

CITY OF BLUFFDALE, UTAH

**Basic Financial Statements and
Supplementary Information**

Year Ended June 30, 2014

CITY OF BLUFFDALE, UTAH

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CITY OF BLUFFDALE, UTAH

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Bluffdale, Utah

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The City's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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 respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 31, 2014



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Management's Discussion and Analysis

As management of the City of Bluffdale ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$52,103,261. The City's assets are comprised of capital assets and funds legally restricted in their use (*restricted net position*).
- The government's total net position increased by \$9,561,891 during 2014. The increase in net assets can be attributed to major infrastructure additions and expending less than the budgeted amount in the general fund, and increases in various fee revenues.
- The unassigned fund balance for the general fund was \$1,078,708 or approximately 21 percent of total general fund expenditures. The unassigned fund balance for the general fund increased by \$28,577 from the previous year.
- The City's total outstanding long-term liabilities experienced a decrease of \$606,247. The decrease was attributed to principal payments on the outstanding amounts.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Bluffdale's basic financial statements. The 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 contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the 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 the City is improving or deteriorating.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Overview of the Financial Statements (Continued)

Government-wide financial Statements (Continued) The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to cover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and public works, parks and recreation, cemetery, and garbage. Water is the only business-type activities of the City.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Redevelopment Agency of Bluffdale City (RDA), a legally separate entity for which the City is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 14-15 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Overview of the Financial Statements (Continued)

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, which are considered major funds. Financial information for the other three funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 16-19 of this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains one proprietary fund, the water fund that is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The water fund is a major fund. The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains one fiduciary fund for deposits made by contractors to ensure that building requirements are met. The accounting for fiduciary funds is very similar to the accounting used for proprietary funds. The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-45 of this report.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Overview of the Financial Statements (Continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with non-major funds are presented as supplementary information. Also included are budget to actual comparisons for the special revenue funds and the capital projects fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$52,103,261. The largest portion (64.8 percent) of the City's net position is composed of Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of any related outstanding 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. Unrestricted net assets (21 percent) can be used to spend in the future with no restrictions. As in contrast with restricted assets (14.2 percent), which are assets restricted for a specific purpose, in this case for debt service.

City of Bluffdale's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 18,047,866	\$ 14,038,966	\$ 4,021,547	\$ 3,895,516	\$ 22,069,413	\$ 17,934,482
Capital assets	26,702,583	22,622,237	15,044,662	14,428,983	41,747,245	37,051,220
Total assets	<u>44,750,449</u>	<u>36,661,203</u>	<u>19,066,209</u>	<u>18,324,499</u>	<u>63,816,658</u>	<u>54,985,702</u>
Other liabilities	727,931	2,456,581	823,850	759,923	1,551,781	3,216,504
Long-term liabilities outstanding	3,043,451	3,540,650	4,445,838	4,578,963	7,489,289	8,119,613
Total liabilities	<u>3,771,382</u>	<u>5,997,231</u>	<u>5,269,688</u>	<u>5,338,886</u>	<u>9,041,070</u>	<u>11,336,117</u>
Deferred inflows of resources						
Deferred property tax revenue	2,672,327	1,108,215	-	-	2,672,327	884,177
Net position:						
Net investment in capital assets	23,272,583	18,639,385	10,464,588	8,950,636	33,737,171	27,590,021
Restricted	7,392,267	5,412,214	-	-	7,392,267	5,412,214
Unrestricted	7,641,890	5,504,158	3,331,933	4,034,977	10,973,823	9,539,135
Total net position	<u>\$ 38,306,740</u>	<u>\$ 29,555,757</u>	<u>\$ 13,796,521</u>	<u>\$ 12,985,613</u>	<u>\$ 52,103,261</u>	<u>\$ 42,541,370</u>

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Government-wide Financial Analysis (Continued)

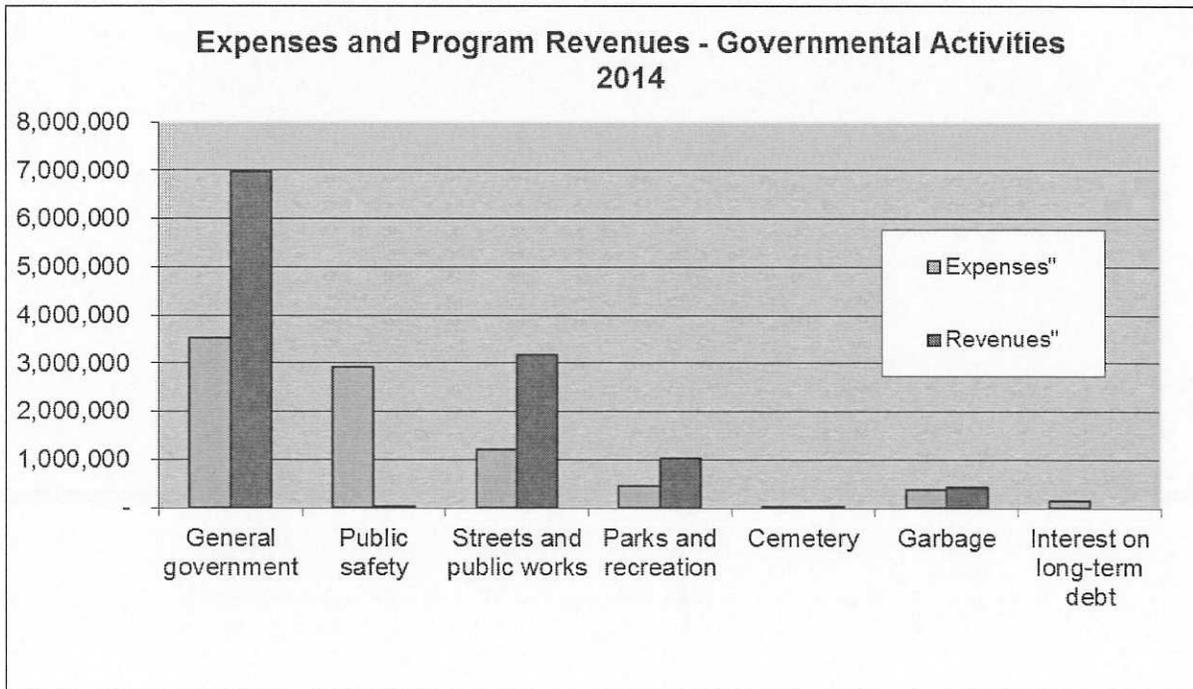
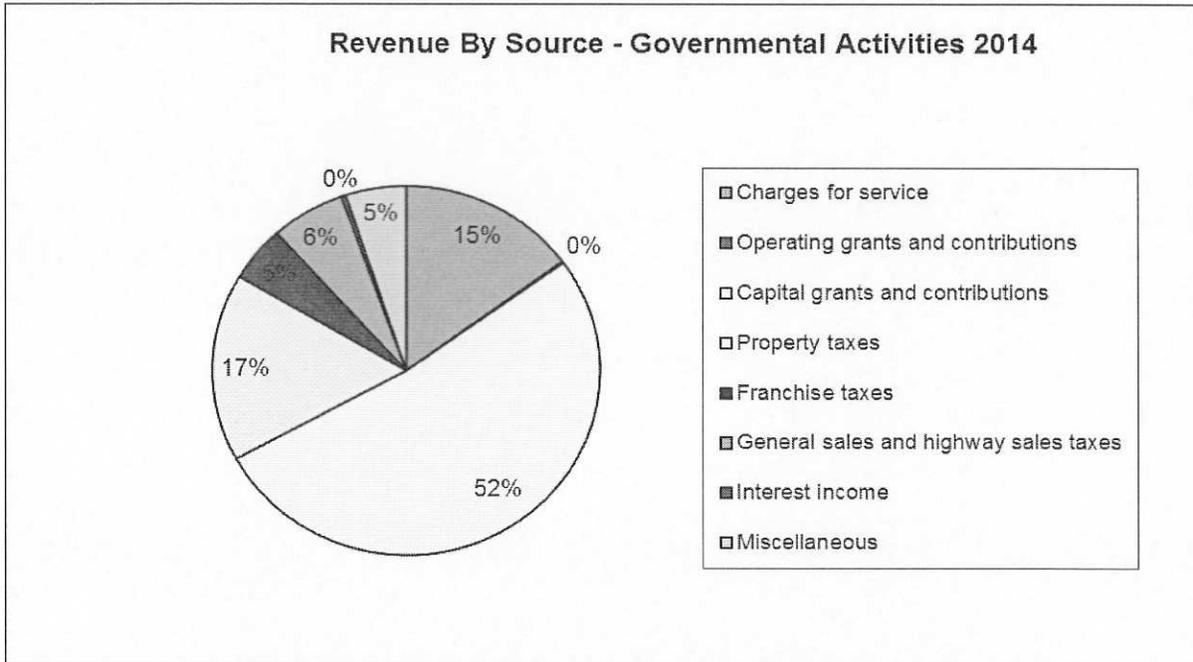
Governmental activities. Governmental activities increased the City's net position by \$8,750,983, accounting for 92 percent of the total growth in net position. Business-type activities increased the City's net position by \$810,908 accounting for 8 percent of the total growth in net position. This increase in both activities was the result of investment in infrastructure for the City.

City of Bluffdale's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 2,594,851	\$ 1,909,564	\$ 2,509,177	\$ 5,932,822	\$ 5,104,028	\$ 7,842,386
Operating grants and contributions	24,998	2,422,255	-	-	24,998	2,422,255
Capital grants and contributions	9,046,678	2,738,922	1,252,417	311,977	10,299,095	3,050,899
General revenues:						
Property taxes	2,853,651	2,823,305	-	-	2,853,651	2,823,305
Sales tax and highway tax	848,810	992,277	-	-	848,810	992,277
Franchise taxes	1,075,501	707,989	-	-	1,075,501	707,989
Interest income	67,495	60,878	13,040	-	80,535	60,878
Transfers, net	-	(113,731)	-	113,731	-	-
Gain on sale of assets	100	-	-	-	100	-
Other	881,397	1,727,881	-	-	881,397	1,727,881
Total revenues	<u>17,393,481</u>	<u>13,269,340</u>	<u>3,774,634</u>	<u>6,358,530</u>	<u>21,168,115</u>	<u>19,627,870</u>
Expenses:						
General government	1,203,800	2,085,240	-	-	1,203,800	2,085,240
Public safety	2,911,619	2,439,496	-	-	2,911,619	2,439,496
Streets and public works	3,547,444	880,646	-	-	3,547,444	880,646
Parks and recreation	452,729	485,439	-	-	452,729	485,439
Cemetery	5,579	3,474	-	-	5,579	3,474
Garbage	372,270	311,357	-	-	372,270	311,357
Interest on long-term debt	149,057	168,750	-	-	149,057	168,750
Water	-	-	2,963,726	2,301,931	2,963,726	2,301,931
Total expenses	<u>8,642,498</u>	<u>6,374,402</u>	<u>2,963,726</u>	<u>2,301,931</u>	<u>11,606,224</u>	<u>8,676,333</u>
Increase in net position	8,750,983	6,894,938	810,908	4,056,599	9,561,891	10,951,537
Net position, beginning	29,555,757	22,660,819	12,985,613	8,929,014	42,541,370	31,589,833
Net position, ending	<u>\$ 38,306,740</u>	<u>\$ 29,555,757</u>	<u>\$ 13,796,521</u>	<u>\$ 12,985,613</u>	<u>\$ 52,103,261</u>	<u>\$ 42,541,370</u>

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Government-wide Financial Analysis (Continued)



CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Government-wide Financial Analysis (Continued)

Business-type activities. Business-type activities increased the City's net position by \$810,908 accounting for 8 percent of the total growth in the government's net position. The key elements of this major increase are revenues exceeding expenses. Infrastructure was developed for subdivisions (water lines) and paid for by developers. The water fund is the only business-type activity. Charges for services were the only source of revenue in the water fund.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,143,791 an increase of \$4,122,038 in comparison with prior year. Of the ending fund balance, 7.1 percent (\$1,078,708) constitutes unassigned fund balance, which is available for spending at the government's discretion. The restricted portion of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay for the retirement of debt service (\$1,959,357), 2) to pay for debt service and construction of capital assets (\$391,113), 3) construction of capital assets funded by impact fees (\$4,395,759), 4) to pay for Class "C" road projects (\$646,038). The assigned fund balance, to the Special Revenue funds is \$3,625,561.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,078,708 while total fund balance was \$1,724,746. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22 percent of total general fund expenditures.

The City's total general fund balance experienced a \$110,575 decrease during the current fiscal year. The majority of the decrease is due to a transfer to the capital projects fund. Unassigned fund balance increased \$28,577 in comparison with prior year. These funds are available to spend at the City's discretion.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Financial Analysis of the Government's Funds (Continued)

The capital projects fund has a total fund balance of \$9,402,371. Of that amount \$1,959,357 is restricted for 1) retirement of debt and 2) \$4,395,759 restricted for construction of capital assets funded by impact fees. The remaining fund balance of \$3,047,255 is assigned to future capital projects. The fund balance increased \$5,206,137 from the previous year.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements business-type activities, but in more detail.

Net position of the Water fund at the end of the year was \$13,796,521. Net position increased \$810,908 from the preceding year. The majority of the increase was due to capital infrastructure due to residential development and growth.

General Fund Budgetary Highlights

The original budget and the final amended budget overall totals were same in total except for minor adjustments that were made from department to department budgets during the course of the year to more accurately reflect the budgetary needs of those departments.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$41,747,245 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, distribution and collection systems, and construction in process. The City's capital assets increased \$5,526,154 from the preceding year. The majority of the increase was from infrastructure from developers' contributions.

City of Bluffdale's Capital Assets, Net

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 6,354,317	\$ 4,942,469	\$ 75,004	\$ 75,004	\$ 6,429,321	\$ 5,017,473
Buildings	1,326,133	1,399,349	-	-	1,326,133	1,399,349
Infrastructure	18,258,495	15,708,791	-	-	18,258,495	15,708,791
Water distribution system	-	-	14,812,376	13,458,440	14,812,376	13,458,440
Machinery and equipment	763,638	531,028	157,282	106,010	920,920	637,038
Total	<u>\$ 26,702,583</u>	<u>\$ 22,581,637</u>	<u>\$ 15,044,662</u>	<u>\$ 13,639,454</u>	<u>\$ 41,747,245</u>	<u>\$ 36,221,091</u>

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Capital Assets and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City had \$8,102,283 in outstanding long-term debt. The City's total debt decreased \$606,247 during fiscal year 2014.

City of Bluffdale's Long-term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
SID revenue bonds	\$ 2,020,000	\$ 2,310,000	\$ -	\$ -	\$ 2,020,000	\$ 2,310,000
Sales tax revenue bonds	1,410,000	1,525,000	-	-	1,410,000	1,525,000
Lease payable	-	96,843	-	-	-	96,843
Water revenue	-	-	4,569,473	4,679,326	4,569,473	4,679,326
Vacation payable	82,968	79,487	19,842	17,874	102,810	97,361
Total	<u>\$ 3,512,968</u>	<u>\$ 4,011,330</u>	<u>\$ 4,589,315</u>	<u>\$ 4,697,200</u>	<u>\$ 8,102,283</u>	<u>\$ 8,708,530</u>

Economic Factors and the Next Year's Budgets and Rates

As part of the budget process each year the City performs an evaluation to project future revenues for the coming fiscal year. A major aspect of this evaluation is projecting property tax and sales tax revenues. Property taxes were raised eight years ago in the amount of approximately 35% as a result of the City holding a Truth in Taxation hearing. Building permits declined at a rapid pace with the slowdown in the economy from 2008 - 2011 and the ability to obtain credit. This also affects impact fees collected by the City on building permits. Sales tax revenue in the most recent months, have averaged a slight increase from the previous year amounts, along with an increase in building permits over the past few years which is encouraging to the City's financial picture. The City in FY 2013 approved a large development located in the North East part of the City, a 294 acre master planned community development. The planned community will include about 1,900 housing units at build-out which is expected to take 10-12 years. The first phase of construction has begun in the northeast section of the project. The City is taking progressive steps to ensure that the community is developed in the most responsible manner possible.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2014

Requests for Information

The financial report is designed to provide a general overview of the City for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, Mark Reid, 14350 South 2200 West, Bluffdale Utah 84065, or email, mreid@bluffdale.com.

CITY OF BLUFFDALE, UTAH
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,429,984	\$ 2,600,287	\$ 15,030,271
Receivables:			
Property and other taxes	2,982,752	-	2,982,752
Accounts	188,584	242,788	431,372
Due from other governments	55,476	-	55,476
Investment in water stock and rights	40,600	789,529	830,129
Restricted cash	2,350,470	388,943	2,739,413
Capital assets:			
Land	6,354,317	75,004	6,429,321
Buildings	2,038,318	-	2,038,318
Machinery and equipment	2,553,710	453,515	3,007,225
Distribution and collection systems	-	18,315,647	18,315,647
Infrastructure	23,253,074	-	23,253,074
Accumulated depreciation	(7,496,836)	(3,799,504)	(11,296,340)
Total assets	44,750,449	19,066,209	63,816,658
LIABILITIES			
Accounts payable	151,684	580,277	731,961
Accrued interest payable	67,266	-	67,266
Accrued liabilities	39,464	100,096	139,560
Non-current liabilities:			
Due within one year	469,517	143,477	612,994
Due in more than one year	3,043,451	4,445,838	7,489,289
Total liabilities	3,771,382	5,269,688	9,041,070
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	2,672,327	-	2,672,327
Total deferred inflows of resources	2,672,327	-	2,672,327
NET POSITION			
Net investment in capital assets	23,272,583	10,464,588	33,737,171
Restricted for:			
Debt service	2,350,470	-	2,350,470
Capital projects	5,041,797	-	5,041,797
Unrestricted	7,641,890	3,331,933	10,973,823
Total net position	\$ 38,306,740	\$ 13,796,521	\$ 52,103,261

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenues and Changes in Net Position		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES					
General government	\$ 1,203,800	\$ -	\$ 4,819,294	\$ 5,780,353	\$ 5,780,353
Public safety	2,911,619	24,998	-	(2,886,621)	(2,886,621)
Streets and public works	3,547,444	-	3,182,194	(365,250)	(365,250)
Parks and recreation	452,729	-	1,045,190	592,461	592,461
Cemetery	5,579	5,415	-	(164)	(164)
Garbage	372,270	424,577	-	52,307	52,307
Interest on long-term debt	149,057	-	-	(149,057)	(149,057)
Total governmental activities	8,642,498	2,594,851	24,998	3,024,029	3,024,029
BUSINESS TYPE ACTIVITIES					
Water	2,963,726	2,509,177	1,252,417	\$ 797,868	797,868
Total business-type activities	2,963,726	2,509,177	1,252,417	797,868	797,868

GENERAL REVENUES

Taxes:					
Property taxes				2,853,651	2,853,651
Franchise taxes				848,810	848,810
General sales taxes and highway sales taxes				1,075,501	1,075,501
Interest income				67,495	80,535
Gain on sale of assets				100	100
Miscellaneous				881,397	881,397
Total general revenues				5,726,954	5,739,994
Change in net position				810,908	9,561,891
Net position - beginning				29,555,757	42,541,370
Net position - ending				\$ 38,306,740	\$ 52,103,261

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Balance Sheet – Governmental Funds
June 30, 2014

	Special Revenue Funds				Totals	
	General	Improvement District	Redevelopment Agency	Capital Projects Fund		Cemetery Perpetual Care (Nonmajor)
ASSETS						
Cash and cash equivalents	\$ 1,348,047	\$ 290,620	\$ 3,343,265	\$ 7,448,052	\$ -	\$ 12,429,984
Restricted cash and investments	-	391,113	-	1,959,357	-	2,350,470
Receivables:						
Sales, property and franchise taxes	1,033,409	-	1,949,343	-	-	2,982,752
Accounts	188,584	-	-	-	-	188,584
Class C road funds	55,476	-	-	-	-	55,476
Due from other funds	4,874	-	-	-	-	4,874
Total assets	\$ 2,630,390	\$ 681,733	\$ 5,292,608	\$ 9,407,409	\$ -	\$ 18,012,140
LIABILITIES						
Liabilities:						
Accounts payable	\$ 143,196	-	\$ 3,450	\$ 5,038	\$ -	\$ 151,684
Accrued liabilities	39,464	-	-	-	-	39,464
Due to other funds	-	-	4,874	-	-	4,874
Total liabilities	182,660	-	8,324	5,038	-	196,022
DEFERRED INFLOWS OF RESOURCES						
Deferred property tax revenue	722,984	-	1,949,343	-	-	2,672,327
Total deferred inflows of resources	722,984	-	1,949,343	-	-	2,672,327
FUND BALANCES						
Restricted for:						
Retirement of debt	-	-	-	1,959,357	-	1,959,357
Impact fees	-	-	-	4,395,759	-	4,395,759
Class C road projects	646,038	-	-	-	-	646,038
Debt service and construction	-	391,113	-	-	-	391,113
Total restricted	646,038	391,113	-	6,355,116	-	7,392,267
Assigned to:						
Special revenue funds	-	290,620	3,334,941	-	-	3,625,561
Capital projects fund	-	-	-	3,047,255	-	3,047,255
Total assigned	-	290,620	3,334,941	3,047,255	-	6,672,816
Unassigned	1,078,708	-	-	-	-	1,078,708
Total fund balances	1,724,746	681,733	3,334,941	9,402,371	-	15,143,791
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,630,390	\$ 681,733	\$ 5,292,608	\$ 9,407,409	\$ -	\$ 18,012,140

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Position
June 30, 2014

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

Total Fund Balances - Total Governmental Funds (page 16)	\$15,143,791
Capital assets and water stock used in governmental activities are not financial resources and therefore, are not reported in the funds.	26,743,183
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,580,234)</u>
Net Position - Governmental Activities (page 14)	<u><u>\$38,306,740</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2014

	General	Special Revenue Funds			Capital Projects Fund	Cemetery Perpetual Care (Nonmajor)	Totals Governmental Funds
		Improvement District	Redevelopment Agency	Perpetual Care			
REVENUES							
Taxes	\$ 2,828,619	\$ -	\$ 1,949,343	\$ -	\$ -	\$ -	\$ 4,777,962
Special assessments	296,725	150,162	-	4,372,407	-	-	4,819,294
Licenses and permits	1,270,986	-	-	-	-	-	1,270,986
Charges for services	713,200	-	-	-	-	-	713,200
Intergovernmental	24,998	-	-	1,045,190	-	-	1,070,188
Garbage	424,577	-	-	-	-	-	424,577
Fines and forfeitures	180,673	-	-	-	-	-	180,673
Cemetery	5,415	-	-	-	-	-	5,415
Interest	18,379	3,913	14,639	30,564	-	-	67,495
Miscellaneous	206,829	-	-	674,568	-	-	881,397
Total revenues	5,970,401	154,075	1,963,982	6,122,729	-	-	14,211,187
EXPENDITURES							
General government	1,405,525	-	184,228	-	-	-	1,589,753
Public safety	1,886,474	-	-	-	-	-	1,886,474
Streets and public works	1,055,302	-	2,325,623	1,565,948	-	-	4,946,873
Parks and recreation	367,226	-	-	357,380	-	-	724,606
Cemetery	5,579	-	-	-	-	-	5,579
Garbage	372,270	-	-	-	-	-	372,270
Debt service:							
Principal retirement	-	290,000	-	115,000	-	-	405,000
Interest and fiscal charges	-	99,330	-	59,364	-	-	158,694
Total expenditures	5,092,376	389,330	2,509,851	2,097,692	-	-	10,089,249
Excess of revenues over (under) expenditures	878,025	(235,255)	(545,869)	4,025,037	-	-	4,121,938
OTHER FINANCING SOURCES (USES)							
Transfers in	192,400	-	-	1,181,000	-	-	1,373,400
Transfers out	(1,181,000)	-	(180,900)	-	(11,500)	-	(1,373,400)
Proceeds from sale of assets	-	-	-	100	-	-	100
Total other financing sources (uses)	(988,600)	-	(180,900)	1,181,100	(11,500)	-	100
Net change in fund balance	(110,575)	(235,255)	(726,769)	5,206,137	(11,500)	(11,500)	4,122,038
Fund balance, beginning of year	1,835,321	916,988	4,061,710	4,196,234	11,500	-	11,021,753
Fund balance, end of year	\$ 1,724,746	\$ 681,733	\$ 3,334,941	\$ 9,402,371	\$ -	\$ -	\$ 15,143,791

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18)	\$	4,122,038
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period.		4,120,946
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Repayment of principal on det is an expenditure in the governmental funds, but thte repayment reduces long-term liabilities in the Statement of Net Assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		494,881
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>13,118</u>
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Change in net position - governmental activities (page 15)	\$	<u><u>8,750,983</u></u>
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The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<u>REVENUES</u>				
Taxes	\$ 2,607,000	\$ 2,607,000	\$ 2,828,619	\$ 221,619
Special assessments	300,000	300,000	296,725	(3,275)
Licenses and permits	835,000	1,214,500	1,270,986	56,486
Charges for service	431,550	666,550	713,200	46,650
Intergovernmental	12,000	12,000	24,998	12,998
Garbage	400,000	400,000	424,577	24,577
Fines and forfeitures	200,000	200,000	180,673	(19,327)
Cemetery	5,000	5,000	5,415	415
Interest	20,000	20,000	18,379	(1,621)
Miscellaneous	113,700	131,200	206,829	75,629
Contributions and transfers	335,124	595,124	192,400	(402,724)
Total revenues	<u>5,259,374</u>	<u>6,151,374</u>	<u>6,162,801</u>	<u>11,427</u>
<u>EXPENDITURES</u>				
General government				
City council	48,000	53,000	47,672	5,328
Mayor	25,460	25,960	25,806	154
Administration	456,308	461,308	438,441	22,867
Facilities	112,640	112,640	58,872	53,768
Planning and zoning	207,111	210,111	199,406	10,705
Risk management	100,500	100,500	92,758	7,742
Court	199,408	199,408	186,445	12,963
Building inspection	129,485	150,485	140,993	9,492
Code enforcement	110,938	110,938	98,192	12,746
Legal	162,075	162,075	116,940	45,135
Public safety				
Fire and ambulance	849,978	932,978	915,009	17,969
Law enforcement	925,000	993,000	971,465	21,535
Streets and public works	924,724	1,292,724	1,055,302	237,422
Parks and recreation	506,619	524,119	367,226	156,893
Cemetery	15,500	15,500	5,579	9,921
Garbage	300,000	340,000	372,270	(32,270)
Transfers	-	1,181,000	1,181,000	-
Total expenditures	<u>5,073,746</u>	<u>6,865,746</u>	<u>6,273,376</u>	<u>592,370</u>
Net change in fund balance	185,628	(714,372)	(110,575)	603,797
Fund balance, beginning of year	1,835,321	1,835,321	1,835,321	-
Fund balance, end of year	<u>\$ 2,020,949</u>	<u>\$ 1,120,949</u>	<u>\$ 1,724,746</u>	<u>\$ 603,797</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – Special Improvement District – Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>				
Special assessments	\$ 200,000	\$ 200,000	\$ 150,162	\$ (49,838)
Interest	5,000	5,000	3,913	(1,087)
Total revenues	<u>205,000</u>	<u>205,000</u>	<u>154,075</u>	<u>(50,925)</u>
<u>EXPENDITURES</u>				
Debt service	<u>390,000</u>	<u>390,000</u>	<u>389,330</u>	<u>670</u>
Total expenditures	<u>390,000</u>	<u>390,000</u>	<u>389,330</u>	<u>670</u>
Net change in fund balance	(185,000)	(185,000)	(235,255)	(50,255)
Fund balance at beginning of year	<u>916,988</u>	<u>916,988</u>	<u>916,988</u>	<u>-</u>
Fund balance at end of year	<u>\$ 731,988</u>	<u>\$ 731,988</u>	<u>\$ 681,733</u>	<u>\$ (50,255)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Redevelopment Agency – Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes	\$ 1,809,000	\$ 1,809,000	\$ 1,949,343	\$ 140,343
Interest	-	-	14,639	14,639
Total revenue	1,809,000	1,809,000	1,963,982	154,982
<u>EXPENDITURES</u>				
General government	185,000	185,000	184,228	772
Public works	1,453,100	4,453,100	2,325,623	2,127,477
Total expenditures	1,638,100	4,638,100	2,509,851	2,128,249
Excess of revenues over expenditures	170,900	(2,829,100)	(545,869)	2,283,231
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer out	(680,900)	(680,900)	(180,900)	500,000
Net change in fund balance	(510,000)	(3,510,000)	(726,769)	2,783,231
Fund balance, beginning of year	4,061,710	4,061,710	4,061,710	-
Fund balance, end of year	<u>\$ 3,551,710</u>	<u>\$ 551,710</u>	<u>\$ 3,334,941</u>	<u>\$ 2,783,231</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Net Position – Proprietary Fund
June 30, 2014

	<u>Water Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 2,600,287
Cash and cash equivalents - restricted	388,943
Receivables:	
Accounts receivable, net	242,788
Total current assets	3,232,018
Investment in water rights and stock	789,529
Property, plant and equipment:	
Land	75,004
Water distribution system	18,315,647
Machinery and equipment	453,515
Accumulated depreciation	(3,799,504)
Net property, plant and equipment	15,044,662
Total assets	19,066,209
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	580,277
Accrued liabilities	100,096
Compensated absences payable	9,241
Current portion of long-term debt	134,236
Total current liabilities	823,850
Long term debt	4,445,838
Total liabilities	5,269,688
<u>NET POSITION</u>	
Net investment in capital assets	10,464,588
Unrestricted	3,331,933
Total net position	\$ 13,796,521

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Year Ended June 30, 2014

	Fund
<u>OPERATING REVENUES</u>	
Water sales	\$ 1,789,229
Connection and service fees	192,202
Total operating revenues	1,981,431
<u>OPERATING EXPENSES</u>	
Water purchases	919,697
Wages and fringe benefits	595,781
Maintenance and engineering	251,509
Office supplies, postage and insurance	19,226
Depreciation and amortization	949,455
Other	68,186
Total operating expenses	2,803,854
Operating income (loss)	(822,423)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	13,040
Interest expense	(159,872)
Impact fees	527,746
Total non-operating revenues	380,914
Income before contributions	(441,509)
Capital contributions	1,252,417
Change in net position	810,908
Total net position, beginning of year	12,985,613
Total net position, end of year	\$ 13,796,521

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2014

	<u>Water Fund</u>
<u>Cash flows from operating activities:</u>	
Cash received from customers (including cash deposits)	\$ 1,949,473
Cash paid to suppliers	(1,220,355)
Cash paid to employees	(594,498)
Net cash provided by operating activities	<u>134,620</u>
<u>Cash flows from non-capital financing activities:</u>	
Impact fees	<u>527,746</u>
Net cash provided by non-capital financing activities	<u>527,746</u>
<u>Cash flow from capital and related financing activities:</u>	
Payments on long-term debt	(108,744)
Interest paid on long-term debt	(159,872)
Interest income received	13,040
Purchase of capital assets	(1,102,246)
Net cash used by capital and related financing activities	<u>(1,357,822)</u>
Net decrease in cash and cash equivalents	(695,456)
Cash and cash equivalents at beginning of year	<u>3,684,686</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,989,230</u></u>

(Continued)

CITY OF BLUFFDALE, UTAH
Statement of Cash Flows – Proprietary Fund (Continued)
For the Year Ended June 30, 2014

	<u>Water Fund</u>
<u>Reconciliation of operating income to net cash provided</u>	
<u>by operating activities:</u>	
Operating income (loss)	\$ (822,423)
Adjustments to reconcile operating income (loss)	
to net cash provided by operating activities:	
Depreciation and amortization expense	949,455
Changes in assets and liabilities:	
Increase in accounts receivable	(31,958)
Increase in accounts payable	38,263
Increase in accrued liabilities	<u>1,283</u>
Total adjustments	<u>957,043</u>
Net cash provided by operating activities	<u>\$ 134,620</u>
Capital and related financing activities not affecting cash:	
Developer contributions of capital assets	<u>\$ 1,252,417</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Net Assets – Fiduciary Fund
June 30, 2014

	<u>Escrow Fund Total</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,810,789
Total assets	<u>1,810,789</u>
<u>LIABILITIES</u>	
Construction and improvement bonds	<u>1,810,789</u>
Total liabilities	<u>1,810,789</u>
<u>NET ASSETS</u>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of City of Bluffdale, Utah (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The City of Bluffdale was incorporated in 1978. The City operates under a Council-Mayor form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component unit discussed below is included as part of the City's reporting entity as a blended component unit.

The Redevelopment Agency of Bluffdale City (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

Government-Wide and Fund Financial Statements

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

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of the major capital facilities of the City (other than those financed by proprietary funds).
- The SID Special Revenue Fund is used to account for financial resources and activities of the City's Special Improvement District.
- The Redevelopment Agency Special Revenue Fund is used to account for financial resources to be used for the re-vitalization of blighted areas within the City.

The City reports the following major proprietary fund:

- The Water Fund accounts for the activities of the City's water production, treatment and distribution operations.

Additionally, the City reports a fiduciary fund to account for construction and improvement bonds received from developers.

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

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Assets, Liabilities, and Net Position or Equity

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

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water fund, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2014 are not material and are not recorded.

Inventories and Prepaid Items Inventories of materials and supplies in the proprietary funds, consisting principally of materials used in the repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis (FIFO). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

As permitted by GASB Statement No. 34, the City has not retroactively recorded infrastructure assets.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 7 years
Furniture and fixtures	5 to 10 years
Water distribution system	20 years

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Accumulated vacation leave is paid to employees upon termination or retirement.

Deferred Inflows of Resources Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. Governmental funds report revenue that is unavailable as deferred inflows of resources. Governmental funds report unavailable revenue from property taxes and from special assessments. These amounts are deferred and recognized as revenue in the period that the amount become available.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Long-Term Obligations In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are amortized over the life of the applicable debt. Bond issuance costs are reported as an expense of the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Governmental fund balance is reported in five separate categories: Nonspendable, restricted, committed, assigned, and unassigned. When both restricted and unrestricted fund balance is available for use, it is the City's policy to use restricted fund balance first. When expenditures qualify for more than one unrestricted fund balance classification, it is the City's policy to use resources in the following order: Committed, assigned, and then unassigned.

Restricted Assets Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

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

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets and water stock	\$ 34,240,019
Accumulated depreciation	<u>(7,496,836)</u>
	<u>\$ 26,743,183</u>

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets (Continued)

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2014 were:

Sales Tax Revenue bonds	\$ 1,410,000
Special Improvement District bonds	2,020,000
Interest payable on long-term debt	67,266
Compensated absences	<u>82,968</u>
	<u>\$ 3,580,234</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays and contributions are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlays and contributions	\$ 5,547,092
Depreciation expense	<u>(1,426,146)</u>
Net difference, as reported	<u><u>\$ 4,120,946</u></u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- For the fiscal year beginning July 1, the Mayor submits a proposed budget to the City Council by the first City Council meeting in May. The budget includes proposed expenditures and the means of financing them.
- By passage of a resolution, the budget is legally enacted on or before June 15, after a public hearing has been held.
- Once adopted, the budget can be amended by subsequent City Council action. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund. Increased appropriations require a public hearing to amend the budget.
- Interim adjustments of estimated revenues and appropriations, during the year ended June 30, 2014, have been included in the final budget approved by the City Council, as presented in the basic financial statements.
- As determined by state law, the level by which expenditures may not legally exceed appropriations is the total departmental budgets within a given fund.
- Unencumbered appropriations lapse at the end of each fiscal year.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Annual budgets for the General Fund, all Special Revenue Funds and the Capital Projects Fund were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

The City Council made several supplemental budgetary appropriations throughout the year, including increases and decreases in the general fund. The expenditure appropriations for the fund increased \$611,000. The biggest increase was in Streets and public works for \$368,000. The other changes were generally spread among the functions and were for general operations items.

Tax Revenues

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in two to three installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

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

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has not been made for fees due and payable to the City at June 30th as the amounts are not deemed to be material.

4. DETAILED NOTES FOR ALL FUNDS

Deposits and Investments

Utah State law establishes the rules and regulations for deposits and investments and is known as the Utah Money Management Act. The Act established the Money Management Council that promulgates additional rules and determines which financial institutions may qualify to hold deposits and investments for state and local entities. The City has complied with the Utah Money Management Act and rules of the Money Management Council with regard to deposits and investments.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

As of June 30, 2014, the City's demand deposits amounted to \$1,076,233. Cash equivalents restricted for debt service invested in money market accounts amounted to \$1,088,289.

As of June 30, 2014, the City had investments in the Utah Public Treasurer's Investment Fund of \$15,564,982. The fund is not rated and the weighted average maturity was less than 90 days.

Custodial Credit Risk - Deposits This is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2014, \$250,000 of the City's \$1,197,233 bank balance was insured by FDIC limits and, therefore, is not exposed to custodial credit risk. The Utah Money Management Act does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. The Act requires that the City keep deposits in a qualified depository, which the City has done.

Custodial Credit Risk – Investments This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City has no formal policy regarding custodial credit risk for investments. Money invested in the Utah Public Treasurer's Investment Fund is pooled with many other state and local entities, and is managed by the Utah State Treasurer. The Fund is not categorized as to custodial credit risk.

Interest Rate Credit Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss from changes in interest rates is to follow the Utah Money Management Act and only invest in instruments that mature in one year or less. Investments within the Public Treasurer's Investment Fund have a weighted average maturity of less than ninety days.

Credit Risk is the risk that an issuer will not fulfill its obligations. The City policy is consistent with and complies with the Utah State Money Management Act. Investment is limited to U.S. Treasuries, U.S. Government Agency instruments, Utah Public Treasurer's Investment Fund, and other instruments that are rated A or higher by Standard & Poor's or Moody's. The City only invested in the Utah Public Treasurer's Investment Fund and U.S. Treasury securities during the year.

Concentration of Credit risk City policy requires diversification and limits the amount that may be invested in the same company. First, the City may not invest more than 20% of its idle funds outside of the Utah Public Treasurer's Investment Fund. Second, not more than 10% of the total portfolio may be invested in a single company's credit instruments. The Utah Public Treasurer's Investment Fund is highly diversified and must comply with various rules of the Utah State Money Management Act and Money Management Council.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	\$ 15,030,271
Restricted cash	<u>2,739,413</u>
	<u><u>\$ 17,769,684</u></u>

Accounts Receivable

Receivables as of year end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Redevelopment Agency	Water	Total
Receivables:				
Taxes	\$ 1,033,409	\$ 1,949,343	\$ -	\$ 2,982,752
Accounts and others	188,584	-	251,788	440,372
Intergovernmental	55,476	-	-	55,476
	1,277,469	1,949,343	251,788	3,478,600
Gross receivables				
Less: allowance for uncollectibles	-	-	(9,000)	(9,000)
	-	-	(9,000)	(9,000)
Net total receivables	\$ 1,277,469	\$ 1,949,343	\$ 242,788	\$ 3,469,600

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Accounts Receivable (Continued)

Governmental funds report *deferred revenue* as deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the government funds were as follows:

	Deferred Inflows of Resources	Unearned
Property taxes receivable (General Fund)	\$ 722,984	\$ -
Property taxes receivable (Redevelopment Agency)	1,949,343	-
Total deferred inflows of resources/ unearned revenue, governmental funds	\$2,672,327	\$ -

Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	7/1/2013	Increases	Decreases	6/30/2014
<u>Governmental activities</u>				
Capital assets:				
Land	\$ 4,942,469	\$ 1,411,848	\$ -	\$ 6,354,317
Buildings	2,026,322	11,996	-	2,038,318
Infrastructure	19,554,965	3,698,109	-	23,253,074
Machinery and equipment	2,128,571	425,139	-	2,553,710
Total capital assets	28,652,327	5,547,092	-	34,199,419
Accumulated depreciation:				
Buildings	(626,973)	(85,212)	-	(712,185)
Infrastructure	(3,846,174)	(1,148,405)	-	(4,994,579)
Machinery and equipment	(1,597,543)	(192,529)	-	(1,790,072)
Total accumulated depreciation	(6,070,690)	(1,426,146)	-	(7,496,836)
Net governmental capital assets	\$22,581,637	\$ 4,120,946	\$ -	\$26,702,583

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	<u>7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2014</u>
<u>Business-type activities</u>				
Capital assets:				
Land	\$ 75,004	\$ -	\$ -	\$ 75,004
Water distribution system	16,062,817	2,252,830	-	18,315,647
Equipment	351,682	101,833	-	453,515
	<u>16,489,503</u>	<u>2,354,663</u>	<u>-</u>	<u>18,844,166</u>
Accumulated depreciation:				
Water distribution system	(2,604,377)	(898,894)	-	(3,503,271)
Equipment	(245,672)	(50,561)	-	(296,233)
	<u>(2,850,049)</u>	<u>(949,455)</u>	<u>-</u>	<u>(3,799,504)</u>
Total accumulated depreciation	<u>(2,850,049)</u>	<u>(949,455)</u>	<u>-</u>	<u>(3,799,504)</u>
Net business-type capital assets	<u>\$13,639,454</u>	<u>\$ 1,405,208</u>	<u>\$ -</u>	<u>\$15,044,662</u>

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 55,313
Public safety	121,227
Highways and public improvements	1,164,103
Parks and recreation	<u>85,503</u>
Total depreciation expense - governmental activities	<u>\$ 1,426,146</u>
Business-type activities:	
Water	<u>\$ 949,455</u>
Total depreciation expense - business-type activities	<u>\$ 949,455</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds.

Revenue bonds outstanding at June 30, 2014, by issue, are as follows:

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Outstanding as of 6/30/14</u>
Sales Tax Series 2005	\$ 2,000,000	\$20,000 to \$170,000	3.25% to 4.50%	2/1/2024	\$ 1,410,000
Special Improvement District Series 2007	3,933,000	\$200,000 to \$420,000	4.30%	12/1/2019	2,020,000
Water Revenue Series 2007	1,223,000	\$3,000 to \$48,000	4.375%	4/1/2048	1,141,473
Water Revenue Series 2011	3,573,000	\$50,000 to \$248,000	3.19%	6/1/2031	3,428,000
	<u>\$10,729,000</u>				<u>\$ 7,999,473</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2015	\$ 551,236	\$ 300,985	\$ 852,221
2016	604,916	279,027	883,943
2017	629,452	255,241	884,693
2018	649,980	230,503	880,483
2019	676,056	204,664	880,720
2020 - 2024	2,158,128	695,427	2,853,555
2025 - 2029	1,182,325	413,816	1,596,141
2030 - 2034	879,680	211,126	1,090,806
2035 - 2039	198,695	125,665	324,360
2040 - 2044	247,244	77,116	324,360
2045 - 2048	221,761	18,945	240,706
	<u>\$ 7,999,473</u>	<u>\$ 2,812,515</u>	<u>\$10,811,988</u>

Changes in Long-Term Liabilities

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

	7/1/2013	Additions	Reductions	6/30/2014	Due in One Year
<u>Governmental activities</u>					
Bonds payable:					
Special improvement district	\$ 2,310,000	\$ -	\$ (290,000)	\$ 2,020,000	\$ 302,000
Sales tax revenue	1,525,000	-	(115,000)	1,410,000	115,000
Total bonds payable	<u>3,835,000</u>	<u>-</u>	<u>(405,000)</u>	<u>3,430,000</u>	<u>417,000</u>
Lease payable	96,843	-	(96,843)	-	-
Compensated absences	79,487	67,736	(64,255)	82,968	52,517
Governmental activity long-term liabilities	<u>\$ 4,011,330</u>	<u>\$ 67,736</u>	<u>\$ (566,098)</u>	<u>\$ 3,512,968</u>	<u>\$ 469,517</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities (Continued)

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

	7/1/2013	Additions	Reductions	6/30/2014	Due in One Year
<u>Business-type activities</u>					
Bonds payable:					
Water revenue	\$ 4,679,326	\$ -	\$ (109,853)	\$ 4,569,473	\$ 134,236
Total bonds payable	4,679,326	-	(109,853)	4,569,473	134,236
Compensated absences	17,874	10,601	(8,633)	19,842	9,241
Business-type activity long-term liabilities	<u>\$ 4,697,200</u>	<u>\$ 10,601</u>	<u>\$ (118,486)</u>	<u>\$ 4,589,315</u>	<u>\$ 143,477</u>

Interfund Transfers

During the course of normal operations, transfers are made between funds. The following table summarizes the transfers made during the year:

Transfers out	Transfers in		
	General	Capital Projects	Total
General fund	\$ -	\$ 1,181,000	\$ 1,181,000
Cemetery	11,500	-	11,500
Redevelopment agency	180,900	-	180,900
Totals	<u>\$ 192,400</u>	<u>\$ 1,181,000</u>	<u>\$ 1,373,400</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information

Risk Management The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance through the Utah Local Government Insurance Trust for all of these risks of loss. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

City Management estimates that the amount of other actual or potential claims against the City as of June 30, 2014 will not materially affect the financial condition of the City.

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$1,949,343 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies. There is no outstanding debt of the RDA at June 30, 2014.

During the year ended June 30, 2014, funds expended by the RDA were limited to the categories of general government for \$184,228 and public works for \$2,325,623.

Employee Retirement Systems and Pension Plans The City contributes to the Local Governmental Contributory Retirement System (hereafter referred to as the Systems) which is cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy Plan members in the Local Government Contributory Retirement System are required to contribute 6.00 percent of their annual covered salary (all or part may be paid by the employer for the employee), and the City is required to contribute 13.28 percent of its annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2014

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

The City's contributions in dollars to each of the Systems for the years ending June 30, 2014, 2013 and 2012, were equal to the required contributions for each year. The contribution amounts are as follows:

	2014	2013	2012
Local Governmental Contributory Retirement System	\$ 186,886	\$ 142,540	\$ 110,956

Deferred Compensation Plan Under the URS, the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$29,771, \$25,234, and \$26,235 for the years ended June 30, 2014, 2013 and 2012, respectively.

Defined Contribution Plans The 401(k) plan provided by URS is a multiple-employer defined contribution plan. All employees of the City who participate in the URS contributory, noncontributory, or public safety system are eligible to participate in the plan. Employees are immediately 100 percent vested in their contributions to the plan. Employee contributions to the 401(k) plan and the Deferred Compensation Plan are voluntary. Employer contributions are also voluntary and are intended to standardize the contribution rates for all full time employees participating in the URS. The City's contributions to the 401(k) plan were \$73,421, \$68,364, and \$65,470 for the years ended June 30, 2014, 2013 and 2012, respectively.

CITY OF BLUFFDALE, UTAH
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Capital Projects Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>				
Special assessments	\$ 3,830,000	\$ 3,830,000	\$ 4,372,407	\$ 542,407
Intergovernmental	-	1,067,000	1,045,190	(21,810)
Interest	-	-	30,564	30,564
Miscellaneous	-	381,000	674,568	293,568
Total revenues	<u>3,830,000</u>	<u>5,278,000</u>	<u>6,122,729</u>	<u>844,729</u>
<u>EXPENDITURES</u>				
Streets and public works	5,951,000	7,799,000	1,565,948	6,233,052
Parks and recreation	1,900,000	1,900,000	357,380	1,542,620
Debt service	197,170	197,170	174,364	22,806
Total expenditures	<u>8,048,170</u>	<u>9,896,170</u>	<u>2,097,692</u>	<u>7,798,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,218,170)</u>	<u>(4,618,170)</u>	<u>4,025,037</u>	<u>8,643,207</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from sale of assets	-	-	100	100
Transfers in	-	400,000	1,181,000	781,000
Transfers out	(202,830)	(202,830)	-	202,830
Total other financing sources (uses)	<u>(202,830)</u>	<u>197,170</u>	<u>1,181,100</u>	<u>983,930</u>
Net change in fund balance	(4,421,000)	(4,421,000)	5,206,137	9,627,137
Fund balance at beginning of year	4,196,234	4,196,234	4,196,234	-
Fund balance at end of year	<u>\$ (224,766)</u>	<u>\$ (224,766)</u>	<u>\$ 9,402,371</u>	<u>\$ 9,627,137</u>

Hansen, Bradshaw, Malmrose & Erickson

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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

Mayor and City Council
City of Bluffdale, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bluffdale, Utah ("the 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 our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

Our 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 31, 2014

Hansen, Bradshaw, Malmrose & Erickson

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

Major and City Council
City of Bluffdale, Utah

We have audited City of Bluffdale, Utah's ("the City") compliance with general and major State program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2014.

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

Budgetary Compliance	Government Records Access
Fund Balance	Management Act
Justice Courts	Conflicts of Interest
URS Compliance	Nepotism
Cash Management	Open and Public Meetings Act
Utah Public Finance Website	Other Compliance Requirements

The City received state funding from the following program classified as a major program for the year ended June 30, 2014:

B & C Road Funds (Department of Transportation)

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audited contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the

City or 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 we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, the City of Bluffdale, Utah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2014.

Other Matters

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

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of Report

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

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 31, 2014

CITY OF BLUFFDALE, UTAH
Schedule of Findings
For the Year Ended June 30, 2014

Requirement/Program

Current Year Findings

1. Budgetary Compliance

Finding: State law requires that officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department. For the year ended June 30, 2014, expenditures exceeded budgeted amounts in the following department:

<u>Fund</u>	<u>Department</u>	<u>Amount Over Budget</u>
General	Garbage	\$32,270

Recommendation: The City should monitor the status over expenditures as compared to the budget through the year and amend the budget as necessary.

Management's Response: In the future, the City will monitor the expenditures on a monthly basis to ensure that individual department budgets don't exceed beyond their original budget or amended budgets.