification changes do not require a prior period adjustment.

4-D. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 12, 2013, the date the financial statements were available to be used.

In October 2013, the City issued \$900,000 of water revenue bonds to pay for needed infrastructure improvements to the culinary water system. The bonds carry an average interest rate of 2.15 percent and have a ten year term.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4-E. Investment in Joint Venture

Heber Light & Power Company

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

- a. Participants and their percentage shares:

Heber City	75.0%
Charleston	12.5%
Midway	12.5%

- b. The utility is governed by the Power Board which is selected from the Mayor and City Council of the participating municipalities.
- c. The Power Board governs the operations of the utility through management employed by the Board. Since the utility is subject to the same laws as the creating entities, it must follow state law for cities in the areas of fiscal management, budgeting, and financing. As the governing board is made up of the participants' mayors and appointees from the city councils, each participant has indirect control over these matters.
- d. Summary financial information, as of the joint venture's last year end of December 31, 2012 is as follows:

	Heber Light and Power	Heber City's Share
Total assets	\$ 35,599,082	26,699,312
Total liabilities	12,855,742	9,641,807
Net position	22,743,340	17,057,505
Total operating revenues	13,136,543	9,852,407
Cost of sales	6,002,876	4,502,157
Gross profit	7,133,667	5,350,250
Operating expenses	6,338,454	4,753,841
Net operating income (loss)	795,213	596,410
Non-operating income	40,093	30,070
Non-operating expense	(575,198)	(431,399)
Income before contributions	260,108	195,081
Impact fees	427,921	320,941
Capital contributed by developers	534,007	400,505
Less withdrawals	(300,000)	(225,000)
Change in net position	\$ 922,036	691,527

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4-E. Investment in Joint Venture (continued)

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

Revenue bonds	\$ 9,825,000
Unamortized bond issue costs	(283,721)
Unamortized bond premiums	215,692
Compensated absences	147,698
Termination benefits	333,522
Other post employment benefits	<u>391,366</u>
	10,629,556
Less current portion	<u>(364,512)</u>
Net long-term debt	<u>\$ 10,265,044</u>

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

REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Heber City Corporation
Notes to Required Supplementary Information
June 30, 2013

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, 2013, 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, 2013

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 3,854,750	4,001,750	4,200,294	198,544
Licenses and permits	276,000	426,000	519,689	93,689
Intergovernmental revenues	452,000	452,000	476,575	24,575
Charges for services	334,304	334,304	409,248	74,944
Fines and forfeitures	289,500	289,500	311,366	21,866
Interest	18,500	18,500	20,411	1,911
Miscellaneous revenue	-	-	100,000	100,000
Total revenues	<u>5,225,054</u>	<u>5,522,054</u>	<u>6,037,584</u>	<u>515,530</u>
Expenditures				
General government	1,525,530	1,547,530	1,322,853	224,677
Public safety	2,270,800	2,320,800	2,308,218	12,582
Public works	969,850	969,850	700,759	269,091
Parks and recreation	258,550	258,550	220,288	38,262
Cemetery	267,100	267,100	243,978	23,122
Airport	90,650	90,650	69,335	21,315
Total expenditures	<u>5,382,480</u>	<u>5,454,480</u>	<u>4,865,431</u>	<u>589,049</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(157,426)	67,574	1,172,153	1,104,579
Other Financing Sources and (Uses)				
Heber Light and power dividend	225,000	225,000	225,000	-
Transfers out	<u>(367,928)</u>	<u>(592,928)</u>	<u>(576,757)</u>	<u>16,171</u>
Total Other Financing Sources and (Uses)	<u>(142,928)</u>	<u>(367,928)</u>	<u>(351,757)</u>	<u>16,171</u>
Net Change in Fund Balances	<u>\$ (300,354)</u>	<u>(300,354)</u>	<u>820,396</u>	<u>1,120,750</u>
Fund Balances - beginning of year			<u>2,486,967</u>	
Fund Balances - end of year			<u><u>\$ 3,307,363</u></u>	

Heber City Corporation
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Debt Service	Airport	Capital Projects	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	286,186	1,383,708	319,479	-	-	-	-	1,989,373
Due from other governments	-	12,675	-	-	-	-	-	-	12,675
Due from other funds	-	-	230,000	200,000	-	-	-	-	430,000
Restricted cash and cash equivalents	4,305	-	-	-	85,595	1,745,079	227,370	203,044	2,265,393
TOTAL ASSETS	4,305	298,861	1,613,708	519,479	85,595	1,745,079	227,370	203,044	4,697,440
LIABILITIES									
Accrued liabilities	-	43,204	99,728	-	-	-	-	-	142,932
TOTAL LIABILITIES	-	43,204	99,728	-	-	-	-	-	142,932
FUND BALANCES:									
Nonspendable:									
Perpetual care	-	-	-	-	-	-	-	203,044	203,044
Restricted for:									
Impact fees	-	-	-	-	85,595	1,745,079	227,370	-	2,058,043
Debt service	4,305	-	-	-	-	-	-	-	4,305
Assigned for:									
Capital projects	-	255,658	1,513,980	519,479	-	-	-	-	2,289,116
TOTAL FUND BALANCES	4,305	255,658	1,513,980	519,479	85,595	1,745,079	227,370	203,044	4,554,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,305	298,861	1,613,708	519,479	85,595	1,745,079	227,370	203,044	4,697,440

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, 2013

	Debt Service	Airport	Capital Projects	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:									
Intergovernmental revenues	\$ -	191,199	-	-	-	-	-	-	191,199
Charges for services	-	-	-	-	-	-	-	44,630	44,630
Interest	233	851	10,095	2,169	881	12,733	1,532	1,253	29,748
Miscellaneous revenue	-	4,510	-	167,000	-	-	-	-	171,510
Total revenues	233	196,560	10,095	169,169	881	12,733	1,532	45,883	437,087
EXPENDITURES:									
Public works	-	206,139	91,130	-	2,036	2,656	-	-	301,961
Parks and recreation	-	-	-	-	-	-	192	-	192
Capital outlay	-	-	212,256	-	-	450,122	141,915	-	804,293
Debt service:									
Principal	273,560	-	-	-	-	-	-	-	273,560
Interest	20,656	-	-	-	-	-	-	-	20,656
Total expenditures	294,216	206,139	303,386	-	2,036	452,778	142,107	-	1,400,662
Excess (Deficiency) of Revenues over (Under) Expenditures	(293,983)	(9,579)	(293,291)	169,169	(1,155)	(440,045)	(140,574)	45,883	(963,575)
Other Financing Sources and (Uses):									
Impact fees	-	-	-	-	-	231,152	54,290	-	285,442
Impact fees refunded	-	-	-	-	(156,239)	-	-	-	(156,239)
Transfers in	292,928	225,000	-	-	-	58,829	-	-	576,757
Total other financing sources and (uses)	292,928	225,000	-	-	(156,239)	289,981	54,290	-	705,960
Net Change in Fund Balances	(1,055)	215,421	(293,291)	169,169	(157,394)	(150,064)	(86,284)	45,883	(257,615)
Fund balances - beginning of year	5,360	40,236	1,807,270	350,310	242,988	1,895,143	313,654	157,161	4,812,124
Fund balances - end of year	\$ 4,305	255,658	1,513,980	519,479	85,595	1,745,079	227,370	203,044	4,554,509

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

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
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(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

December 10, 2013

Honorable Mayor
Members of the City Council
Heber City, Utah

Council Members:

I 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 and each major fund, and the aggregate remaining fund information of Heber City, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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, Utah's financial statements are free of material misstatements, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Greg Ogden
Certified Public Accountant

STATE LEGAL COMPLIANCE REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
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(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

December 10, 2013

The Honorable Mayor
Members of the City Council
Heber City, Utah

Council Members:

REPORT ON COMPLIANCE

I have audited Heber City, Utah's compliance with general and major state compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

Cash Management	Government Records Access
Budgetary Compliance	Management Act
Fund Balance	Conflicts of Interest
Justice Court	Nepotism
Impact Fees	Utah Public Finance Website
Utah State Retirement Systems	Open and Public Meetings Act
Transfers from Utility Enterprise Funds	

The City did not receive any major assistance programs from the State of Utah.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In my opinion, Heber City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Compliance Audit Guide* and which are described in my management letter dated December 1, 2013 as items 2012-1, 2013-1, 2013-2, 2013-3 and 2013-4 under the heading, State Compliance Findings.

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 my audit, I considered the City's internal control over compliance to determine the auditing procedures for the purpose expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis.

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

City's Response to Findings

The City's response to the findings identified in my audit is described in the accompanying letter to management. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control 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.


Greg Ogden,
Certified Public Accountant