

**FRUIT HEIGHTS CITY  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS  
YEAR ENDED JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council  
Fruit Heights City

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Fruit Heights City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Fruit Heights City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 39–40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2015, on our consideration of the Fruit Heights City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fruit Heights City's internal control over financial reporting and compliance.

*Wood Richards & Associates, PC*

Ogden, Utah  
January 19, 2015

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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**INTRODUCTION**

The following is a discussion and analysis of Fruit Heights City's financial performance and activities for the fiscal year ending June 30, 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Position, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Position shows the overall net position of the City. Increases and decreases in net position are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Fruit Heights City's business type activities are sewer, water, solid waste and storm water.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fruit Heights City has two governmental funds. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fruit Heights City has four Proprietary Funds. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Fruit Heights City has four Enterprise Funds, the water fund, the sewer fund, the solid waste fund and the storm water fund. An internal service fund is presented in a separate column in the Proprietary Fund financial statements. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

|                                  | Governmental Activities |                     | Business-type Activities |                     | Total                |                      |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                                  | June 30<br>2014         | June 30<br>2013     | June 30<br>2014          | June 30<br>2013     | June 30<br>2014      | June 30<br>2013      |
| Cash                             | \$ 1,169,035            | \$ 2,089,188        | \$ 3,024,982             | \$ 2,269,656        | \$ 4,194,016         | \$ 4,358,844         |
| Other assets                     | 709,836                 | 718,355             | 288,235                  | 283,365             | 998,071              | 1,001,720            |
| Capital assets                   | 8,435,458               | 5,888,607           | 9,009,846                | 5,945,769           | 17,445,304           | 11,834,376           |
| <b>Total assets</b>              | <b>10,314,329</b>       | <b>8,696,150</b>    | <b>12,323,063</b>        | <b>8,498,790</b>    | <b>22,637,391</b>    | <b>17,194,940</b>    |
| Long-term liabilities            | 28,929                  | 28,072              | 135,000                  | 150,000             | 163,929              | 178,072              |
| Other liabilities                | 158,740                 | 172,033             | 258,038                  | 266,314             | 416,778              | 438,347              |
| <b>Total liabilities</b>         | <b>187,669</b>          | <b>200,105</b>      | <b>393,038</b>           | <b>416,314</b>      | <b>580,707</b>       | <b>616,419</b>       |
| Deferred inflows of resources    | 669,319                 | 681,990             | -                        | -                   | 669,319              | 681,990              |
| Net position:                    |                         |                     |                          |                     |                      |                      |
| Net investment in capital assets | 7,884,556               | 5,888,607           | 6,845,736                | 5,780,769           | 14,730,292           | 11,669,376           |
| Restricted                       | 592,672                 | 641,818             | 1,459,596                | 1,087,507           | 2,052,268            | 1,729,325            |
| Unrestricted                     | 458,915                 | 1,283,630           | 1,610,583                | 1,214,200           | 2,069,497            | 2,497,830            |
| <b>Total net position</b>        | <b>\$ 8,936,143</b>     | <b>\$ 7,814,055</b> | <b>\$ 9,915,915</b>      | <b>\$ 8,082,476</b> | <b>\$ 18,852,057</b> | <b>\$ 15,896,531</b> |

**Analysis of Financial Position:**

**Governmental Activities:**

The governmental activities have seen a decrease to cash (restricted and unrestricted) of \$920,154. The City has invested its cash into capital assets as the net capital assets has increased by \$1,995,949. Total assets including receivables, prepaids, and amounts due from other governments has increased by \$1,096,981.

Total liabilities for the governmental activities stayed close to the same as the prior year with a net decrease of \$12,671.

The total net position increased by \$1,122,088 of which \$1,995,949 was from the net investment in capital assets, while restricted amounts decreased by \$49,146, and unrestricted decreased by \$824,716. Overall the governmental activities net position has improved from the prior year.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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**Analysis of Financial Position (continued):**

**Business-Type Activities:**

The business-type activities have seen an increase to cash (restricted and unrestricted) of \$755,326. The City's new purchases, acquisitions, construction of capital assets, and contributed capital has exceeded depreciation expense by \$1,049,967. Total assets including receivables and prepaid expenses have increased by \$1,810,163.

Total liabilities for the business-type activities stayed close to the same as the prior year with a net decrease of \$23,276.

The total net position increased by \$1,833,439 of which \$1,064,967 was from the net investment in capital assets, \$372,089 was from restricted amounts, and \$396,383 in unrestricted net position. Overall the business-type activities net position has improved from the prior year.

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**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

**Governmental Activities and Business Type Activities**

**Changes in Net Position**

|                           | Governmental Activities |                     | Business-type Activities |                     | Total                |                      |
|---------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                           | June 30<br>2014         | June 30<br>2013     | June 30<br>2014          | June 30<br>2013     | June 30<br>2014      | June 30<br>2013      |
| Revenues:                 |                         |                     |                          |                     |                      |                      |
| Program revenues:         |                         |                     |                          |                     |                      |                      |
| Charges for services      | \$ 381,054              | \$ 433,159          | \$ 1,862,292             | \$ 1,724,352        | \$ 2,243,346         | \$ 2,157,511         |
| Grants and contributions: |                         |                     |                          |                     |                      |                      |
| Operating                 | 163,846                 | 168,792             | -                        | -                   | 163,846              | 168,792              |
| Capital                   | 968,051                 | 71,360              | 1,470,199                | 399,483             | 2,438,250            | 470,843              |
| General revenues:         |                         |                     |                          |                     |                      |                      |
| Property taxes            | 608,613                 | 567,224             | -                        | -                   | 608,613              | 567,224              |
| Sales taxes               | 533,921                 | 498,582             | -                        | -                   | 533,921              | 498,582              |
| Other taxes               | 135,933                 | 138,603             | -                        | -                   | 135,933              | 138,603              |
| Other                     | 54,822                  | 40,545              | 14,188                   | 13,586              | 69,010               | 54,131               |
| Total revenues            | <u>2,846,240</u>        | <u>1,918,265</u>    | <u>3,346,679</u>         | <u>2,137,421</u>    | <u>6,192,919</u>     | <u>4,055,686</u>     |
| Expenses:                 |                         |                     |                          |                     |                      |                      |
| General government        | 592,831                 | 624,505             | -                        | -                   | 592,831              | 624,505              |
| Public safety             | 320,650                 | 290,370             | -                        | -                   | 320,650              | 290,370              |
| Public works              | 614,954                 | 357,777             | -                        | -                   | 614,954              | 357,777              |
| Parks and recreation      | 195,718                 | 190,080             | -                        | -                   | 195,718              | 190,080              |
| Water                     | -                       | -                   | 602,243                  | 523,810             | 602,243              | 523,810              |
| Sewer                     | -                       | -                   | 409,098                  | 376,847             | 409,098              | 376,847              |
| Solid waste               | -                       | -                   | 316,546                  | 307,283             | 316,546              | 307,283              |
| Storm sewer               | -                       | -                   | 185,354                  | 188,936             | 185,354              | 188,936              |
| Total expenses            | <u>1,724,153</u>        | <u>1,462,732</u>    | <u>1,513,241</u>         | <u>1,396,876</u>    | <u>3,237,393</u>     | <u>2,859,608</u>     |
| Transfers in (out)        | -                       | (120,780)           | -                        | 120,780             | -                    | -                    |
| Change in net position    | 1,122,088               | 334,753             | 1,833,439                | 861,325             | 2,955,526            | 1,196,078            |
| Net position-beginning    | <u>7,814,055</u>        | <u>7,479,302</u>    | <u>8,082,476</u>         | <u>7,221,151</u>    | <u>15,896,531</u>    | <u>14,700,453</u>    |
| Net position-ending       | <u>\$ 8,936,143</u>     | <u>\$ 7,814,055</u> | <u>\$ 9,915,915</u>      | <u>\$ 8,082,476</u> | <u>\$ 18,852,057</u> | <u>\$ 15,896,531</u> |

**Governmental Activities**

The net change in position for the governmental activities was \$1,122,088 which is more than the change in net position from 2013 by \$787,335. The reason for the change is a substantial amount of contributed capital \$759,000. Total expenses increased by \$261,421.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

**Governmental Activities and Business Type Activities (continued)**

Business-Type Activities

The business-type activities increased net position by \$1,833,439, which is better than the results of operations in 2013 by \$972,114. The reason for the sharp increase is both from an increase to user fees in the amount of \$137,940 and an increase to capital contributions of \$1,070,716. Expenses increased by \$116,365, mostly in the water fund.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The table below illustrates the fund balances in each fund, separated into the fund balance types with a two year comparison:

| Fund:                        | Fund Balance/Net Position |                  | Change           |
|------------------------------|---------------------------|------------------|------------------|
|                              | 2014                      | 2013             |                  |
| General                      |                           |                  |                  |
| Nonspendable                 | \$ 8,695                  | \$ 8,690         | \$ 5             |
| Class C Roads                | 234,795                   | 327,882          | (93,087)         |
| Unassigned                   | 317,932                   | 277,886          | 40,046           |
|                              | <u>561,422</u>            | <u>614,458</u>   | <u>(53,036)</u>  |
| Capital Projects             |                           |                  |                  |
| Impact Fees                  | 357,877                   | 313,936          | 43,941           |
| Assigned                     | 80,038                    | 744,040          | (664,002)        |
|                              | <u>437,915</u>            | <u>1,057,976</u> | <u>(620,061)</u> |
| Water                        |                           |                  |                  |
| Investment in Capital Assets | 4,835,385                 | 4,226,787        | 608,598          |
| Special Assessment           | 146,826                   | 156,532          | (9,706)          |
| Impact Fees                  | 1,034,318                 | 756,360          | 277,958          |
| Unrestricted                 | 758,325                   | 437,202          | 321,123          |
|                              | <u>6,774,854</u>          | <u>5,576,881</u> | <u>1,197,973</u> |
| Sewer Unrestricted           | <u>231,891</u>            | <u>223,157</u>   | <u>8,734</u>     |
| Solid Waste Unrestricted     | <u>377,146</u>            | <u>333,512</u>   | <u>43,634</u>    |
| Storm Water                  |                           |                  |                  |
| Investment in Capital Assets | 2,010,351                 | 1,553,982        | 456,369          |
| Impact Fees                  | 278,452                   | 174,615          | 103,837          |
| Unrestricted                 | 174,850                   | 138,440          | 36,410           |
|                              | <u>2,463,653</u>          | <u>1,867,037</u> | <u>596,616</u>   |
| Internal Service             | <u>608,542</u>            | <u>635,579</u>   | <u>(27,037)</u>  |

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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**General Fund Budgets**

Fruit Heights City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Significant variations between original and final budget amounts include the following:

- Budgeted revenues for licenses and permits increased by \$119,640 as building increased
- Total budgeted revenues increased by \$423,816.
- Budgeted expenses for general government decreased by \$59,065.
- Total budgeted expenses decreased by \$34,272.

Actual General Fund revenues were \$155,657 below the final budget and \$268,159 above the original budget.

Actual General Fund expenses before transfers were \$128,201 below the final budget and \$162,473 below the original budget.

Major differences between budgeted amounts and actual amounts include the following:

- State grants were budgeted for \$142,151, but \$0 came in.
- Sales taxes were \$45,129 more than budgeted.

**Capital Assets**

Fruit Heights City added \$1,966,390 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: building improvements of \$7,751, Infrastructure of \$1,174,493, park improvements of \$25,146, and contributed capital in the amount of \$759,000.

Fruit Heights City added \$1,216,973 in new business-type activity capital assets during the fiscal year including \$22,292 in water equipment, \$100,681 to storm water improvements and \$1,094,000 in contributed capital.

For more detail on capital assets please see the notes to the financial statements.

**Long-Term Debt**

The City currently owes \$150,000 for a municipal revenue obligation in the form of a promissory note. The proceeds from the note were used to finance the City's construction of a secondary water system for a portion of the City. \$15,000 of the debt will be paid in the current year with \$135,000 remaining in long-term debt. Special assessment collections will be used to pay this obligation.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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**ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Fruit Heights City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Fruit Heights City, 910 South Mountain Road, Fruit Heights City, Utah 84037.

# **BASIC FINANCIAL STATEMENTS**

**FRUIT HEIGHTS CITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|  | <b>Primary Government</b>          |                                     |                      |
|--|------------------------------------|-------------------------------------|----------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
| <b>ASSETS</b>                                  |                                    |                                     |                      |
| Cash and cash equivalents                      | \$ 606,067                         | \$ 1,612,009                        | \$ 2,218,075         |
| Restricted cash                                | 562,968                            | 1,412,973                           | 1,975,941            |
| Accounts receivable                            | 9,263                              | 171,554                             | 180,817              |
| Special assessments receivable                 | -                                  | 46,623                              | 46,623               |
| Due from other governmental units              | 691,878                            | -                                   | 691,878              |
| Due from other governmental units - restricted | 29,704                             | -                                   | 29,704               |
| Prepaid expenses                               | 8,695                              | 70,058                              | 78,753               |
| Capital assets                                 |                                    |                                     |                      |
| Land   | 1,135,873                          | 98,783                              | 1,234,656            |
| Water rights                                   | 988                                | 16,115                              | 17,103               |
| Buildings                                      | 1,133,627                          | -                                   | 1,133,627            |
| Improvements                                   | 6,351,165                          | 8,781,573                           | 15,132,738           |
| Machinery and equipment                        | 1,118,769                          | 113,375                             | 1,232,144            |
| Less: accumulated depreciation                 | (1,855,866)                        | (2,014,110)                         | (3,869,976)          |
| Total capital assets, net                      | <u>7,884,556</u>                   | <u>6,995,736</u>                    | <u>14,880,292</u>    |
| <b>TOTAL ASSETS</b>                            | <u>9,793,131</u>                   | <u>10,308,953</u>                   | <u>20,102,083</u>    |
| <b>LIABILITIES</b>                             |                                    |                                     |                      |
| Accounts payable                               | 20,390                             | 56,062                              | 76,452               |
| Accrued expenses                               | 24,455                             | -                                   | 24,455               |
| Impact fees payable                            | -                                  | 3,400                               | 3,400                |
| Deposits                                       | 3,595                              | 183,576                             | 187,171              |
| Subdivider guarantee deposits                  | 110,300                            | -                                   | 110,300              |
| Non-current liabilities:                       |                                    |                                     |                      |
| Due within one year                            | -                                  | 15,000                              | 15,000               |
| Due in more than one year                      | 28,929                             | 135,000                             | 163,929              |
| <b>TOTAL LIABILITIES</b>                       | <u>187,669</u>                     | <u>393,038</u>                      | <u>580,707</u>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                                    |                                     |                      |
| Unavailable revenue - property taxes           | 669,319                            | -                                   | 669,319              |
| <b>NET POSITION</b>                            |                                    |                                     |                      |
| Net investment in capital assets               | 7,884,556                          | 6,845,736                           | 14,730,292           |
| Restricted for:                                |                                    |                                     |                      |
| Class "C" roads                                | 234,795                            | -                                   | 234,795              |
| Parks impact fees                              | 357,877                            | -                                   | 357,877              |
| Impact fees                                    | -                                  | 1,312,770                           | 1,312,770            |
| Special assessment                             | -                                  | 146,826                             | 146,826              |
| Unrestricted                                   | <u>458,915</u>                     | <u>1,610,583</u>                    | <u>2,069,497</u>     |
| <b>TOTAL NET POSITION</b>                      | <u>\$ 8,936,143</u>                | <u>\$ 9,915,915</u>                 | <u>\$ 18,852,057</u> |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

| FUNCTIONS/PROGRAMS                   | Net (Expense) Revenue and Changes in Net Position |                      |                                    |                                  |                         |                          |                      |
|--------------------------------------|---|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|----------------------|
|                                      | Expenses  | Program Revenues     |                                    |                                  | Primary Government      |                          | Total                |
|                                      |   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities |                      |
| <b>PRIMARY GOVERNMENT:</b>           |   |                      |                                    |                                  |                         |                          |                      |
| Governmental activities:             |   |                      |                                    |                                  |                         |                          |                      |
| General government                   | \$ 592,831  | \$ 85,425            | \$ -                               | \$ -                             | \$ (507,406)            | \$ -                     | \$ (507,406)         |
| Public safety                        | 320,650   | 13,917               | 3,750                              | -                                | (302,983)               | -                        | (302,983)            |
| Highways and public improvements     | 614,954   | 277,657              | 160,096                            | 901,151                          | 723,950                 | -                        | 723,950              |
| Parks and recreation                 | 195,718   | 4,055                | -                                  | 66,900                           | (124,763)               | -                        | (124,763)            |
| Total governmental activities        | <u>1,724,153</u>                                  | <u>381,054</u>       | <u>163,846</u>                     | <u>968,051</u>                   | <u>(211,202)</u>        | <u>-</u>                 | <u>(211,202)</u>     |
| Business-type activities:            |   |                      |                                    |                                  |                         |                          |                      |
| Water                                | 602,243   | 807,566              | -                                  | 970,492                          | -                       | 1,175,816                | 1,175,816            |
| Sewer                                | 409,098   | 416,669              | -                                  | -                                | -                       | 7,571                    | 7,571                |
| Solid waste                          | 316,546   | 358,460              | -                                  | -                                | -                       | 41,914                   | 41,914               |
| Storm water                          | 185,354   | 279,597              | -                                  | 499,707                          | -                       | 593,950                  | 593,950              |
| Total business-type activities       | <u>1,513,241</u>                                  | <u>1,862,292</u>     | <u>-</u>                           | <u>1,470,199</u>                 | <u>-</u>                | <u>1,819,251</u>         | <u>1,819,251</u>     |
| Total primary government             | <u>\$ 3,237,393</u>                               | <u>\$2,243,346</u>   | <u>\$ 163,846</u>                  | <u>\$ 2,438,250</u>              | <u>(211,202)</u>        | <u>1,819,251</u>         | <u>1,608,049</u>     |
| General revenues:                    |   |                      |                                    |                                  |                         |                          |                      |
| Property taxes                       |   |                      |                                    |                                  | 608,613                 | -                        | 608,613              |
| Sales taxes                          |   |                      |                                    |                                  | 533,921                 | -                        | 533,921              |
| Fees-in-lieu of taxes                |   |                      |                                    |                                  | 47,069                  | -                        | 47,069               |
| Franchise tax                        |   |                      |                                    |                                  | 88,864                  | -                        | 88,864               |
| Miscellaneous                        |   |                      |                                    |                                  | 54,822                  | 14,188                   | 69,010               |
| Transfers in (out)                   |   |                      |                                    |                                  | -                       | -                        | -                    |
| Total general revenues and transfers |   |                      |                                    |                                  | <u>1,333,289</u>        | <u>14,188</u>            | <u>1,347,477</u>     |
| Change in net position               |   |                      |                                    |                                  | <u>1,122,088</u>        | <u>1,833,439</u>         | <u>2,955,526</u>     |
| Net position - beginning             |   |                      |                                    |                                  | <u>7,814,055</u>        | <u>8,082,476</u>         | <u>15,896,531</u>    |
| Net position - ending                |   |                      |                                    |                                  | <u>\$ 8,936,143</u>     | <u>\$ 9,915,915</u>      | <u>\$ 18,852,057</u> |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|--------------------------------------|---|
| <b>ASSETS</b>   |                         |                                      |   |
| Cash and cash equivalents                             | \$ 444,850              | \$ 80,038                            | \$ 524,888                              |
| Accounts receivable                                   | 9,263                   | -                                    | 9,263                                   |
| Due from other governmental units                     | 691,878                 | -                                    | 691,878                                 |
| Prepaid expenses                                      | 8,695                   | -                                    | 8,695                                   |
| Restricted assets:                                    |                         |                                      |   |
| Restricted cash                                       | 205,091                 | 357,877                              | 562,968                                 |
| Due from other governmental units                     | 29,704                  | -                                    | 29,704                                  |
| Total assets  | <u>\$ 1,389,481</u>     | <u>\$ 437,915</u>                    | <u>\$ 1,827,396</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b>                  |                         |                                      |   |
| Liabilities:  |                         |                                      |   |
| Accounts payable                                      | \$ 20,390               | \$ -                                 | \$ 20,390                               |
| Accrued expenses                                      | 24,455                  | -                                    | 24,455                                  |
| Customer deposits                                     | 3,595                   | -                                    | 3,595                                   |
| Subdivision guarantee deposits                        | 110,300                 | -                                    | 110,300                                 |
| Total liabilities                                     | <u>158,740</u>          | <u>-</u>                             | <u>158,740</u>                          |
| Deferred inflows of resources                         |                         |                                      |   |
| Unavailable revenue - property taxes                  | 669,319                 | -                                    | 669,319                                 |
| Fund balances:  |                         |                                      |   |
| Nonspendable - prepaid expenses                       | 8,695                   | -                                    | 8,695                                   |
| Restricted for:                                       |                         |                                      |   |
| Class "C" Roads                                       | 234,795                 | -                                    | 234,795                                 |
| Park impact fees                                      | -                       | 357,877                              | 357,877                                 |
| Assigned to:  |                         |                                      |   |
| Capital projects fund                                 | -                       | 80,038                               | 80,038                                  |
| Unassigned  | 317,932                 | -                                    | 317,932                                 |
| Total fund balances                                   | <u>561,422</u>          | <u>437,915</u>                       | <u>999,337</u>                          |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,389,481</u>     | <u>\$ 437,915</u>                    | <u>\$ 1,827,396</u>                     |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|  |    |                         |
|--|----|-------------------------|
| Total fund balances - governmental funds:  | \$ | 999,337                 |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |    |                         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  |    |                         |
| Land   | \$ | 1,135,873               |
| Water rights   |    | 988                     |
| Buildings  |    | 1,133,627               |
| Improvements   |    | 6,351,165               |
| Machinery and equipment  |    | 108,874                 |
| Accumulated depreciations  |    | <u>(1,304,964)</u>      |
|  |    | 7,425,563               |
| Internal service funds are used by management to charge the costs of the vehicle and equipment fund to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. |    |                         |
|  |    | 540,174                 |
| Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds, but they are reported in the Statement of Net Position.                                      |    |                         |
| Compensated absences   |    | <u>(28,931)</u>         |
| Net position of governmental activities  | \$ | <u><u>8,936,143</u></u> |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

| <b>REVENUES</b>                                   | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|--------------------------------------|---|
| Taxes   |                         |                                      |   |
| Property taxes                                    | \$ 608,613              | \$ -                                 | \$ 608,613                              |
| Sales taxes                                       | 533,921                 | -                                    | 533,921                                 |
| Fees-in-lieu of taxes                             | 47,069                  | -                                    | 47,069                                  |
| Franchise tax                                     | 88,864                  | -                                    | 88,864                                  |
| Licenses and permits                              | 194,713                 | -                                    | 194,713                                 |
| Intergovernmental                                 | 163,846                 | 142,151                              | 305,997                                 |
| Charges for services                              | 172,424                 | -                                    | 172,424                                 |
| Fines and forfeitures                             | 13,917                  | -                                    | 13,917                                  |
| Impact fees                                       | -                       | 66,900                               | 66,900                                  |
| Miscellaneous revenue                             | 51,435                  | 3,387                                | 54,822                                  |
| Total revenues                                    | <u>1,874,802</u>        | <u>212,438</u>                       | <u>2,087,240</u>                        |
| <b>EXPENDITURES</b>                               |                         |                                      |   |
| Current:  |                         |                                      |   |
| General government                                | 561,649                 | -                                    | 561,649                                 |
| Public safety                                     | 320,650                 | -                                    | 320,650                                 |
| Highways and public improvements                  | 504,403                 | 11                                   | 504,414                                 |
| Parks and recreation                              | 166,234                 | -                                    | 166,234                                 |
| Capital outlay:                                   |                         |                                      |   |
| General government                                | 7,751                   | 1,174,493                            | 1,182,244                               |
| Highways and public improvements                  | -                       | -                                    | -                                       |
| Parks and recreation                              | -                       | 25,146                               | 25,146                                  |
| Total expenditures                                | <u>1,560,687</u>        | <u>1,199,650</u>                     | <u>2,760,337</u>                        |
| Excess (deficiency) of revenues over expenditures | <u>314,115</u>          | <u>(987,212)</u>                     | <u>(673,097)</u>                        |
| Other financing sources (uses)                    |                         |                                      |   |
| Transfers in                                      | -                       | 367,151                              | 367,151                                 |
| Transfers (out)                                   | <u>(367,151)</u>        | <u>-</u>                             | <u>(367,151)</u>                        |
| Total other financing sources (uses)              | <u>(367,151)</u>        | <u>367,151</u>                       | <u>-</u>                                |
| Net change in fund balances                       | (53,036)                | (620,061)                            | (673,097)                               |
| Fund balances - beginning of year                 | <u>614,458</u>          | <u>1,057,976</u>                     | <u>1,672,434</u>                        |
| Fund balances - end of year                       | <u>\$ 561,422</u>       | <u>\$ 437,915</u>                    | <u>\$ 999,337</u>                       |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

|   |    |           |
|---|----|-----------|
| Net changes in fund balances - total governmental funds   | \$ | (673,097) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. |    |           |
| Infrastructure  | \$ | 1,174,493 |
| Buildings   |    | 7,751     |
| Park improvements   |    | 25,146    |
| Depreciation expense  |    | (156,829) |
|   |    | 1,050,561 |

|  |  |          |
|--|--|----------|
| Internal service funds are used by management to charge the costs of the vehicle and equipment fund to individual funds. The net loss of certain activities of the Internal Service Fund is reported with governmental activities. |  | (13,519) |
|--|--|----------|

|  |  |         |
|--|--|---------|
| Some revenues only represent long-term economic resources and are, therefore reported in the government-wide statements but, not in the fund financial statements. The amount of contributed capital is as follows |  | 759,000 |
|--|--|---------|

|   |  |       |
|---|--|-------|
| Some governmental fund expenditures reflect payments related to prior periods. Such amounts should not be included in the government-wide Statement of Activities as they related to prior periods. |  | (858) |
|---|--|-------|

|   |    |           |
|---|----|-----------|
| Change in net position of governmental activities | \$ | 1,122,088 |
|---|----|-----------|

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

|   | <b>Business-Type Activities - Enterprise Funds</b> |                   |                        |                        |                     | <b>Governmental-<br/>Type<br/>Activities<br/>Internal<br/>Service Fund</b> |
|---|--|-------------------|------------------------|------------------------|---------------------|--|
|   | <b>Water</b>                                       | <b>Sewer</b>      | <b>Solid<br/>Waste</b> | <b>Storm<br/>Water</b> | <b>Total</b>        |  |
| <b><u>ASSETS</u></b>  |  |                   |                        |                        |                     |  |
| Current assets:   |  |                   |                        |                        |                     |  |
| Cash and cash equivalents   | \$ 617,918   | \$ 227,053        | \$ 366,399             | \$ 332,268             | \$ 1,543,638        | \$ 149,549   |
| Accounts receivable   | 70,349   | 39,937            | 34,748                 | 26,520                 | 171,554             | -  |
| Special assessments receivable  | 46,623   | -                 | -                      | -                      | 46,623              | -  |
| Prepaid water   | 70,058   | -                 | -                      | -                      | 70,058              | -  |
| Total current assets  | <u>804,948</u>                                     | <u>266,990</u>    | <u>401,147</u>         | <u>358,788</u>         | <u>1,831,873</u>    | <u>149,549</u>   |
| Noncurrent assets:  |  |                   |                        |                        |                     |  |
| Restricted cash and cash equivalents  | 1,134,521  | -                 | -                      | 278,452                | 1,412,973           | -  |
| Land  | 98,783   | -                 | -                      | -                      | 98,783              | -  |
| Water rights  | 16,115   | -                 | -                      | -                      | 16,115              | -  |
| Improvements  | 6,467,138  | -                 | -                      | 2,314,435              | 8,781,573           | -  |
| Machinery and equipment   | 113,375  | -                 | -                      | -                      | 113,375             | 1,009,895  |
| Less: Accumulated depreciation  | <u>(1,710,026)</u>                                 | <u>-</u>          | <u>-</u>               | <u>(304,084)</u>       | <u>(2,014,110)</u>  | <u>(550,902)</u>   |
| Total noncurrent assets   | <u>6,119,906</u>                                   | <u>-</u>          | <u>-</u>               | <u>2,288,803</u>       | <u>8,408,709</u>    | <u>458,993</u>   |
| Total assets  | <u>6,924,854</u>                                   | <u>266,990</u>    | <u>401,147</u>         | <u>2,647,591</u>       | <u>10,240,582</u>   | <u>608,542</u>   |
| <b><u>LIABILITIES</u></b>   |  |                   |                        |                        |                     |  |
| Current liabilities:  |  |                   |                        |                        |                     |  |
| Accounts payable  | -  | 31,699            | 24,001                 | 362                    | 56,062              | -  |
| Revenue bonds payable   | 15,000   | -                 | -                      | -                      | 15,000              | -  |
| Impact fees payable   | -  | 3,400             | -                      | -                      | 3,400               | -  |
| Deposits  | -  | -                 | -                      | 183,576                | 183,576             | -  |
| Total current liabilities   | <u>15,000</u>                                      | <u>35,099</u>     | <u>24,001</u>          | <u>183,938</u>         | <u>258,038</u>      | <u>-</u>   |
| Noncurrent liabilities:   |  |                   |                        |                        |                     |  |
| Revenue bonds payable   | <u>135,000</u>                                     | <u>-</u>          | <u>-</u>               | <u>-</u>               | <u>135,000</u>      | <u>-</u>   |
| Total liabilities   | <u>150,000</u>                                     | <u>35,099</u>     | <u>24,001</u>          | <u>183,938</u>         | <u>393,038</u>      | <u>-</u>   |
| <b><u>NET POSITION</u></b>  |  |                   |                        |                        |                     |  |
| Net investment in capital assets  | 4,835,385  | -                 | -                      | 2,010,351              | 6,845,736           | 458,993  |
| Restricted - Special assessment   | 146,826  | -                 | -                      | -                      | 146,826             | -  |
| Restricted - Impact fees  | 1,034,318  | -                 | -                      | 278,452                | 1,312,770           | -  |
| Unrestricted  | <u>758,325</u>                                     | <u>231,891</u>    | <u>377,146</u>         | <u>174,850</u>         | <u>1,542,212</u>    | <u>149,549</u>   |
| Total net position  | <u>\$ 6,774,854</u>                                | <u>\$ 231,891</u> | <u>\$ 377,146</u>      | <u>\$ 2,463,653</u>    | <u>9,847,544</u>    | <u>\$ 608,542</u>  |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds |  |                   |                        |                        | <u>68,371</u>       |  |
| Net position of business-type activities  |  |                   |                        |                        | <u>\$ 9,915,915</u> |  |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | <b>Business-Type Activities - Enterprise Funds</b> |                   |                        |                        |                     | <b>Governmental-<br/>Type<br/>Activities<br/>Internal<br/>Service Fund</b> |
|--|--|-------------------|------------------------|------------------------|---------------------|--|
|  | <b>Water</b>                                       | <b>Sewer</b>      | <b>Solid<br/>Waste</b> | <b>Storm<br/>Water</b> | <b>Total</b>        |  |
|  |  |                   |                        |                        |                     |  |
| <b><u>OPERATING REVENUE</u></b>  |  |                   |                        |                        |                     |  |
| Charges for service  | \$ 773,708   | \$ 415,298        | \$ 358,460             | \$ 279,597             | \$ 1,827,063        | \$ 110,000   |
| Other  | 28,673   | 1,371             | -                      | -                      | 30,044              | -  |
| Total operating revenue  | <u>802,381</u>                                     | <u>416,669</u>    | <u>358,460</u>         | <u>279,597</u>         | <u>1,857,107</u>    | <u>110,000</u>   |
| <b><u>OPERATING EXPENSES</u></b>   |  |                   |                        |                        |                     |  |
| Operation and maintenance  | 64,534   | 21,707            | 6,107                  | 25,049                 | 117,397             | 70,318   |
| Sewage treatment   | -  | 373,891           | -                      | -                      | 373,891             | -  |
| Source of supply   | 192,985  | -                 | -                      | -                      | 192,985             | -  |
| Power and pumping  | 20,245   | -                 | -                      | -                      | 20,245              | 6,157  |
| Depreciation   | 125,694  | -                 | -                      | 41,312                 | 167,006             | 64,165   |
| Administrative expense   | 41,000   | 13,500            | 13,500                 | 13,500                 | 81,500              | -  |
| Salaries   | 69,306   | -                 | -                      | 45,135                 | 114,441             | -  |
| Employee benefits  | 39,707   | -                 | -                      | 32,858                 | 72,565              | -  |
| Waste collection   | -  | -                 | 154,484                | -                      | 154,484             | -  |
| Waste disposal   | -  | -                 | 142,455                | -                      | 142,455             | -  |
| Vehicle operation  | 27,500   | -                 | -                      | 27,500                 | 55,000              | -  |
| Total operating expenses   | <u>580,971</u>                                     | <u>409,098</u>    | <u>316,546</u>         | <u>185,354</u>         | <u>1,491,969</u>    | <u>140,640</u>   |
| Operating income (loss)  | <u>221,410</u>                                     | <u>7,571</u>      | <u>41,914</u>          | <u>94,243</u>          | <u>365,138</u>      | <u>(30,640)</u>  |
| <b><u>NONOPERATING REVENUE<br/>(EXPENSES)</u></b>  |  |                   |                        |                        |                     |  |
| Connection fees  | 5,185  | -                 | -                      | -                      | 5,185               | -  |
| Impact fees  | 273,492  | -                 | -                      | 102,707                | 376,199             | -  |
| Interest revenue   | 8,639  | 1,163             | 1,720                  | 2,666                  | 14,188              | 3,603  |
| Interest expense   | (7,753)  | -                 | -                      | -                      | (7,753)             | -  |
| Total non operating revenue<br>and expenses  | <u>279,563</u>                                     | <u>1,163</u>      | <u>1,720</u>           | <u>105,373</u>         | <u>387,819</u>      | <u>3,603</u>   |
| Income (loss) before contributions<br>and transfers  | 500,973  | 8,734             | 43,634                 | 199,616                | 752,957             | (27,037)   |
| Transfers  | -  | -                 | -                      | -                      | -                   | -  |
| Contributed capital  | 697,000  | -                 | -                      | 397,000                | 1,094,000           | -  |
| Changes in net position  | 1,197,973  | 8,734             | 43,634                 | 596,616                | 1,846,957           | (27,037)   |
| Net position - beginning   | <u>5,576,881</u>                                   | <u>223,157</u>    | <u>333,512</u>         | <u>1,867,037</u>       | <u>635,579</u>      | <u>635,579</u>   |
| Net position - ending  | <u>\$ 6,774,854</u>                                | <u>\$ 231,891</u> | <u>\$ 377,146</u>      | <u>\$ 2,463,653</u>    | <u>\$ 608,542</u>   | <u>\$ 608,542</u>  |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to<br>Enterprise Funds |  |                   |                        |                        | <u>(13,519)</u>     |  |
| Change in net assets of business-type activities   |  |                   |                        |                        | <u>\$ 1,833,439</u> |  |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | <b>Business-Type Activities - Enterprise Funds</b> |                   |                    |                    |                     | <b>Governmental</b>                                  |
|--|--|-------------------|--------------------|--------------------|---------------------|--|
|  | <b>Water</b>                                       | <b>Sewer</b>      | <b>Solid Waste</b> | <b>Storm Water</b> | <b>Total</b>        | <b>Type Activities<br/>Internal<br/>Service Fund</b> |
| <b>Cash Flows From Operating Activities</b>                          |  |                   |                    |                    |                     |  |
| Receipts from customers  | \$ 805,075   | \$ 414,767        | \$ 357,080         | \$ 288,216         | \$ 1,865,138        | \$ -   |
| Receipts from interfund services                                     | -  | -                 | -                  | -                  | -                   | 110,000  |
| Payments to employees  | (69,306)   | -                 | -                  | (45,135)           | (114,441)           | -  |
| Payments to suppliers  | (320,613)  | (394,300)         | (302,342)          | (57,545)           | (1,074,800)         | (79,594)   |
| Payments for interfund services used                                 | (68,500)   | (13,500)          | (13,500)           | (41,000)           | (136,500)           | -  |
| Net cash provided (used) by operating activities                     | <u>346,656</u>                                     | <u>6,967</u>      | <u>41,238</u>      | <u>144,536</u>     | <u>539,397</u>      | <u>30,406</u>  |
| <b>Cash Flows From Noncapital Financing Activities</b>               |  |                   |                    |                    |                     |  |
| Impact fee payback   | -  | (20,399)          | -                  | -                  | (20,399)            | -  |
| Change in interfund borrowings                                       | -  | -                 | -                  | -                  | -                   | -  |
| Net cash provided (used) by noncapital financing activities          | <u>-</u>   | <u>(20,399)</u>   | <u>-</u>           | <u>-</u>           | <u>(20,399)</u>     | <u>-</u>   |
| <b>Cash Flows From Capital and Related Financing Activities</b>      |  |                   |                    |                    |                     |  |
| Receipts for impact fees   | 273,492  | -                 | -                  | 102,707            | 376,199             | -  |
| Receipts for connection fees   | 5,185  | -                 | -                  | -                  | 5,185               | -  |
| Principal paid on capital debt                                       | (15,000)   | -                 | -                  | -                  | (15,000)            | -  |
| Interest paid on capital debt  | (7,753)  | -                 | -                  | -                  | (7,753)             | -  |
| Purchases of capital assets  | (22,292)   | -                 | -                  | (100,681)          | (122,973)           | (250,552)  |
| Net cash provided (used) by capital and related financing activities | <u>233,632</u>                                     | <u>-</u>          | <u>-</u>           | <u>2,026</u>       | <u>235,658</u>      | <u>(250,552)</u>                                     |
| <b>Cash Flows From Investing Activities</b>                          |  |                   |                    |                    |                     |  |
| Interest and dividends received                                      | 8,639  | 1,163             | 1,720              | 2,666              | 14,188              | 3,603  |
| Net cash provided (used) by investing activities                     | <u>8,639</u>                                       | <u>1,163</u>      | <u>1,720</u>       | <u>2,666</u>       | <u>14,188</u>       | <u>3,603</u>   |
| Net increase (decrease) in cash and cash equivalents                 | 588,927  | (12,269)          | 42,958             | 149,228            | 768,844             | (216,543)  |
| Cash and cash equivalents, July 1                                    | <u>1,163,512</u>                                   | <u>239,322</u>    | <u>323,441</u>     | <u>461,492</u>     | <u>2,187,767</u>    | <u>366,092</u>                                       |
| Cash and cash equivalents, June 30                                   | <u>\$ 1,752,439</u>                                | <u>\$ 227,053</u> | <u>\$ 366,399</u>  | <u>\$ 610,720</u>  | <u>\$ 2,956,611</u> | <u>\$ 149,549</u>                                    |
| <b>Cash at June 30th</b>   |  |                   |                    |                    |                     |  |
| Cash and cash equivalents  | \$ 617,918   | \$ 227,053        | \$ 366,399         | \$ 332,268         | \$ 1,543,638        | \$ 149,549   |
| Restricted cash  | 1,134,521  | -                 | -                  | 278,452            | 1,412,973           | -  |
| Total cash and cash equivalents                                      | <u>\$1,752,439</u>                                 | <u>\$ 227,053</u> | <u>\$ 366,399</u>  | <u>\$ 610,720</u>  | <u>\$ 2,956,611</u> | <u>\$ 149,549</u>                                    |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | <b>Business-Type Activities - Enterprise Funds</b> |                 |                        |                        |                     | <b>Governmental<br/>Type<br/>Activities<br/>Internal<br/>Service Fund</b> |
|--|--|-----------------|------------------------|------------------------|---------------------|---|
|  | <b>Water</b>                                       | <b>Sewer</b>    | <b>Solid<br/>Waste</b> | <b>Storm<br/>Water</b> | <b>Total</b>        |   |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b> |  |                 |                        |                        |                     |   |
| Operating income (loss)  | \$ 221,410   | \$ 7,571        | \$ 41,914              | \$ 94,243              | \$ 365,138          | \$ (30,640)   |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |  |                 |                        |                        |                     |   |
| Depreciation expense   | 125,694  | -               | -                      | 41,312                 | 167,006             | 64,165  |
| (Increase) decrease in prepaids  | (1,452)  | -               | -                      | -                      | (1,452)             | -   |
| (Increase) decrease in accounts receivable   | 3,244  | (1,902)         | (1,380)                | (3,381)                | (3,419)             | -   |
| Increase (decrease) in accounts payable  | (1,690)  | 1,298           | 704                    | 362                    | 674                 | (3,119)   |
| Increase (decrease) in deposits  | (550)  | -               | -                      | 12,000                 | 11,450              | -   |
| Total adjustments  | 125,246  | (604)           | (676)                  | 50,293                 | 174,259             | 61,046  |
| Net cash provided (used) by operating activities   | <u>\$ 346,656</u>                                  | <u>\$ 6,967</u> | <u>\$ 41,238</u>       | <u>\$ 144,536</u>      | <u>\$ 539,397</u>   | <u>\$ 30,406</u>  |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                    |  |                 |                        |                        |                     |   |
| Contribution of capital assets   | <u>\$ 697,000</u>                                  | <u>\$ -</u>     | <u>\$ -</u>            | <u>\$ 397,000</u>      | <u>\$ 1,094,000</u> |   |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

Fruit Heights City was incorporated in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety, public utilities, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB).

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. Under GASB Statement No. 61, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government and the following component units:

**Fruit Heights City Municipal Building Authority.** The Fruit Heights City Municipal Building Authority's governing board is appointed by the government's governing body. The City created a building authority in the form of a non-profit corporation under the Utah Municipal Building Authority Act for the purpose of acquiring, improving, or extending one or more projects, as defined in the Act, and to finance their costs on behalf of the City in accordance with the procedures and subject to limitations of the Act. There was no activity in the current year.

**B. Government-wide and Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

***Government-wide Financial Statements***

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements**

The *Statement of Net Position* presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. 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 within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

***Fund Financial Statements***

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

**General Fund** -This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

**Capital Projects Fund** -This fund accounts for financial resources to be used for the construction of

The City reports the following major proprietary funds:

**Sewer Fund** - The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Water Fund** -The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

**Solid Waste Fund** - The solid waste fund is used to account for operations of the solid waste system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Storm Water Fund** - The storm water fund is used to account for operations of the storm water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

**Internal Service Fund** - The internal service fund is used to account for the operating costs of vehicles and equipment charged to the other departments or funds. The internal service fund primarily benefits the governmental funds and is included as part of governmental-type activities in the government-wide financial statements. The net profit or loss on the internal service fund operations is allocated to the functions that benefited from the goods or services provided on the basis of their proportionate benefit. This technique is commonly known as the look-back approach to internal service fund consolidations on the government-wide financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Assets, Liabilities, and Fund Balances/Net Position**

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Pooled Cash and Temporary Investments***

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

***Inventories***

No significant inventories are maintained by the City, therefore none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

***Capital Assets***

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position (Continued)**

Infrastructure capital assets which are newly constructed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|              |             |                |             |
|--------------|-------------|----------------|-------------|
| Buildings    | 30-50 years | Equipment      | 5-10 years  |
| Improvements | 10-50 years | Infrastructure | 25-40 years |

***Deferred Inflows of Resources*** – In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item reported under this category. *Unavailable revenue- property taxes* are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts are reported in both the government-wide statements and the governmental fund statements.

***Long-term Obligations***

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

***Equity***

**Fund financial statements:**

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position (Continued)**

*Equity(continued)*

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance - Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

Government-wide statements:

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

- a. Net investment in capital assets- Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues and Expenditures**

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

***Revenue Availability***

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1.

***Expenditure Recognition***

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

**F. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for both the General Fund and Capital Projects Fund. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting (continued)**

4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
  - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
  - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Summary of Action Required for Budget Changes:**

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

**Current Year Excess of Expenditures Over Appropriations**

For the year ended June 30, 2014 expenditures exceeded appropriations in the sewer fund by \$13,598. Other funds maintained their actual expenditures within their appropriations.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**H. Compensated Absences**

City policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**I. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Restricted Resources**

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City's deposits are carried at cost.

At June 30, 2014, the carrying amount of the City's deposits was \$294,614 and the bank balance was \$326,978. Of the bank balance, \$250,000 was covered by FDIC depository insurance and \$76,978 was uninsured and uncollateralized.

**B. Investments**

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

|   | Carrying<br>Amount | Market<br>Value |
|---|--------------------|-----------------|
| Utah Public Treasurer's Investment Fund | \$3,898,524        | \$3,919,990     |

**C. Summary**

|   | Carrying<br>Amount |
|---|--------------------|
| Deposits  | \$ 294,614         |
| Petty cash and returned checks                        | 878                |
| Investment in Utah Public Treasurer's Investment Fund | 3,898,524          |
| Total deposits and investments                        | \$4,194,016        |
| Unrestricted cash                                     | \$2,218,075        |
| Restricted cash                                       | 1,975,941          |
| Total deposits and investments                        | \$4,194,016        |

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

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*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 City funds 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 Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated.

*Credit risk.* Credit risk is the risk that the counterparty to an investment transaction 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; and shares in a money market fund as defined in the Act.

*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 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.

*Concentration of credit risk.* The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES**

|  | <u>General<br/>Fund</u>  | <u>Enterprise<br/>Funds</u> | <u>Total</u>             |
|--|--------------------------|-----------------------------|--------------------------|
| Receivables:                                       |                          |                             |                          |
| Individual accounts                                | \$ 979                   | \$ 174,153                  | \$ 175,132               |
| Special assessments                                | -                        | 46,623                      | 46,623                   |
| Sales tax  | 98,859                   | -                           | 98,859                   |
| Franchise tax                                      | 8,284                    | -                           | 8,284                    |
| Property taxes - current                           | 11,591                   | -                           | 11,591                   |
| Property taxes - unavailable                       | 581,428                  | -                           | 581,428                  |
| Class C Roads                                      | 29,704                   | -                           | 29,704                   |
|  | <u>730,845</u>           | <u>220,776</u>              | <u>951,621</u>           |
| Less: Allowance for uncollectibles                 | -                        | (2,599)                     | (2,599)                  |
| Net total receivables & due from other governments | <u><b>\$ 730,845</b></u> | <u><b>\$ 218,177</b></u>    | <u><b>\$ 949,022</b></u> |

Statement of Net Position:

|   |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|
| Accounts receivable                     | \$ 9,263                 | \$ 171,554               | \$ 180,817               |
| Special assessments                     | -                        | 46,623                   | 46,623                   |
| Due from other governments              | 691,878                  | -                        | 691,878                  |
| Due from other governments - restricted | 29,704                   | -                        | 29,704                   |
|   | <u><b>\$ 730,845</b></u> | <u><b>\$ 218,177</b></u> | <u><b>\$ 949,022</b></u> |

Accounts Payable Due To:

|                       | <u>Other<br/>Governments</u> | <u>Vendors</u>         | <u>Total</u>            | <u>Payable<br/>from<br/>Restricted<br/>Assets</u> |
|-----------------------|------------------------------|------------------------|-------------------------|---|
| General Fund          | \$ 12,976                    | \$ 7,414               | \$ 20,390               | \$ -  |
| Capital Projects Fund | -                            | -                      | -                       | -   |
| Water Fund            | -                            | -                      | -                       | -   |
| Sewer Fund            | 35,099                       | -                      | 35,099                  | -   |
| Solid Waste Fund      | 24,001                       | -                      | 24,001                  | -   |
| Storm Water Fund      | -                            | 362                    | 362                     | -   |
| Internal Service Fund | -                            | -                      | -                       | -   |
| Total                 | <u><b>\$ 72,076</b></u>      | <u><b>\$ 7,776</b></u> | <u><b>\$ 79,852</b></u> | <u><b>\$ -</b></u>                                |

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014, was as follows:

| <b>PRIMARY GOVERNMENT</b>                   | Balance<br>June 30,<br>2013 | Additions           | (Deletions) | Balance<br>June 30,<br>2014 |
|---|-----------------------------|---------------------|-------------|-----------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>              |                             |                     |             |                             |
| Nondepreciated Assets                       |                             |                     |             |                             |
| Land  | \$ 1,135,873                | \$ -                | \$ -        | \$ 1,135,873                |
| Water rights                                | 988                         | -                   | -           | 988                         |
| Total nondepreciated assets                 | <u>1,136,861</u>            | <u>-</u>            | <u>-</u>    | <u>1,136,861</u>            |
| Depreciated Assets                          |                             |                     |             |                             |
| Buildings                                   | 1,125,876                   | 7,751               | -           | 1,133,627                   |
| Infrastructure                              | 3,875,048                   | 1,933,493           | -           | 5,808,541                   |
| Improvements                                | 517,478                     | 25,146              | -           | 542,624                     |
| Vehicles                                    | 759,343                     | 250,552             | -           | 1,009,895                   |
| Machinery and equipment                     | 108,874                     | -                   | -           | 108,874                     |
| Total depreciated assets                    | <u>6,386,619</u>            | <u>2,216,942</u>    | <u>-</u>    | <u>8,603,561</u>            |
| Less accumulated depreciation               |                             |                     |             |                             |
| Buildings                                   | (422,370)                   | (29,609)            | -           | (451,979)                   |
| Infrastructure                              | (362,949)                   | (96,836)            | -           | (459,785)                   |
| Improvements                                | (275,539)                   | (25,860)            | -           | (301,399)                   |
| Vehicles                                    | (486,737)                   | (64,165)            | -           | (550,902)                   |
| Machinery and equipment                     | (87,278)                    | (4,523)             | -           | (91,801)                    |
| Total                                       | <u>(1,634,873)</u>          | <u>(220,993)</u>    | <u>-</u>    | <u>(1,855,866)</u>          |
| Net assets depreciated                      | <u>4,751,746</u>            | <u>1,995,949</u>    | <u>-</u>    | <u>6,747,695</u>            |
| Governmental activities capital assets, net | <u>\$ 5,888,607</u>         | <u>\$ 1,995,949</u> | <u>\$ -</u> | <u>\$ 7,884,556</u>         |

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

|  | Balance<br>June 30,<br>2013 | Additions    | (Deletions) | Balance<br>June 30,<br>2014 |
|--|-----------------------------|--------------|-------------|-----------------------------|
| <b>PRIMARY GOVERNMENT</b>                    |                             |              |             |                             |
| <b>BUSINESS-TYPE ACTIVITIES</b>              |                             |              |             |                             |
| Nondepreciated Assets                        |                             |              |             |                             |
| Land   | \$ 98,783                   | \$ -         | \$ -        | \$ 98,783                   |
| Water rights                                 | 16,115                      | -            | -           | 16,115                      |
| Total nondepreciated assets                  | 114,898                     | -            | -           | 114,898                     |
| Depreciated Assets                           |                             |              |             |                             |
| Improvements-nonbuilding                     |                             |              |             |                             |
| Water system                                 | 5,315,080                   | 697,000      | -           | 6,012,080                   |
| Irrigation water system                      | 455,058                     | -            | -           | 455,058                     |
| Storm water system                           | 1,816,754                   | 497,681      | -           | 2,314,435                   |
| Equipment                                    |                             |              |             |                             |
| Water system                                 | 106,804                     | 22,292       | (18,058)    | 111,038                     |
| Sewer system                                 | 20,396                      | -            | (18,058)    | 2,338                       |
| Total depreciated assets                     | 7,714,092                   | 1,216,973    | (36,116)    | 8,894,949                   |
| Less accumulated depreciation                |                             |              |             |                             |
| Improvements-nonbuilding                     |                             |              |             |                             |
| Water system                                 | (1,390,363)                 | (113,272)    | -           | (1,503,635)                 |
| Irrigation water system                      | (56,568)                    | (9,101)      | -           | (65,669)                    |
| Storm water system                           | (262,772)                   | (41,312)     | -           | (304,084)                   |
| Equipment                                    |                             |              |             |                             |
| Water system                                 | (76,920)                    | (3,321)      | 18,058      | (62,183)                    |
| Sewer system                                 | (20,396)                    | -            | 18,058      | (2,338)                     |
| Total  | (1,807,019)                 | (167,006)    | 36,116      | (1,937,909)                 |
| Net assets depreciated                       | 5,907,073                   | 1,049,967    | -           | 6,957,040                   |
| Business-type activities capital assets, net | \$ 6,021,971                | \$ 1,049,967 | \$ -        | \$ 7,071,938                |

**DEPRECIATION EXPENSE**

|                                     | Governmental<br>Types | Business<br>Types | Totals     |
|-------------------------------------|-----------------------|-------------------|------------|
| General government                  | \$ 16,805             | \$ -              | \$ 16,805  |
| Highways and public<br>improvements | 110,540               | -                 | 110,540    |
| Parks                               | 29,484                | -                 | 29,484     |
| Internal service                    | 64,165                | -                 | 64,165     |
| Water                               | -                     | 125,694           | 125,694    |
| Storm water                         | -                     | 41,312            | 41,312     |
| TOTAL                               | \$ 220,994            | \$ 167,006        | \$ 388,000 |

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 - LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2014, was as follows:

| Description                               | Interest<br>Rate | Outstanding<br>June 30,<br>2013 | Additions   | Payments           | Outstanding<br>June 30,<br>2014 | Current<br>Portion |
|---|------------------|---------------------------------|-------------|--------------------|---------------------------------|--------------------|
| <b>BUSINESS TYPE</b>                      |                  |                                 |             |                    |                                 |                    |
| Water utility fund:<br>Revenue obligation | 5.00%            | \$ 165,000                      | \$ -        | \$ (15,000)        | \$ 150,000                      | \$ 15,000          |
| Total water utility                       |                  | <u>\$ 165,000</u>               | <u>\$ -</u> | <u>\$ (15,000)</u> | <u>\$ 150,000</u>               | <u>\$ 15,000</u>   |

On June 15, 2004, the City entered into a loan agreement evidenced by a promissory note in the amount of \$300,000 with interest at the annual rate of 5% simple interest. The proceeds are to be used to fund the Fruit Heights City East Bench Pressure Irrigation Special Improvement district which is the vehicle to construct a pressure irrigation delivery system for some residents in Fruit Heights who will repay their individual assessments for participation in the irrigation system. It is the intent that this obligation is to be a Municipal Revenue Obligation of the specific group of participants/residents of the City and not a General Obligation of the City.

Principal balance shall be repaid as it is received by Fruit Heights City in no more than twenty (20) annual payments of \$15,000 beginning October 31, 2005. The note can be prepaid at any time without prepayment penalty. Interest shall be calculated on the outstanding principal balance quarterly and paid annually on July 31 of each year beginning July 31, 2005. Interest shall commence to accrue as of June 15, 2004.

The special assessment was made to residents. The City will collect the payments from the residents and then make the required payments on the promissory note.

Annual requirements to amortize long-term debt as of June 30, 2014 - Revenue Obligation Promissory Note:

| June 30, | Revenue Obligation |                  | Total             |
|----------|--------------------|------------------|-------------------|
|          | Principal          | Interest         |                   |
| 2015     | \$ 15,000          | \$ 7,002         | \$ 22,002         |
| 2016     | 15,000             | 6,253            | 21,253            |
| 2017     | 15,000             | 5,502            | 20,502            |
| 2018     | 15,000             | 4,753            | 19,753            |
| 2019     | 15,000             | 4,002            | 19,002            |
| 2020     | 15,000             | 3,253            | 18,253            |
| 2021     | 15,000             | 2,502            | 17,502            |
| 2022     | 15,000             | 1,753            | 16,753            |
| 2023     | 15,000             | 1,002            | 16,002            |
| 2024     | 15,000             | 253              | 15,253            |
|          | <u>\$ 150,000</u>  | <u>\$ 36,275</u> | <u>\$ 186,275</u> |

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS**

Plan Description. Fruit Heights City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

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

**Funding Policy:**

In the Local Governmental Noncontributory Retirement System (Tier 1), Fruit Heights City is required to contribute 17.29% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

In the Local Governmental Contributory Retirement System (Tier 2), Fruit Heights City is required to contribute 13.99% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Fruit Heights City also participates in a defined contribution 401K plan for employees. The contributions from Fruit Heights City to the three plans for the most recent three years were as follows:

|      | <u>Contributory</u> | <u>Noncontributory</u> | <u>401(k)<br/>Plan</u> | <u>Total<br/>Employer<br/>Contributions</u> |
|------|---------------------|------------------------|------------------------|---|
| 2014 | \$ 5,261            | \$ 53,289              | \$ 15,931              | \$ 74,481                                   |
| 2013 | \$ 5,039            | \$ 54,315              | \$ 17,682              | \$ 77,036                                   |
| 2012 | \$ 1,841            | \$ 47,699              | \$ 18,356              | \$ 67,896                                   |

**NOTE 7 - POST-EMPLOYMENT BENEFITS**

The only post-employment benefit offered by the City is health insurance for eighteen (18) months following termination. Employees covered and eligible are all employees who were covered by the insurance during employment. The participant is required to pay 100% of the premiums. The City is not required to contribute and therefore incurs no expense.

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 8 - RISK MANAGEMENT**

Fruit Heights City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2014, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**NOTE 9 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES**

This amount represents the accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2014 was \$28,929.

**NOTE 10 - INTERFUND CHARGES FOR SERVICES**

During the year ended June 30, 2014, the interfund charges for services were as follows:

Internal Service Fund - vehicle and equipment operating costs charged to:

|                      |            |
|----------------------|------------|
| Water fund           | \$ 27,500  |
| Storm water fund     | 27,500     |
| General fund - roads | 27,500     |
| General fund - parks | 27,500     |
|                      | 27,500     |
|                      | \$ 110,000 |

General Fund charges for services administrative cost share charged to:

|                  |           |
|------------------|-----------|
| Water fund       | \$ 35,000 |
| Solid waste fund | 7,500     |
| Storm water fund | 7,500     |
| Sewer fund       | 7,500     |
|                  | 7,500     |
|                  | \$ 57,500 |

General fund building costs share charged to:

|                  |           |
|------------------|-----------|
| Water fund       | \$ 6,000  |
| Solid waste fund | 6,000     |
| Storm water fund | 6,000     |
| Sewer fund       | 6,000     |
|                  | 6,000     |
|                  | \$ 24,000 |

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 11 - INTEREST EXPENSE**

The proprietary funds incurred \$7,753 in interest expense of which \$7,753 was charged to expense and \$-0- was capitalized. All interest expense was treated as a direct expense to the Water Function in the Statement of Activities.

**NOTE 12 - RESTRICTIONS OF FUND BALANCE/NET POSITION**

Restricted for Park Impact Fees - This represents park impact fees collected and restricted for park improvements.

Restricted for Water and Storm Water Impact Fees - This represents impact fees collected and restricted for water and storm water improvements.

Restricted for Class "C" Road - This represents the excess of Class "C" Road funds received over the amount spent.

Restricted for Special Assessment - This represents amounts assessed to residents for pressurized irrigation system, collected and held for repayment of loan.

Assigned for Emergency Preparedness - This represents required reserve for unexpended amounts from state grants.

**NOTE 13 - PROPERTY TAX CALENDAR**

|   |                                      |
|---|--------------------------------------|
| Lien date   | Jan. 1                               |
| Taxing entity notifies the county of date, time, and place of public hearing                                      | Mar. 1                               |
| Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year | 1st scheduled council meeting in May |
| County auditor sends valuation certified tax rate and levy worksheets to each taxing entity                       | Jun. 8                               |
| Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor         | Before Jun. 22                       |
| Taxing entity adopts a final tax rate if there is no increase in certified tax rate                               | Jun. 22                              |
| Taxing entity adopts final budget if there is no increase in certified tax rate                                   | Jun. 22                              |
| Copy of the budget is submitted to state auditor within 30 days of adoption                                       |                                      |
| Payment and delinquency date  | Nov. 30                              |

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 14 - EXPLANATION OF CERTAIN DIFFERENCES**

The proprietary fund Statement of Net Position includes a reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide Statement of Net Position. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this difference are as follows:

|   |                  |
|---|------------------|
| Internal receivable representing charges in excess of cost to business type activities – prior years                                | \$ 81,889        |
| Internal receivable representing costs in excess of charges to business type activities – current year                              | <u>(13,519)</u>  |
| Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position - business-type activities</i> | <u>\$ 68,371</u> |

**NOTE 15 – INTERFUND BALANCES AND TRANSFERS**

As of June 30, 2014 no balances existed between funds.

During the 2014 year a transfer was made from the General Fund to the Capital Projects Fund in order for those resources to be available for the capital project expenses incurred in 2014 and committed in 2015. The amount of this transfer was \$367,151.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|                                  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|----------------------------------|-------------------------|---------------------|---------------------|---|
|                                  | <u>Original</u>         | <u>Final</u>        |                     |   |
| <u>Revenues</u>                  |                         |                     |                     |   |
| Taxes:                           |                         |                     |                     |   |
| Property taxes                   | \$ 558,943              | \$ 600,392          | \$ 570,324          | \$ (30,068)                                     |
| Fees-in-lieu taxes               | 60,000                  | 60,000              | 47,069              | (12,931)  |
| Redemptions                      | 10,000                  | 10,500              | 38,289              | 27,789  |
| Franchise tax - cable rent       | 82,000                  | 82,000              | 88,864              | 6,864   |
| Sales tax                        | 475,000                 | 488,792             | 533,921             | 45,129  |
| Total taxes                      | <u>1,185,943</u>        | <u>1,241,684</u>    | <u>1,278,467</u>    | <u>36,783</u>                                   |
| Licenses and permits:            |                         |                     |                     |   |
| Business licenses and permits    | 4,200                   | 4,200               | 3,925               | (275)   |
| Building permits                 | 70,000                  | 189,000             | 189,348             | 348   |
| Excavation fee                   | 800                     | 1,440               | 1,440               | -   |
| Total licenses and permits       | <u>75,000</u>           | <u>194,640</u>      | <u>194,713</u>      | <u>73</u>                                       |
| Intergovernmental:               |                         |                     |                     |   |
| Class "C" roads                  | 160,000                 | 166,284             | 160,096             | (6,188)   |
| State grants                     | 50,000                  | 142,151             | -                   | (142,151)                                       |
| State liquor allotment           | 4,000                   | 4,000               | 3,750               | (250)   |
| Total intergovernmental          | <u>214,000</u>          | <u>312,435</u>      | <u>163,846</u>      | <u>(148,589)</u>                                |
| Charges for services:            |                         |                     |                     |   |
| Subdivision and engineering fees | 30,000                  | 30,000              | 8,488               | (21,512)  |
| Inspection fees                  |                         | 78,000              | 78,381              | 381   |
| Building rent                    | 2,400                   | 24,000              | 24,000              | -   |
| Administrative services          | 57,500                  | 57,500              | 57,500              | -   |
| Park fees                        | 3,200                   | 4,000               | 4,055               | 55  |
| Total charges for services       | <u>93,100</u>           | <u>193,500</u>      | <u>172,424</u>      | <u>(21,076)</u>                                 |
| Fines and forfeitures            | <u>20,000</u>           | <u>20,000</u>       | <u>13,917</u>       | <u>(6,083)</u>                                  |
| Other revenues:                  |                         |                     |                     |   |
| Interest earnings                | 6,000                   | 19,100              | 3,291               | (15,809)  |
| Miscellaneous                    | 12,600                  | 49,100              | 48,144              | (956)   |
| Total other revenues             | <u>18,600</u>           | <u>68,200</u>       | <u>51,435</u>       | <u>(16,765)</u>                                 |
| Total revenues                   | <u>\$ 1,606,643</u>     | <u>\$ 2,030,459</u> | <u>\$ 1,874,802</u> | <u>\$ (155,657)</u>                             |

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Expenditures</u>                               | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance</u>                          |
|---|-------------------------|-------------------|-------------------|--|
|   | <u>Original</u>         | <u>Final</u>      |                   | <u>Favorable</u><br><u>(Unfavorable)</u> |
| Current:  |                         |                   |                   |  |
| General government:                               |                         |                   |                   |  |
| Mayor and council                                 | 40,600                  | 38,700            | 37,403            | 1,297                                    |
| Judicial  | 2,500                   | 2,500             | -                 | 2,500                                    |
| Executive   | 164,700                 | 169,200           | 156,683           | 12,517                                   |
| City Treasurer                                    | 65,700                  | 64,900            | 59,521            | 5,379                                    |
| City Recorder                                     | 13,545                  | 13,320            | 11,032            | 2,288                                    |
| Audit   | 6,500                   | 9,000             | 9,000             | -  |
| Professional and technical services               | 40,000                  | 15,000            | 12,827            | 2,173                                    |
| City Hall operations                              | 57,400                  | 49,600            | 46,401            | 3,199                                    |
| Emergency preparedness                            | 10,000                  | 6,500             | 6,240             | 260                                      |
| Non-departmental                                  | 227,550                 | 231,800           | 204,994           | 26,806                                   |
| Elections   | 3,750                   | 2,060             | 2,053             | 7  |
| Planning and zoning                               | 51,900                  | 22,500            | 23,246            | (746)                                    |
| Total general government                          | <u>684,145</u>          | <u>625,080</u>    | <u>569,400</u>    | <u>55,680</u>                            |
| Public safety:                                    |                         |                   |                   |  |
| Law enforcement                                   | 149,590                 | 149,590           | 149,530           | 60                                       |
| Fire protection                                   | 124,425                 | 144,586           | 144,586           | -  |
| Protective inspection                             | 24,800                  | 29,125            | 26,534            | 2,591                                    |
| Total public safety                               | <u>298,815</u>          | <u>323,301</u>    | <u>320,650</u>    | <u>2,651</u>                             |
| Roadways:   |                         |                   |                   |  |
| Roads   | 239,500                 | 282,650           | 250,001           | 32,649                                   |
| Class "C" Roads                                   | 250,000                 | 254,402           | 254,402           | -  |
| Total roadways                                    | <u>489,500</u>          | <u>537,052</u>    | <u>504,403</u>    | <u>32,649</u>                            |
| Parks and recreation:                             |                         |                   |                   |  |
| Parks   | 223,700                 | 173,700           | 136,979           | 36,721                                   |
| Recreation  | 27,000                  | 29,755            | 29,255            | 500                                      |
| Total parks and recreation                        | <u>250,700</u>          | <u>203,455</u>    | <u>166,234</u>    | <u>37,221</u>                            |
| Total expenditures                                | <u>1,723,160</u>        | <u>1,688,888</u>  | <u>1,560,687</u>  | <u>128,201</u>                           |
| Excess (deficiency) of revenues over expenditures | <u>(116,517)</u>        | <u>341,571</u>    | <u>314,115</u>    | <u>27,456</u>                            |
| Other financing sources (uses)                    |                         |                   |                   |  |
| Appropriation of fund balance                     | 116,517                 | 94,403            | -                 | 94,403                                   |
| Transfers (out)                                   | -                       | (367,151)         | (367,151)         | -  |
| Total other financing sources (uses)              | <u>116,517</u>          | <u>(272,748)</u>  | <u>(367,151)</u>  | <u>94,403</u>                            |
| Net change in fund balance                        | -                       | 68,823            | (53,036)          | 121,859                                  |
| Fund balance - beginning of year                  | <u>614,458</u>          | <u>614,458</u>    | <u>614,458</u>    | <u>-</u>                                 |
| Fund balance - end of year                        | <u>\$ 614,458</u>       | <u>\$ 683,281</u> | <u>\$ 561,422</u> | <u>\$ 121,859</u>                        |

# **AUDITORS' REPORTS & FINDINGS**

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

To the Mayor and Council of  
Fruit Heights City

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of Fruit Heights City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Fruit Heights City's basic financial statements, and have issued our report thereon dated January 19, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Wood Richards & Associates, PC*

Ogden, Utah  
January 19, 2015

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

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

To the Mayor and Council and Management of  
Fruit Heights City

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

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

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

Budgetary Compliance  
Fund Balance  
Utah Retirement Systems  
Conflicts of Interest  
Open and Public Meetings Act

Fruit Heights City did not have any state funding classified as a major program during the year ended June 30, 2014.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of Fruit Heights City's compliance.

### ***Opinion on General State Compliance Requirements***

In our opinion, Fruit Heights City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Fruit Heights City for the year ended June 30, 2014.

### ***Other Matters***

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

Fruit Heights City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings. Fruit Heights City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report On Internal Control Over Compliance**

Management of Fruit Heights City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fruit Heights City's internal control over compliance with the compliance requirements that could have a direct and material effect on Fruit Heights City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fruit Heights City's internal control over compliance.

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

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

Fruit Heights City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fruit Heights City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Wood Richards & Associates, PC*

Ogden, Utah  
January 19, 2015

**FRUIT HEIGHTS CITY  
SCHEDULE OF FINDINGS  
JUNE 30, 2014**

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**2014-01: State Compliance – Utah Retirement System**

*Criteria:* The Internal Revenue Service and Utah Retirement Systems require entities who make retirement contributions on behalf of their employees such as the contributory retirement system and the defined contribution system, make a formal pick up election for these contributions.

*Condition:* The City has not made such a formal election.

*Cause:* The City is working on getting the correct language for a formal resolution.

*Effect:* The City is noncompliant with this requirement.

*Management's Response:* The City now has the language prepared and is ready to go forward and make this formal action.

**2014-02: State Compliance – Government Records Access Management Act**

*Criteria:* State Code requires each municipality's appointed records officer to go through an annual online training course provided by the State Archives on the requirements of GRAMA

*Condition:* The City's records officer did not receive this required training during the year.

*Cause:* There were some unexpected personnel issues that did not allow for such training to take place within a time frame before year end.

*Effect:* The City is noncompliant with this requirement.

*Management's Response:* The City has appointed the records officer who is going through the training required by state law.