

City Council Meeting Agenda Request

Date of City Council Meeting:.....November 18, 2014
Person Requesting.....Debbie Sanchez
Department.....Finance
Time Required for Agenda Item..... 15 minutes

A G E N D A I T E M

Presentation of FY 2013-2014 Audit Report

DISCUSSION

Utah State Code requires that an audit of the City's financial position be performed annually for the most recently completed fiscal year. Preparatory work begins in May and continues into early August at which time the majority of financial data and information is delivered to the City Auditor.

Depending on the complexity of the audit, it typically takes 4 to 6 weeks for the Auditor to complete his examination, write the commentary and present the audit results to the City administration. Administration then writes the Management Discussion and Analysis (MD&A) which is included as part of the audit report.

The City Auditor will appear before the Mayor and Council to present the audit report and highlight the City's current financial positions in various funds. Also included will be the management letter which identifies any problems and/or weaknesses found during the audit, and the City's responses to these findings explaining the measures that will be taken to correct any deficiencies.

MOTION

Move to accept the FY 2013-2014 Audit Report as presented by the City Auditor, Greg Ogden.

**MAPLETON CITY, UTAH
MANAGEMENT LETTER
JUNE 30, 2014**

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 6, 2014

Honorable Mayor
Members of the City Council
Mapleton City, Utah

Council Members:

While planning and performing my audit of the basic financial statements of Mapleton City, Utah (City) for the year ended June 30, 2014, I noted matters regarding compliance with requirements of the *Utah Code* and the City's internal control over financial reporting which need to be addressed by the City's management.

My findings from the audit are attached. If the weaknesses and deficiencies noted in this management letter are left uncorrected, an unacceptable amount of errors could occur without detection.

This report is intended solely for the use of the management of Mapleton City. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the City during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss any of these matters with you at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCY

2013-1 FINDING - DRAFT FINANCIAL STATEMENTS

The City currently hires the auditor, with oversight from management, to draft the City's basic financial statements and related footnotes. Management then reviews, approves and accepts responsibility for financial statements.

RECOMMENDATION

Management should continue to carefully review the financial statements so they can feel confident approving them and accepting responsibility for their accuracy.

RESPONSE - MAPLETON CITY

Management will continue to review the financial statements and take responsibility for their accuracy.

STATE COMPLIANCE FINDING

2014-1 FINDING – NO FINANCIAL REPORTS WERE PRESENTED TO THE CITY COUNCIL

City staff is required to present monthly financial reports to the City Council. These reports should be detailed enough for the City Council to make adequate decisions regarding financial matters and should include all funds.

RECOMMENDATION

I recommend that financial reports be prepared and presented to the City Council monthly. These could consist of financial statements printed directly from the Caselle accounting program or other reports created by staff.

RESPONSE - MAPLETON CITY

Monthly financial reports were prepared for department heads. The Finance Director will present the same financial reports to the City Council in the future.

**MAPLETON CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2014**

MAPLETON CITY
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STATE COMPLIANCE REPORT

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

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

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GOVERNMENT AUDITING STANDARDS REPORT

**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***

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GREG OGDEN, CPA
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(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

November 12, 2014

Honorable Mayor
Members of the City Council
Mapleton City, Utah

Council Members:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mapleton City, Utah (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in 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 on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated November 12, 2014, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This financial summary offers readers of Mapleton City's financial statements a narrative overview and analysis of the financial activities of Mapleton City for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Mapleton City decreased \$200,435 to \$54,779,813. The governmental net position decreased by \$686,450 and the business-type net position increased by \$486,015.
- The total net position of \$54,779,813 is made up of \$48,222,224 in net investment in capital assets, restricted net position of \$758,516 for capital projects, \$458,847 for Class C-Road Funds, \$1,407,613 for debt service, \$271,705 for development projects, and \$3,660,908 of unrestricted net position.
- The General Fund (the primary operating fund) had its fund equity increase by \$127,660 to \$1,365,522. The increase came primarily from Class C Road Fund reserves and development improvements.

REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net position* presents information on all of Mapleton City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Mapleton City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Mapleton City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 12-14 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The remaining governmental fund, the Debt Service Fund, is determined to be non-major.

- Proprietary funds - Mapleton City maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Mapleton City uses enterprise funds to account for its Water Utility, Sewer Utility, Solid Waste Collection, and Pressurized Irrigation. All of the funds are shown under the major fund classification. The remaining enterprise fund, Storm Drain, is determined to be non-major.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Mapleton City, assets and deferred outflows exceed liabilities and deferred inflows by \$54,779,813.

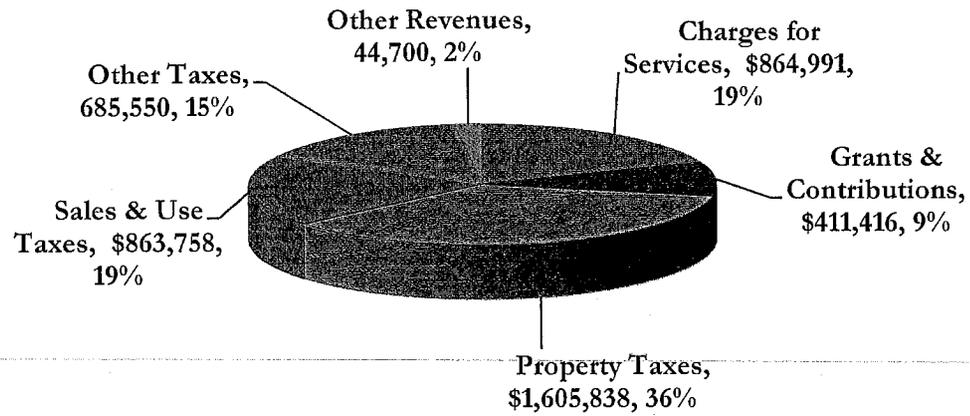
By far the largest portion of Mapleton City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide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

STATEMENT OF NET POSITION				
	Governmental Activities		Business Type Activities	
	2012-2013	2013-2014	2012-2013	2013-2014
Current and Net Assets	\$ 5,397,941	\$ 5,425,164	\$ 4,099,437	\$ 4,324,760
Net Capital Assets	23,780,324	22,790,920	34,540,797	33,706,661
Total Assets	29,178,265	28,216,084	38,640,234	38,031,421
Deferred Outflow of Resources	-	-	71,337	66,241
Total Assets & Deferred Outflows of Resources	29,178,265	28,216,084	38,711,571	38,097,662
Current Liabilities	1,112,270	1,049,645	998,812	809,166
Non-Current Liabilities	2,176,202	1,961,132	7,112,988	6,202,710
Total Liabilities	3,288,472	3,010,777	8,111,800	7,011,876
Deferred Inflow of Resources	1,509,316	1,511,280	-	-
Total Liabilities & Deferred Inflow of Resources	4,797,788	4,522,057	8,111,800	7,011,876
Net Position				
Net Investment in Capital Assets	21,694,258	20,920,801	27,228,883	27,301,423
Restricted	1,143,537	1,012,622	2,132,873	1,884,059
Unrestricted	1,542,682	1,760,604	1,238,015	1,900,304
Total Net Position	\$ 24,380,477	\$ 23,694,027	\$ 30,599,771	\$ 31,085,786

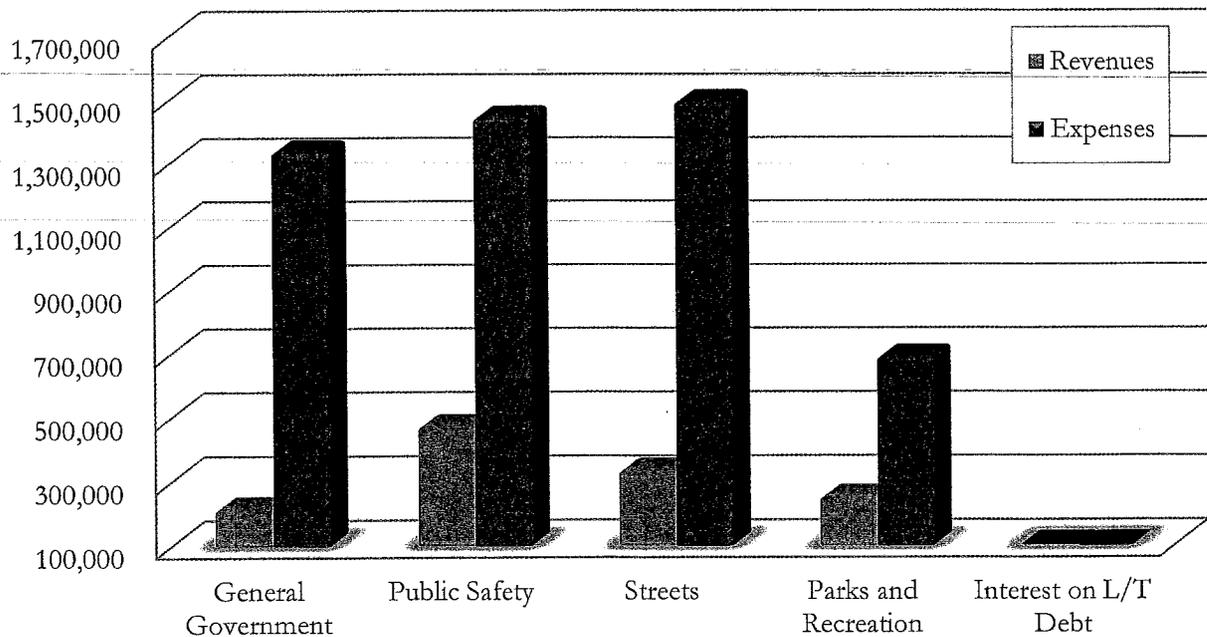
CHANGE IN NET POSITION				
	Governmental Activities		Business Type Activities	
	2012-2013	2013-2014	2012-2013	2013-2014
Revenues				
Program Revenues:				
Charges for Services	\$ 722,845	\$ 864,991	\$ 3,453,312	\$ 3,477,625
Operating Grants and Contributions	21,351	20,969	-	-
Capital Grants and Contributions	389,585	390,447	252,799	348,040
General Revenues:				
Property Taxes	1,690,474	1,605,838	-	-
Sales and Use Taxes	816,133	863,758	-	-
Other Taxes	656,206	685,550	-	-
Other Revenues	83,276	44,700	16,477	14,667
Total Revenues	4,379,870	4,476,253	3,722,588	3,840,332
Expenses				
General Government	1,229,152	1,336,848	-	-
Public Safety	1,373,109	1,443,174	-	-
Streets	1,642,306	1,494,097	-	-
Parks & Recreation	640,179	691,242	-	-
Interest on Long-Term Debt	74,821	68,332	-	-
Water	-	-	1,662,050	1,515,055
Sewer	-	-	1,051,082	1,096,907
Pressurized Irrigation	-	-	241,553	475,556
Solid Waste	-	-	379,223	361,753
Storm Drain	-	-	49,283	34,056
Total Expenses	4,959,567	5,033,693	3,383,191	3,483,327
Change Before Transfers	(579,697)	(557,440)	339,397	357,005
Transfers	-	(129,010)	-	129,010
Change in Net Position	(579,697)	(686,450)	339,397	486,015
Net Position - Beginning	24,960,174	24,380,477	30,260,374	30,599,771
Net Position - Ending	\$ 24,380,477	\$ 23,694,027	\$ 30,599,771	\$ 31,085,786

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

Revenues by Source - Governmental Activities

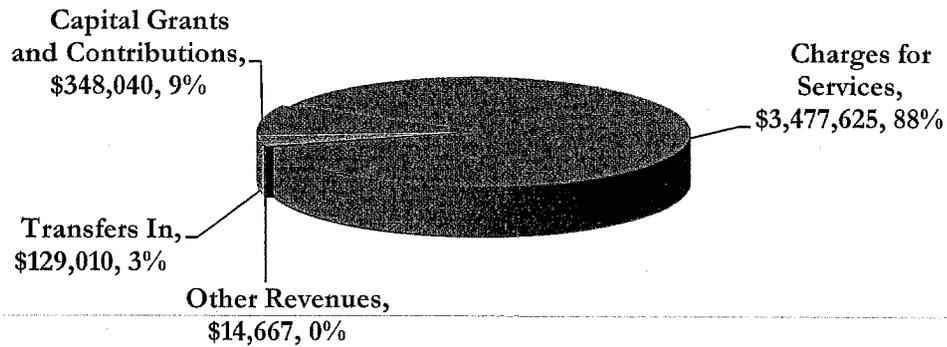


Expenses & Program Revenues - Governmental Activities

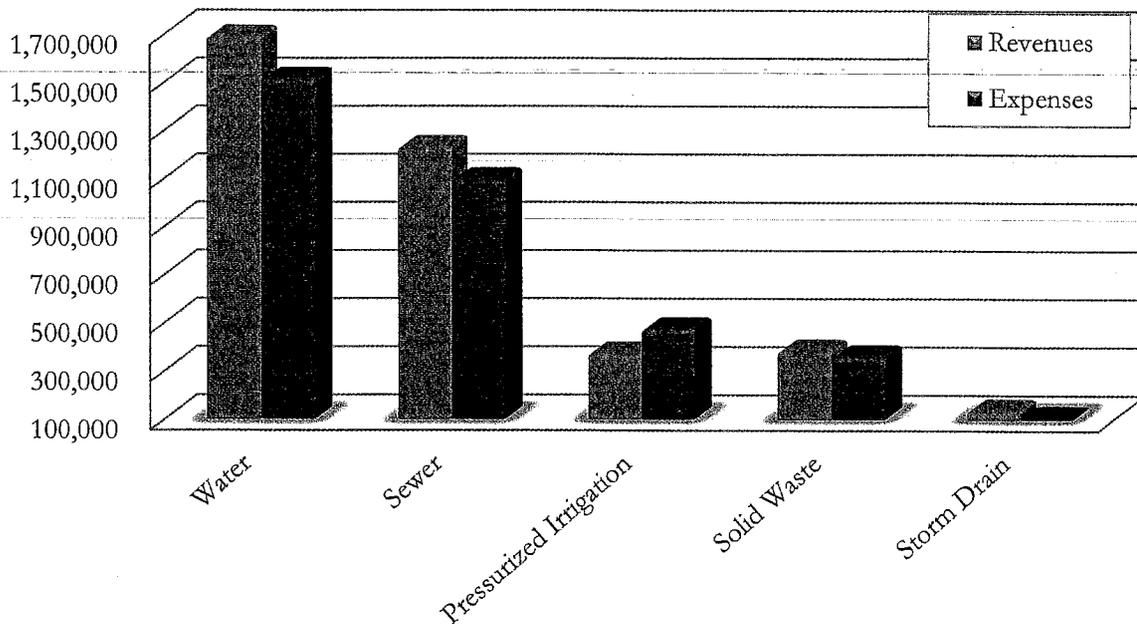


“Charges for Services” traditionally represent the majority of revenues generated by the Enterprise Funds. This year 93% of Enterprise Fund revenues came from “Charges for Services”.

Revenue by Source Business-type Activities



Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2014, the City's governmental funds reported combined fund equity of \$2,866,756. This represents an increase of \$87,471 from last year's ending balances. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was increased from an original budget revenue total of 4,095,050 to a final budget of \$4,150,502. The \$55,452 increase in revenues was primarily funded by increases in tax collections and an unexpected increase in permits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mapleton City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, equals \$56,265,744 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in fixed assets for 2014 totaled \$1,012,799 while accumulated depreciated equaled \$2,835,742. Therefore investments in fixed assets decreased by \$1,822,943 compared to the prior year.

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

General Government

- Land, \$174,513
- Improvements and Infrastructure, \$8,610
- Machinery Equipment & Vehicles, \$186,624.

Proprietary Funds

- Improvements in Infrastructure, \$643,052.

MAPLETON CITY'S CAPITAL ASSETS

	Governmental Activities		Business Type Activities	
	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2013-2014</u>
Land	6,754,680	6,929,193	1,984,381	1,984,381
Intangible Assets	-	-	25,519	25,519
Water Shares	-	-	31,680	31,680
Buildings	5,984,730	5,984,730	1,031,212	1,031,212
System Improvements	21,242,303	21,250,913	43,314,484	43,957,536
Machinery and Equipment	2,297,018	2,483,642	1,304,458	1,304,458
Construction In Progress	-	-	-	-
Less Accumulated Depreciation	<u>(12,498,407)</u>	<u>(13,857,558)</u>	<u>(13,383,370)</u>	<u>(14,859,962)</u>
Net Capital Assets	<u>23,780,324</u>	<u>22,790,920</u>	<u>34,308,364</u>	<u>33,474,824</u>

Long-term debt - At June 30, 2013 the City had total debt outstanding of \$8,163,842. \$7,874,775 is debt secured solely by specific revenue sources. The remaining balance equals capital leases of \$63,626, notes payable of \$105,119 and compensated absences of \$120,322.

MAPLETON CITY'S OUTSTANDING DEBT

	Governmental Activities		Business Type Activities	
	<u>2012-2013</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2013-2014</u>
Refunding Bonds				
1997 Sewer	-	-	604,000	433,000
2010 Water	-	-	4,425,000	4,160,000
Revenue Bonds				
1995 Sewer	-	-	1,360,080	1,005,080
2004 Sewer	-	-	565,695	511,695
2007 Water	-	-	-	-
2010 Tax Refunding Bond	1,880,000	1,765,000	-	-
Notes Payable				
2005 Community Center Loan	206,066	105,119	-	-
Leases				
2011 Vactor Truck	-	-	124,706	63,626
Compensated Absences	<u>90,136</u>	<u>91,013</u>	<u>33,507</u>	<u>29,309</u>
Total	<u>2,176,202</u>	<u>1,961,132</u>	<u>7,112,988</u>	<u>6,202,710</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$18,251,061. State statute allows for an additional 4% to be used for water or sewer projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water and sewer projects is thus \$36,502,122 which again significantly exceeds the outstanding business-type activity debt.

NEXT YEAR'S BUDGET

The General Fund budget of \$4,236,244 for fiscal year-ending June 30, 2015 reflects an increase of \$85,742 versus the final budget of \$4,150,502 for the fiscal year-ended June 30, 2014. The increase is primarily due to personnel costs with the hiring of a full-time employee in the Parks department and the increase in retirement rates.

REQUESTS FOR INFORMATION

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

Finance Director, Mapleton City, 125 West 400 North, Mapleton, UT 84664.

BASIC FINANCIAL STATEMENTS

MAPLETON CITY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
ASSETS			
Cash and Cash Equivalents	\$ 2,707,729	\$ 2,113,010	\$ 4,820,739
Accounts Receivable	1,698,613	327,691	2,026,304
Prepaid Expenses	6,200	-	6,200
Restricted Assets			
Cash and Cash Equivalents	1,012,622	1,884,059	2,896,681
Capital Assets			
Non Depreciable	6,929,193	2,041,580	8,970,773
Depreciable Assets (net of Depreciation)	15,861,727	31,433,244	47,294,971
Investment in Joint Venture	-	231,837	231,837
TOTAL ASSETS	28,216,084	38,031,421	66,247,505
DEFERRED OUTFLOW OF RESOURCES	-	66,241	66,241
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	28,216,084	38,097,662	66,313,746
<u>LIABILITIES AND DEFERRED INFLOW OF RESOURCES</u>			
LIABILITIES			
Accounts Payable and Accrued Liabilities	324,690	154,485	479,175
Deposits Payable	-	35,700	35,700
Unearned Revenue	2,111	618,981	621,092
Developer Completion Bonds Payable	681,671	-	681,671
Contingent Liability	41,173	-	41,173
Due Within One Year	284,892	943,935	1,228,827
Due in more than One Year	1,676,240	5,258,775	6,935,015
TOTAL LIABILITIES	3,010,777	7,011,876	10,022,653
DEFERRED INFLOW OF RESOURCES	1,511,280	-	1,511,280
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	4,522,057	7,011,876	11,533,933
<u>NET POSITION</u>			
Net Investment in Capital Assets	20,920,801	27,301,423	48,222,224
Restricted for			
Capital Projects	257,237	501,279	758,516
Class C Roads	458,847	-	458,847
Debt Service	24,833	1,382,780	1,407,613
Development Improvements	271,705	-	271,705
Unrestricted	1,760,604	1,900,304	3,660,908
TOTAL NET POSITION	\$ 23,694,027	\$ 31,085,786	\$ 54,779,813

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 1,336,848	\$ 216,054	\$ -	\$ -
Public Safety	1,443,174	445,628	20,969	6,176
Streets	1,494,097	25,650	-	309,434
Parks and Recreation	691,242	177,659	-	74,837
Interest on Long-Term Debt	68,332	-	-	-
Total Governmental Activities	<u>5,033,693</u>	<u>864,991</u>	<u>20,969</u>	<u>390,447</u>
Business-type Activities				
Water	1,515,055	1,504,199	-	188,053
Sewer	1,096,907	1,140,807	-	91,472
Pressurized Irrigation	475,556	306,826	-	68,515
Solid Waste	361,753	386,227	-	-
Storm Drain	34,056	139,566	-	-
Total Business-type Activities	<u>3,483,327</u>	<u>3,477,625</u>	<u>-</u>	<u>348,040</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,517,020</u>	<u>\$ 4,342,616</u>	<u>\$ 20,969</u>	<u>\$ 738,487</u>

General Revenues
Property Taxes
Vehicle Taxes
Sales Taxes
Franchise Taxes
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues
Change in Net Position
Net Position - Beginning
Net Position - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,120,794)	\$ -	\$ (1,120,794)
(970,401)	-	(970,401)
(1,159,013)	-	(1,159,013)
(438,746)	-	(438,746)
(68,332)	-	(68,332)
<u>(3,757,286)</u>	<u>-</u>	<u>(3,757,286)</u>
-	177,197	177,197
-	135,372	135,372
-	(100,215)	(100,215)
-	24,474	24,474
-	105,510	105,510
<u>-</u>	<u>342,338</u>	<u>342,338</u>
<u>(3,757,286)</u>	<u>342,338</u>	<u>(3,414,948)</u>
1,605,838	-	1,605,838
143,918	-	143,918
863,758	-	863,758
541,632	-	541,632
26,181	14,667	40,848
18,519	-	18,519
(129,010)	129,010	-
<u>3,070,836</u>	<u>143,677</u>	<u>3,214,513</u>
(686,450)	486,015	(200,435)
<u>24,380,477</u>	<u>30,599,771</u>	<u>54,980,248</u>
<u>\$ 23,694,027</u>	<u>\$ 31,085,786</u>	<u>\$ 54,779,813</u>

MAPLETON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,424,654	\$ 1,283,075	\$ -	\$ 2,707,729
Property Taxes Receivable	1,531,784	-	-	1,531,784
Other Receivables	166,829	-	-	166,829
Restricted Cash and Cash Equivalents	730,552	257,237	24,833	1,012,622
Prepaid Expenses	6,200	-	-	6,200
TOTAL ASSETS	\$ 3,860,019	\$ 1,540,312	\$ 24,833	\$ 5,425,164
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 258,262	\$ 63,911	\$ -	\$ 322,173
Unearned Revenue	2,111	-	-	2,111
Developer Completion Bonds Payable	681,671	-	-	681,671
Contingent Liability	41,173	-	-	41,173
TOTAL LIABILITIES	983,217	63,911	-	1,047,128
DEFERRED INFLOW OF RESOURCES	1,511,280	-	-	1,511,280
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,494,497	63,911	-	2,558,408
FUND BALANCE				
Nonspendable	6,200	-	-	6,200
Restricted				
Impact Fees	-	257,237	-	257,237
Class C Roads	458,847	-	-	458,847
Debt Service	-	-	24,833	24,833
Development Improvements	271,705	-	-	271,705
Assigned	-	1,219,164	-	1,219,164
Unassigned	628,770	-	-	628,770
TOTAL FUND EQUITY	1,365,522	1,476,401	24,833	2,866,756
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 3,860,019	\$ 1,540,312	\$ 24,833	\$ 5,425,164

See the accompanying notes to the financial statements

MAPLETON CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 2,866,756

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds 22,790,920

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (1,963,649)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 23,694,027

See the accompanying notes to the financial statements

MAPLETON CITY

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

	General	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 3,155,146	\$ -	\$ -	\$ 3,155,146
Licenses and Permits	376,385	-	-	376,385
Intergovernmental	346,784	-	-	346,784
Charges for Services	393,920	-	-	393,920
Fines and Forfeitures	94,686	-	-	94,686
Interest	21,684	4,401	96	26,181
Miscellaneous	5,219	13,300	-	18,519
TOTAL REVENUES	4,393,824	17,701	96	4,411,621
EXPENDITURES				
General Government	1,250,895	958	-	1,251,853
Public Safety	1,257,089	20,418	-	1,277,507
Streets	411,086	-	-	411,086
Parks and Recreation	624,925	75	-	625,000
Debt Service				
Principal	-	-	215,947	215,947
Interest	-	-	68,745	68,745
Capital Outlay	6,168	403,466	-	409,634
TOTAL EXPENDITURES	3,550,163	424,917	284,692	4,259,772
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	843,661	(407,216)	(284,596)	151,849
OTHER FINANCING SOURCES (USES)				
Impact Fees	-	64,632	-	64,632
Transfers from Other Fund	-	638,252	284,749	923,001
Transfers to Other Fund	(716,001)	(336,010)	-	(1,052,011)
NET OTHER FINANCING SOURCES (USES)	(716,001)	366,874	284,749	(64,378)
NET CHANGE IN FUND BALANCE	127,660	(40,342)	153	87,471
BEGINNING FUND BALANCE	1,237,862	1,516,743	24,680	2,779,285
ENDING FUND BALANCE	\$ 1,365,522	\$ 1,476,401	\$ 24,833	\$ 2,866,756

See the accompanying notes to the financial statements

MAPLETON CITY

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

NET CHANGE IN FUND BALANCE \$ 87,471

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

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (989,404)

Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items. 215,947

Some revenues and expenses reported in the statement of activities do not add to or required the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. (464)

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS \$ (686,450)

See the accompanying notes to the financial statements

MAPLETON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,043,500	\$ 3,063,792	\$ 3,155,146	\$ 91,354
Licenses and Permits	272,150	272,150	376,385	104,235
Intergovernmental	343,000	351,000	346,784	(4,216)
Charges for Services	298,900	326,060	393,920	67,860
Fines and Forfeitures	100,000	100,000	94,686	(5,314)
Interest	30,000	30,000	21,684	(8,316)
Miscellaneous	7,500	7,500	5,219	(2,281)
TOTAL REVENUES	4,095,050	4,150,502	4,393,824	243,322
EXPENDITURES				
General Government	1,333,288	1,342,681	1,250,895	91,786
Public Safety	1,232,868	1,267,938	1,257,089	10,849
Streets	419,472	453,232	411,086	42,146
Parks and Recreation	617,863	668,616	631,093	37,523
TOTAL EXPENDITURES	3,603,491	3,732,467	3,550,163	182,304
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	491,559	418,035	843,661	425,626
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(264,017)	(716,001)	(716,001)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	227,542	(297,966)	127,660	425,626
FUND BALANCE ALLOCATION	(227,542)	297,966	-	(297,966)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 127,660	\$ 127,660

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,258,492	\$ 533,834	\$ -	\$ 200,041	\$ 120,643	\$ 2,113,010
Due from other Funds	2,568,151	-	-	-	-	2,568,151
Accounts Receivable, Net of Allowance for Uncollectibles	169,318	97,894	29,271	31,208	-	327,691
TOTAL CURRENT ASSETS	3,995,961	631,728	29,271	231,249	120,643	5,008,852
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	570,109	1,197,440	116,510	-	-	1,884,059
Capital Assets						
Land	124,381	-	1,860,000	-	-	1,984,381
Intangible Assets	25,519	-	-	-	-	25,519
Water Shares	31,680	-	-	-	-	31,680
Buildings and Structures	478,589	475,568	-	-	-	954,157
Improvements	16,437,774	16,341,240	11,178,522	-	77,055	44,034,591
Machinery, Equipment and Vehicles	830,625	473,833	-	-	-	1,304,458
Less Accumulated Depreciation	(6,360,882)	(7,543,527)	(949,132)	-	(6,421)	(14,859,962)
Investment in Joint Venture	-	-	-	231,837	-	231,837
TOTAL NONCURRENT ASSETS	12,137,795	10,944,554	12,205,900	231,837	70,634	35,590,720
DEFERRED OUTFLOW OF RESOURCES						
	66,241	-	-	-	-	66,241
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	16,199,997	11,576,282	12,235,171	463,086	191,277	40,665,813
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	30,988	18,544	800	58,904	-	109,236
Accrued Interest Payable	40,207	5,042	-	-	-	45,249
Due to other Funds	-	-	2,568,151	-	-	2,568,151
Deposits Payable	35,700	-	-	-	-	35,700
Unearned Revenue	618,981	-	-	-	-	618,981
Compensated Absences	11,800	10,800	5,592	1,117	-	29,309
Current Portion of Long-Term Debt	270,000	644,626	-	-	-	914,626
TOTAL CURRENT LIABILITIES	1,007,676	679,012	2,574,543	60,021	-	4,321,252
NONCURRENT LIABILITIES						
Bonds Payable	3,890,000	1,368,775	-	-	-	5,258,775
TOTAL NONCURRENT LIABILITIES	3,890,000	1,368,775	-	-	-	5,258,775
TOTAL LIABILITIES	4,897,676	2,047,787	2,574,543	60,021	-	9,580,027
NET POSITION						
Net Investment in Capital Assets	7,407,686	7,733,713	12,089,390	-	70,634	27,301,423
Restricted						
Impact Fees	263,596	121,173	116,510	-	-	501,279
Debt Service	306,513	1,076,267	-	-	-	1,382,780
Designated for Water Shares	79,475	-	-	-	-	79,475
Unrestricted	3,245,051	597,342	(2,545,272)	403,065	120,643	1,820,829
TOTAL NET POSITION	\$ 11,302,321	\$ 9,528,495	\$ 9,660,628	\$ 403,065	\$ 191,277	\$ 31,085,786

See the accompanying notes to the financial statements

MAPLETON CITY

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

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	
OPERATING REVENUES						
Charges for Services	\$ 1,433,080	\$ 1,122,757	\$ 267,097	\$ 386,227	\$ 139,566	\$ 3,348,727
Connection Fees	30,650	18,050	39,729	-	-	88,429
Miscellaneous	40,469	-	-	-	-	40,469
TOTAL OPERATING REVENUES	1,504,199	1,140,807	306,826	386,227	139,566	3,477,625
OPERATING EXPENSES						
Salaries and Benefits	491,961	201,250	129,940	29,747	-	852,898
Operation and Maintenance	427,817	241,683	29,104	331,410	30,203	1,060,217
Depreciation	517,639	638,588	316,512	-	3,853	1,476,592
TOTAL OPERATING EXPENSES	1,437,417	1,081,521	475,556	361,157	34,056	3,389,707
OPERATING INCOME (LOSS)	66,782	59,286	(168,730)	25,070	105,510	87,918
NON-OPERATING REVENUES (EXPENSES)						
Change in Joint Venture Equity	-	-	-	(596)	-	(596)
Impact Fees	188,053	91,472	68,515	-	-	348,040
Interest Income	2,217	10,302	2,148	-	-	14,667
Interest Expense	(77,638)	(15,386)	-	-	-	(93,024)
TOTAL NON-OPERATING REVENUES (EXPENSES)	112,632	86,388	70,663	(596)	-	269,087
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	179,414	145,674	(98,067)	24,474	105,510	357,005
Transfer from Other Funds	159,010	211,520	-	-	-	370,530
Transfer to Other Funds	(221,520)	(10,000)	(10,000)	-	-	(241,520)
Developer Contributions	-	-	-	-	-	-
CHANGE IN NET POSITION	116,904	347,194	(108,067)	24,474	105,510	486,015
TOTAL NET POSITION AT BEGINNING OF YEAR	11,185,417	9,181,301	9,768,695	378,591	85,767	30,599,771
TOTAL NET POSITION AT END OF YEAR	\$ 11,302,321	\$ 9,528,495	\$ 9,660,628	\$ 403,065	\$ 191,277	\$ 31,085,786

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 1,522,215	\$ 1,134,774	\$ 295,586	\$ 387,745	\$ 139,566	\$ 3,479,886
Payments to Suppliers	(616,889)	(271,159)	(28,704)	(350,112)	(48,462)	(1,315,326)
Payments to Employees	(499,251)	(200,242)	(127,919)	(29,684)	-	(857,096)
NET CASH FLOWS FROM OPERATING ACTIVITIES	406,075	663,373	138,963	7,949	91,104	1,307,464
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	188,053	91,472	68,515	-	-	348,040
Unearned Revenue	131,874	-	-	-	-	131,874
Due from other Fund	83,115	-	-	-	-	83,115
Due to other Fund	-	-	(83,115)	-	-	(83,115)
Transfers from Other Funds	159,010	211,520	-	-	-	370,530
Transfers to Other Funds	(221,520)	(10,000)	(10,000)	-	-	(241,520)
Acquisition of Capital Assets	(420,378)	(222,674)	-	-	-	(643,052)
Debt Payments	(265,000)	(641,080)	-	-	-	(906,080)
Interest Expense	(145,704)	(15,834)	-	-	-	(161,538)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(490,550)	(586,596)	(24,600)	-	-	(1,101,746)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	2,217	10,302	2,147	-	-	14,666
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,217	10,302	2,147	-	-	14,666
NET CHANGE IN CASH AND CASH EQUIVALENTS	(82,258)	87,079	116,510	7,949	91,104	220,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,910,859	1,644,195	-	192,092	29,539	3,776,685
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,828,601	\$ 1,731,274	\$ 116,510	\$ 200,041	\$ 120,643	\$ 3,997,069

See the accompanying notes to the financial statements

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

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 66,782	\$ 59,286	\$ (168,730)	\$ 25,070	\$ 105,510	\$ 87,918
Adjustments						
Depreciation	517,639	638,588	316,512	-	3,853	1,476,592
Changes in Assets and Liabilities						
Accounts Receivable, Net	10,816	(6,033)	(11,240)	1,518	-	(4,939)
Accounts Payable	(189,072)	(29,476)	400	(18,702)	(18,259)	(255,109)
Deposits Payable	7,200	-	-	-	-	7,200
Compensated Absences	(7,290)	1,008	2,021	63	-	(4,198)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 406,075	\$ 663,373	\$ 138,963	\$ 7,949	\$ 91,104	\$ 1,307,464
Noncash Financing and Investing Transactions						
Change in Joint Venture Equity Developer Contributions of Capital Assets	\$ -	\$ -	\$ -	\$ (596)	\$ -	\$ (596)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See the accompanying notes to the financial statements

MAPLETON CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

Mapleton City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

Mayor, City Council and City Administrator

Financial Services: Finance Director, Treasurer, Recorder and Clerks

Development Services: Planning and Zoning, and Code Enforcement

Public Safety: Police, Fire, Ambulance, EMS, and Animal Control

Public Works: Streets, Parks, Water, Sewer, Pressurized Irrigation,
Buildings and Grounds

Literacy Center: Director and Assistant

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

The joint venture with South Utah Valley Solid Waste District is included in the City's reporting entity because of the significance of their operational and financial relationship with the City. Complete financial statements of the joint venture, which issued separate financial statements, can be obtained from their administrative offices.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed but the statements distinguish governmental activities, which normally are supported by taxes and general revenues, from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

NOTE 1 – (CONTINUED)

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function or segment offset by program revenues directly connected to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity; 2) operating grants and contributions which finance annual operating activities, including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets.

For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Taxes, interest, and other revenue sources not properly included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two types of categories: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

The City reports the following major governmental funds:

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

NOTE 1 – (CONTINUED)

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *debt service fund* is the only nonmajor governmental fund included in the City's basic financial statements.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

The City reports the following major proprietary funds:

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

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

The *solid waste fund* accounts for the activities of the City's garbage collection services.

The *storm drain fund* is new in 2014. It accounts for the City's storm drain activities. It is the only nonmajor business-type fund included in the City's basic financial statements.

Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

NOTE 1 – (CONTINUED)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels.

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property tax, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale taxes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by June 30, 2014 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: sales taxes, property taxes, special assessments, and federal and state grants.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On both the fund financial statements and the government-wide financial statements amounts collected for a marathon which takes place in the next fiscal year and water impact fees prepaid prior to development by the contractors are recorded as unearned revenues.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures are generally recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

NOTE 1 – (CONTINUED)

Assets, Liabilities and Fund Equity

Cash, cash equivalents, and investments

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

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

Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net position and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Inventories are recorded at the lower cost or market on a weighted average basis, which approximates the first-in, first out method.

Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds or contributions. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

NOTE 1 – (CONTINUED)

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, if purchased, and at fair market value at the date of the gift, if donated. Improvements to capital assets are capitalized. Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

All reported capital assets are depreciated except for land, right-of-ways, water rights, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of improvements and replacements.

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

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-40 years
Improvements and infrastructure	10-40 years
Machinery, equipment and vehicles	5-20 years

Compensated absences

Employees may carry over no more vacation time than they can accumulate in an 18 month period. Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. Accumulated sick leave is earned monthly. Sick pay amounts are charged to expenditures when incurred. No sick leave is paid at retirement or termination.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when it is due to for payment in the current fiscal year.

Long-term liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of these funds. Bonds are recognized as a liability in the governmental fund financial statements only when they are due for payment in the current fiscal year.

NOTE 1 – (CONTINUED)

Fund equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are divided into five categories as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained. Fund balance amounts related to inventory, prepaid expenses and permanent endowments (such as cemetery perpetual care) are classified as non-spendable.

Restricted – This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The City’s remaining balances of Class C roads, impact fees, and street lighting revenues are restricted.

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

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

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

Net Position Flow Assumptions – The City has established a flow assumption policy to use restricted net position first before using unrestricted net position.

Fund Balance Flow Assumptions – The City has established a flow assumption policy to use restricted fund balance before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City’s policy to use the fund balance in the following order: 1) Committed, 2) Assigned, and 3) Unassigned.

NOTE 1 – (CONTINUED)

Net Position – The net position represents the difference between assets and liabilities. The net position component, net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. The net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense, and the gain or loss on the disposition of capital assets.

Contributions of Capital

Contributions of capital reported in proprietary fund financial statements and the government-wide financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Unearned Revenue

Amounts collected for a marathon which takes place in the next fiscal year and water impact fees prepaid prior to development by the contractors are recorded as unearned revenues.

Estimates and Assumptions

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

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

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

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

Capital Asset Differences

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

Land	\$ 6,929,193
Buildings	5,984,730
Improvements and Infrastructure	21,250,913
Machinery, Equipment and Vehicles	2,483,642
Less Accumulated Depreciation	<u>(13,857,558)</u>
Net Capital Asset Difference	<u>\$ 22,790,920</u>

Long-Term Liability Differences

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

Bonds Payable	\$ (1,765,000)
Notes Payable	(105,119)
Accrued Interest	(2,517)
Compensated Absences	<u>(91,013)</u>
Total Long-Term Liability Difference	<u>\$ (1,963,649)</u>

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

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

NOTE 2 – (CONTINUED)

Capital Outlay and Depreciation Differences

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

Loss on Sale of Assets	\$ (10,028)
Capital Outlay	409,634
Depreciation Expense	<u>(1,389,010)</u>
Net Difference	\$ <u>(989,404)</u>

Long-Term Debt Issuance and Repayment Differences

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

Note Repayments	\$ 100,947
Bond Repayments	<u>115,000</u>
Net Difference	\$ <u>215,947</u>

Other Revenue and Expense Differences

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

Change in Accrued Interest	\$ 413
Change in Compensated Absences	<u>(877)</u>
Net Difference	\$ <u>(464)</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

NOTE 3 – (CONTINUED)

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

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution. A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

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

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

Tax Revenues

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

NOTE 4 – (CONTINUED)

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2014, \$199,539 of the City's bank balances of \$449,539 was uninsured and uncollateralized.

Credit Risk

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

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

The following are the City's investments at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 7,032,509
U.S. Treasuries	<u>472,144</u>
Total Investments	<u>\$ 7,504,653</u>

Interest Rate Risk

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

NOTE 4 – (CONTINUED)

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

Deposits	\$ 212,267
Investments	7,504,653
Cash on Hand	<u>500</u>
Total	<u>\$ 7,717,420</u>
Cash and Cash Equivalents	\$ 4,820,739
Restricted Cash and Cash Equivalents	<u>2,896,681</u>
Total	<u>\$ 7,717,420</u>

NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2014 are presented in the schedule below.

Property taxes are levied on January 1 of 2014, are due in November of 2014, and are budgeted for the 2014 fiscal year. Even though they are not intended to fund the 2014 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

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

The following is a summary of receivables at June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 7,760	\$ 354,591	\$ 362,351
Allowance for Doubtful Accounts	-	(26,900)	(26,900)
Property Taxes Receivable	1,531,784	-	1,531,784
Class C Road Receivable	57,404	-	57,404
Sales Tax Receivable	66,566	-	66,566
Franchise Tax Receivable	<u>35,099</u>	-	<u>35,099</u>
Total	<u>\$ 1,698,613</u>	<u>\$ 327,691</u>	<u>\$ 2,026,304</u>

NOTE 6 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2014:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 6,754,680	\$ 174,513	\$ -	\$ 6,929,193
Capital Assets being Depreciated				
Buildings	5,984,730	-	-	5,984,730
Improvements and Infrastructure	21,242,303	8,610	-	21,250,913
Machinery, Equipment and Vehicles	<u>2,297,018</u>	<u>226,511</u>	<u>(39,887)</u>	<u>2,483,642</u>
Total	36,278,731	409,634	(39,887)	36,648,478
Less Accumulated Depreciation	(12,498,407)	(1,389,010)	29,859	(13,857,558)
Governmental Activities Capital Assets, Net	\$ <u>23,780,324</u>	\$ <u>(979,376)</u>	\$ <u>(10,028)</u>	\$ <u>22,790,920</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2014:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,984,381	\$ -	\$ -	\$ 1,984,381
Intangible Assets	25,519	-	-	25,519
Water Shares	31,680	-	-	31,680
Capital Assets being Depreciated				
Buildings	1,031,212	-	-	1,031,212
Improvement and Infrastructure	43,314,484	643,052	-	43,957,536
Machinery, Equipment and Vehicles	<u>1,304,458</u>	<u>-</u>	<u>-</u>	<u>1,304,458</u>
Total	47,691,734	643,052	-	48,334,786
Less Accumulated Depreciation	(13,383,371)	(1,476,591)	-	(14,859,962)
Business-type Activities Capital Assets, Net	\$ <u>34,308,363</u>	\$ <u>(833,539)</u>	\$ <u>-</u>	\$ <u>33,474,824</u>

NOTE 6 – (CONTINUED)

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

Government Activities	
General Government	\$ 84,118
Public Safety	155,639
Streets	1,083,011
Parks and Recreation	<u>66,242</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 1,389,010</u>
Business-type Activities	
Water	\$ 517,639
Sewer	638,588
Pressurized Irrigation	316,512
Storm Drain	<u>3,853</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 1,476,592</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred amount on refunding (\$66,241) in the water fund and in the government-wide statement of net position. The deferred amount on refunding resulted from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of deferred inflows of resources. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. These amounts are reported in the governmental funds balance sheet and in the government-wide statement of net position.

NOTE 8 – INVESTMENT IN JOINT VENTURES

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. Additional information is as follows:

NOTE 8 – (CONTINUED)

a. Participants and their percentage shares:

Mapleton City	2.00%
Provo City	69.75%
Springville City	15.00%
Spanish Fork City	11.75%
Salem City	1.50%
Goshen Town	0.00%
	<u>100.00%</u>

- b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.
- c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.
- d. Summary financial information as of the joint venture's last fiscal year end, June 30, 2013 is as follows:

	<u>South Utah Valley Solid Waste District</u>
Total Assets	\$ 18,948,824
Total Liabilities	<u>(7,356,963)</u>
Net Position	<u>\$ 11,591,861</u>
Operating Revenues	\$ 5,196,292
Operating Expenses	<u>5,837,787</u>
Net Operating Income (Loss)	(641,495)
Total Non-Operating Income (Expenses)	121,939
Capital Contributions	<u>-</u>
Change in Net Position	<u>\$ (519,556)</u>

The Joint Venture has the following long-term debt:

	<u>South Utah Valley Solid Waste District</u>
Notes Payable	\$ 4,371,846
Capital Leases	30,673
Closure and Post Closure Liability	2,474,122
Accrued Compensated Absences	<u>237,735</u>
Total Long-Term Liabilities	<u>\$ 7,114,376</u>

Audited financial statements for the South Utah Valley Solid Waste District are available at the District offices, 2450 West 400 South Springville, Utah.

NOTE 9 – DEVELOPER COMPLETION BONDS PAYABLE

The City collects deposits from those wishing to develop land for subdivisions within the City. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the account are returned to the developer after the related project is completed. At June 30, 2014, Mapleton City held deposits from developers, including interest, in the following categories and amounts:

Construction Commitments	\$ 344,599
Construction Bonds	325,824
Subdivision Performance Bonds	<u>11,248</u>
 Total Developer Completion Bonds	 \$ <u>681,671</u>

NOTE 10 – LEASES PAYABLE

The City entered into a lease agreement, as the lessee, to finance the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The lease contract contains a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of the City's management, the likelihood of this clause being exercised is remote.

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2014.

	<u>Year Ending June 30</u>	<u>Governmental Activities</u>
	2015	
		\$ <u>65,602</u>
Total Minimum Lease Payments		65,602
Interest Portion		<u>(1,976)</u>
 Present Value of Net Minimum Lease Payments		 \$ <u>63,626</u>

NOTE 11 – LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City at June 30, 2014:

	<u>Beginning</u>		<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>	<u>One Year</u>
<u>Governmental Activities</u>					
Bonds Payable					
2010 Tax Refunding Bonds	\$ 1,880,000	\$ -	\$ (115,000)	\$ 1,765,000	\$ 115,000
Notes Payable					
2005 Community Center Loan	206,066	-	(100,947)	105,119	105,119
Compensated Absences	<u>90,136</u>	<u>11,366</u>	<u>(10,489)</u>	<u>91,013</u>	<u>64,773</u>
	<u>\$ 2,176,202</u>	<u>\$ 11,366</u>	<u>\$ (226,436)</u>	<u>\$ 1,961,132</u>	<u>\$ 284,892</u>

NOTE 11 – (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Refunding Bonds					
1997 Sewer	\$ 604,000	\$ -	\$ (171,000)	\$ 433,000	\$ 171,000
2010 Water	4,425,000	-	(265,000)	4,160,000	270,000
Revenue Bonds					
1995 Sewer	1,360,080	-	(355,000)	1,005,080	355,000
2004 Sewer	565,695	-	(54,000)	511,695	55,000
Leases					
2011 Vector Truck	124,706	-	(61,080)	63,626	63,626
Compensated Absences	<u>33,507</u>	<u>3,093</u>	<u>(7,291)</u>	<u>29,309</u>	<u>29,309</u>
	<u>\$ 7,112,988</u>	<u>\$ 3,093</u>	<u>\$ (913,371)</u>	<u>\$ 6,202,710</u>	<u>\$ 943,935</u>

Long-term debt and obligations payable at June 30, 2014 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Governmental Activities</u>				
Bonds Payable				
Excise Tax Refunding Bonds, Series 2010 (original amount-- \$2,225,000)	1.00% to 4.00%	2027	\$ 115,000	\$ 1,650,000
Notes Payable				
Community Center Loan (original amount-- \$865,000)	4.05%	2015	105,119	-
Compensated Absences			<u>64,773</u>	<u>26,240</u>
Total Governmental Activities Long-term Debt			<u>\$ 284,892</u>	<u>\$ 1,676,240</u>

The excise tax refunding bonds and the community center loan were issued to construct the new City Hall. The City pledges excise tax revenues to repay the bonds and the loan through their maturity dates as listed above. Annual principal and interest payments are expected to require less than twenty five percent of the excise tax revenues.

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2014, \$2,040,000 of bonds outstanding are considered defeased.

NOTE 11 – (CONTINUED)

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Business-type Activities</u>				
Bonds Payable				
Sewer Revenue Bonds, Series 1995 (original amount--\$6,330,000)	0.00%	2017	\$ 355,000	\$ 650,080
Sewer Refunding Bonds, Series 1997 (original amount--\$3,070,000)	0.00%	2017	171,000	262,000
Sewer Refunding Bonds, Series 2004 (original amount--\$1,100,000)	2.00%	2004	55,000	456,695
Water Refunding Bonds, Series 2011 (original amount --\$4,965,000)	2.00% to 4.125%	2028	270,000	3,890,000
Leases Payable				
Vactor Truck (original amount-- \$298,705)	4.00%	2015	63,626	-
Compensated Absences			<u>29,309</u>	-
Total Business-type Activities Long-term Debt			<u>\$ 943,935</u>	<u>\$ 5,258,775</u>

The water refunding bonds were issued to advance refund the balance of the water revenue bonds which were issued to refund the balance of the 1982 water loan from GMAC and to purchase and install a new water tank. The City has pledged the water revenues to repay the revenue bonds through the maturity date listed above. Annual principal and interest payments are expected to require less than forty percent of the total water revenues.

The sewer revenue bonds were issued to purchase a portion of the Spanish Fork City sewer plant and to pay for improvements. The City has pledged the sewer revenues to repay the revenue bonds through the maturity dates listed above. Annual principal and interest payments are expected to require less than sixty five percent of the total sewer revenues.

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. On June 30, 2014, \$4,180,000 of bonds outstanding are considered defeased.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 220,120	\$ 60,404	\$ 914,626	\$ 151,930	\$ 1,134,746	\$ 212,334
2016	115,000	56,262	862,000	143,004	977,000	199,266
2017	120,000	53,963	729,080	135,171	849,080	189,134
2018	120,000	50,962	354,000	126,393	474,000	177,355
2019	125,000	50,963	360,000	116,281	485,000	167,244
2020-2024	690,000	177,875	1,653,695	414,869	2,343,695	592,744
2025-2028	480,000	38,800	1,300,000	109,304	1,780,000	148,104
	<u>\$1,870,120</u>	<u>\$ 489,229</u>	<u>\$6,173,401</u>	<u>\$1,196,952</u>	<u>\$8,043,521</u>	<u>\$1,686,181</u>

NOTE 12 – FUND EQUITY

Net Investment in Capital Assets – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2014 is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Cost of capital assets	\$ 36,648,478	\$ 48,334,786
Less accumulated depreciation	(13,857,558)	(14,859,962)
Book value	22,790,920	33,474,824
Less capital related debt	(1,870,119)	(6,173,401)
Net investment in capital assets	<u>\$ 20,920,801</u>	<u>\$ 27,301,423</u>

Restricted Fund Equity – The Class “C” Roads allotment from the state excise tax is restricted for construction and maintenance of City streets and roads. The City’s bond covenants require certain restrictions of retained earnings in the pressurized irrigation fund. Utah State statute requires unexpended impact fees held at year-end to be restricted for future expansion in the charging department or fund. In addition, funds have been assigned for various capital projects.

NOTE 13 – RETIREMENT PLANS

Plan Description

Mapleton City contributes to the Local Governmental Tier 1 Noncontributory Retirement System, and the Public Safety Division A Contributory Tier 2 and Noncontributory Tier 1 Retirement Systems, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

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

Funding Policy

Mapleton City is required to contribute the following percentages of covered salaries to the respective systems:

Noncontributory System:	
Local Governmental Division Tier 1	17.29%
Public Safety System:	
Other Division A Contributory Tier 2	20.85%
Other Division A Noncontributory Tier 1	32.14%

The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

NOTE 13 – (CONTINUED)

The City's contributions to the various systems for the years ending June 30, 2014, 2013, and 2012 respectively were; for the Noncontributory System, \$215,786, \$201,407 and \$177,743; for the Public Safety Noncontributory, \$114,309, \$116,197 and \$108,548; for the public safety contributory, \$5,386, \$1,643, and \$0, respectively. The contributions were equal to the required contributions for each year.

NOTE 14 – DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to certain full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 3.35% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the years ended June 30, 2014, 2013, and 2012 contributions totaling \$14,461, \$30,198 and \$32,870 respectively, were made to the plan by employees and \$533, \$161 and \$0, respectively, were made by the City.

NOTE 15 – RISK MANAGEMENT

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

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

NOTE 16 – OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 716,001
Debt Services Fund	284,749	-
Capital Project Fund	638,252	336,010
Water Fund	159,010	221,520
Sewer Fund	211,520	10,000
Pressurized Irrigation Fund	-	10,000
	<u>\$ 1,293,531</u>	<u>\$ 1,293,531</u>

Transfers from the general fund and from the capital projects fund were made to pay the general long-term debt. A transfer from the general fund to the capital project fund was made for future projects. Other transfers were made from several funds to help pay for portions of capital projects.

SUPPLEMENTARY INFORMATION

MAPLETON CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Debt Service</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Restricted Cash	\$ <u>24,833</u>
TOTAL ASSETS	\$ <u>24,833</u>
<u>FUND BALANCE</u>	
Restricted for Debt Service	<u>24,833</u>
TOTAL FUND EQUITY	\$ <u>24,833</u>

MAPLETON CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Debt Service</u>
<u>REVENUES</u>	
Interest	\$ 96
 TOTAL REVENUES	 <u>96</u>
 <u>EXPENDITURES</u>	
Debt Service	
Principal	215,947
Interest	68,745
 TOTAL EXPENDITURES	 <u>284,692</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 <u>(284,596)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>	
Transfers from Other Fund	<u>284,749</u>
 NET OTHER FINANCING SOURCES (USES)	 <u>284,749</u>
 NET CHANGE IN FUND BALANCE	 <u>153</u>
 BEGINNING FUND BALANCE	 <u>24,680</u>
 ENDING FUND BALANCE	 <u>\$ 24,833</u>

MAPLETON CITY
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	<u>Storm Drain</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 120,643
TOTAL CURRENT ASSETS	<u>120,643</u>
NONCURRENT ASSETS	
Capital Assets	
Improvements	77,055
Less Accumulated Depreciation	<u>(6,421)</u>
TOTAL NONCURRENT ASSETS	<u>70,634</u>
TOTAL ASSETS	<u>191,277</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	70,634
Unrestricted	<u>120,643</u>
TOTAL NET POSITION	<u>\$ 191,277</u>

MAPLETON CITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Storm Drain</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 139,566
TOTAL OPERATING REVENUES	<u>139,566</u>
<u>OPERATING EXPENSES</u>	
Operation and Maintenance	30,203
Depreciation	<u>3,853</u>
TOTAL OPERATING EXPENSES	<u>34,056</u>
OPERATING INCOME (LOSS)	105,510
TOTAL NET POSITION AT BEGINNING OF YEAR	<u>85,767</u>
TOTAL NET POSITION AT END OF YEAR	<u>\$ 191,277</u>

MAPLETON CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Storm Drain</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	\$ 139,566
Payments to Suppliers	<u>(48,461)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>91,105</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	<u>-</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	91,105
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>29,539</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 120,644</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 105,510
Adjustments	
Depreciation	3,853
Changes in Assets and Liabilities	
Accounts Payable	<u>(18,258)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 91,105</u>

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

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

November 12, 2014

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

REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENT

I have audited Mapleton City, Utah's (City) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, which could have a direct and material effect on the City for the year ended June 30, 2014.

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

Budgetary Compliance	Cash Management
Fund Balance	Impact Fees
Justice Courts	Budget Notice and Format
Utah State Retirement Systems	
Enterprise Fund Transfers,	
Reimbursements, Loans and Services	

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

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial

audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with general state compliance requirements. However, my audit does not provide a legal determination of the City's compliance.

Opinion

In my opinion, Mapleton City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements referred to above that could have a direct and material effect on the City's state programs for the year ended June 30, 2014.

Other Matters

The results of my 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 my management letter dated November 12, 2014 as item 2014-1, under the heading State Compliance Findings. My opinion on compliance is not modified with respect to this matter.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing my audit, I considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City 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 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, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state 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 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City's Response to Finding

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

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.


Greg Ogden,
Certified Public Accountant

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**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***

November 12, 2014

Honorable Mayor
Members of the City Council
Mapleton City, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Mapleton City, Utah, (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the management letter as internal control deficiency-2013-1.

Mapleton City, Utah's Response to Finding

Mapleton City, Utah's response to the finding identified in my audit is described in the management letter. Mapleton City, Utah's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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


Greg Ogden
Certified Public Accountant