

**FRUIT HEIGHTS CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of
Fruit Heights City
910 S. Mountain Road
Fruit Heights, UT 84037

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Fruit Heights City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Fruit Heights City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund Fruit Heights City, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of the Proportionate Share of the Net Pension Liability - Utah Retirement Systems, Schedule of Contributions - Utah Retirement Systems, and Notes to the Required Supplementary Information - Utah Retirement Systems on pages 3–9 and 45–49 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 December 29, 2015, on our consideration of 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
December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

INTRODUCTION

The following is a discussion and analysis of Fruit Heights City's financial performance and activities for the fiscal year ending June 30, 2015.

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, 2015**

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 2015	June 30 2014	June 30 2015	June 30 2014	June 30 2015	June 30 2014
Cash	\$ 1,405,743	\$ 1,169,035	\$ 3,724,929	\$ 3,024,982	\$ 5,130,672	\$ 4,194,016
Other assets	952,154	739,540	314,969	288,235	1,267,123	1,027,775
Capital assets	8,016,402	7,884,556	7,059,564	6,995,736	15,075,966	14,880,292
 Total assets	 10,374,299	 9,793,131	 11,099,462	 10,308,953	 21,473,761	 20,102,083
Deferred outflows of resources	25,374		11,236		36,610	-
	10,399,673	9,793,131	11,110,698	10,308,953	21,510,371	20,102,083
 Long-term liabilities	 125,134	 28,929	 48,831	 135,000	 173,965	 163,929
Other liabilities	137,589	158,740	343,246	258,038	480,835	416,778
 Total liabilities	 262,723	 187,669	 392,077	 393,038	 654,800	 580,707
 Deferred inflows of resources	 851,693	 669,319	 6,359	 -	 858,052	 669,319
 Net position:						
Net investment in capital assets	8,016,402	7,884,556	6,860,733	6,845,736	14,877,135	14,730,292
Restricted	684,716	592,672	1,302,050	1,459,596	1,986,766	2,052,268
Unrestricted	583,937	458,915	2,549,479	1,610,583	3,133,416	2,069,497
 Total net position	 \$ 9,285,055	 \$ 8,936,143	 \$ 10,712,262	 \$ 9,915,915	 \$ 19,997,317	 \$ 18,852,057

Analysis of Financial Position:

Governmental Activities:

The governmental activities have seen an increase to cash (restricted and unrestricted) of \$236,709. The City has invested its cash into capital assets as the net capital assets has increased by \$131,846. Total assets including receivables, prepaids, and amounts due from other governments has increased by \$581,169.

Total liabilities for the governmental activities increased by \$75,460, mostly due to the net pension liability, which is now reported in the government wide statements.

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

The total net position increased by \$348,913 of which \$131,846 was from the net investment in capital assets, while restricted amounts increased by \$92,044, and unrestricted increased by \$125,021. Overall the governmental activities net position has improved from the prior year.

Analysis of Financial Position (continued):

Business-Type Activities:

The business-type activities have seen an increase to cash (restricted and unrestricted) of \$699,948. The City's new purchases, acquisitions, construction of capital assets, and contributed capital has exceeded depreciation expense by \$63,828. Total assets including receivables and prepaid expenses have increased by \$790,510.

Total liabilities for the business-type activities stayed close to the same as the prior year with a net increase of \$6,359.

The total net position increased by \$796,348 of which \$144,997 was from the net investment in capital assets, the restricted amounts decreased by \$157,546, and the unrestricted net position increased by \$938,897. 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, 2015**

Governmental Activities and Business Type Activities

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30 2015	June 30 2014	June 30 2015	June 30 2014	June 30 2015	June 30 2014
Revenues:						
Program revenues:						
Charges for services	\$ 309,381	\$ 381,054	\$ 1,998,169	\$ 1,862,292	\$ 2,307,550	\$ 2,243,346
Grants and contributions:						
Operating	168,849	163,846	-	-	168,849	163,846
Capital	133,120	968,051	401,772	1,470,199	534,892	2,438,250
General revenues:						
Property taxes	620,875	608,613	-	-	620,875	608,613
Sales taxes	582,798	533,921	-	-	582,798	533,921
Other taxes	144,550	135,933	-	-	144,550	135,933
Other	98,137	54,822	17,461	14,188	115,598	69,010
Total revenues	2,057,710	2,846,240	2,417,402	3,346,679	4,475,112	6,192,919
Expenses:						
General government	674,104	592,831	-	-	674,104	592,831
Public safety	347,811	320,650	-	-	347,811	320,650
Public works	414,574	614,954	-	-	414,574	614,954
Parks and recreation	155,072	195,718	-	-	155,072	195,718
Water	-	-	638,081	602,243	638,081	602,243
Sewer	-	-	404,651	409,098	404,651	409,098
Solid waste	-	-	325,666	316,546	325,666	316,546
Storm sewer	-	-	200,745	185,354	200,745	185,354
Total expenses	1,591,561	1,724,153	1,569,143	1,513,241	3,160,704	3,237,393
Transfers in (out)	-	-	-	-	-	-
Change in net position	466,149	1,122,088	848,259	1,833,439	1,314,408	2,955,526
Net position-beginning	8,818,906	7,814,055	9,864,003	8,082,476	18,682,909	15,896,531
Net position-ending	\$ 9,285,055	\$ 8,936,143	\$ 10,712,262	\$ 9,915,915	\$ 19,997,317	\$ 18,852,057

Governmental Activities

The net change in position for the governmental activities was \$466,149 which is less than the change in net position from 2014 by \$655,939. The reason for the change is a substantial amount of contributed capital of \$759,000 in 2014, while it was only \$62,000 in 2015. Total expenses decreased by \$124,841.

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Governmental Activities and Business Type Activities (continued)

Business-Type Activities

The business-type activities increased net position by \$848,259, which is less than the results of operations in 2014 by \$985,180. The reason for the sharp decrease is from a decrease to capital contributions of \$1,068,427. Expenses increased by \$55,903, 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
	2015	2014	
General			
			\$
Nonspendable	\$ 4,917	\$ 8,695	(3,778)
Class C Roads	368,489	234,795	133,694
Unassigned	298,705	317,932	(19,227)
	<u>672,111</u>	<u>561,422</u>	<u>110,689</u>
Capital Projects			
Impact Fees	316,227	357,877	(41,650)
Assigned	339,887	80,038	259,849
	<u>656,114</u>	<u>437,915</u>	<u>218,199</u>
Water			
Investment in Capital Assets	4,777,364	4,835,385	(58,021)
Special Assessment	120,903	146,826	(25,923)
Impact Fees	1,181,147	1,034,318	146,829
Unrestricted	1,168,917	758,325	410,592
	<u>7,248,331</u>	<u>6,774,854</u>	<u>473,477</u>
Sewer Unrestricted	<u>261,912</u>	<u>231,891</u>	<u>30,021</u>
Solid Waste Unrestricted	<u>423,157</u>	<u>377,146</u>	<u>46,011</u>
Storm Water			
Investment in Capital Assets	2,083,369	2,010,351	73,018
Impact Fees	-	278,452	(278,452)
Unrestricted	652,620	174,850	477,770
	<u>2,735,989</u>	<u>2,463,653</u>	<u>272,336</u>
Internal Service	<u>557,544</u>	<u>608,542</u>	<u>(50,998)</u>

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

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 property taxes increased by \$40,000.
- Total budgeted revenues increased by \$67,800.
- Budgeted expenses for general government increased by \$85,633.
- Total budgeted expenses decreased by \$139,264.

Actual General Fund revenues were \$15,732 above the final budget and \$83,532 above the original budget.

Actual General Fund expenses before transfers were \$394,957 below the final budget and \$139,264 below the original budget.

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

- Sales taxes were \$87,798 more than budgeted.
- Class C Road expenditures were \$265,141 less than budgeted.

Capital Assets

Fruit Heights City added \$309,994 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: building improvements of \$84,315, Infrastructure of \$64,339, park improvements of \$99,340, and contributed capital in the amount of \$62,000.

Fruit Heights City added \$244,972 in new business-type activity capital assets during the fiscal year including \$38,383 in storm water equipment, \$101,589 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. \$150,000 of the debt will be paid in the current year. 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, 2015**

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 753,372	\$ 2,167,851	\$ 2,921,223
Restricted cash	652,371	1,557,078	2,209,449
Accounts receivable	12,596	176,437	189,033
Special assessments receivable	-	40,350	40,350
Due from other governmental units	902,090	-	902,090
Due from other governmental units - restricted	32,345	-	32,345
Prepaid expenses	4,917	98,091	103,008
Net pension asset	206	91	297
Capital assets			
Land	1,135,873	98,783	1,234,656
Water rights	988	16,115	17,103
Buildings	1,217,943	-	1,217,943
Infrastructure and Improvements	6,576,845	9,026,546	15,603,391
Machinery and equipment	1,062,351	113,375	1,175,726
Less: accumulated depreciation	(1,977,598)	(2,195,255)	(4,172,853)
Total capital assets, net	8,016,402	7,059,564	15,075,966
TOTAL ASSETS	10,374,299	11,099,462	21,473,761
Deferred outflows of resources - pensions	25,374	11,236	36,610
TOTAL ASSETS AND DEFERRED OUTFLOWS	10,399,673	11,110,698	21,510,371
LIABILITIES			
Accounts payable	36,079	61,858	97,937
Accrued expenses	20,565	15,888	36,453
Deposits	3,545	115,500	119,045
Subdivider guarantee deposits	77,400	-	77,400
Non-current liabilities:			
Due within one year	-	150,000	150,000
Due in more than one year	125,134	48,831	173,965
TOTAL LIABILITIES	262,723	392,077	654,800
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	837,132	-	837,132
Related to pensions	14,561	6,359	20,920
TOTAL DEFERRED INFLOWS OF RESOURCES	851,693	6,359	858,052
NET POSITION			
Net investment in capital assets	8,016,402	6,860,733	14,877,135
Restricted for:			
Class "C" roads	368,489	-	368,489
Parks impact fees	316,227	-	316,227
Impact fees	-	1,181,147	1,181,147
Special assessment	-	120,903	120,903
Unrestricted	583,937	2,549,479	3,133,416
TOTAL NET POSITION	\$ 9,285,055	\$ 10,712,262	\$ 19,997,317

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 674,104	\$ 86,050	\$ -	\$ -	\$ (588,054)	\$ -	\$ (588,054)
Public safety	347,811	16,791	-	-	(331,020)	-	(331,020)
Highways and public improvements	414,574	202,625	168,849	97,440	54,340	-	54,340
Parks and recreation	155,072	3,915	-	35,680	(115,477)	-	(115,477)
Total governmental activities	<u>1,591,561</u>	<u>309,381</u>	<u>168,849</u>	<u>133,120</u>	<u>(980,211)</u>	<u>-</u>	<u>(980,211)</u>
Business-type activities:							
Water	638,081	859,162	-	246,304	-	467,385	467,385
Sewer	404,651	434,125	-	-	-	29,474	29,474
Solid waste	325,666	369,810	-	-	-	44,144	44,144
Storm water	200,745	335,072	-	155,468	-	289,795	289,795
Total business-type activities	<u>1,569,143</u>	<u>1,998,169</u>	<u>-</u>	<u>401,772</u>	<u>-</u>	<u>830,798</u>	<u>830,798</u>
Total primary government	<u>\$ 3,160,704</u>	<u>\$2,307,550</u>	<u>\$ 168,849</u>	<u>\$ 534,892</u>	<u>(980,211)</u>	<u>830,798</u>	<u>(149,413)</u>
General revenues:							
Property taxes					620,875	-	620,875
Sales taxes					582,798	-	582,798
Fees-in-lieu of taxes					49,533	-	49,533
Franchise tax					95,017	-	95,017
Miscellaneous					98,137	17,461	115,598
Transfers in (out)					-	-	-
Total general revenues and transfers					<u>1,446,360</u>	<u>17,461</u>	<u>1,463,821</u>
Change in net position					466,149	848,259	1,314,408
Net position - beginning as restated					8,818,906	9,864,003	18,682,909
Net position - ending					<u>\$ 9,285,055</u>	<u>\$ 10,712,262</u>	<u>\$ 19,997,317</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 357,365	\$ 339,887	\$ 697,252
Accounts receivable	12,596	-	12,596
Due from other governmental units	902,090	-	902,090
Prepaid expenses	4,917	-	4,917
Restricted assets:			
Restricted cash	336,144	316,227	652,371
Due from other governmental units	32,345	-	32,345
Total assets	<u>\$1,645,457</u>	<u>\$ 656,114</u>	<u>\$ 2,301,571</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 34,704	\$ -	\$ 34,704
Accrued expenses	20,565	-	20,565
Customer deposits	3,545	-	3,545
Subdivision guarantee deposits	77,400	-	77,400
Total liabilities	<u>136,214</u>	<u>-</u>	<u>136,214</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	<u>837,132</u>	<u>-</u>	<u>837,132</u>
Fund balances:			
Nonspendable - prepaid expenses	4,917	-	4,917
Restricted for:			
Class "C" Roads	368,489	-	368,489
Park impact fees	-	316,227	316,227
Assigned to:			
Capital projects fund	-	339,887	339,887
Unassigned	298,705	-	298,705
Total fund balances	<u>672,111</u>	<u>656,114</u>	<u>1,328,225</u>
Total liabilities, deferred inflows and fund balances	<u>\$1,645,457</u>	<u>\$ 656,114</u>	<u>\$ 2,301,571</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, 2015

Total fund balances - governmental funds:		\$ 1,328,225
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	1,217,943	
Improvements	6,576,845	
Machinery and equipment	108,874	
Accumulated depreciations	<u>(1,484,047)</u>	
		7,556,476
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.		
		514,675
Deferred inflows of resources, a use of net position that applies to future periods, is not shown in the fund statements.		
		(14,561)
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.		
		25,374
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.		
Net pension liability		(110,278)
Compensated absences		<u>(14,856)</u>
Net position of governmental activities		<u>\$ 9,285,055</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, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 620,875	\$ -	\$ 620,875
Sales taxes	582,798	-	582,798
Fees-in-lieu of taxes	49,533	-	49,533
Franchise tax	95,017	-	95,017
Licenses and permits	116,364	-	116,364
Intergovernmental	168,849	35,440	204,289
Charges for services	176,226	-	176,226
Fines and forfeitures	16,791	-	16,791
Impact fees	-	35,680	35,680
Miscellaneous revenue	15,179	82,958	98,137
	<u>1,841,632</u>	<u>154,078</u>	<u>1,995,710</u>
EXPENDITURES			
Current:			
General government	635,138	984	636,122
Public safety	347,811	-	347,811
Highways and public improvements	306,236	50	306,286
Parks and recreation	128,609	-	128,609
Capital outlay:			
General government	32,815	-	32,815
Highways and public improvements	-	115,839	115,839
Parks and recreation	20,132	79,208	99,340
	<u>1,470,741</u>	<u>196,081</u>	<u>1,666,822</u>
Excess (deficiency) of revenues over expenditures	<u>370,891</u>	<u>(42,003)</u>	<u>328,888</u>
Other financing sources (uses)			
Transfers in	-	260,202	260,202
Transfers (out)	(260,202)	-	(260,202)
	<u>(260,202)</u>	<u>260,202</u>	<u>-</u>
Net change in fund balances	110,689	218,199	328,888
Fund balances - beginning of year	561,422	437,915	999,337
Fund balances - end of year	<u>\$ 672,111</u>	<u>\$ 656,114</u>	<u>\$ 1,328,225</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, 2015

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

Net changes in fund balances - total governmental funds	\$	328,888
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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	\$	64,339	
Buildings		84,315	
Park improvements		99,340	
Depreciation expense		(179,081)	68,913

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.	(25,499)
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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	62,000
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The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund financial statements.

	18,180
--	--------

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.

	13,667
--	--------

Change in net position of governmental activities

	\$ 466,149
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The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental- Activities Internal Service Fund
<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Total</u>	
Current assets:						
Cash and cash equivalents	\$ 1,015,773	\$ 254,329	\$ 412,437	\$ 442,439	\$ 2,124,978	\$ 98,993
Accounts receivable	67,799	42,292	36,275	30,071	176,437	-
Special assessments receivable	40,350	-	-	-	40,350	-
Prepaid water	98,091	-	-	-	98,091	-
Total current assets	1,222,013	296,621	448,712	472,510	2,439,856	98,993
Noncurrent assets:						
Restricted cash and cash equivalents	1,261,700	-	-	295,378	1,557,078	-
Net pension asset	55	-	-	36	91	-
Land	98,783	-	-	-	98,783	-
Water rights	16,115	-	-	-	16,115	-
Improvements	6,572,138	-	-	2,454,408	9,026,546	-
Machinery and equipment	113,375	-	-	-	113,375	953,477
Less: Accumulated depreciation	(1,843,739)	-	-	(351,516)	(2,195,255)	(493,551)
Total noncurrent assets	6,218,427	-	-	2,398,306	8,616,733	459,926
Total assets	7,440,440	296,621	448,712	2,870,816	11,056,589	558,919
Deferred outflows of resources - pensions	6,744	-	-	4,492	11,236	-
Total assets and deferred outflows of resources	7,447,184	296,621	448,712	2,875,308	11,067,825	558,919
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	1,514	34,709	25,555	80	61,858	1,375
Compensated absences	7,213	-	-	1,673	8,886	-
Accrued interest	7,002	-	-	-	7,002	-
Revenue bonds payable	150,000	-	-	-	150,000	-
Deposits	-	-	-	115,500	115,500	-
Total current liabilities	165,729	34,709	25,555	117,253	343,246	1,375
Noncurrent liabilities:						
Net pension liability	29,308	-	-	19,523	48,831	-
Total liabilities	195,037	34,709	25,555	136,776	392,077	1,375
Deferred inflows of resources - pensions	3,816	-	-	2,543	6,359	-
Total liabilities and deferred inflows of resources	198,853	34,709	25,555	139,319	398,436	1,375
<u>NET POSITION</u>						
Net investment in capital assets	4,777,364	-	-	2,083,369	6,860,733	459,926
Restricted - Special assessment	120,903	-	-	-	120,903	-
Restricted - Impact fees	1,181,147	-	-	-	1,181,147	-
Unrestricted	1,168,917	261,912	423,157	652,620	2,506,606	97,618
Total net position	\$ 7,248,331	\$ 261,912	\$ 423,157	\$ 2,735,989	10,669,389	\$ 557,544
Adjustment for consolidation of Internal Service Fund related to Enterprise Funds					42,873	
Net position of business-type activities					\$ 10,712,262	

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, 2015

	Business-Type Activities - Enterprise Funds					Governmental-Type Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
<u>OPERATING REVENUE</u>						
Charges for service	\$ 836,890	\$ 433,925	\$ 369,810	\$ 314,496	\$ 1,955,121	\$ 112,000
Other	19,637	200	-	20,576	40,413	-
Total operating revenue	856,527	434,125	369,810	335,072	1,995,534	112,000
<u>OPERATING EXPENSES</u>						
Operation and maintenance	90,330	4,070	9,986	23,948	128,334	52,528
Sewage treatment	-	386,881	-	-	386,881	-
Source of supply	168,149	-	-	-	168,149	-
Power and pumping	23,071	-	-	-	23,071	5,565
Depreciation	133,714	-	-	47,433	181,147	73,471
Administrative expense	41,200	13,700	13,700	13,700	82,300	-
Salaries	84,297	-	-	53,047	137,344	-
Employee benefits	36,819	-	-	34,617	71,436	-
Waste collection	-	-	156,029	-	156,029	-
Waste disposal	-	-	145,951	-	145,951	-
Vehicle operation	28,000	-	-	28,000	56,000	-
Total operating expenses	605,580	404,651	325,666	200,745	1,536,642	131,564
Operating income (loss)	250,947	29,474	44,144	134,327	458,892	(19,564)
<u>NONOPERATING REVENUE (EXPENSES)</u>						
Connection fees	2,635	-	-	-	2,635	-
Impact fees	141,304	-	-	53,879	195,183	-
Gain (loss) on sale of asset	-	-	-	-	-	(32,053)
Interest revenue	11,751	547	1,867	3,296	17,461	619
Interest expense	(7,002)	-	-	-	(7,002)	-
Total non operating revenue and expenses	148,688	547	1,867	57,175	208,277	(31,434)
Income (loss) before contributions and transfers	399,635	30,021	46,011	191,502	667,169	(50,998)
Transfers	-	-	-	-	-	-
Contributed capital	105,000	-	-	101,589	206,589	-
Changes in net position	504,635	30,021	46,011	293,091	873,758	(50,998)
Net position - beginning - as restated	6,743,696	231,891	377,146	2,442,898		608,542
Net position - ending	\$ 7,248,331	\$ 261,912	\$ 423,157	\$ 2,735,989		\$ 557,544
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					(25,499)	
Change in net assets of business-type activities					\$ 848,259	

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, 2015

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Cash Flows From Operating Activities						
Receipts from customers	\$ 865,349	\$ 431,770	\$ 368,283	\$ 263,445	\$ 1,928,847	\$ -
Receipts from interfund services	-	-	-	-	-	112,000
Payments to employees	(81,917)	-	-	(54,592)	(136,509)	-
Payments to suppliers	(344,888)	(387,941)	(310,412)	(58,848)	(1,102,089)	(56,717)
Payments for interfund services used	(69,200)	(13,700)	(13,700)	(41,700)	(138,300)	-
Net cash provided (used) by operating activities	369,344	30,129	44,171	108,305	551,949	55,283
Cash Flows From Noncapital Financing Activities						
Impact fee payback	-	(3,400)	-	-	(3,400)	-
Change in interfund borrowings	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	(3,400)	-	-	(3,400)	-
Cash Flows From Capital and Related Financing Activities						
Receipts for impact fees	141,304	-	-	53,879	195,183	-
Receipts for connection fees	2,635	-	-	-	2,635	-
Proceeds from sale of assets	-	-	-	-	-	10,400
Principal paid on capital debt	-	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-	-
Purchases of capital assets	-	-	-	(38,383)	(38,383)	(116,858)
Net cash provided (used) by capital and related financing activities	143,939	-	-	15,496	159,435	(106,458)
Cash Flows From Investing Activities						
Interest and dividends received	11,751	547	1,867	3,296	17,461	619
Net cash provided (used) by investing activities	11,751	547	1,867	3,296	17,461	619
Net increase (decrease) in cash and cash equivalents	525,034	27,276	46,038	127,097	725,445	(50,556)
Cash and cash equivalents, July 1	1,752,439	227,053	366,399	610,720	2,956,611	149,549
Cash and cash equivalents, June 30	<u>\$ 2,277,473</u>	<u>\$ 254,329</u>	<u>\$ 412,437</u>	<u>\$ 737,817</u>	<u>\$ 3,682,056</u>	<u>\$ 98,993</u>
Cash at June 30th						
Cash and cash equivalents	\$ 1,015,773	\$ 254,329	\$ 412,437	\$ 442,439	\$ 2,124,978	\$ 98,993
Restricted cash	1,261,700	-	-	295,378	1,557,078	-
Total cash and cash equivalents	<u>\$ 2,277,473</u>	<u>\$ 254,329</u>	<u>\$ 412,437</u>	<u>\$ 737,817</u>	<u>\$ 3,682,056</u>	<u>\$ 98,993</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, 2015

	Business-Type Activities - Enterprise Funds					Governmental Type Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 250,947	\$ 29,474	\$ 44,144	\$ 134,327	\$ 458,892	\$ (19,564)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	133,714	-	-	47,433	181,147	73,471
(Increase) decrease in prepaids	(28,033)	-	-	-	(28,033)	-
(Increase) decrease in receivables	8,822	(2,355)	(1,527)	(3,551)	1,389	-
Increase (decrease) in payables	1,514	3,010	1,554	(283)	5,795	1,376
Increase (decrease) in compensated absences	7,212	-	-	1,673	8,885	-
Increase (decrease) in pension liability	(4,832)	-	-	(3,218)	(8,050)	-
Increase (decrease) in deposits	-	-	-	(68,076)	(68,076)	-
Total adjustments	118,397	655	27	(26,022)	93,057	74,847
Net cash provided (used) by operating activities	<u>\$ 369,344</u>	<u>\$ 30,129</u>	<u>\$ 44,171</u>	<u>\$ 108,305</u>	<u>\$ 551,949</u>	<u>\$ 55,283</u>
Noncash Investing, Capital and Financing Activities:						
Contribution of capital assets	<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,589</u>	<u>\$ 206,589</u>	

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred contributions and differences between projected and actual earnings on its pension plan assets.

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.

Pensions

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

- 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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Equity

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.

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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.
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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (continued)

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, 2015 expenditures exceeded appropriations in the sewer fund by \$13,598. Other funds maintained their actual expenditures within their appropriations.

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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits are carried at cost.

At June 30, 2015, the carrying amount of the City's deposits was \$195,213 and the bank balance was \$211,453. Of the bank balance, \$211,453 was covered by FDIC depository insurance and \$0 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:

	<u>Carrying Amount</u>	<u>Market Value</u>
Utah Public Treasurer's Investment Fund	<u>\$4,933,779</u>	<u>\$4,958,253</u>

C. Summary

	<u>Carrying Amount</u>
Deposits	\$ 195,213
Petty cash and returned checks	1,680
Investment in Utah Public Treasurer's Investment Fund	<u>4,933,779</u>
Total deposits and investments	<u>\$ 5,130,672</u>
Unrestricted cash	\$ 2,921,223
Restricted cash	<u>2,209,449</u>
Total deposits and investments	<u>\$ 5,130,672</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2015

NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES

	General Fund	Enterprise Funds	Total
Receivables:			
Individual accounts	\$ 1,591	\$ 179,036	\$ 180,627
Special assessments	-	40,350	40,350
Sales tax	105,176	-	105,176
Franchise tax	11,005	-	11,005
Property taxes - current	12,516	-	12,516
Property taxes - unavailable	784,398	-	784,398
Class C Roads	32,345	-	32,345
	<u>947,031</u>	<u>219,386</u>	<u>1,166,417</u>
Less: Allowance for uncollectibles	<u>-</u>	<u>(2,599)</u>	<u>(2,599)</u>
Net total receivables & due from other governments	<u>\$ 947,031</u>	<u>\$ 216,787</u>	<u>\$ 1,163,818</u>
Statement of Net Position:			
Accounts receivable	\$ 12,596	\$ 176,437	\$ 189,033
Special assessments	-	40,350	40,350
Due from other governments	902,090	-	902,090
Due from other governments - restricted	32,345	-	32,345
	<u>\$ 947,031</u>	<u>\$ 216,787</u>	<u>\$ 1,163,818</u>

	Accounts Payable Due To:			
	Other Governments	Vendors	Total	Payable from Restricted Assets
General Fund	\$ 13,843	\$ 20,861	\$ 34,704	\$ -
Capital Projects Fund	-	-	-	-
Water Fund	-	1,514	1,514	-
Sewer Fund	34,709	-	34,709	-
Solid Waste Fund	25,555	-	25,555	-
Storm Water Fund	-	80	80	-
Internal Service Fund	-	1,375	1,375	-
Total	<u>\$ 74,107</u>	<u>\$ 23,830</u>	<u>\$ 97,937</u>	<u>\$ -</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	(Deletions)	Balance June 30, 2015
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
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	1,133,627	84,315	-	1,217,942
Infrastructure	5,808,541	126,339	-	5,934,880
Improvements	542,624	99,340	-	641,964
Vehicles	1,009,895	116,858	(173,276)	953,477
Machinery and equipment	<u>108,874</u>	<u>-</u>	<u>-</u>	<u>108,874</u>
Total depreciated assets	<u>8,603,561</u>	<u>426,852</u>	<u>(173,276)</u>	<u>8,857,137</u>
Less accumulated depreciation				
Buildings	(451,979)	(31,919)	-	(483,898)
Infrastructure	(459,785)	(117,863)	-	(577,648)
Improvements	(301,399)	(25,450)	-	(326,849)
Vehicles	(550,902)	(73,471)	130,822	(493,551)
Machinery and equipment	<u>(91,801)</u>	<u>(3,849)</u>	<u>-</u>	<u>(95,650)</u>
Total	<u>(1,855,866)</u>	<u>(252,552)</u>	<u>130,822</u>	<u>(1,977,596)</u>
Net assets depreciated	<u>6,747,695</u>	<u>174,300</u>	<u>(42,454)</u>	<u>6,879,541</u>
Governmental activities capital assets, net	<u>\$ 7,884,556</u>	<u>\$ 174,300</u>	<u>\$ (42,454)</u>	<u>\$ 8,016,402</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2014	Additions	(Deletions)	Balance June 30, 2015
PRIMARY GOVERNMENT				
BUSINESS-TYPE ACTIVITIES				
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	6,012,080	105,000	-	6,117,080
Irrigation water system	455,058	-	-	455,058
Storm water system	2,314,435	139,972	-	2,454,407
Equipment				
Water system	111,038	-	-	111,038
Sewer system	2,338	-	-	2,338
Total depreciated assets	8,894,949	244,972	-	9,139,921
Less accumulated depreciation				
Improvements-nonbuilding				
Water system	(1,570,686)	(121,291)		(1,691,977)
Irrigation water system	(74,771)	(9,101)		(83,872)
Storm water system	(304,131)	(47,433)		(351,564)
Equipment				
Water system	(62,183)	(3,321)		(65,504)
Sewer system	(2,338)	-		(2,338)
Total	(2,014,109)	(181,146)	-	(2,195,255)
Net assets depreciated	6,880,840	63,826	-	6,944,666
Business-type activities capital assets, net	\$ 6,995,738	\$ 63,826	\$ -	\$ 7,059,564

DEPRECIATION EXPENSE

	Governmental Types	Business Types	Totals
General government	\$ 32,144	\$ -	\$ 32,144
Highways and public improvements	117,863	-	117,863
Parks	29,074	-	29,074
Internal service	73,471	-	73,471
Water	-	133,714	133,714
Storm water	-	47,433	47,433
TOTAL	\$ 252,552	\$ 181,147	\$ 433,699

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2015, was as follows:

Description	Interest Rate	Outstanding June 30, 2014	Additions	Payments	Outstanding June 30, 2015	Current Portion
BUSINESS TYPE						
Water utility fund: Revenue obligation	5.00%	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ 150,000
Total water utility		<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</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.

Subsequent to year end, the City paid off the loan in its entirety plus the accrued interest.

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, 2015 - Revenue Obligation Promissory Note:

June 30, 2016	Revenue Obligation		Total
	Principal	Interest	
	\$ 15,000	\$ 7,002	\$ 22,002
	<u>\$ 15,000</u>	<u>\$ 7,002</u>	<u>\$ 22,002</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS

General Information about the Pension Plan

Plan Description:

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

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employee retirement system.

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

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)

Benefits Provided:

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

Summary of Benefits by System

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

* with actuarial reductions

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

Contributions:

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

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Government Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Government Division Tier 1	N/A	N/A	18.470%

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)

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

At December 31, 2014, we reported a net pension asset of \$297 and a net pension liability of \$159,108.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.0366420%	\$ -	\$ 159,108
Tier 2 Public Employees System	0.0098102%	\$ 297	\$ -
Total Net Pension Asset/Liability		<u>\$ 297</u>	<u>\$ 159,108</u>

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

For the year ended December 31, 2014, we recognized pension expense of \$39,640. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,121
Changes in assumptions	-	15,596
Net difference between projected and actual earnings on pension plan investments	3,618	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>32,992</u>	<u>-</u>
Total	<u>\$ 36,610</u>	<u>\$ 20,717</u>

\$32,992 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$ (4,244)
2016	(4,244)
2017	(4,244)
2018	(4,040)
2019	(52)
Thereafter	\$ (273)

Actuarial assumptions:

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

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

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

Retired Member Mortality

Class of Member

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUC (120%)

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

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

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

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

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

Discount Rate:

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate:

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	\$ 383,949	\$ 158,811	\$ (28,579)

Pension Plan Fiduciary Net Position:

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

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.

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, 2015, 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, 2015 was \$24,148.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - INTERFUND CHARGES FOR SERVICES

During the year ended June 30, 2015, 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	<u>27,500</u>
	<u>\$ 110,000</u>

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	<u>7,500</u>
	<u>\$ 57,500</u>

General fund building costs share charged to:

Water fund	\$ 6,000
Solid waste fund	6,000
Storm water fund	6,000
Sewer fund	<u>6,000</u>
	<u>\$ 24,000</u>

NOTE 11 - INTEREST EXPENSE

The proprietary funds incurred \$7,002 in interest expense of which \$7,002 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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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	\$ 68,372
Internal receivable representing costs in excess of charges to business type activities - current year	(25,499)
Interfund borrowing to cover expenditures in excess of revenues and available cash.	<u>-</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position - business-type activities</i>	<u><u>\$ 42,873</u></u>

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

As of June 30, 2015 no balances existed between funds.

During the 2015 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 2015 and committed in 2016. The amount of this transfer was \$260,202.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 16 – PRIOR YEAR ADJUSTMENT

The requirement to apply GASB 68 this fiscal year resulted in an adjustment to prior period net position. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources and, if applicable, a Net Pension Asset. This accounting change did not require an adjustment to the fund financial statements. The net effect on net position is as follows:

	<u>Net Position - Beginning</u>	<u>GASB 68 Adjustments to Prior Year</u>	<u>Net Position - Beginning Restated</u>
Governmental Activities	8,936,143	(117,237)	8,818,906
Business Type Activities	9,915,915	(51,912)	9,864,003
Water	6,774,854	(31,158)	6,743,696
Sewer	231,891	-	231,891
Solid Waste	377,146	-	377,146
Storm Water	2,463,653	(20,755)	2,442,898
Motor Pool	608,542	-	608,542

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, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 625,000	\$ 665,000	\$ 609,881	\$ (55,119)
Fees-in-lieu taxes	50,000	50,000	49,533	(467)
Redemptions	12,000	12,000	10,994	(1,006)
Franchise tax - cable rent	65,000	65,000	95,017	30,017
Sales tax	495,000	495,000	582,798	87,798
Total taxes	1,247,000	1,287,000	1,348,223	61,223
Licenses and permits:				
Business licenses and permits	3,500	3,500	3,750	250
Building permits	100,000	101,000	111,534	10,534
Excavation fee	1,000	1,000	1,080	80
Total licenses and permits	104,500	105,500	116,364	10,864
Intergovernmental:				
Class "C" roads	170,000	170,000	168,849	(1,151)
State grants	-	-	-	-
State liquor allotment	4,000	4,000	-	(4,000)
Total intergovernmental	174,000	174,000	168,849	(5,151)
Charges for services:				
Subdivision and engineering fees	25,000	45,000	42,827	(2,173)
Inspection fees	70,000	70,000	47,184	(22,816)
Building rent	24,800	24,800	24,800	-
Administrative services	57,500	57,500	57,500	-
Park fees	3,500	3,500	3,915	415
Total charges for services	180,800	200,800	176,226	(24,574)
Fines and forfeitures	15,000	15,000	16,791	1,791
Other revenues:				
Interest earnings	16,800	23,300	5,170	(18,130)
Miscellaneous	20,000	20,300	10,009	(10,291)
Total other revenues	36,800	43,600	15,179	(28,421)
Total revenues	\$ 1,758,100	\$ 1,825,900	\$ 1,841,632	\$ 15,732

FRUIT HEIGHTS CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance</u>
<u>Expenditures</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Current:				
General government:				
Mayor and council	42,000	41,400	40,465	935
Executive	128,455	153,200	141,179	12,021
City Treasurer	63,000	70,500	69,663	837
City Recorder	14,970	10,940	3,791	7,149
Professional and technical services	33,000	38,000	36,188	1,812
City Hall operations	49,500	55,100	54,585	515
Emergency preparedness	8,500	8,500	6,071	2,429
Non-departmental	218,550	222,100	213,924	8,176
Elections	2,250	2,250	-	2,250
Planning and zoning	67,272	111,140	102,087	9,053
Total general government	<u>627,497</u>	<u>713,130</u>	<u>667,953</u>	<u>45,177</u>
Public safety:				
Law enforcement	152,705	152,705	143,803	8,902
Fire protection	150,500	175,868	175,868	-
Protective inspection	45,032	34,200	28,140	6,060
Total public safety	<u>348,237</u>	<u>362,773</u>	<u>347,811</u>	<u>14,962</u>
Roadways:				
Roads	270,500	301,300	269,577	31,723
Class "C" Roads	301,800	301,800	36,659	265,141
Total roadways	<u>572,300</u>	<u>603,100</u>	<u>306,236</u>	<u>296,864</u>
Parks and recreation:				
Parks	147,800	154,095	118,185	35,910
Recreation	30,600	32,600	30,556	2,044
Total parks and recreation	<u>178,400</u>	<u>186,695</u>	<u>148,741</u>	<u>37,954</u>
Total expenditures	<u>1,726,434</u>	<u>1,865,698</u>	<u>1,470,741</u>	<u>394,957</u>
Excess (deficiency) of revenues over expenditures	<u>31,666</u>	<u>(39,798)</u>	<u>370,891</u>	<u>(410,689)</u>
Other financing sources (uses)				
Appropriation of fund balance	300,000	300,000	-	300,000
Transfers (out)	<u>(331,666)</u>	<u>(260,202)</u>	<u>(260,202)</u>	<u>-</u>
Total other financing sources (uses)	<u>(31,666)</u>	<u>39,798</u>	<u>(260,202)</u>	<u>300,000</u>
Net change in fund balance	-	-	110,689	(110,689)
Fund balance - beginning of year	<u>561,422</u>	<u>561,422</u>	<u>561,422</u>	<u>-</u>
Fund balance - end of year	<u>\$ 561,422</u>	<u>\$ 561,422</u>	<u>\$ 672,111</u>	<u>\$ (110,689)</u>

FRUIT HEIGHTS CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014
Last 10 fiscal years*

	Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.0366420%	0.0098102%
Proportion share of the net pension liability (asset)	\$ 159,108	\$ (297)
Covered employee payroll	\$ 305,471	\$ 48,003
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.1%	0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	103.5%

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

See accompanying notes to required supplementary information

**FRUIT HEIGHTS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014**

Last 10 fiscal years*

	<u>Noncontributory System</u>	<u>Public Safety System</u>
Contractually required contribution	\$ 57,591	\$ 4,047
Contributions in relation to the contractually required contribution	\$ (57,591)	\$ (4,047)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 305,471	\$ 48,003
Contribution as a percentage of covered-employee payroll**	18.85%	8.43%

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

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

See accompanying notes to required supplementary information

**FRUIT HEIGHTS CITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014**

Other Information Not Required as Part of RSI

schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 -

Defined Contribution System

	Employee Paid Contributi ons	Employer Paid Contributi ons
401(k) Plan*	\$ 6,984	\$ 16,623
457 Plan	-	-
Roth IRA Plan	-	-
Traditional IRA Plan	-	-
HRA Plan	\$ -	\$ -

enrolled in the Tier 2 Defined Contribution 401(k) Plan.

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
910 S. Mountain Road
Fruit Heights, UT 84037

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Fruit Heights City, as of and for the year ended June 30, 2015, 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 December 29, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. The finding is listed as 2015-01.

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.

Fruit Heights City's Response to Findings

Fruit Heights City's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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 Richard & Associates, PC

Ogden, Utah
December 29, 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 of
Fruit Heights City
910 S. Mountain Road
Fruit Heights, UT 84037

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, 2015.

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

Budgetary Compliance
Fund Balance
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
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, 2015.

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 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings as item 2015-2. Our opinion on compliance is not modified with respect to this matter.

Fruit Heights City's response to the noncompliance finding 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 or significant deficiencies.

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
December 29, 2015

**FRUIT HEIGHTS CITY
SCHEDULE OF FINDINGS
JUNE 30, 2015**

2015-01: Internal Control Over Financial Reporting

Criteria: A government's purchasing procedures should follow the policies authorized by the mayor and council as shown in the purchasing policies.

Condition: Not all purchases made were in accordance with the City's policies.

Cause: The requirements associated with purchasing according to the City's policies have not been fully implemented and utilized.

Effect: The City made some purchases against their own policies.

Management's Response: A review of those policies and will be performed and any necessary changes will be made going forward.

2015-02: State Compliance – Open and Public Meetings Act

Criteria: The Open and Public Meetings Act (OPMA) requires agendas of public meeting to be posted to the Utah Public Notice Website within no less than 24 hours from the time of the meeting. Since January 2015, OPMA also requires all governments to post their minutes to the Utah Public Notice Website within 3 business days from the date they are approved by the mayor and council.

Condition: The City has been posting most agendas to the website, however, we found one agenda from our sample that was not posted to the website.

The City has not been posting minutes of their meetings to the website.

Cause: The City was unaware of the requirement to post the minutes to the website.

Effect: The City is noncompliant with this requirement.

Management's Response: The City now understands the requirements associated with the Open and Public Meetings Act and will implement the necessary changes.