

HEBER CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2011

HEBER CITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011

	<u>Starting on Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	13
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Budgetary Comparison Schedule	19
PROPRIETARY FUNDS	
Statement of Net Assets	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	21
Statement of Cash Flows	22
NOTES TO THE FINANCIAL STATEMENTS	24
SUPPLEMENTARY INFORMATION	
COMBINING FUND STATEMENTS	
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42
STATE LEGAL COMPLIANCE REPORT	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE	43
GOVERNMENT AUDITING STANDARDS REPORT	
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	45

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 7, 2011

Honorable Mayor
Members of the City Council
Heber City, Utah

Council Members:

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 7, 2011 on my consideration of Heber City, Utah'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* and is important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, which 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heber City's basic financial statements. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Heber City for the fiscal year ending June 30, 2011. Heber City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, public safety, parks, streets, planning, cemetery and airport, etc., while business-type activities refers to operations such as the water, sewer and airport hangar sales.

FINANCIAL HIGHLIGHTS

- The total net assets of Heber City decreased by \$168,888 totaling \$105,005,859. The governmental net assets increased by \$1,056,879 and the business-type net assets decreased by \$1,225,767.
- The total net assets of governmental and business-type activities is \$105,005,859, and is made up of \$74,819,856 in capital assets, such as land, infrastructure and equipment, and \$30,186,003 in other net assets. The other net assets is made up of \$15,731,693 which represents Heber City's interest in Heber Light & Power, \$7,074,049 is restricted for capital projects such as water, sewer, cemetery, road system improvements, and debt service. Finally, the remaining \$7,380,261 is unrestricted net assets.
- Total long-term liabilities of the City decreased by \$288,000. The City did add \$7,929 in debt for a copier lease for the Police Department. A principal payment of \$64,000 was made on the 1200 South Special Improvement District Bond, principal payment of \$54,000 was made on the Sales Tax Revenue Bond for the Central School and principal payment of \$170,000 was made on the Excise Tax Bond for road improvements.
- Due to current economic conditions, the City Council determined that it would continue to suspend charges from the Internal Service Fund.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Heber City's basic financial statements. Heber City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

- *The statement of net assets* presents information on all of Heber City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in

net assets may serve as a useful indicator of whether the financial position of Heber City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Heber 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 government-wide financial statements can be found on pages 12-14 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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. Heber 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. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Debt Service Fund. The remaining governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** - Heber City maintains two types of proprietary funds, the enterprise fund and the internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Heber City uses enterprise funds to account for its, Culinary/Pressurized Water Utility, Sewer Utility, Airport Hangar Sales and Electric Utility joint venture. As determined by generally accepted accounting principles, the, culinary/pressurized water, sewer enterprise, airport hangar sales and electric utility funds meet the criteria for major fund classification. The internal service fund accounts for motor pool services that are provided to general government activities which meets the criteria for major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Heber City, assets exceed liabilities by \$105,005,859.

By far the largest portion of Heber City's net assets (71.3%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	2010-2011	2009-2010	2010-2011	2009-2010
Current & Other Assets	\$7,709	\$5,869	\$3,836	\$3,318
Capital Assets	48,407	48,641	48,980	50,627
Total Assets	56,116	54,510	52,816	53,945
Current Liabilities	2,746	1,905	126	33
Non Current Liabilities	1,026	1,317	28	25
Total Liabilities	3,772	3,222	154	58
Net Assets				
Invested in Capital Assets				
Net of Related Debt	43,743	44,202	31,077	31,719
Restricted	4,902	4,055	17,903	18,908
Unrestricted	3,699	3,031	3,681	3,260
Total Net Assets	\$52,344	\$51,288	\$52,661	\$53,887

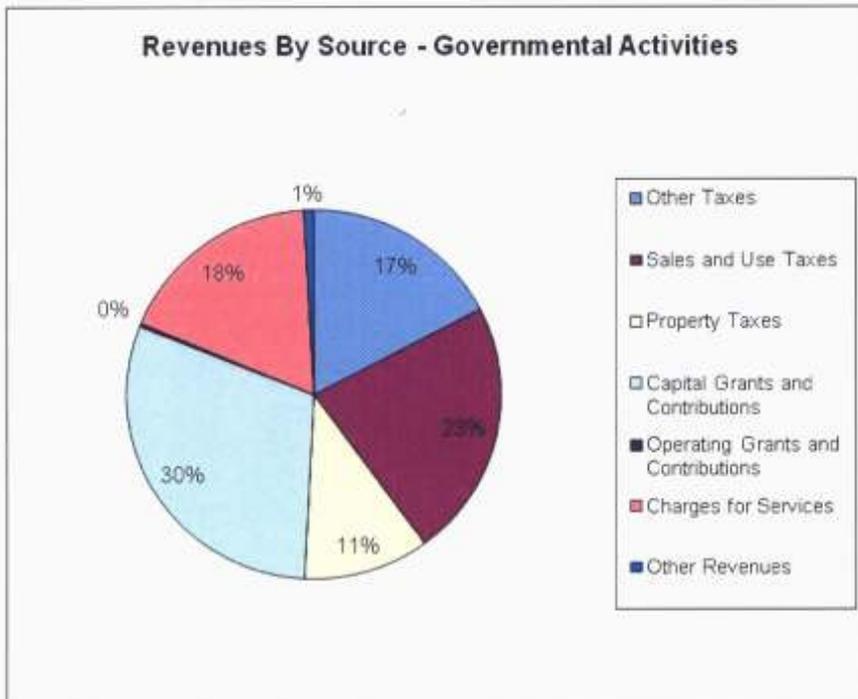
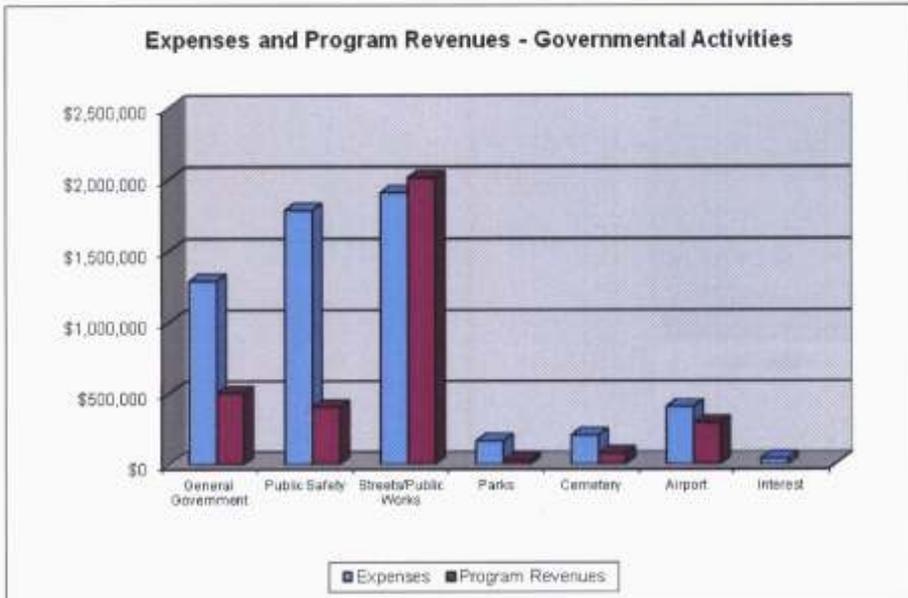
CHANGES IN NET ASSETS

(In thousands of dollars)

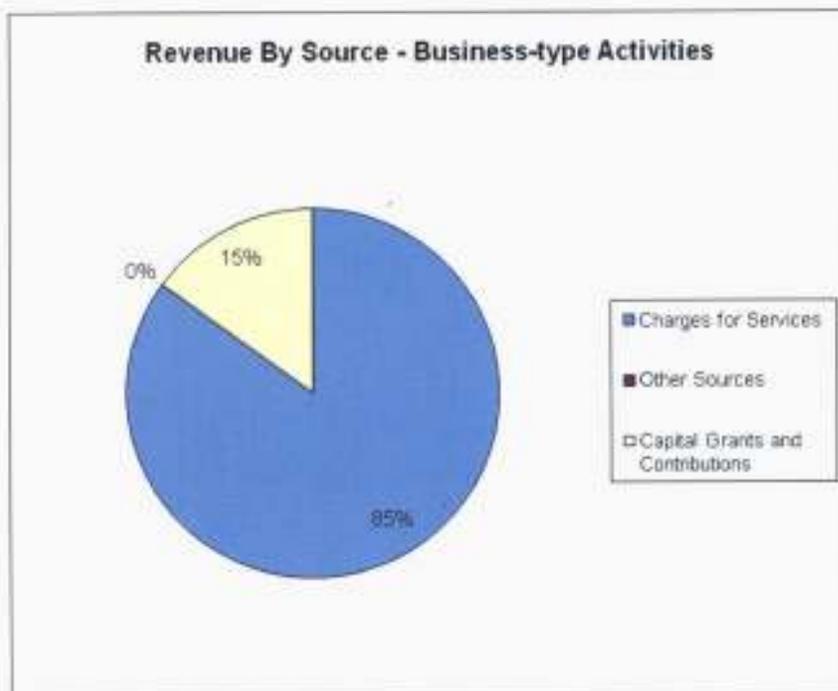
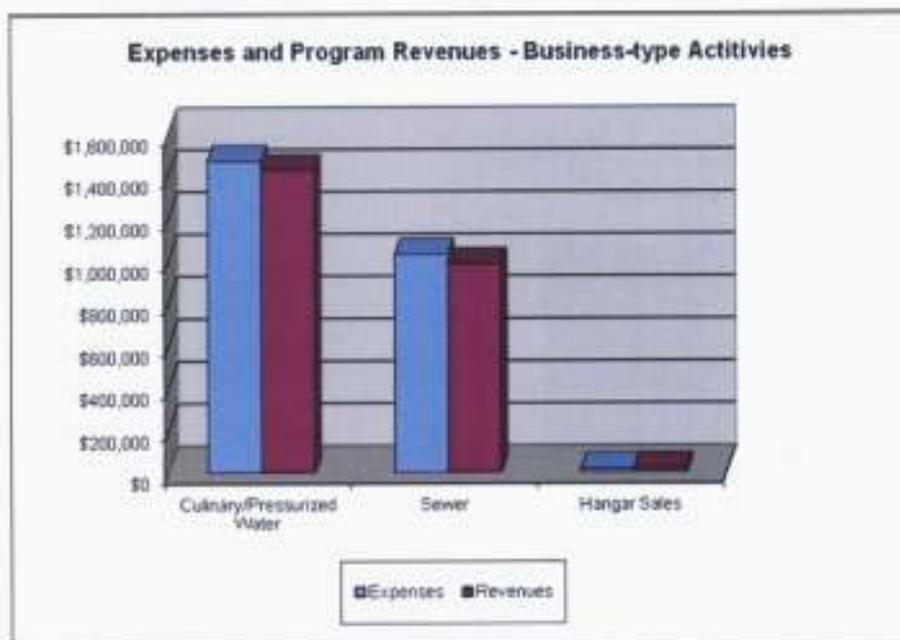
	Governmental Activities		Business-type Activities	
	2010-2011	2009-2010	2010-2011	2009-2010
Revenues				
Program Revenues				
Charges for Services	\$1,219	\$1,045	\$2,073	\$2,181
Operating Grants and Contributions	19	22	-	-
Capital Grants and Contribution	2,070	4,317	364	1,568
General Revenues				
Property Taxes	743	686	-	-
Sales and Use Taxes	1,545	1,444	-	-
Other Taxes	1,189	1,089	-	-
Other Revenues	57	55	30	38
Total Revenues	<u>6,842</u>	<u>8,658</u>	<u>2,467</u>	<u>3,787</u>
Expenses				
General Government	1,288	1,351	-	-
Public Safety	1,783	1,732	-	-
Streets/Public Works	1,907	1,820	-	-
Parks & Recreation	163	157	-	-
Cemetery	203	219	-	-
Airport	404	466	-	-
Interest on Long-Term Debt	38	51	-	-
Water	-	-	1,472	1,537
Sewer	-	-	1,030	1,056
Airport Hangars	-	-	18	125
Total Expenses	<u>5,786</u>	<u>5,795</u>	<u>2,520</u>	<u>2,718</u>
Increase in Net Assets Before Transfers	1,056	2,863	(53)	1,069
Transfers	-	(270)	-	270
Other Financing Sources and Uses				
Change in Joint Venture Equity	-	-	(1,174)	582
Change in Net Assets	<u>1,056</u>	<u>2,593</u>	<u>(1,227)</u>	<u>1,921</u>
Net Assets Beginning (07/01/09)	51,288	49,481	53,888	51,967
Prior Period Adjustment	-	(787)	-	-
Net Assets Ending (06/30/10)	<u>\$52,344</u>	<u>\$51,288</u>	<u>\$52,661</u>	<u>\$53,888</u>

Some of the governmental activities for the fiscal year included crack sealing of City streets in preparation for a city wide road maintenance (\$239,036) and the commencement of the construction of a snow removal equipment building at the Airport (\$64,291). There were no major Business-type activities expenditures in fiscal year 2010-11.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.



As can be seen from the following charts, the largest source of revenue in the business-type activities comes from charges for services when development activity slows, with 85% of the revenues coming from this source. The revenues from developer contributions represent the value of infrastructure systems donated to the City via subdivisions being developed. Charges for services relate to monthly billings for culinary and secondary water and sewer services and lease fees for hangar rentals.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2011, the City's governmental funds (General, Capital Projects and Debt Service) reported combined fund equity of \$7,912,241. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains three enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended by \$15,000 to recognize a contribution made to the Heber Valley Historic Railroad Authority, \$24,000 to cover unanticipated expenses related to flood control, \$95,000 to pay for the cost of repairing the retaining wall at the Valley Hills Park, \$75,000 to pay for engineering expenses related to the City wide road improvement project, \$5,000 for additional snow removal expenses at the airport and \$300,000 was transferred to the Capital Projects fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Heber City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$75,551,046 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, airport, etc.), and machinery and equipment. The total net decrease in the City's investment in fixed assets for the current year was \$1,381,704.

Major capital asset events during the current fiscal year included the following:

- Total developer contributions were \$771,920
- Road system improvements \$293,801
- Airport improvements \$64,291

HEBER CITY'S CAPITAL ASSETS
(Net of depreciation, in thousands for dollars)

	Governmental Activities		Business-type Activities	
	2010-2011	2009-2010	2010-2011	2009-2010
Capital Assets Not Being Depreciated				
Land	\$15,176	\$14,776	\$696	\$696
Water Shares	-	-	7,127	7,025
Capital Assets Being Depreciated				
Buildings and Structures	2,218	2,218	1,074	1,074
Improvements and Infrastructure	43,350	42,682	30,498	30,380
Machinery, Equipment, and Vehicles	2,267	2,245	867	867
Total	63,011	61,921	40,262	40,042
Less Accumulated Depreciation	(18,537)	(16,707)	(9,185)	(8,323)
Total Capital Assets	\$44,474	\$45,214	\$31,077	\$31,719

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2011, the City had total debt outstanding of \$1,025,822. The debt consists of \$64,000 of Special Assessment Bonds that will be repaid by benefited property owners on 1200 South, \$114,000 of Sales Tax Revenue Bonds for the purchase of the Central School property, \$546,000 of Excise Tax Revenue Bonds that will be repaid with Class C Road funds, \$7,190 for the purchase of a copier for the Police Department and the remainder comes from compensated absences and unamortized bond issuance costs.

The City has no general obligation bonded indebtedness. A general obligation bond is backed by the full faith and credit of the City. State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value.

HEBER CITY'S OUTSTANDING DEBT
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	2010-2011	2009-2010	2010-2011	2009-2010
Special Assessment Bonds	\$ 64	\$128	\$ -	\$ -
Revenue Bonds	660	884	-	-
Compensated Absences	300	313	28	25
Leases	7	-	-	-
Unamort. Bond Issuance Costs	(5)	(8)	-	-
Total	\$1,026	\$1,317	\$28	\$25

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for Wasatch County (of which Heber City is a part of) was 8.1% (September 2011) compared with a state unemployment rate of 7.1% and a national rate of 9.1%. Wasatch County's unemployment rate in September 2010 was 9.1%. (Source: Utah Department of Workforce Services)

The City anticipates increased sales tax collections in fiscal year 2011-12 due to higher population numbers from the 2010 Census, increased consumer spending and the opening of the Valley Station commercial development.

The major projects budgeted for next fiscal year include the city wide road improvement project, completion of the snow removal equipment building at the airport, replacement of a portion of the 300 West and 100 South waterlines, installation of the 650 South storm water outfall line and repair of the Valley Hills park retaining wall. The City Council did not impose a property tax increase and the rate was set at 0.001022.

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

BASIC FINANCIAL STATEMENTS

HEBER CITY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 5,067,488	\$ 3,742,003	\$ 8,809,491
Inventory	-	917,339	917,339
Accounts Receivable, Net of Allowance for Uncollectibles	1,661,654	155,957	1,817,611
Internal Balances	980,000	(980,000)	-
Prepaid Expenses	412	-	412
TOTAL CURRENT ASSETS	7,709,554	3,835,299	11,544,853
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	3,932,329	2,171,809	6,104,138
Capital Assets			
Non Depreciable	15,175,797	7,823,498	22,999,295
Depreciable Assets (net of Depreciation)	29,298,519	23,253,232	52,551,751
Other Assets			
Investment in Joint Ventures	-	15,731,693	15,731,693
TOTAL NONCURRENT ASSETS	48,406,645	48,980,232	97,386,877
TOTAL ASSETS	56,116,199	52,815,531	108,931,730
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	1,886,800	125,902	2,012,702
Deferred Revenues	859,112	-	859,112
TOTAL CURRENT LIABILITIES	2,745,912	125,902	2,871,814
NONCURRENT LIABILITIES			
Due Within One Year	380,949	28,235	409,184
Due in more than One Year	644,873	-	644,873
TOTAL NONCURRENT LIABILITIES	1,025,822	28,235	1,054,057
TOTAL LIABILITIES	3,771,734	154,137	3,925,871
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	43,743,126	31,076,730	74,819,856
Restricted for			
Investment in Joint Venture	-	15,731,693	15,731,693
Community Improvements	4,564,635	2,171,809	6,736,444
Perpetual Care Endowment	143,432	-	143,432
Debt Service	194,173	-	194,173
Unrestricted	3,699,099	3,681,162	7,380,261
TOTAL NET ASSETS	\$ 52,344,465	\$ 52,661,394	\$ 105,005,859

See the accompanying notes to the financial statements

HEBER CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 1,288,336	\$ 500,056	\$ -	\$ -
Public Safety	1,782,580	352,364	18,439	31,580
Public Works	1,907,288	208,828	-	1,802,851
Parks and Recreation	162,555	835	-	25,703
Cemetery	203,121	76,182	-	-
Airport	403,717	80,813	-	209,915
Interest on Long-Term Debt	38,009	-	-	-
Total Governmental Activities	5,785,606	1,219,078	18,439	2,070,049
Business-type Activities				
Water	1,472,068	1,180,462	-	250,267
Sewer	1,029,727	871,195	-	113,429
Electric	-	-	-	-
Airport Hangar Sales	17,790	21,662	-	-
Total Business-type Activities	2,519,585	2,073,319	-	363,696
TOTAL PRIMARY GOVERNMENT	\$ 8,305,191	\$ 3,292,397	\$ 18,439	\$ 2,433,745

General Revenues
Property Taxes
Vehicle Taxes
Sales Taxes
Franchise and Other Taxes
Unrestricted Investment Earnings
Miscellaneous
Change in Joint Venture Equity

Total General Revenues and Transfers

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (788,280)	-	\$ (788,280)
(1,380,197)	-	(1,380,197)
104,391	-	104,391
(136,017)	-	(136,017)
(126,939)	-	(126,939)
(112,989)	-	(112,989)
(38,009)	-	(38,009)
<u>(2,478,040)</u>	<u>-</u>	<u>(2,478,040)</u>
-	(41,339)	(41,339)
-	(45,103)	(45,103)
-	-	-
-	3,872	3,872
<u>-</u>	<u>(82,570)</u>	<u>(82,570)</u>
\$ (2,478,040)	\$ (82,570)	\$ (2,560,610)
742,897	-	742,897
61,160	-	61,160
1,545,379	-	1,545,379
1,128,267	-	1,128,267
49,654	30,463	80,117
7,562	-	7,562
-	(1,173,660)	(1,173,660)
<u>3,534,919</u>	<u>(1,143,197)</u>	<u>2,391,722</u>
1,056,879	(1,225,767)	(168,888)
<u>51,287,586</u>	<u>53,887,161</u>	<u>105,174,747</u>
\$ 52,344,465	\$ 52,661,394	\$ 105,005,859

**HEBER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Governmental-type Activities			Total Governmental Funds
	General	Debt Service	Nonmajor Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 2,406,133	\$ -	\$ -	\$ 2,406,133
Due from Other Fund	-	-	980,000	980,000
Property Taxes Receivable	792,927	-	-	792,927
Grants Receivable	-	-	145,970	145,970
Special Assessments Receivable	-	66,185	-	66,185
Other Receivables	656,572	-	-	656,572
Restricted Cash	2,691,993	11,440	2,985,981	5,689,414
Prepaid Expenses	412	-	-	412
TOTAL ASSETS	\$ 6,548,037	\$ 77,625	\$ 4,111,951	\$ 10,737,613
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 381,136	\$ -	\$ 162,459	\$ 543,595
Compensated Absences	83,436	-	-	83,436
Developer Escrows Payable	1,339,229	-	-	1,339,229
Deferred Revenue	792,927	66,185	-	859,112
TOTAL LIABILITIES	2,596,728	66,185	162,459	2,825,372
FUND BALANCE				
Nonspendable				
Cemetery Perpetual Care	-	-	143,432	143,432
Prepaid Expenses	412	-	-	412
Restricted for				
Class C Roads	1,008,617	-	-	1,008,617
Transportation Tax	1,500,643	-	-	1,500,643
Debt Service	182,733	11,440	-	194,173
Impact Fees	-	-	2,055,375	2,055,375
Assigned for				
Capital Projects	6,400	-	1,750,685	1,757,085
Unassigned	1,252,504	-	-	1,252,504
TOTAL FUND EQUITY	3,951,309	11,440	3,949,492	7,912,241
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,548,037	\$ 77,625	\$ 4,111,951	\$ 10,737,613

See the accompanying notes to the financial statements

HEBER CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES	\$	7,912,241
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		44,474,316
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 assets		904,270
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		<u>(946,362)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>52,344,465</u>

See the accompanying notes to the financial statements

HEBER CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Governmental-type Activities			Total Governmental Funds
	General	Debt Service	Nonmajor Governmental Funds	
REVENUES				
Taxes	\$ 3,477,703	\$ -	\$ -	\$ 3,477,703
Licenses and Permits	311,890	-	-	311,890
Intergovernmental	722,455	-	209,915	932,370
Charges for Services	271,402	71,179	156,012	498,593
Fines and Forfeitures	259,181	-	-	259,181
Interest	25,993	198	18,632	44,823
Miscellaneous	-	-	7,562	7,562
TOTAL REVENUES	5,068,624	71,377	392,121	5,532,122
EXPENDITURES				
General Government	1,129,376	-	153,364	1,282,740
Public Safety	1,708,078	-	-	1,708,078
Public Works	526,307	-	33,019	559,326
Parks and Recreation	129,273	-	9,659	138,932
Cemetery	177,249	-	-	177,249
Airport	62,165	-	-	62,165
Debt Service				
Principal	-	288,739	-	288,739
Interest and Finance Charges	-	38,359	-	38,359
Capital Outlay	297,745	-	82,476	380,221
TOTAL EXPENDITURES	4,030,193	327,098	278,518	4,635,809
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,038,431	(255,721)	113,603	896,313
OTHER FINANCING SOURCES (USES)				
Heber Light and Power Dividend	208,828	-	-	208,828
Impact Fees	-	-	387,198	387,198
Transfers In	-	250,000	527,500	777,500
Transfers Out	(777,500)	-	-	(777,500)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	469,759	(5,721)	1,028,301	1,492,339
BEGINNING FUND BALANCE	3,481,550	17,161	2,921,191	6,419,902
ENDING FUND BALANCE	\$ 3,951,309	\$ 11,440	\$ 3,949,492	\$ 7,912,241

See the accompanying notes to the financial statements

HEBER CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

DEFICIT OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ 1,492,339

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

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. (637,998)

Issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. 278,251

An internal service fund is used by management to charge the cost of fleet
management to individual funds. The net revenues of the internal service
is reported within the governmental activities. (97,411)

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. 21,698

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,056,879

See the accompanying notes to the financial statements

HEBER CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 3,237,500	\$ 3,317,500	\$ 3,477,703	\$ 160,203
Licenses and Permits	259,700	304,700	311,890	7,190
Intergovernmental	500,726	760,899	722,455	(38,444)
Charges for Services	272,673	146,500	271,402	124,902
Fines and Forfeitures	226,000	226,000	259,181	33,181
Interest	26,000	26,000	25,993	(7)
TOTAL REVENUES	4,522,599	4,781,599	5,068,624	287,025
<u>EXPENDITURES</u>				
General Government	1,162,775	1,192,775	1,129,376	63,399
Public Safety	1,867,081	1,867,081	1,730,207	136,874
Public Works	793,800	967,800	801,923	165,877
Parks and Recreation	132,850	132,850	129,273	3,577
Cemetery	193,500	193,500	177,249	16,251
Airport	53,950	58,950	62,165	(3,215)
TOTAL EXPENDITURES	4,203,956	4,412,956	4,030,193	382,763
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	318,643	368,643	1,038,431	669,788
<u>OTHER FINANCING SOURCES (USES)</u>				
Heber Light and Power Dividend	201,094	201,094	208,828	7,734
Transfers Out	(500,000)	(800,000)	(777,500)	22,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	19,737	(230,263)	469,759	700,022
FUND BALANCE ALLOCATION	(19,737)	230,263	-	(230,263)
EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 469,759	\$ 469,759

See the accompanying notes to the financial statements

HEBER CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Airport Hangar Sales	Total Enterprise Funds	Internal Service Fund
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,821,652	\$ 1,895,697	\$ -	\$ 24,654	\$ 3,742,003	\$ 904,270
Inventory	-	-	-	917,339	917,339	-
Accounts Receivable, Net of Allowance for Uncollectibles	84,142	71,815	-	-	155,957	-
TOTAL CURRENT ASSETS	1,905,794	1,967,512	-	941,993	4,815,299	904,270
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	1,337,187	834,622	-	-	2,171,809	-
Capital Assets						
Land	364,819	331,609	-	-	696,428	-
Water Shares	7,127,070	-	-	-	7,127,070	-
Buildings	530,620	543,677	-	-	1,074,297	-
Improvements	18,836,707	11,305,820	-	354,580	30,497,107	-
Machinery and Equipment	210,585	656,770	-	-	867,355	1,550,162
Less Accumulated Depreciation	(5,695,973)	(3,460,006)	-	(29,548)	(9,185,527)	(1,403,244)
Other Assets						
Investment in Joint Venture	-	-	15,731,693	-	15,731,693	-
TOTAL NONCURRENT ASSETS	22,711,015	10,212,492	15,731,693	325,032	48,980,232	146,918
TOTAL ASSETS	24,616,809	12,180,004	15,731,693	1,267,025	53,795,531	1,051,188
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	81,599	44,303	-	-	125,902	-
Due to Other Fund	-	-	-	980,000	980,000	-
Compensated Absences	15,772	12,463	-	-	28,235	-
TOTAL CURRENT LIABILITIES	97,371	56,766	-	980,000	1,134,137	-
TOTAL LIABILITIES	97,371	56,766	-	980,000	1,134,137	-
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	21,373,828	9,377,870	-	325,032	31,076,730	146,918
Restricted						
Investment in Joint Venture	-	-	15,731,693	-	15,731,693	-
Impact Fees	1,337,187	834,622	-	-	2,171,809	-
Unrestricted	1,808,423	1,910,746	-	(38,007)	3,681,162	904,270
TOTAL NET ASSETS	\$ 24,519,438	\$ 12,123,238	\$ 15,731,693	\$ 287,025	\$ 52,661,394	\$ 1,051,188

See the accompanying notes to the financial statements

HEBER CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Airport Hangar Sales	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 1,164,655	\$ 867,214	\$ -	\$ 21,662	\$ 2,053,531	\$ -
Connection Fees	11,409	3,803	-	-	15,212	-
Miscellaneous	4,398	178	-	-	4,576	-
TOTAL OPERATING REVENUES	1,180,462	871,195	-	21,662	2,073,319	-
OPERATING EXPENSES						
Cost of Sales	-	-	-	-	-	-
Salaries, Wages and Benefits	539,554	311,352	-	-	850,906	-
Operations	396,650	403,887	-	591	801,128	-
Depreciation	535,864	314,488	-	11,819	862,171	102,242
TOTAL OPERATING EXPENSES	1,472,068	1,029,727	-	12,410	2,514,205	102,242
OPERATING INCOME (LOSS)	(291,606)	(158,532)	-	9,252	(440,886)	(102,242)
NON-OPERATING REVENUES (EXPENSES)						
Impact Fees	146,446	111,929	-	-	258,375	-
Interest Income	15,861	14,518	-	84	30,463	4,831
Interest Expense	-	-	-	(5,380)	(5,380)	-
Change in Joint Venture Equity	-	-	(1,173,660)	-	(1,173,660)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	162,307	126,447	(1,173,660)	(5,296)	(890,202)	4,831
INCOME BEFORE CONTRIBUTIONS	(129,299)	(32,085)	(1,173,660)	3,956	(1,331,088)	(97,411)
Capital Contributions	103,821	1,500	-	-	105,321	-
CHANGE IN NET ASSETS	(25,478)	(30,585)	(1,173,660)	3,956	(1,225,767)	(97,411)
TOTAL NET ASSETS AT BEGINNING OF YEAR	24,544,916	12,153,823	16,905,353	283,069	53,887,161	1,148,599
TOTAL NET ASSETS AT END OF YEAR	\$ 24,519,438	\$ 12,123,238	\$ 15,731,693	\$ 287,025	\$ 52,661,394	\$ 1,051,188

See the accompanying notes to the financial statements

HEBER CITY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Airport Hangar Sales	Total Enterprise Funds	Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 1,191,726	\$ 867,006	\$ -	\$ 25,462	\$ 2,084,194	\$ -
Payments to Suppliers	(320,296)	(385,222)	-	(1,292)	(706,810)	-
Payments to Employees	(537,347)	(309,877)	-	-	(847,224)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	334,083	171,907	-	24,170	530,160	-
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Due to Other Fund	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-	-	-	-	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	146,446	111,929	-	-	258,375	-
Acquisition of Capital Assets	(30,767)	(83,717)	-	-	(114,484)	(900)
Interest Expense	-	-	-	(5,380)	(5,380)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	115,679	28,212	-	(5,380)	138,511	(900)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	15,861	14,518	-	84	30,463	4,830
NET CASH FLOWS FROM INVESTING ACTIVITIES	15,861	14,518	-	84	30,463	4,830
NET CHANGE IN CASH AND CASH EQUIVALENTS	465,623	214,637	-	18,874	699,134	3,930
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,693,216	2,515,682	-	5,780	5,214,678	900,340
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,158,839	\$ 2,730,319	\$ -	\$ 24,654	\$ 5,913,812	\$ 904,270

See the accompanying notes to the financial statements

HEBER CITY

STATEMENT OF CASH FLOWS (CONTINUED) PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Airport Hangar Sales	Total Enterprise Funds	Internal Service Fund
<u>RECONCILIATION OF OPERATING</u>						
<u>INCOME TO NET CASH FLOWS FROM</u>						
<u>OPERATING ACTIVITIES</u>						
Operating Income (Loss)	\$ (291,606)	\$ (158,532)	\$ -	\$ 9,252	\$ (440,886)	\$ (102,242)
Adjustments						
Depreciation	535,864	314,488	-	11,819	862,171	102,242
Changes in Assets and Liabilities						
Inventory	-	-	-	1,699	1,699	-
Accounts Receivable, Net	11,264	(4,189)	-	3,800	10,875	-
Accounts Payable	76,354	18,665	-	(2,400)	92,619	-
Compensated Absences	2,207	1,475	-	-	3,682	-
NET CASH FLOWS FROM OPERATING	\$ 334,083	\$ 171,907	\$ -	\$ 24,170	\$ 530,160	\$ -
ACTIVITIES						

Noncash Financing and Investing

<u>Transactions</u>						
Developer Contributions of Fixed Assets	\$ 103,821	\$ 1,500	\$ -	\$ -	\$ 105,321	\$ -
Developer Contributions of Water Shares	\$ 102,321	\$ -	\$ -	\$ -	\$ 102,321	\$ -
Change in Equity in Joint Venture	\$ -	\$ -	\$ (1,173,660)	\$ -	\$ (1,173,660)	\$ -

See the accompanying notes to the financial statements

HEBER CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Heber City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Heber City is incorporated under the laws of the State of Utah. The City is a municipal corporation governed by an elected six-member Council, which consists of a five-member council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, City Manager, Justice Court, Treasurer, Recorder, Building, Planning and Zoning

Public Safety: Police and Animal Control

Public Works: Streets, Water, and Sewer

Parks and Recreation

Cemetery

Airport

Government-wide and Fund Financial Statements

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

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

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

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The City reports the following major governmental funds:

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

The *debt service fund* is used to account for the accumulation of resources for the payment of principal, interest and related costs on certain general long-term debt. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

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

NOTE 1 - (CONTINUED)

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.

Activities of the first three of these funds include administration, operations and maintenance of the water, sewer and electric systems, and billing and collection. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. The hangar sales fund is used to track the construction costs and sale of hangars at the airport.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Assets, Liabilities and Fund Equity

Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

Restricted assets

Cash which is restricted to "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

NOTE 1 - (CONTINUED)

Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund 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 one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	7-50 years
Machinery and Equipment	5-15 years

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.

Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - (CONTINUED)

Fund equity

In the fund financial statements, governmental funds report fund balances divided into five categories as follows:

Non-spendable – These amounts have already been spent. They match the total of inventory, prepaid expenses and permanent endowments (such as cemetery perpetual care).

Restricted – These amounts have restrictions that are externally imposed or are imposed by law. They include Class C road, transportation tax, and impact fee amounts.

Committed – These amounts have city-imposed limitations. In order to be considered committed the government must make a formal action formally establishing the amount. All committed amounts must be spent by the end of the next fiscal year.

Assigned – These are funds that the government sets aside for a specific purpose. The city council is authorized to assign amounts to a specific purpose.

Unassigned – This category holds the remainder of the fund equity and is the amount available for the city to spend.

When faced with a choice, the City elects to use restricted, committed and assigned amounts before spending any unassigned amounts.

Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2011 and unpaid from 2010, as well as special improvement district assessments receivable at June 30, 2011 are shown as deferred revenue.

NOTE 1 - (CONTINUED)

Estimates and Assumptions

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 15,175,797
Buildings and Structures	2,218,080
Improvements and Infrastructure	43,349,536
Machinery and Equipment	2,267,560
Less Accumulated Depreciation	<u>(18,536,657)</u>
Net Capital Asset Difference	\$ <u>44,474,316</u>

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (3,976)
Revenue Bonds Payable	(724,000)
Leases Payable	(7,190)
Unamortized Bond Issue Costs	5,118
Long-Term Compensated Absences	<u>(216,314)</u>
Total Long-Term Liability Difference	\$ <u>(946,362)</u>

NOTE 2 - (CONTINUED)

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Sale of Industrial Park Lot	\$ (59,414)
Developer Contributions	768,920
Capital Outlay	380,221
Depreciation Expense	<u>(1,727,725)</u>
Net Difference	\$ <u>(637,998)</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Issuance of Lease Payable	\$ (7,929)
Amortization of Bond Issue Costs	(2,559)
Principal Repayments Revenue Bonds	<u>288,739</u>
Net Difference	\$ <u>278,251</u>

Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Long-Term Compensated Absences	\$ 18,789
Change in Accrued Interest Payable	<u>2,909</u>
Net Difference	\$ <u>21,698</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Manager submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The City Manager, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly or quarterly basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

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

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2011, \$2,245,786 of the City's bank balances of \$2,684,075 were uninsured and uncollateralized.

Credit Risk

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

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah	
Public Treasurer's	
Investment Fund (PTIF)	\$ 12,160,714
U.S. Treasuries	<u>182,733</u>
Total Investments	<u>\$ 12,343,447</u>

NOTE 4 - (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 2,569,832
Investments	12,343,447
Cash on Hand	<u>350</u>
Total	<u>\$ 14,913,629</u>
Cash and Cash Equivalents	\$ 8,809,491
Restricted Cash and Cash Equivalents	<u>6,104,138</u>
Total	<u>\$ 14,913,629</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2011 are presented in the schedule below.

Property taxes are levied on January 1 of 2011, are due in November of 2011, and are budgeted for the 2011 fiscal year. Even though they are not intended to fund the 2011 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

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

NOTE 5 – (CONTINUED)

The following is a summary of receivables at June 30, 2011:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ -	\$ 157,957	\$ 157,957
Allowance for Uncollectibles	-	(2,000)	(2,000)
Grants Receivable	145,970	-	145,970
Property Taxes Receivable	792,927	-	792,927
Special Assessment Receivable	66,185	-	66,185
Other Receivables	656,572	-	656,572
Total	<u>\$ 1,661,654</u>	<u>\$ 155,957</u>	<u>\$ 1,817,611</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities, including the internal service fund, for the year ended June 30, 2011.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$14,775,611	\$ 459,600	\$ (59,414)	\$15,175,797
Capital Assets being Depreciated				
Buildings and Structures	2,218,080	-	-	2,218,080
Improvements and Infrastructure	42,682,123	667,413	-	43,349,536
Machinery and Vehicles	<u>2,244,532</u>	<u>23,028</u>	-	<u>2,267,560</u>
Total	61,920,346	1,150,041	(59,414)	63,010,973
Less Accumulated Depreciation	<u>(16,706,690)</u>	<u>(1,829,967)</u>	-	<u>(18,536,657)</u>
Governmental Activities Capital Assets, Net	<u>\$45,213,656</u>	<u>\$ (679,926)</u>	<u>\$ (59,414)</u>	<u>\$44,474,316</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2011.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 696,428	\$ -	\$ -	\$ 696,428
Water Shares	7,024,749	102,321	-	7,127,070
Capital Assets being Depreciated				
Buildings and Structures	1,074,297	-	-	1,074,297
Improvements and Infrastructure	30,379,623	117,484	-	30,497,107
Machinery and Vehicles	<u>867,354</u>	-	-	<u>867,354</u>
Total	40,042,451	219,805	-	40,262,256
Less Accumulated Depreciation	<u>(8,323,356)</u>	<u>(862,171)</u>	-	<u>(9,185,527)</u>
Business-type Activities Capital Assets, Net	<u>\$31,719,095</u>	<u>\$ (642,366)</u>	<u>\$ -</u>	<u>\$31,076,729</u>

NOTE 6 - (CONTINUED)

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

Governmental Activities	
General Government	\$ 19,784
Public Safety	23,427
Public Works	1,305,429
Parks and Recreation	20,484
Cemetery	19,758
Airport	<u>338,843</u>
Total Governmental Funds	1,727,725
Internal Service Fund	<u>102,242</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 1,829,967</u>
Business-type Activities	
Water	\$ 535,864
Sewer	314,488
Airport Hangar Sales	<u>11,819</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 862,171</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Accounts Payable	\$ 543,595	\$ 125,902
Accrued Interest Payable	3,976	-
Developer and Subdivision Bonds Payable	<u>1,339,229</u>	<u>-</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 1,886,800</u>	<u>\$ 125,902</u>

The City accepts deposits from those wishing to develop subdivisions within the City. These deposits represent cash bonds and monies used to pay for inspection fees. Any unused funds are returned to the developer at the end of the warranty period. Additional funds are requested if the initial deposit is inadequate.

NOTE 8 - 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%

NOTE 8 - (CONTINUED)

- 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, 2010 is as follows:

	<u>Heber Light and Power</u>	<u>Heber City's Share</u>
Total Assets	\$ 33,939,741	\$ 25,454,806
Total Liabilities	<u>12,964,151</u>	<u>9,723,113</u>
Net Assets	<u>\$ 20,975,590</u>	<u>\$ 15,731,693</u>
Total Operating Revenues	\$ 12,063,352	\$ 9,047,514
Cost of Sales	<u>7,008,480</u>	<u>5,256,360</u>
Gross Profit	5,054,872	3,791,154
Operating Expenses	<u>5,839,535</u>	<u>4,379,651</u>
Net Operating Income (Loss)	(784,663)	(588,497)
Non-Operating Income	251,563	188,672
Non-Operating Expense	<u>(455,324)</u>	<u>(341,493)</u>
Net Income (Loss)	(988,424)	(741,318)
Capital Contributed by Developers	21,812	16,359
Less Withdrawals	<u>(598,268)</u>	<u>(448,701)</u>
Change in Net Assets	<u>\$ (1,564,880)</u>	<u>\$ (1,173,660)</u>

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

	<u>Total Amount</u>
Revenue Bonds, Series 2002	\$ 10,315,000
Unamortized Bond Issue Costs	(252,798)
Compensated Absences	127,974
Termination Benefits	308,336
Other Post Employment Benefits	<u>276,400</u>
	10,774,912
Less Current Portion	<u>(520,131)</u>
Net Long-Term Debt	<u>\$ 10,254,781</u>

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

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Special Assessment Bonds					
2001 Bonds	\$ 128,000	\$ -	\$ (64,000)	\$ 64,000	\$ 64,000
Revenue Bonds					
2003 Sales Tax	168,000	-	(54,000)	114,000	56,000
2003 Excise Tax	716,000	-	(170,000)	546,000	176,000
Leases					
2011 Copier Lease	-	7,929	(739)	7,190	1,513
Compensated Absences	<u>312,532</u>	<u>10,732</u>	<u>(23,514)</u>	<u>299,750</u>	<u>83,436</u>
	<u>\$ 1,324,532</u>	<u>\$ 18,661</u>	<u>\$ (312,253)</u>	<u>1,030,940</u>	<u>\$ 380,949</u>
Unamortized Bond Issuance Costs				<u>(5,118)</u>	
				<u>\$ 1,025,822</u>	

Long-term debt and obligations payable at June 30, 2011 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Special Assessment Bonds, Series 2001, Dated August 23, 2001 (original amount--\$1,355,000)	3.60% to 5.15%	2012	\$ 64,000	\$ -
Sales Tax Revenue Bonds, Series 2003, Dated March 25, 2003 (original amount--\$500,000)	1.90% to 3.95%	2013	56,000	58,000
Class C Road Excise Tax Revenue Bonds, Series 2003, Dated July 30, 2003 (original amount--\$1,650,000)	1.60% to 3.65%	2014	176,000	370,000
2011 Copier Lease	3.07%	2016	1,513	5,677
Compensated Absences			83,436	216,314
Unamortized Bond Issuance Costs			-	<u>(5,118)</u>
Total Governmental Activities Long-term Debt			<u>\$ 380,949</u>	<u>\$ 644,873</u>

The 2001 Special Assessment Bonds were issued for full roadway, water and sewer improvements in a designated area within the city. The City pledges income, net of operating expenses, derived from special assessment collections from landowners in the designated area to repay the bonds. Special assessment collections are expected to match the principal and interest payments each year.

NOTE 9 - (CONTINUED)

The 2003 Sales Tax Bonds were used to purchase the Central School block and the 2003 Excise Tax Bonds were used to make road improvements within the City. The City pledges income derived from sales tax and Class C allotments to repay the revenue bonds. Annual principal and interest payments are expected to require less than four percent of the sales tax revenue and less than sixty percent of the Class C allotments. The revenue stream related to each type of bond is pledged through the maturity date of the bond.

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 297,513	\$ 24,098
2013	241,560	12,494
2014	189,609	3,539
2015	1,659	58
2016	<u>849</u>	<u>10</u>
	<u>\$ 731,190</u>	<u>\$ 40,199</u>

NOTE 10 - RESERVED FUND EQUITY

The Class C Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the general fund. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. In addition, funds have been assigned for various capital projects.

NOTE 11 - RETIREMENT PLANS

Plan Description

Heber City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System 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.

NOTE 11 - (CONTINUED)

Funding Policy

In the Local Governmental Noncontributory Retirement System, Heber City is required to contribute 13.37% of plan members' annual covered salary. In the Public Safety Noncontributory Retirement System, Heber City is required to contribute 26.13% of plan members' annual covered salary. The contribution rates are the actuarially determine rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Heber City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2011, 2010, and 2009 were \$198,272, \$190,078 and \$199,271 respectively. Contributions for the Public Safety Noncontributory Retirement System for June 30, 2011, 2010 and 2009 were \$138,582, \$137,899 and \$145,653 respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by The Utah Retirement Systems under the Internal Revenue Code Section 401(k) for City employees covered by the State's noncontributory retirement plans. 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 401(k) deferred compensation monies are not available to the City or its general creditors. The City allows employees who are exempted from the defined benefit program to invest the City's 13.37% retirement contribution into the 401(k) plan. During the years ended June 30, 2011, 2010 and 2009 contributions totaling \$37,526, \$54,515 and \$55,613, respectively, were made to the plan by employees and \$45,947, \$45,246 and \$44,372 respectively, by the City.

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457 for City employees covered by the State's noncontributory retirement plans. 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 457 deferred compensation monies are not available to the City or its general creditors. 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. The City allows employees who are exempted from the defined benefit program to invest the City's 13% retirement contribution into the 457 plan. During the years ended June 30, 2011, 2010 and 2009 contributions totaling \$24,486 \$13,979 and \$14,188, respectively, were made to the plan by employees and \$0, \$24,519 and \$28,039 respectively, were made by the City.

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, 2011, 2010 and 2009 contributions totaling \$8,240, \$6,745 and \$6,565, respectively, were made to the plan by employees.

NOTE 13 - 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.

NOTE 14 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 227,500	\$ 550,000
Debt Service Fund	250,000	-
Capital Projects-Capital Fund	300,000	-
Capital Projects-Streets	<u>-</u>	<u>227,500</u>
	<u>\$ 777,500</u>	<u>\$ 777,500</u>

The general fund transferred \$250,000 to the debt service fund to cover the costs of bond payments. The general fund transferred \$300,000 to the capital projects fund for future projects. \$227,500 was transferred from the general fund to the capital project-streets fund for street projects.

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

NOTE 15 – SUBSEQUENT EVENTS

The City issued \$1,400,000 of sales tax bonds and used a portion of the proceeds to repay all of the other outstanding bonds. The new bonds carry an average interest rate of 1.75 percent. Approximately \$1,000,000 of the proceeds will be used to maintain the streets of the City.

SUPPLEMENTARY INFORMATION

HEBER CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Airport	Capital Projects	Industrial Park	Storm Drainage	Streets	Parks	Perma- nent Fund	Total Nonmajor Governmental Funds
ASSETS								
Restricted Cash	\$ 41,926	\$ 590,096	\$ 147,878	\$ 368,440	\$ 1,443,910	\$ 250,299	\$ 143,432	\$ 2,985,981
Due from Other Fund	-	780,000	200,000	-	-	-	-	980,000
Grant Receivable	145,970	-	-	-	-	-	-	145,970
TOTAL ASSETS	\$ 187,896	\$ 1,370,096	\$ 347,878	\$ 368,440	\$ 1,443,910	\$ 250,299	\$ 143,432	\$ 4,111,951
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts Payable	\$ 153,017	\$ 2,168	\$ -	\$ 7,274	\$ -	\$ -	\$ -	\$ 162,459
TOTAL LIABILITIES	153,017	2,168	-	7,274	-	-	-	162,459
FUND BALANCE								
Nonspendable								
Perpetual Care	-	-	-	-	-	-	143,432	143,432
Restricted for Impact Fees	-	-	-	361,166	1,443,910	250,299	-	2,055,375
Assigned for Capital Projects	34,879	1,367,928	347,878	-	-	-	-	1,750,685
TOTAL FUND EQUITY	34,879	1,367,928	347,878	361,166	1,443,910	250,299	143,432	3,949,492
TOTAL LIABILITIES AND FUND EQUITY	\$ 187,896	\$ 1,370,096	\$ 347,878	\$ 368,440	\$ 1,443,910	\$ 250,299	\$ 143,432	\$ 4,111,951

HEBER CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Airport	Capital Projects	Industrial Park	Storm Drainage	Streets	Parks	Perma- nent Fund	Total Nonmajor Governmental Funds
REVENUES								
Intergovernmental	\$ 209,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,915
Charges for Services	-	-	130,549	-	-	-	25,463	156,012
Interest	219	5,726	1,458	2,276	6,961	1,291	701	18,632
Miscellaneous	7,562	-	-	-	-	-	-	7,562
TOTAL REVENUES	217,696	5,726	132,007	2,276	6,961	1,291	26,164	392,121
EXPENDITURES								
General Government	147,655	5,709	-	-	-	-	-	153,364
Public Works	-	-	400	23,329	9,290	-	-	33,019
Parks and Recreation	-	-	-	-	-	9,659	-	9,659
Capital Outlay	64,291	-	-	18,185	-	-	-	82,476
TOTAL EXPENDITURES	211,946	5,709	400	41,514	9,290	9,659	-	278,518
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	5,750	17	131,607	(39,238)	(2,329)	(8,368)	26,164	113,603
OTHER FINANCING SOURCES (USES)								
Impact Fees	-	-	-	23,916	337,579	25,703	-	387,198
Transfers In	-	300,000	-	-	227,500	-	-	527,500
Transfers Out	-	-	-	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER (USES)	5,750	300,017	131,607	(15,322)	562,750	17,335	26,164	1,028,301
BEGINNING FUND BALANCE	29,129	1,067,911	216,271	376,488	881,160	232,964	117,268	2,921,191
ENDING FUND BALANCE	\$ 34,879	\$ 1,367,928	\$ 347,878	\$ 361,166	\$ 1,443,910	\$ 250,299	\$ 143,432	\$ 3,949,492

STATE LEGAL COMPLIANCE REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

December 7, 2011

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

Council Members:

I have audited Heber City, Utah's compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

Public Debt	Other General Issues
Cash Management	Uniform Building Code Standards
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Justice Court
Truth in Taxation and	Impact Fees
Property Tax Limitations	Asset Forfeiture
Class C Road Funds	URS Compliance
Special Districts	Fund Balances

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

Class C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City received the following nonmajor grants from the State of Utah:

Airport Grant Police Equipment Grant

Compliance with the requirements referred to above is the responsibility of the City's management. My responsibility is to express an opinion on compliance with those requirements 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 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures

as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City's compliance with those requirements.

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 assistance programs for the year ended June 30, 2011. However, the results of my auditing procedures disclosed two instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in the State Compliance Findings section of my letter to management dated December 7, 2011 as items #1 and #2.

Management's responses to the findings identified in my audit are described in the accompanying letter to management. I did not audit management's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the City Council, management of the City, the Office of the Utah State Auditor, awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

**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 7, 2011

Honorable Mayor
Members of the City Council
Heber City, Utah

Council Members:

I have audited 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, 2011, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency in internal control over financial reporting. I believe that finding #1 is a significant deficiency. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heber City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to the City's management in the management letter dated December 7, 2011.

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

Greg Ogden
Certified Public Accountant