

TOOELE CITY CORPORATION

**Financial Statements
and
Independent Auditor's Report**

June 30, 2014

TOOELE CITY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Tooele City Corporation
Tooele, Utah

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 Tooele City Corporation (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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 Tooele City Corporation as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds, and, where applicable, cash flows thereof 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 and Postemployment Benefit Plan - Schedule of Funding Progress, as noted on the table of contents, 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 schedules 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. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are 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 a report dated December 23, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Salt Lake City, Utah
December 23, 2014

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

The following is a discussion and analysis of Tooele City Corporation's (the "City") financial performance and activities for the fiscal year ending June 30, 2014. When read in conjunction with the notes to the financial statements, this section's financial highlights, overview, and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

Financial Highlights

- ◆ The total government-wide assets of the City exceeded its total government-wide liabilities as of the close of the most recent year by \$156,003,673 (*net position*). Of this amount, \$146,093,047 relates to investments in capital assets, net of any related debt. Unrestricted net position is a negative balance of (\$2,082,205) due to the litigation settlement with Tooele Associates of \$20,718,202.
- ◆ The City's total net position increased by \$750,654 in the current year. This was mainly due to reduced expenditures on major developments in the redevelopment agencies. In addition, due to the increase in economic activity, impact fee revenue was up \$555,702 compared to the previous year.
- ◆ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$20,392,976, an increase of \$854,690 in comparison with the prior year, attributable mainly to the reduced expenditures of major developments in the Redevelopment Agency Depot as explained above. Approximately 17.45% of this total amount, or \$3,557,583, is available for spending at the government's discretion (*unreserved fund balance*).
- ◆ At the end of the current year, unassigned fund balance for the general fund was \$3,557,583, or 26.58% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Tooele City Corporation's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decreases in net position may serve as useful indicators of whether the City's financial position is improving or deteriorating.

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

The government-wide financial statements include balances from not only the City itself (known as the primary government), but also the following blended component units: the Downtown Redevelopment Agency, the Industrial Park Redevelopment Agency, the Depot Redevelopment Agency, and the Municipal Building Authority of Tooele City Corporation. Financial information for the component units is reported separately from the financial information presented for the primary government.

Fund financial statements

A *fund* is a group 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 of the City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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 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.

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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve 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, Capital Projects Fund, Redevelopment Agency-Depot and Class "C" Road Fund, which are considered to be major funds. Data from the other seven governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report.

The City adopts an annual appropriated budget for all its fund types. Budgetary comparison statements have been provided for the general fund and major special revenue fund to demonstrate compliance with GASB 34 reporting standards.

Proprietary funds

The City maintains two types of proprietary funds; enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains four individual enterprise funds. Information is presented separately in the proprietary funds statement of net position and the proprietary funds statement of revenues, expenses and changes in fund net position for the Water Fund, Sewer Fund, and the Garbage Utility Fund, which are considered major funds. Data from the other fund is combined into a single aggregated presentation and classified as nonmajor. Individual data for this nonmajor proprietary fund is provided in the form of combining statements in this report. Proprietary fund financial statements reinforce information provided in the government-wide financial statements.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for certain fixed assets purchased by the City and leased to the different departments. These services benefit governmental functions and as such, they have been allocated to governmental activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The City's agency fund is custodial in nature and does not involve a measurement of operational results. Accordingly, it does not present a statement of changes in fiduciary net position. 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.

Notes to financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the government-wide and individual fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) concerning the City's progress in funding its obligation to provide other post employment benefits (OPEB) to its employees. The combining statements referred to earlier, in connection with nonmajor funds and internal service funds, are presented immediately after the RSI. Also included are budget comparisons for governmental funds other than the General and Redevelopment Agency Funds.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$156,003,673 at the close of the most recent fiscal year.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Government-wide financial analysis (continued)

The largest portion of the City's net position (93.65%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, automobiles and trucks, office furniture and equipment, infrastructure, water stock, and utility plants and equipment), less any related and outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Tooele City Corporation's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 25,464,371	\$ 24,468,702	\$ 14,469,018	\$ 14,029,396	\$ 39,933,389	\$ 38,498,098
Capital assets	<u>106,782,335</u>	<u>110,019,812</u>	<u>72,275,767</u>	<u>72,788,883</u>	<u>179,058,102</u>	<u>182,808,695</u>
Other assets	-	-	-	-	-	-
Total assets	<u>132,246,706</u>	<u>134,488,514</u>	<u>86,744,785</u>	<u>86,818,279</u>	<u>218,991,491</u>	<u>221,306,793</u>
Total deferred outflows						
of resources	<u>410,125</u>	<u>443,378</u>	<u>227,693</u>	<u>258,817</u>	<u>637,818</u>	<u>702,195</u>
Liabilities and net position:						
Long-term liabilities	34,738,402	23,667,945	12,042,296	13,323,530	46,780,698	36,991,475
Other liabilities	<u>10,763,998</u>	<u>23,371,293</u>	<u>2,046,128</u>	<u>2,554,304</u>	<u>12,810,126</u>	<u>25,925,597</u>
Total liabilities	<u>45,502,400</u>	<u>47,039,238</u>	<u>14,088,424</u>	<u>15,877,834</u>	<u>59,590,824</u>	<u>62,917,072</u>
Total deferred inflows						
of resources	<u>4,034,812</u>	<u>3,838,313</u>	<u>-</u>	<u>-</u>	<u>4,034,812</u>	<u>3,838,313</u>
Net position:						
Net investment in capital assets	86,828,050	66,497,278	59,264,997	58,639,700	146,093,047	125,136,978
Restricted	5,898,814	4,222,029	6,094,017	6,970,995	11,992,831	11,193,024
Unrestricted	<u>(9,607,245)</u>	<u>13,335,034</u>	<u>7,525,040</u>	<u>5,587,983</u>	<u>(2,082,205)</u>	<u>18,923,017</u>
Total net position	<u>\$ 83,119,619</u>	<u>\$ 84,054,341</u>	<u>\$ 72,884,054</u>	<u>\$ 71,198,678</u>	<u>\$ 156,003,673</u>	<u>\$ 155,253,019</u>

A portion of the City's net position (7.69%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (\$2,082,205) is negative due to the settlement with Tooele Associates.

At the end of the year, Tooele City Corporation is able to report positive balances in all three categories of net position for its business type activities. For governmental activities, net investment in capital assets and restricted remain positive. Unrestricted net position is negative for 2014 due to the litigation settlement with Tooele Associates.

Governmental activities

Governmental activities decreased the City's net position by \$934,722. Key elements of this decrease are as follows:

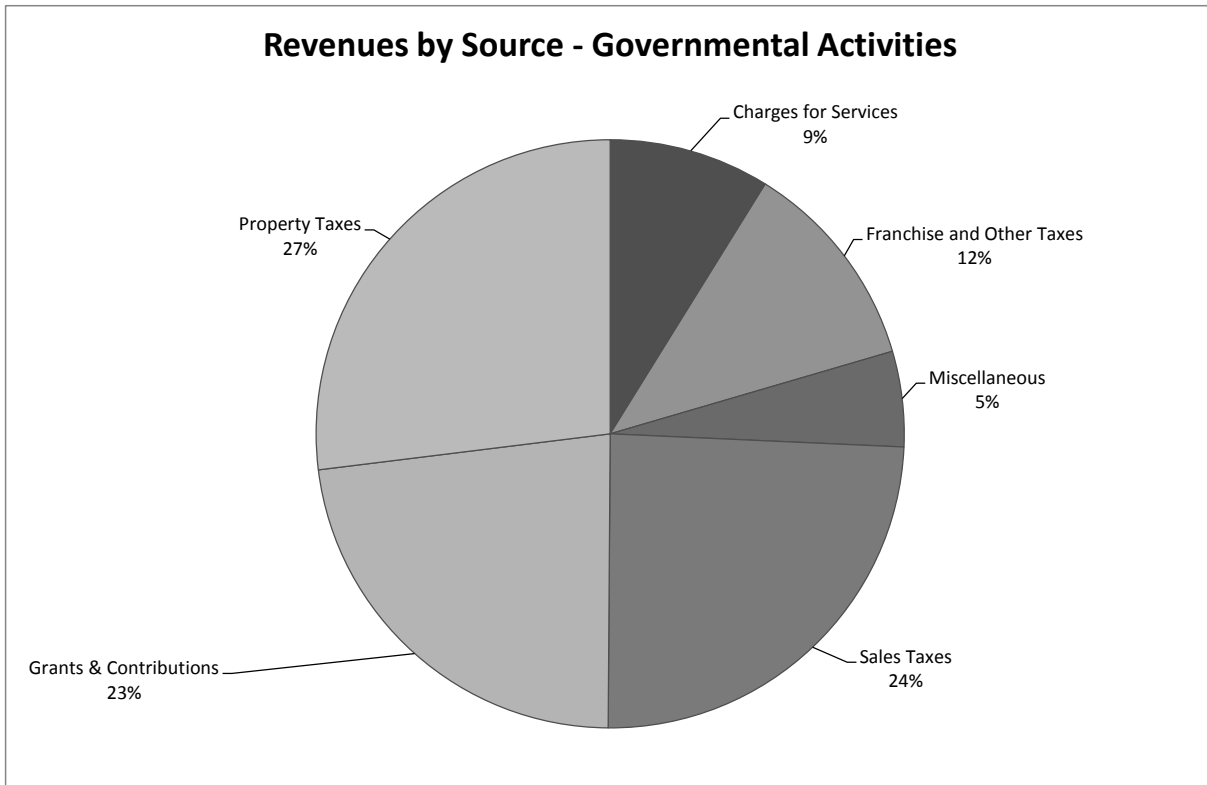
Tooele City Corporation's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,730,483	\$ 1,599,426	\$ 8,421,845	\$ 8,794,908	\$ 10,152,328	\$ 10,394,334
Operating grants and contributions	4,361,718	3,956,252	-	-	4,361,718	3,956,252
Capital grants and contributions	127,815	756,696	34,900	438,050	162,715	1,194,746
General revenues:						
Taxes	12,329,646	11,989,003	-	-	12,329,646	11,989,003
Earnings on investments	121,710	116,520	62,947	72,439	184,657	188,959
Impact fees	402,325	215,092	1,047,380	678,911	1,449,705	894,003
Investment income	811	1,948	-	-	811	1,948
Gain on sale of capital assets	17,219	12,468	4,326	54,629	21,545	67,097
Gain on sale of water rights	-	-	61,238	129,913	61,238	129,913
Miscellaneous	<u>484,050</u>	<u>377,658</u>	<u>4,550</u>	<u>3,716</u>	<u>488,600</u>	<u>381,374</u>
Total revenues	<u>\$ 19,575,777</u>	<u>\$ 19,025,063</u>	<u>\$ 9,637,186</u>	<u>\$ 10,172,566</u>	<u>\$ 29,212,963</u>	<u>\$ 29,197,629</u>

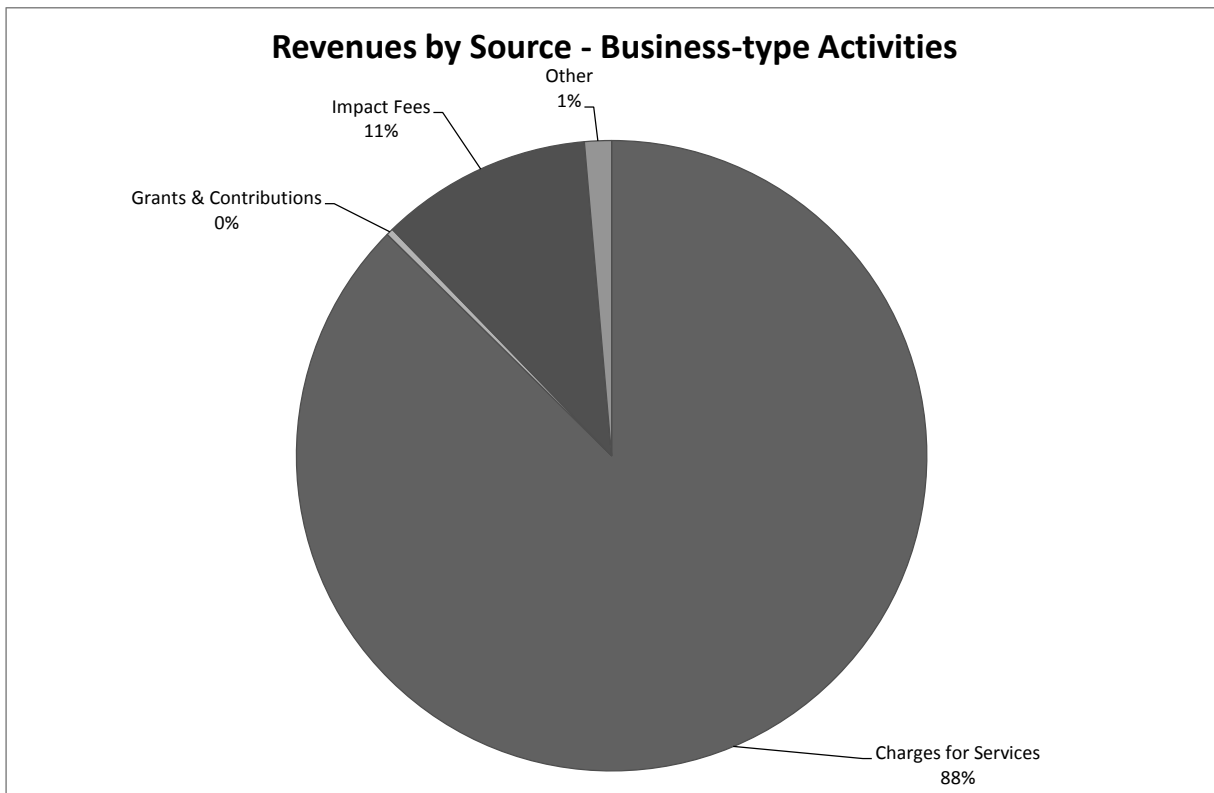
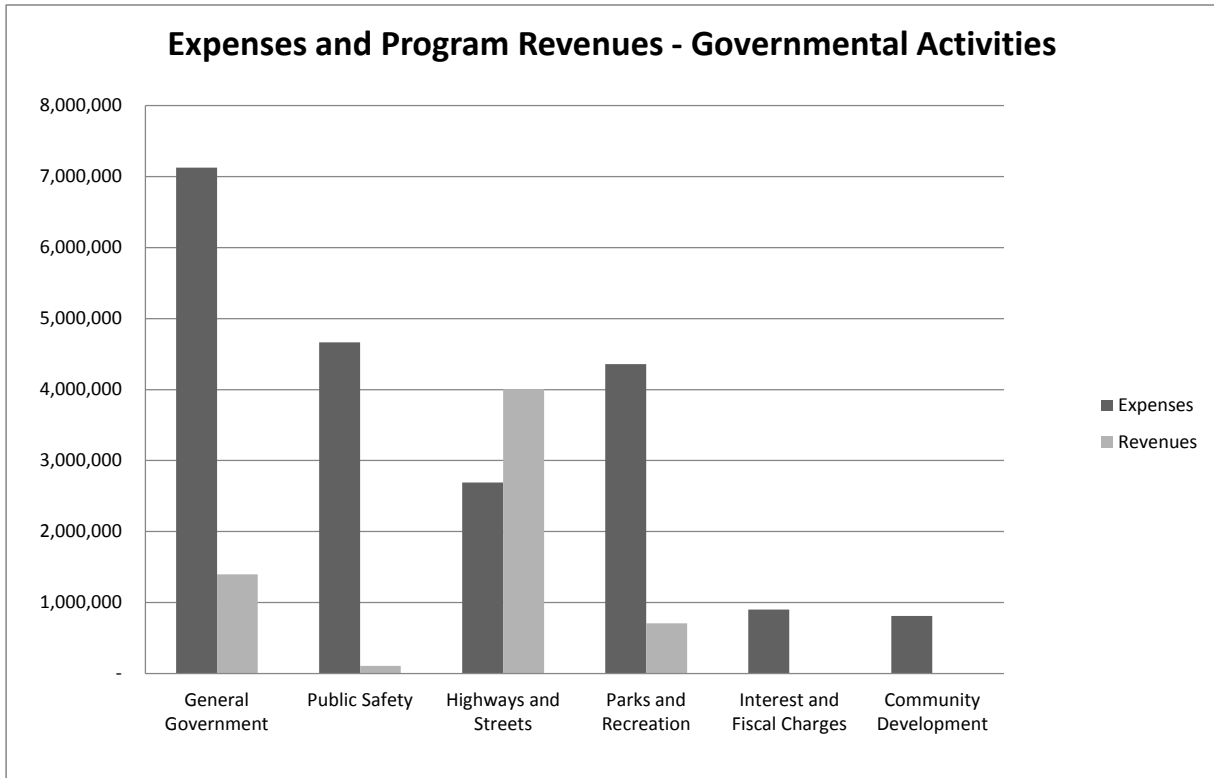
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Tooele City Corporation's Changes in Net Position (continued)

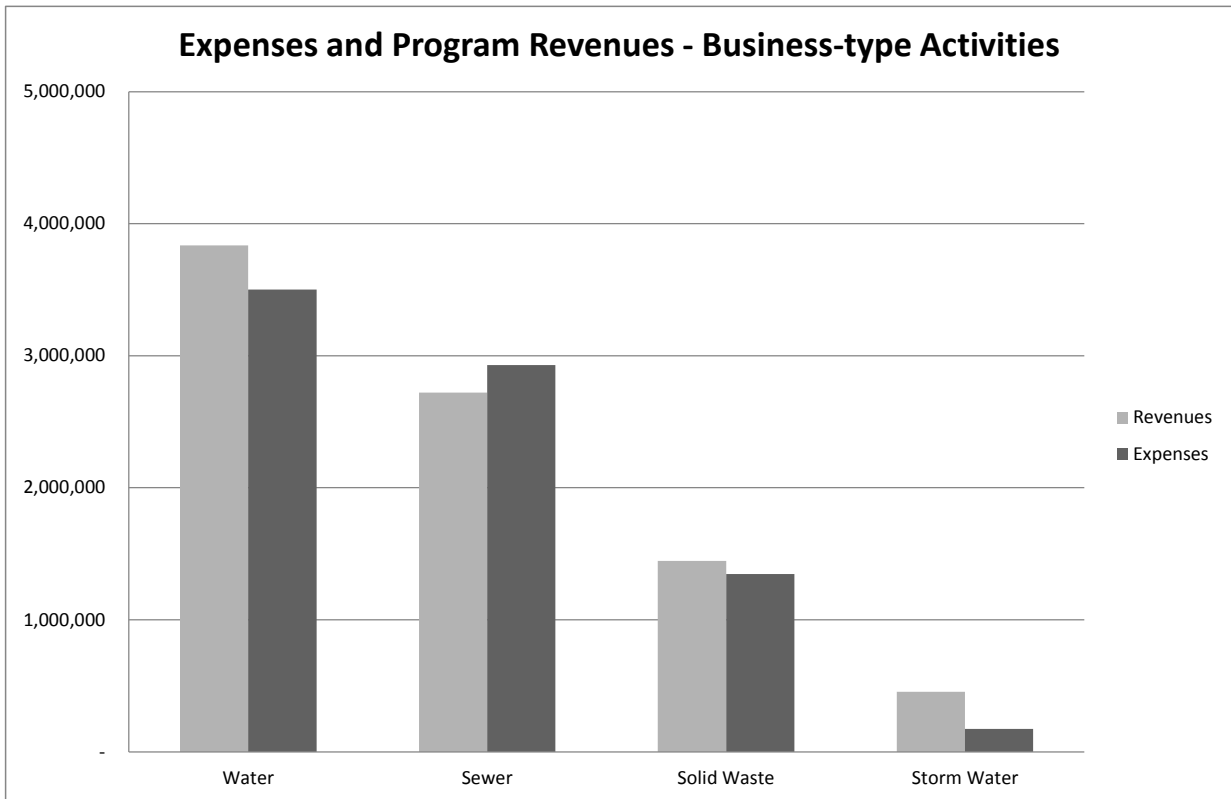
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Expenses:						
General government	\$ 7,124,823	\$ 7,038,693	\$ -	\$ -	\$ 7,124,823	\$ 7,038,693
Public safety	4,664,065	4,100,185	-	-	4,664,065	4,100,185
Highways and streets	2,691,071	2,406,656	-	-	2,691,071	2,406,656
Parks and recreation	4,358,183	4,229,326	-	-	4,358,183	4,229,326
Community development	810,576	4,919,840	-	-	810,576	4,919,840
Interest on debt	901,901	948,744	-	-	901,901	948,744
Loss on legal settlement	-	20,718,202	-	-	-	20,718,202
Water	-	-	3,501,693	3,572,124	3,501,693	3,572,124
Sewer	-	-	2,929,978	2,956,694	2,929,978	2,956,694
Solid waste	-	-	1,346,326	1,419,007	1,346,326	1,419,007
Storm water	-	-	173,813	198,351	173,813	198,351
Total expenses	<u>20,550,619</u>	<u>44,361,646</u>	<u>7,951,810</u>	<u>8,146,176</u>	<u>28,502,429</u>	<u>52,507,822</u>
Transfers	-	-	-	-	-	-
Contributed net assets	40,120	-	-	-	-	-
Increase (decrease) in net position	<u>(934,722)</u>	<u>(25,336,583)</u>	<u>1,685,376</u>	<u>2,026,390</u>	<u>750,654</u>	<u>(23,310,193)</u>
Net position - beginning	<u>84,054,341</u>	<u>109,390,924</u>	<u>71,198,678</u>	<u>69,172,288</u>	<u>155,253,019</u>	<u>178,536,212</u>
Net position - ending	<u>\$ 83,119,619</u>	<u>\$ 84,054,341</u>	<u>\$ 72,884,054</u>	<u>\$ 71,198,678</u>	<u>\$ 156,003,673</u>	<u>\$ 155,253,019</u>



**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**



**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**



Key Principal Highlights:

- ◆ Charges for services decreased by \$242,006 over the prior year.
- ◆ Operating grants and contributions increased by \$405,466 over the prior year.
- ◆ Capital grants and contributions decreased by \$1,032,031 due mainly to a decrease in contributions received from developers.
- ◆ Property taxes increased by \$340,643 due to a increase in the certified tax rate and the assessment and collection of property taxes.

Generally, increases in expenses closely paralleled inflation and growth in the demand for services.

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.

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2014, the City's governmental funds reported a combined ending fund balance of \$20,392,976, an increase of \$854,690 from the prior year. A balance of \$14,377,897 (70.50%) is available for spending at the government's discretion; however, \$10,820,404 has been assigned by the City Manager for subsequent years' capital expenditures and other uses, leaving an unassigned amount of \$3,557,583. The remaining \$6,014,989 of fund balance is not available for new spending because it is non-spendable in form (inventories in the amount of \$116,175) or legally restricted by parties outside the financial reporting entity for 1) public safety expenditures (\$1,011,989), 2) park development (\$681,209), 3) recreation and arts programs (\$853,427), 4) debt service (\$819,657) and 5) road construction, maintenance and preservation (\$2,532,532).

The General Fund is the major operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,557,583. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$13,383,414 (26.58% or 90 calendar days). The fund balance of the City's General Fund increased \$521,647 during the current fiscal year. This represents a 16.51% change in fund balance. The increase consisted of 1) a 3.17% increase in revenues of \$429,438 offset by a 5.86% increase in expenditures of \$741,316, 2) a \$17,219 increase in proceeds from the sale of capital assets, 3) a decrease of \$904,606 in transfers out, and 4) the \$609,947 decrease in closing out last year's fund balance.

Proprietary funds

Unrestricted net position of the Water, Sewer, and Garbage Utility funds (all Major) at the end of the year were \$1,500,875, \$1,549,446 and \$1,647,012, respectively. The increase in total net position was \$942,336, \$341,392, and \$107,126 for these same funds, respectively, after the effect of any special items. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original revenues budget of \$12,755,004 to a final budget of \$13,257,359, an increase of \$502,355. These increases can be briefly summarized as follows:

- \$455,000 increase in tax revenues
- \$47,355 increase in intergovernmental revenues charged from other City funds.

The General Fund's original budget was also amended from an original budget of transfers out of \$128,381 to a final budget of \$378,381, an increase of \$250,000. This increase was related to the reserving additional funds to the Capital Projects Fund during the year in anticipation of future project construction.

Capital Assets and Debt Administration

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$179,058,102 net of accumulated depreciation of \$63,299,555. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, automobiles and trucks, office furniture and equipment, and infrastructure. The total decrease in the City's net investment in capital assets for governmental and business-type activities for the current year was a result of purchases of fixed assets in the amount of \$3,522,075 offset by depreciation expense in the amount of \$7,272,668, which is attributable to the City acquiring less new fixed assets during the fiscal year than depreciation expense.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Capital Assets (continued)

Major capital asset events during the current year include the following:

- ◆ Improvements other than buildings additions of \$211,845.
- ◆ Machinery and equipment additions of \$346,232.
- ◆ Automobile and truck purchases of \$360,466, and deletions of fully depreciated assets of \$141,582.
- ◆ Office furniture and equipment additions of \$101,675.
- ◆ Infrastructure additions of \$1,202,852 from acquisitions and contributions.
- ◆ Depreciation of infrastructure assets of \$4,088,928.

Tooele City Corporation's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Investment in water stock	\$ -	\$ -	\$ 93,184	\$ 93,184	\$ 93,184	\$ 93,184
Land	6,508,605	6,508,605	3,579,749	3,579,749	10,088,354	10,088,354
Infrastructure	82,176,217	85,017,457	4,075,569	4,120,405	86,251,786	89,137,862
Buildings	9,403,534	9,764,780	3,207,509	3,354,226	12,611,043	13,119,006
Construction in progress	-	-	4,878,836	3,579,831	4,878,836	3,579,831
Equipment under capital lease, net	86,800	130,200	-	-	86,800	130,200
Improvements other than buildings	6,842,601	6,987,472	50,868,842	52,613,081	57,711,443	59,600,553
Machinery and equipment	391,813	308,706	284,625	214,449	676,438	523,155
Automobiles and trucks	1,234,380	1,185,441	141,633	88,138	1,376,013	1,273,579
Office furniture and equipment	138,385	117,151	-	-	138,385	117,151
Water rights	-	-	5,145,820	5,145,820	5,145,820	5,145,820
Total	\$ 106,782,335	\$ 110,019,812	\$ 72,275,767	\$ 72,788,883	\$ 179,058,102	\$ 182,808,695

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, the City had total debt outstanding of \$57,137,439. The debt consists of the following:

Tooele City Corporation's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenue bonds payable	\$ 19,552,000	\$ 20,391,000	\$ 13,187,000	\$ 14,408,000	\$ 32,739,000	\$ 34,799,000
Net OPEB obligations	1,018,048	810,878	44,988	35,834	1,063,036	846,712
Note payable	-	750,000	-	-	-	750,000
Obligations under capital leases	92,778	133,868	-	-	92,778	133,868
Grantsville legal Settlement	2,087,220	2,150,000	-	-	2,087,220	2,150,000
Tooele associates legal settlement	20,718,202	20,718,202	63,309	-	20,781,511	20,718,202
Compensated absences	470,936	489,447	-	67,696	470,936	557,143
Deferred amounts:						
Unamortized bond premiums	540,776	572,842	-	-	540,776	572,842
Loss on defeasance	(410,125)	(443,378)	(227,693)	(258,817)	(637,818)	(702,195)
Total	\$ 44,069,835	\$ 45,572,859	\$ 13,067,604	\$ 14,252,713	\$ 57,137,439	\$ 59,825,572

State statutes limit the amount of debt a City may issue to 4 percent of its total taxable property within its jurisdiction. The City may incur a larger indebtedness for the purpose of supplying the City with water, sewer, or electricity when such public works are owned and controlled by the City. The current debt limitation for Tooele City Corporation is \$46,629,826 for all general obligation bonds. As of June 30, 2014 and 2013 the City recorded a loss of defeasance of bonds in the amount of \$637,818 and \$702,195 and, respectively, which is recorded as a deferred outflow of resources in the accompanying statement of net position.

Additional information on Tooele City Corporation's long-term debt can be found in the notes to the financial statements.

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Economic Factors and Next Year's Budgets and Rates

- ◆ Economic activity in the region has seen considerable improvement compared to prior years, which is consistent with other regions within the state. The City has seen growth in new home construction, existing home sales and commercial and retail sales.
- ◆ The 2015 budget was projected with an estimated growth in sales tax based off the outlook of a recovering economy, and the proportionate share of distribution that the City receives based on population.
- ◆ The 2015 budget includes payments towards the \$20,718,202 legal settlement with Tooele Associates, which has a debt payment schedule through 2023.

All of the above factors were considered in preparing the City's budget for the 2014-2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Tooele City Corporation's finances 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 Tooele City Finance Director, 90 North Main Street, P.O. Box 89, Tooele, Utah, 84074-0089.

BASIC FINANCIAL STATEMENTS

TOOELE CITY CORPORATION
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 13,976,461	\$ 11,956,690	\$ 25,933,151
Receivables:			
Accounts, net	1,726	1,127,590	1,129,316
Assessments	72,954	-	72,954
Taxes	5,177,190	-	5,177,190
Loans receivable	6,416	-	6,416
Intergovernmental	337,803	-	337,803
Other	34,600	-	34,600
Prepaid expenses	116,175	-	116,175
Shop inventory	-	27,649	27,649
Restricted assets:			
Cash and cash equivalents	5,741,046	1,357,089	7,098,135
Capital assets not being depreciated	6,508,605	13,697,589	20,206,194
Capital assets being depreciated, net	100,273,730	58,578,178	158,851,908
Total assets	132,246,706	86,744,785	218,991,491
Deferred outflows of resources:			
Deferred charge on bond refunding	410,125	227,693	637,818
Total deferred outflows of resources	410,125	227,693	637,818
Liabilities:			
Accounts payable	577,692	270,764	848,456
Accrued liabilities	273,254	22,012	295,266
Accrued interest payable	171,494	188,851	360,345
Unearned revenue	-	96,025	96,025
Customer deposits	-	215,476	215,476
Long-term liabilities:			
Due or payable within one year	9,741,558	1,253,000	10,994,558
Due or payable after one year	34,738,402	12,042,296	46,780,698
Total liabilities	45,502,400	14,088,424	59,590,824
Deferred inflows of resources:			
Unavailable revenue - property taxes	4,034,812	-	4,034,812
Total deferred inflows of resources	4,034,812	-	4,034,812
Net position:			
Net investment in capital assets	86,828,050	59,264,997	146,093,047
Restricted for:			
Public safety	1,011,989	-	1,011,989
Park development	681,209	-	681,209
Recreation and arts	853,427	-	853,427
Debt service	819,657	1,357,090	2,176,747
Roads	2,532,532	-	2,532,532
Impact fees	-	4,736,927	4,736,927
Unrestricted	(9,607,245)	7,525,040	(2,082,205)
Total net position	\$ 83,119,619	\$ 72,884,054	\$ 156,003,673

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,124,823	\$ 914,188	\$ 355,942	\$ 127,815	\$ (5,726,878)	\$ -	\$ (5,726,878)
Public safety	4,664,065	110,457	-	-	(4,553,608)	-	(4,553,608)
Highways and streets	2,691,071	-	4,005,776	-	1,314,705	-	1,314,705
Parks and recreation	4,358,183	705,838	-	-	(3,652,345)	-	(3,652,345)
Community development	810,576	-	-	-	(810,576)	-	(810,576)
Interest and fiscal charges	901,901	-	-	-	(901,901)	-	(901,901)
Total governmental activities	20,550,619	1,730,483	4,361,718	127,815	(14,330,603)	-	(14,330,603)
Business-type activities:							
Water	3,501,693	3,814,819	-	20,400	-	333,526	333,526
Sewer	2,929,978	2,705,441	-	14,500	-	(210,037)	(210,037)
Solid waste	1,346,326	1,446,260	-	-	-	99,934	99,934
Storm water	173,813	455,325	-	-	-	281,512	281,512
Total business-type activities	7,951,810	8,421,845	-	34,900	-	504,935	504,935
Total primary government	\$ 28,502,429	\$ 10,152,328	\$ 4,361,718	\$ 162,715	(14,330,603)	504,935	(13,825,668)
General revenue:							
Taxes:							
Property taxes					5,276,896	-	5,276,896
Sales taxes					4,775,821	-	4,775,821
Franchise taxes					1,816,629	-	1,816,629
Other taxes					460,300	-	460,300
Earnings on investments					121,710	62,947	184,657
Impact fees, net					402,325	1,047,380	1,449,705
Investment income					811	-	811
Gain on sale of capital assets					17,219	4,326	21,545
Gain on sale of water rights					-	61,238	61,238
Miscellaneous					484,050	4,550	488,600
Total general revenues and special items					13,355,761	1,180,441	14,536,202
Contributed net assets					40,120	-	40,120
Change in net position					(934,722)	1,685,376	750,654
Net position, beginning					84,054,341	71,198,678	155,253,019
Net position, ending					\$ 83,119,619	\$ 72,884,054	\$ 156,003,673

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2014

	General	Depot Redevelopment	Class "C"	Capital	Nonmajor	Total
	Fund	Agency	Road Fund	Projects Fund	Governmental Funds	Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,747,515	\$ 3,718,420	\$ -	\$ 6,171,148	\$ 1,153,741	\$ 13,790,824
Receivables:						
Accounts	1,726	-	-	-	-	1,726
Assessments	-	-	-	-	72,954	72,954
Taxes	3,507,190	1,510,000	-	-	160,000	5,177,190
Loans receivable	-	-	-	-	6,416	6,416
Intergovernmental receivable	58,475	-	279,328	-	-	337,803
Other	34,600	-	-	-	-	34,600
Prepaid expenses	-	116,175	-	-	-	116,175
Due from other funds	100,000	-	-	-	-	100,000
Restricted cash and investments	128,378	34,031	2,938,791	-	2,639,846	5,741,046
Total assets	<u>6,577,884</u>	<u>5,378,626</u>	<u>3,218,119</u>	<u>6,171,148</u>	<u>4,032,957</u>	<u>25,378,734</u>
Liabilities:						
Accounts payable	260,747	126,955	189,828	162	-	577,692
Accrued liabilities	271,050	2,204	-	-	-	273,254
Due to other funds	-	-	-	-	100,000	100,000
Total liabilities	<u>531,797</u>	<u>129,159</u>	<u>189,828</u>	<u>162</u>	<u>100,000</u>	<u>950,946</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	2,364,812	1,510,000	-	-	160,000	4,034,812
Total deferred inflows of resources	<u>2,364,812</u>	<u>1,510,000</u>	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>4,034,812</u>
Fund balances:						
Nonspendable						
Prepaid expenses	-	116,175	-	-	-	116,175
Restricted						
Public safety	-	-	-	-	1,011,989	1,011,989
Park development	-	-	-	-	681,209	681,209
Recreation and arts	-	-	-	-	853,427	853,427
Debt service	123,692	34,031	495,759	-	166,175	819,657
Roads	-	-	2,532,532	-	-	2,532,532
Assigned						
Capital projects	-	-	-	6,170,986	-	6,170,986
Redevelopment agency projects	-	3,589,261	-	-	307,294	3,896,555
Debt service fund	-	-	-	-	752,863	752,863
Unassigned						
General fund	3,557,583	-	-	-	-	3,557,583
Total fund balances	<u>3,681,275</u>	<u>3,739,467</u>	<u>3,028,291</u>	<u>6,170,986</u>	<u>3,772,957</u>	<u>20,392,976</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,577,884</u>	<u>\$ 5,378,626</u>	<u>\$ 3,218,119</u>	<u>\$ 6,171,148</u>	<u>\$ 4,032,957</u>	<u>\$ 25,378,734</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds	\$ 20,392,976
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the individual funds.	106,782,335
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net position.	185,637
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(171,494)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. All liabilities net of premiums are reported in the statement of net position. Those liabilities consist of:	
General obligation bonds, net of unamortized deferrals of premiums and discounts	(19,682,651)
Obligations under capital leases	(92,778)
Grantsville legal settlement liability	(2,087,220)
Tooele Associates legal settlement liability	(20,718,202)
Compensated absences payable	(470,936)
Net OPEB obligations	<u>(1,018,048)</u>
Total Net Position - Government Activities	<u>\$ 83,119,619</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Depot Redevelopment Agency	Class "C" Road Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 10,318,535	\$ 1,514,306	\$ -	\$ -	\$ 496,805	\$ 12,329,646
Licenses and permits	347,416	-	-	-	-	347,416
Intergovernmental and grant revenue	333,185	-	4,005,776	22,757	-	4,361,718
Charges for services	2,562,117	-	-	-	-	2,562,117
Fines and forfeitures	80,247	-	-	-	-	80,247
Interest income	42,758	18,214	14,630	30,549	15,559	121,710
Impact fees	-	-	-	-	402,325	402,325
Interfund charges	292,046	-	-	-	-	292,046
Miscellaneous revenues	17,730	-	-	-	38,658	56,388
Rental income	1,321	-	-	-	559,350	560,671
Total revenues	<u>13,995,355</u>	<u>1,532,520</u>	<u>4,020,406</u>	<u>53,306</u>	<u>1,512,697</u>	<u>21,114,284</u>
EXPENDITURES:						
General government	3,524,708	397,957	2,182	38,121	259,698	4,222,666
Public safety	4,371,002	-	-	-	-	4,371,002
Highways and streets	1,446,155	-	1,179,065	-	-	2,625,220
Parks and recreation	3,963,543	-	-	-	-	3,963,543
Community development	-	810,576	-	-	-	810,576
Capital outlay:						
Capital projects	78,006	-	1,095,978	481,808	-	1,655,792
Debt service:						
Principal - bonds & notes	-	62,780	-	-	1,734,000	1,796,780
Principal - capital lease	-	-	-	41,090	-	41,090
Interest	-	53,970	-	12,918	844,421	911,309
Trustee fees	-	-	-	-	6,650	6,650
Total expenditures	<u>13,383,414</u>	<u>1,325,283</u>	<u>2,277,225</u>	<u>573,937</u>	<u>2,844,769</u>	<u>20,404,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>611,941</u>	<u>207,237</u>	<u>1,743,181</u>	<u>(520,631)</u>	<u>(1,332,072)</u>	<u>709,656</u>
Other financing sources (uses) including transfers:						
Operating transfers in	-	-	-	-	2,056,884	2,056,884
Operating transfers (out)	(128,378)	(794,198)	(495,759)	-	(638,549)	(2,056,884)
Private contributions	20,865	93,900	-	13,050	-	127,815
Proceeds from sale of equipment	17,219	-	-	-	-	17,219
Total other financing sources (uses) including transfers:	<u>(90,294)</u>	<u>(700,298)</u>	<u>(495,759)</u>	<u>13,050</u>	<u>1,418,335</u>	<u>145,034</u>
Net change in fund balances	521,647	(493,061)	1,247,422	(507,581)	86,263	854,690
Fund balances, beginning of year	3,159,628	4,232,528	1,780,869	6,678,567	3,686,694	19,538,286
Fund balances, end of year	<u>\$ 3,681,275</u>	<u>\$ 3,739,467</u>	<u>\$ 3,028,291</u>	<u>\$ 6,170,986</u>	<u>\$ 3,772,957</u>	<u>\$ 20,392,976</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds \$ 854,690

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. This is the amount by which depreciation exceeded capital outlays in the current period. (3,290,519)

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the statement of net position. Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Accrued interest on bonds	10,595
Principal retirement - bonds	839,000
Principal retirement - notes	750,000
Principal retirement - Grantsville note	62,780
Principal retirement - capital lease obligations	41,090
Amortization of bond premiums	32,066
Amortization of bond refunding	(33,253)

The net revenue of certain activates of internal service funds is reported within the governmental activities (12,512)

In the statement of activities, certain operating expenses - compensated absences of unpaid vacation time - are recorded as the benefits are earned during the year. In the governmental funds, these obligations are recorded when they mature (when they are paid). The compensated absences obligation increased during the year. 18,511

The annual other postemployment benefit (OPEB) cost is the amount that is recognized as an expense in the statement of activities whereas in the governmental funds only the amounts paid are recorded as an expenditure. Payments were less than actuarially required amounts during the year. (207,170)

Change in Net Position of Governmental Activities **\$ (934,722)**

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 9,551,500	\$ 10,006,500	\$ 10,318,535	\$ 312,035
Licenses and permits	207,000	207,000	347,416	140,416
Intergovernmental revenues	180,448	227,803	333,185	105,382
Charges for services	2,417,350	2,417,510	2,562,117	144,607
Fines and forfeitures	84,000	84,000	80,247	(3,753)
Interest income	15,000	15,000	42,758	27,758
Interfund charges	292,046	292,046	292,046	-
Miscellaneous revenues	7,500	7,500	17,730	10,230
Rental income	-	-	1,321	1,321
Total revenues	<u>12,754,844</u>	<u>13,257,359</u>	<u>13,995,355</u>	<u>737,996</u>
Expenditures:				
General government	3,527,526	3,702,526	3,524,708	177,818
Public safety	4,464,564	4,475,334	4,371,002	104,332
Highways and streets	1,696,979	1,696,979	1,446,155	250,824
Parks and recreation	4,044,787	4,163,065	3,963,543	199,522
Capital outlay	84,000	84,000	78,006	5,994
Total expenditures	<u>13,817,856</u>	<u>14,121,904</u>	<u>13,383,414</u>	<u>738,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,063,012)</u>	<u>(864,545)</u>	<u>611,941</u>	<u>1,476,486</u>
Other financing sources (uses) including transfers:				
Operating transfers (out)	(128,381)	(378,381)	(128,378)	250,003
Private contributions	1,000	19,420	20,865	1,445
Proceeds on sale of assets	5,500	5,500	17,219	11,719
Total other financing sources (uses) including transfers:	<u>(121,881)</u>	<u>(353,461)</u>	<u>(90,294)</u>	<u>263,167</u>
Net change in fund balance	(1,184,893)	(1,218,006)	521,647	1,739,653
Fund balance, beginning of year	<u>3,159,628</u>	<u>3,159,628</u>	<u>3,159,628</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,974,735</u>	<u>\$ 1,941,622</u>	<u>\$ 3,681,275</u>	<u>\$ 1,739,653</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Depot Redevelopment Agency - Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,514,306	\$ 14,306
Interest income	25,000	25,000	18,214	(6,786)
Total revenues	<u>1,525,000</u>	<u>1,525,000</u>	<u>1,532,520</u>	<u>7,520</u>
Expenditures:				
General government	575,393	575,393	397,957	177,436
Community development	975,000	975,000	810,576	164,424
Debt payment	116,750	116,750	116,750	-
Total expenditures	<u>1,667,143</u>	<u>1,667,143</u>	<u>1,325,283</u>	<u>341,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(142,143)</u>	<u>(142,143)</u>	<u>207,237</u>	<u>349,380</u>
Other financing sources (uses) including transfers:				
Operating transfers out	(394,197)	(794,197)	(794,198)	(1)
Private contributions	-	-	93,900	93,900
Proceeds on sale of assets	-	-	-	-
Total other financing sources (uses) including transfers:	<u>(394,197)</u>	<u>(794,197)</u>	<u>(700,298)</u>	<u>93,899</u>
Net change in fund balance	(536,340)	(936,340)	(493,061)	443,279
Fund balance, beginning of year	<u>4,232,528</u>	<u>4,232,528</u>	<u>4,232,528</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,696,188</u>	<u>\$ 3,296,188</u>	<u>\$ 3,739,467</u>	<u>\$ 443,279</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Class "C" Road Fund - Special Revenue Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Intergovernmental revenues	\$ 4,025,000	\$ 4,025,000	\$ 4,005,776	\$ (19,224)
Interest income	7,000	7,000	14,630	7,630
Total revenues	<u>4,032,000</u>	<u>4,032,000</u>	<u>4,020,406</u>	<u>(11,594)</u>
Expenditures:				
General government			2,182	(2,182)
Highways and streets	1,250,000	1,250,000	1,179,065	70,935
Capital outlay	<u>3,447,203</u>	<u>3,447,203</u>	<u>1,095,978</u>	<u>2,351,225</u>
Total expenditures	<u>4,697,203</u>	<u>4,697,203</u>	<u>2,277,225</u>	<u>2,419,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(665,203)</u>	<u>(665,203)</u>	<u>1,743,181</u>	<u>2,408,384</u>
Other financing sources (uses) including transfers:				
Operating transfers out	<u>(495,857)</u>	<u>(495,857)</u>	<u>(495,759)</u>	<u>98</u>
Total other financing sources (uses) including transfers:	<u>(495,857)</u>	<u>(495,857)</u>	<u>(495,759)</u>	<u>98</u>
Net change in fund balance	(1,161,060)	(1,161,060)	1,247,422	2,408,482
Fund balance, beginning of year	<u>1,780,869</u>	<u>1,780,869</u>	<u>1,780,869</u>	<u>-</u>
Fund balance, end of year	<u>\$ 619,809</u>	<u>\$ 619,809</u>	<u>\$ 3,028,291</u>	<u>\$ 2,408,482</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Net Position - Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities
				Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Water	Sewer	Garbage Utility			
Assets:						
Current assets:						
Cash and cash equivalents	\$ 5,752,847	\$ 1,759,174	\$ 1,570,732	\$ 2,873,937	\$ 11,956,690	\$ 185,637
Accounts receivable, net of allowance	509,351	391,909	173,040	53,290	1,127,590	-
Inventory	-	-	27,649	-	27,649	-
Restricted cash and cash equivalents	391,421	965,668	-	-	1,357,089	-
Total current assets	6,653,619	3,116,751	1,771,421	2,927,227	14,469,018	185,637
Noncurrent assets:						
Capital assets:						
Investment in water stock	93,184	-	-	-	93,184	-
Land	2,998,182	301,500	-	280,067	3,579,749	-
Water rights	5,145,820	-	-	-	5,145,820	-
Infrastructure	-	-	-	4,405,721	4,405,721	-
Construction in progress	1,971,350	2,907,486	-	-	4,878,836	-
Buildings	3,505,868	2,724,514	-	-	6,230,382	-
Improvements other than buildings	38,733,986	39,147,436	-	-	77,881,422	-
Office furniture & fixtures	25,481	49,120	-	-	74,601	65,525
Machinery and equipment	2,493,687	348,289	-	-	2,841,976	80,640
Autos and trucks	423,181	509,516	-	-	932,697	149,249
Accumulated depreciation	(18,485,133)	(14,973,336)	-	(330,152)	(33,788,621)	(64,145)
Net capital assets	36,905,606	31,014,525	-	4,355,636	72,275,767	231,269
Total noncurrent assets	36,905,606	31,014,525	-	4,355,636	72,275,767	231,269
Total assets	43,559,225	34,131,276	1,771,421	7,282,863	86,744,785	416,906
Deferred outflows of resources:						
Deferred charge on bond refunding	145,834	81,859	-	-	227,693	-
Total deferred outflows of resources	145,834	81,859	-	-	227,693	-
Liabilities:						
Current liabilities:						
Accounts payable	20,242	71,429	124,409	54,684	270,764	-
Accrued liabilities	11,351	10,661	-	-	22,012	-
Accrued interest	39,339	149,512	-	-	188,851	-
Liability for compensated absences	30,375	32,933	-	-	63,308	-
Unearned revenue	96,025	-	-	-	96,025	-
Customer deposits	215,476	-	-	-	215,476	-
Revenue bonds payable - current	355,000	898,000	-	-	1,253,000	-
Total current liabilities	767,808	1,162,535	124,409	54,684	2,109,436	-
Net OPEB obligation	23,231	21,757	-	-	44,988	-
Revenue bonds payable - long-term	4,721,000	7,234,000	-	-	11,934,000	-
Total noncurrent liabilities	4,744,231	7,234,757	-	-	11,978,988	-
Total liabilities	5,512,039	8,397,292	124,409	54,684	14,088,424	-
Net position:						
Net investment in capital assets	31,975,440	22,889,085	-	4,400,472	59,264,997	231,269
Unrestricted	1,500,875	1,549,446	1,647,012	2,827,707	7,525,040	185,637
Restricted for:						
Impact fees	4,325,284	411,643	-	-	4,736,927	-
Debt service	391,421	965,669	-	-	1,357,090	-
Total net position	\$ 38,193,020	\$ 25,815,843	\$ 1,647,012	\$ 7,228,179	\$ 72,884,054	\$ 416,906

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Garbage	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
			Utility	Fund	Funds	
Operating revenues:						
Charges for services	\$ 3,725,524	\$ 2,705,101	\$ 1,446,260	\$ 455,325	\$ 8,332,210	\$ 52,695
Connection fees	89,295	340	-	-	89,635	-
Miscellaneous	4,550	-	-	-	4,550	-
Total operating revenues	<u>3,819,369</u>	<u>2,705,441</u>	<u>1,446,260</u>	<u>455,325</u>	<u>8,426,395</u>	<u>52,695</u>
Operating expenses:						
Personal services	558,567	520,060	530,429	-	1,609,056	-
Contracted services	416,745	225,000	720,161	25,000	1,386,906	-
Operations and maintenance	1,198,986	676,863	88,553	-	1,964,402	12,091
Utilities	8,684	223,373	-	-	232,057	-
Administration	36,714	23,115	7,183	37,223	104,235	-
Depreciation	1,107,885	1,012,837	-	111,590	2,232,312	53,927
Total operating expenses	<u>3,327,581</u>	<u>2,681,248</u>	<u>1,346,326</u>	<u>173,813</u>	<u>7,528,968</u>	<u>66,018</u>
Operating income	<u>491,788</u>	<u>24,193</u>	<u>99,934</u>	<u>281,512</u>	<u>897,427</u>	<u>(13,323)</u>
Non-operating revenues (expenses):						
Interest income	30,549	12,196	7,192	13,010	62,947	811
Interest expense and fiscal charges	(174,112)	(248,730)	-	-	(422,842)	-
Gain from sale of capital assets	-	4,326	-	-	4,326	-
Sale of water rights	61,238	-	-	-	61,238	-
Impact fees	662,473	384,907	-	-	1,047,380	-
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	-
Total non-operating revenues (expenses)	<u>430,148</u>	<u>302,699</u>	<u>7,192</u>	<u>13,010</u>	<u>753,049</u>	<u>811</u>
Contributed from developers	20,400	14,500	-	-	34,900	-
Increase in net position	942,336	341,392	107,126	294,522	1,685,376	(12,512)
Net position - beginning of year	<u>37,250,684</u>	<u>25,474,451</u>	<u>1,539,886</u>	<u>6,933,657</u>	<u>71,198,678</u>	<u>429,418</u>
Net position, beginning of year, as restated	<u>37,250,684</u>	<u>25,474,451</u>	<u>1,539,886</u>	<u>6,933,657</u>	<u>71,198,678</u>	<u>429,418</u>
Net position - end of year	<u>\$ 38,193,020</u>	<u>\$ 25,815,843</u>	<u>\$ 1,647,012</u>	<u>\$ 7,228,179</u>	<u>\$ 72,884,054</u>	<u>\$ 416,906</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Garbage	Nonmajor	Total	Internal
			Utility	Enterprise	Enterprise	Service Funds
Cash flows provided by operating activities:						
Receipts from customers and users	\$ 3,904,937	\$ 2,758,293	\$ 1,443,700	\$ 456,808	\$ 8,563,738	\$ 52,695
Receipts of miscellaneous income	4,550	-	-	-	4,550	-
Payments to employees	(553,840)	(515,633)	(530,429)	-	(1,599,902)	-
Payments to contractors	(16,745)	(15,000)	(620,161)	-	(651,906)	-
Payments for operations and maintenance	(1,899,559)	(667,729)	(109,003)	14,676	(2,661,615)	(12,091)
Payment for interfund services provided	(400,000)	(210,000)	(100,000)	(25,000)	(735,000)	-
Payments for utilities	(8,684)	(223,373)	-	-	(232,057)	-
Net cash provided by operating activities	<u>1,030,659</u>	<u>1,126,558</u>	<u>84,107</u>	<u>446,484</u>	<u>2,687,808</u>	<u>40,604</u>
Cash flows provided (used) by noncapital financing activities:						
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	-
Net cash provided (used) by noncapital financing activities	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows used by capital and related financing activities:						
Payments for purchase and construction of capital assets	(1,617,539)	-	-	(66,753)	(1,684,292)	(106,969)
Proceeds from sale of capital assets	-	4,326	-	-	4,326	-
Proceeds from sale of water rights	61,238	-	-	-	61,238	-
Deferred defeasance costs	12,590	18,534	-	-	31,124	-
Payments of bond principal	(344,000)	(877,000)	-	-	(1,221,000)	-
Interest paid on bonds	(176,778)	(260,280)	-	-	(437,058)	-
Impact fees collected	662,473	384,905	-	-	1,047,378	-
Net cash used by capital and related financing activities	<u>(1,402,016)</u>	<u>(729,515)</u>	<u>-</u>	<u>(66,753)</u>	<u>(2,198,284)</u>	<u>(106,969)</u>
Cash flows provided by investing activities:						
Interest received on investments	29,963	12,196	7,192	13,010	62,361	811
Net cash provided by investing activities	<u>29,963</u>	<u>12,196</u>	<u>7,192</u>	<u>13,010</u>	<u>62,361</u>	<u>811</u>
Net increase (decrease) in cash and cash equivalents	(491,394)	559,239	91,299	392,741	551,885	(65,554)
Cash and cash equivalents - beginning of year	<u>6,635,662</u>	<u>2,165,603</u>	<u>1,479,433</u>	<u>2,481,196</u>	<u>12,761,894</u>	<u>251,191</u>
Cash and cash equivalents - end of year	<u>\$ 6,144,268</u>	<u>\$ 2,724,842</u>	<u>\$ 1,570,732</u>	<u>\$ 2,873,937</u>	<u>\$ 13,313,779</u>	<u>\$ 185,637</u>
Cash flows provided (used) by operating activities:						
Operating income	\$ 491,788	\$ 24,193	\$ 99,934	\$ 281,512	\$ 897,427	\$ (13,323)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	1,107,885	1,012,837	-	111,590	2,232,312	53,927
(Increase) decrease in assets:						
Accounts receivable	88,137	52,852	(2,560)	1,483	139,912	-
Inventory	-	-	(27,649)	-	(27,649)	-
Increase (decrease) in liabilities:						
Accounts payable	(662,158)	33,630	14,382	51,899	(562,247)	-
Accrued liabilities	1,538	(232)	-	-	1,306	-
Liability for compensated absences	(3,239)	(1,149)	-	-	(4,388)	-
OPEB obligation	4,727	4,427	-	-	9,154	-
Deferred revenue	(1,119)	-	-	-	(1,119)	-
Customer deposits	3,100	-	-	-	3,100	-
Net cash provided by operating activities	<u>\$ 1,030,659</u>	<u>\$ 1,126,558</u>	<u>\$ 84,107</u>	<u>\$ 446,484</u>	<u>\$ 2,687,808</u>	<u>40,604</u>
Represented on the balance sheet as:						
Cash - unrestricted	\$ 5,752,847	\$ 1,759,174	\$ 1,570,732	\$ 2,873,937	\$ 11,956,690	\$ 185,637
Cash - restricted	391,421	965,668	-	-	1,357,089	-
	<u>\$ 6,144,268</u>	<u>\$ 2,724,842</u>	<u>\$ 1,570,732</u>	<u>\$ 2,873,937</u>	<u>\$ 13,313,779</u>	<u>\$ 185,637</u>
Supplemental schedule of non-cash financing and investing activities:						
Contributed capital assets from developers	\$ 20,400	\$ 14,500	\$ -	\$ -	\$ 34,900	\$ -

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Net Position - Fiduciary Funds
June 30, 2014

	Pension Trust	Agency Fund
Assets:		
Cash and cash equivalents	\$ 537,404	\$ 468,050
Total assets	\$ 537,404	\$ 468,050
 Liabilities:		
Accounts payable	\$ -	\$ 106,148
Other liabilities	-	361,902
Total liabilities	-	\$ 468,050
 Net Position:		
Held in trust for fire department pension and other purposes	\$ 537,404	

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION
Statement of Changes in Net Position - Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Pension Trust</u>
Additions	
Contributions:	
Employer	\$ 73,809
Investment earnings:	
Interest income	<u>2,700</u>
Total additions	<u>76,509</u>
 Deductions:	
Benefits	<u>22,801</u>
Total deductions	<u>22,801</u>
 Change in net position	 53,708
 Net position, beginning of year	 <u>483,696</u>
 Net position, end of year	 <u>\$ 537,404</u>

The notes to the financial statements are an integral part of this statement.

TOOELE CITY CORPORATION

Notes to Financial Statements

1. THE REPORTING ENTITY

Tooele City Corporation (the "City") is a municipal corporation and is the only city in Utah administered under a "home rule charter" created under the Constitution of the State of Utah. All other cities and towns in Utah operate under forms of government established by the Legislature. The Charter, which was approved by voters in 1965, allows Tooele City to operate under its own rules of administration. The City Charter can only be changed by approval of the voters in a municipal election. The City operates under a Council-Manager form of government and provides the following services: Public Safety (Police and Fire), Highways and Streets, Wastewater, Water, Public Library, Parks, Public Improvements, Planning and Zoning, and General Administrative Services. The City is governed by an elected mayor and a five-member council.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

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's governing body, or there is a potential for that organization to provide specific financial benefits or to 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 on the City.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. The annual financial report includes the financial activities of Tooele City Corporation (the primary government), and its blended component units, which are the Downtown Redevelopment Agency, the Industrial Park Redevelopment Agency, the Depot Redevelopment Agency, and the Municipal Building Authority of Tooele City Corporation. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by GASB. The City Council members, in a separate session, serve as the governing board of each component unit of the City and, as such, these entities are presented on a blended basis. Separate financial information can be obtained from the City. Each blended component unit has a June 30 year end and are as follows:

The Downtown Redevelopment Agency was created by the City during fiscal year 1984. The Agency uses tax increment financing to support redevelopment projects within the downtown business district. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Industrial Park Redevelopment Agency was created by the City during fiscal year 1987. The Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Depot Redevelopment Agency was created by the City during fiscal year 1997. The agency uses tax increment financing to support redevelopment projects in the properties granted to the City by the Department of Defense. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

The Municipal Building Authority of Tooele City was created by the City during fiscal year 1995. The Authority uses the proceeds of its tax exempt bonds to finance the construction or acquisition of general capital assets for the City. The bonds are secured by a lease agreement between the Municipal Building Authority, Utah State University, and Tooele City, and will be retired through lease payments. The Municipal Building Authority's fund structure is comprised of a general fund. The Authority is governed by the Mayor and City Council. Because the Agency's governing body is the same as that of the City, the financial data is included in the reporting entity using the blended method.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications. In addition, the City has presented certain funds, specifically the Depot Redevelopment Agency Fund, Class "C" Road Fund, and the Capital Project Funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except for revenues that are subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as available to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following funds:

(1) Governmental Fund Type

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

- a. *General Fund* -- The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. *Capital Projects Funds* -- The capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds. The specific capital projects funds are the Park Improvements Fund, Public Safety Capital Projects Fund, and the Capital Projects Fund.
- c. *Special Revenue Funds* -- The special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditure for specific purposes other than debt service or capital projects. The special revenue funds are the Class "C" Road Fund, Municipal Building Authority Fund, Par Tax Fund, Industrial Park Redevelopment Agency Fund, Downtown Redevelopment Agency Fund, and the Depot Redevelopment Agency Fund.
- d. *Debt Service Fund* -- The debt service fund is used to account for resources that will be used to service general long-term debt, other than those payable from enterprise funds.

(2) Proprietary Fund Type

Proprietary Fund Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Internal service funds are used to account for the central financing of goods or services provided by an internal service fund to various departments of the City on a cost-reimbursement basis. The City currently has one internal service fund. This fund relates to the purchase and leasing of equipment used by the City's different departments.

(3) Fiduciary Fund Type

Fiduciary Fund Financial Statements include a Statement of Net Position. The City's Fiduciary funds represent Pension Trust funds and Agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency and the proprietary funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires a legal adoption of an annual budget for all funds. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed revenues and appropriated fund balance. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year. The basis of accounting applied to each fund budget is the same basis as the related funds financial statements. Amendments to budgets, both governmental and proprietary, were made through legal budget amendment procedures.

Cash and Cash Equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Restricted Cash

Certain resources set aside for bond repayment are classified as restricted cash on the balance sheet because their use is limited by applicable bond covenants. Other cash accounts are restricted by local ordinance and limitations on their usage.

Inventories

Inventories are recorded at average cost which approximates market. Inventories consist of expendable golfing supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Investment Valuation and Income Recognition

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains and losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains or losses in sales of investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior years and the current year. Unrealized increase or decrease is computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned and includes amortization of discounts and premiums on interest-bearing instruments that were purchased at a discount or premium.

Interfund Transactions

During the course of operations, transactions occur that result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "due from or to other funds" on the balance sheet.

Capital Assets

Capital assets include land, buildings, improvements other than buildings, furniture, fixtures and equipment and infrastructure (roads, bridges, storm drainage, and sidewalks). These assets are reported in the government-wide financial statements in the relevant column on the statement of net position under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$1,000; real property thresholds vary by type of asset. Assets purchased or constructed are recorded at cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Buildings, improvements, machinery, automobiles, and furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Machinery and equipment	7
Automobiles and trucks	5-15
Office furniture and equipment	3-5
Infrastructure - curb, gutter, sidewalks and streetlights	50
Infrastructure - storm drains and waterlines	40
Infrastructure - roads, bridges, and right of way	20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, which is the unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period in which the amounts become available.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position 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 unpaid vacation pay of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay, which does not vest, is recorded as an expense in all funds when leave is taken.

Use of Estimates

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and Other Significant Revenues

Property tax is assessed, levied, and collected by the county governments in the State of Utah. The City Council is authorized by state statute (10-6-133) to levy taxes up to a certified rate of the taxable value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a quarterly basis.

Property tax revenues are recognized when they become measurable and available. Available includes those property taxes collected from the taxpayers by the County Treasurer by June 30 of each year. Amounts that are measurable but not available are recorded as deferred revenue. An accrual was made for property taxes receivable and an offsetting deferred revenue amount were recorded at June 30, 2014. Property taxes become an enforceable lien on January 1 but are not due until November 30.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly. Franchise fees are collected by telephone, electric, natural gas, and cable television companies and remitted to the City periodically.

Fund equity

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance classifications are restricted by enabling legislation. Restricted fund balance is also reported if (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remain binding unless removed in the same manner.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, as established by the City Council. Assigned fund balance also includes all remaining amounts that are reported in Governmental Funds, other than the General Fund that are not classified as nonspendable, restricted nor committed, or those that are intended to be used for specific purposes.

Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund balances. Additionally, in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, the City reports a negative unassigned fund balance for those respective amounts.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balance, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned, and lastly unassigned amounts from the restricted fund balance when expending funds.

Comparative Data

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

Subsequent Events

The City evaluated all events or transactions that occurred after June 30, 2014 through December 17, 2014, the date these financials were available to be issued. During this period, the City did not have any material recognizable subsequent events.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer's investment pool that is considered a demand deposit. Investments are stated at fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "investments" which also includes cash accounts that are separately held by several of the City's funds.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

Tooele City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the City's funds in a qualified depository. The Act defines qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Certificates of deposit investments - Certificates of deposit held for investment that are not debt securities are included in "Investments." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term. Certificates of deposit with remaining maturities greater than one year are classified as long-term. All certificates of deposit are measured at their principal balance plus any accrued interest.

Custodial credit risk - deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. At June 30, 2014 and 2013, \$1,000,000 of the City's bank balances of \$32,976,632 was insured and collateralized.

Custodial credit risk - investments 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. As of June 30, 2014, \$783,000 of the City's \$1,033,000 high yield savings investments were exposed to custodial credit risk because they were uninsured and uncollateralized.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investments are in the Utah Public Treasurer's Investment Fund, U.S. Treasuries, and qualified institutions. The City's investments have no concentration of credit risk.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

3. DEPOSITS AND INVESTMENTS (continued)

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City's policy for managing interest rate risk is to comply with the Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses (net of administration fees) of the PTIF are allocated based upon the City's average daily balances. As of June 30, 2014, the fair value per share factor for investments in the PTIF was 1.0055062. This resulted in a fair value adjustment for the current year of \$27,108.

In accordance with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are stated at their fair value. GASB Statement No. 31 requires that certain investments be reported at fair value and that investment income includes changes in the fair value of these investments. Such changes in fair value are reflected in investment income in the Statement of Revenues, Expenses, and Changes in net position for the Utah State Treasurer's investment pool accounts.

Following are the City's cash on hand, on deposit, and investments at June 30, 2014:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Cash on hand and on deposit:				
Cash on hand	\$ 3,135	\$ 3,135	N/A	N/A
Cash on deposit	4,157,069	4,157,069	N/A	N/A
High yield savings account	1,033,000	1,033,000	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>28,843,536</u>	<u>28,816,428</u>	N/A	N/A
Total cash on hand and deposit	\$ 34,036,740	\$ 34,009,632		

(1) Ratings are provided, where applicable, to indicate associated credit risk. N/A indicates not applicable

(2) Interest rate risk is estimated using the weighted average years to maturity.

4. INTANGIBLE ASSETS

The Water Fund maintains intangible assets consisting of water stocks. These intangible assets are stated at cost and are included in property and equipment of the City, consistent with GASB 51. As of June 30, 2014, the costs of these water stocks were as follows:

	<u>Shares Owned</u>	<u>Cost</u>
Middle Canyon Water Company	461.5	\$ 15,034
Settlement Canyon Water Company	711.0	<u>78,150</u>
		<u>\$ 93,184</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

5. RESTRICTED ASSETS

As of June 30, 2014, certain of the City's cash and cash equivalents are restricted for the following purposes:

<u>Fund and Purpose</u>	<u>Restricted Amount</u>
General Fund:	
Debt Service payments	\$ 128,378
Depot Redevelopment Agency Fund:	
Debt Service payments	34,031
Road C Maintenance Fund:	
Construction and other uses	2,938,791
Water Fund:	
Funds held by trustee for debt service	391,421
Sewer Fund:	
Funds held by trustee for debt service	965,668
Other Nonmajor Funds:	
Construction, debt service and other uses	2,639,846
Pension and Agency Fund's	
Held in trust for fire department and others	<u>1,005,454</u>
Total restricted assets	<u>\$ 8,103,589</u>

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The City estimates allowances for doubtful accounts for proprietary funds based off management experience and historical collection rates. The allowance for doubtful accounts at June 30, 2014 is as follows:

<u>Funds</u>	<u>Allowance</u>
Water fund - major enterprise fund	\$ 61,141
Sewer fund - major enterprise fund	18,037
Garbage Utility Fund - major enterprise fund	9,430
Nonmajor enterprise funds	<u>1,981</u>
	<u>\$ 90,589</u>

7. NOTE RECEIVABLE

By Memorandum of Understanding (MOU) dated January 1, 2005, and Unconditional Guaranty dated February 14, 2005, both approved by RDA Resolution 2004-12 on December 15, 2004, the Redevelopment Agency of Tooele City, Utah (RDA), agreed to guarantee a loan of a developer in the amount of \$500. As collateral, the RDA took a first position lien on a vacant 361-acre parcel and a third position lien on the development parcel subject to the loan. By Amendment #1 to MOU dated November 7, 2007, and Unconditional Guaranty dated November 14, 2007, both approved by RDA Resolution 2007-05 on November 7, 2007, the RDA agreed to increase the amount of the loan guarantee from \$500,000 to \$750,000. On December 10, 2008, the developer defaulted on the loan and the Lender demanded the RDA make payments to the Lender under the guaranty. As such, the RDA entered into a note payable agreement with a financial institution for \$750,000 (See note 9). At that time the RDA entered into an agreement with the developer wherein the developer agreed to repay the note at 7.50% interest per annum with semi-annual interest payments due through 2013. During the fiscal year ended June 30, 2012, the City assumed title of the land which secured the note receivable. The land was recorded at the appraised value of \$465,000 and the remaining portion of the note receivable was fully allowed for in the amount of \$285,000. In addition, accrued interest receivable on the note at June 30, 2013 was \$264,517 which was also fully allowed for. This note was settled in 2014 with a final payment of \$750,000 made by the city.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>Balance at June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,508,605	\$ -	\$ -	\$ 6,508,605
Total capital assets not being depreciated	<u>6,508,605</u>	<u>-</u>	<u>-</u>	<u>6,508,605</u>
Capital assets being depreciated:				
Buildings	16,041,658	-	-	16,041,658
Improvements other than buildings	11,066,799	70,585	-	11,137,384
Office furniture and equipment	1,186,723	101,675	-	1,288,398
Machinery and equipment	2,362,768	217,131	-	2,579,899
Automobiles and trucks	4,555,068	277,390	(117,908)	4,714,550
Infrastructure	<u>92,816,677</u>	<u>1,136,098</u>	<u>-</u>	<u>93,952,775</u>
Total capital assets being depreciated	<u>128,029,693</u>	<u>1,802,879</u>	<u>(117,908)</u>	<u>129,714,664</u>
Less accumulated depreciation for:				
Buildings	(6,276,878)	(361,246)	-	(6,638,124)
Improvements other than buildings	(4,079,327)	(215,456)	-	(4,294,783)
Office furniture and equipment	(939,372)	(123,841)	-	(1,063,213)
Machinery and equipment	(2,054,062)	(134,024)	-	(2,188,086)
Automobiles and trucks	(3,369,627)	(228,451)	117,908	(3,480,170)
Infrastructure	<u>(7,799,220)</u>	<u>(3,977,338)</u>	<u>-</u>	<u>(11,776,558)</u>
Total accumulated depreciation	<u>(24,518,486)</u>	<u>(5,040,356)</u>	<u>117,908</u>	<u>(29,440,934)</u>
Total capital assets being depreciated, net	<u>103,511,207</u>	<u>(3,237,477)</u>	<u>-</u>	<u>100,273,730</u>
Governmental activities capital assets, net	<u>\$ 110,019,812</u>	<u>\$ (3,237,477)</u>	<u>\$ -</u>	<u>\$ 106,782,335</u>

For the year ended June 30, 2014, depreciation expense was charged to functions of the City as follows:

Governmental Activities:

General government	\$ 4,340,730
Public safety	239,136
Highways and streets	65,850
Parks and recreation	<u>394,640</u>
Total depreciation expense, governmental activities	<u>\$ 5,040,356</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS (continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2014:

	<u>Balance at June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>
Business-type Activities				
Capital assets not being depreciated:				
Investment in water stock	\$ 93,184	\$ -	\$ -	\$ 93,184
Land	3,579,749	-	-	3,579,749
Water rights	5,145,820	-	-	5,145,820
Construction in progress	<u>3,579,831</u>	<u>1,299,005</u>	<u>-</u>	<u>4,878,836</u>
Total capital assets not being depreciated	<u>12,398,584</u>	<u>1,299,005</u>	<u>-</u>	<u>13,697,589</u>
Capital assets, being depreciated:				
Buildings	6,230,382	-	-	6,230,382
Improvements other than buildings	77,740,162	141,260	-	77,881,422
Office furniture & fixtures	74,601	-	-	74,601
Machinery and equipment	2,712,875	129,101	-	2,841,976
Automobiles and trucks	873,295	83,076	(23,674)	932,697
Infrastructure	<u>4,338,967</u>	<u>66,754</u>	<u>-</u>	<u>4,405,721</u>
Total capital assets being depreciated	<u>91,970,282</u>	<u>420,191</u>	<u>(23,674)</u>	<u>92,366,799</u>
Less accumulated depreciation for:				
Buildings	(2,876,156)	(146,717)	-	(3,022,873)
Improvements other than buildings	(25,127,081)	(1,885,499)	-	(27,012,580)
Office furniture & fixtures	(74,601)	-	-	(74,601)
Machinery and equipment	(2,498,426)	(58,925)	-	(2,557,351)
Automobiles and trucks	(785,157)	(29,581)	23,674	(791,064)
Infrastructure	<u>(218,562)</u>	<u>(111,590)</u>	<u>-</u>	<u>(330,152)</u>
Total accumulated depreciation	<u>(31,579,983)</u>	<u>(2,232,312)</u>	<u>23,674.00</u>	<u>(33,788,621)</u>
Total capital assets being depreciated, net	<u>60,390,299</u>	<u>(1,812,121)</u>	<u>-</u>	<u>58,578,178</u>
Business-type activities, net	<u>\$ 72,788,883</u>	<u>\$ (513,116)</u>	<u>\$ -</u>	<u>\$ 72,275,767</u>

For the year ended June 30, 2014, depreciation expense was charged to business-type activities of the City as follows:

Business-type Activities:

Water fund	\$ 1,107,885
Sewer fund	1,012,837
Storm water fund	<u>111,590</u>
Total depreciation expense, business-type activities	<u>\$ 2,232,312</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT

The following is a summary of transactions affecting long-term liabilities for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Reductions & Deletions	Balance at June 30, 2014	Due Within One Year
Governmental Activities:					
Revenue bonds payable	\$ 20,391,000	\$ -	\$ (839,000)	\$ 19,552,000	\$ 1,123,000
Net OPEB obligations	810,878	207,170	-	1,018,048	-
Note payable	750,000	-	(750,000)	-	-
Obligations under capital leases	133,868	-	(41,090)	92,778	45,933
Grantsville legal settlement	2,150,000	-	(62,780)	2,087,220	64,000
Tooele Associates legal settlement	20,718,202	-	-	20,718,202	8,508,625
Compensated absences	489,447	-	(18,511)	470,936	-
Deferred amounts:					
Unamortized bond premiums	572,842	-	(32,066)	540,776	-
Loss on defeasance	(443,378)	-	33,253	(410,125)	-
Total governmental long-term liabilities	\$ 45,572,859	\$ 207,170	\$ (1,710,194)	\$ 44,069,835	\$ 9,741,558
Business-type Activities:					
Revenue bonds payable	\$ 14,408,000	\$ -	\$ (1,221,000)	\$ 13,187,000	\$ 1,253,000
Net OPEB obligations	35,834	9,154	-	44,988	-
Compensated absences	67,696	-	(4,387)	63,309	-
Deferred amounts:					
Loss on defeasance	(258,817)	-	31,124	(227,693)	-
Total business-type long-term liabilities	\$ 14,252,713	\$ 9,154	\$ (1,194,263)	\$ 13,067,604	\$ 1,253,000

Government-type Activities:

Description of Bond Issue	Current Outstanding Balances
On January 5, 2012, the City issued \$9,400,000 in Sales Tax Refunding Bonds (Series 2012) at interest rates from 2.00% to 5.00% with a final maturity date of October 1, 2031. Principal payments are due annually with interest payments due on April 1 and October 1 of each year. The bonds were issued to partially advance refund the 2002 Sales Tax Revenue Bonds and to pay the costs of issuing the Series 2012 bonds. The total principal and interest remaining on the defeased bonds was \$4,595,000. The 2012 bonds maturing before October 1, 2022 are not subject to redemption at the option of the City. The 2012 bonds maturing on or after October 1, 2022 are subject to optional redemption in whole or in part on or after October 1, 2021 at the option of the City at a redemption price equal to 100% of the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest up to the date of redemption. The Series 2012 Bonds maturing on October 1, 2031 are subject to mandatory sinking fund redemption at a price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption. This advance refunding was undertaken to reduce total debt service payments by approximately \$336,403 over a 15 year period, and resulted in an overall economic gain of \$296,864. The deferred loss of \$509,884 is being amortized over what would have been the remaining life of the Series 2002 Sales Tax Revenue Bonds.	9,055,000
In September 2005, Tooele City issued Lease Revenue Refunding Bonds Series 2005 in the amount of \$7,460,000 with original interest rates of 3.50% - 4.50%. The bonds mature on December 1, 2024, with principal payments due annually on December 1, and interest payments due on June 1 and December 1 of each year.	4,985,000
In October 2005, Tooele City issued Sales Tax Revenue Bonds Series 2005 in the amount of \$1,730,000 with original interest rates of 3.80%. The bonds mature on October 1, 2020, with principal payments due annually on October 1, and interest payments due on April 1 and October 1 of each year.	927,000
In November 2008, Tooele City issued Franchise Tax Revenue Bonds Series 2008 in the amount of \$5,550,000 with original interest rates of 4.00% - 5.00%. The bonds mature on November 1, 2028, with principal payments due annually on November 1, and interest payments due on May 1 and November 1 of each year.	4,585,000
Total governmental activities - bonds	<u>\$ 19,552,000</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

Description of Grantsville Legal Settlement	Current Outstanding Balances
<p>During 2001, the City was served a complaint from two neighboring cities regarding the acquisition of closed portions of the Tooele Army Depot by the Redevelopment Agency of Tooele City. The complaint alleged that military closure and properties are to benefit the entire community, not just Tooele City. Tooele City responded that its actions were entirely lawful, consistent with military closure law, and did in fact benefit the entire community through economic development and job creation. The lawsuit was settled as of the fiscal year ended June 30, 2011. Terms of the settlement included the Redevelopment Agency paying \$100,000 to the neighboring cities as well as agreeing to pay a significant portion of the debt service (principal and interest) on a 25 year, \$2,500,000 bond for the City of Grantsville to be used in the construction of a library building. The original liability due from the Redevelopment Agency totaled \$2,150,000. The settlement agreement requires the Redevelopment Agency to additionally pay interest in the amount of 2.5% per annum on the liability. The annual payments due from the settlement agreement began on October 1, 2013 and continue through October 1, 2037. These payments are included in "administrative costs of the agency" in note 17.</p>	\$ 2,087,220
Total governmental activities - Grantsville Legal Settlement	\$ 2,087,220

Description of Tooele Associates Legal Settlement	Current Outstanding Balances
<p>On June 5, 2002, Tooele Associates ("Plaintiff") filed a Complaint for Declaratory Judgment, Temporary Restraining Order, and Preliminary Injunction with the Tooele Third District Court. The temporary restraining order was denied. Tooele City filed a Counterclaim, and Plaintiff amended its Complaint to include a broad range of claims. In August 2012, the Court of Appeals reinstated the verdict and remanded for entry of judgment. Judgment was entered against Tooele City on November 9, 2013, in the amount of \$20,718,202, including interest at 2.15% per annum. The first installment payment is due August 7, 2014 with annual payments thereafter on July 31st through 2023. The first payment also includes a payment of initial water certificates in the amount of \$6,768,750. As of June 30, 2014, the total amount of the judgment has been accrued in the accompanying financial statements in the amount of \$20,718,202.</p>	\$ 20,718,202
Total governmental activities - Tooele Associates Legal Settlement	\$ 20,718,202

Business-type Activities:

Description of Bond Issue	Current Outstanding Balances
<p>On September 30, 2011, the City issued \$5,680,000 in Sewer Revenue Refunding Bonds (Series 2011) at an interest rate of 2.50% with a final maturity date of February 1, 2019. Principal payments are due annually with interest payments due on February 1 and August 1 of each year. The bonds were issued to partially advance refund the 1997 Sewer Revenue Bonds Series 1997B and the Tooele City Sewer Bonds Series 2001A as well as to pay the costs of issuing the Series 2011 bonds. The total principal and interest remaining on the defeased bonds was \$6,094,175. The 2011 bonds maturing before February 1, 2018 are not subject to redemption at the option of the City. The Series 2011 bonds maturing on or after February 1, 2018 are subject to optional redemption, in whole, on or after February 1, 2017 at the option of the City at a redemption price equal to 100% of the principal amount of the Series 2011 Bonds to be redeemed plus accrued interest up to the date of redemption. This refunding was undertaken to reduce total debt service payments over 7 years by \$442,508 and resulted in an estimated economic gain of \$420,324. The City recorded a deferred loss of \$137,461 that is being amortized over what would have been the remaining life of the Series 1997B and Series 2001A Sewer Revenue Bonds.</p>	\$ 3,722,000
<p>On October 5, 2011, the City issued \$5,753,000 in Water Revenue Refunding Bonds (Series 2011) at an interest rate of 3.10% with a final maturity date of April 1, 2026. Principal payments are due annually with interest payments due on April 1 and October 1 of each year. The bonds were issued to partially advance refund the 2006 Water Revenue Refunding Bonds and to pay the costs of issuing the Series 2011 bonds. The total principal and interest remaining to on the defeased bonds was \$6,278,952. The 2011 bonds maturing before October 1, 2020 are not subject to redemption at the option of the City. The 2011 bonds maturing between October 1, 2020 and September 30, 2021 are subject to optional redemption at 102% of par. The 2011 bonds maturing Between October 1, 2021 and September 30, 2022 are subject to optional redemption at 101% of par. Commencing October 1, 2022, the Bonds will be subject to redemption at par. This refunding was undertaken to reduce total debt service payments over 15 years by \$623,664 and resulted in an estimated economic gain of \$512,824. The City recorded a deferred loss of 183,604 that is being amortized over the remaining life of the Series 2011 Water Revenue Bonds.</p>	3,076,000

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

In December 2010, Tooele City issued Sewer Revenue C.I.B. Bonds Series 2010 in the amount of \$4,600,000 with original interest rates of 4.50%. The bonds mature on September 1, 2036, with interest-only payments beginning September 1, 2011, and both principal and interest payments due annually on September 1 for the remainder of the bond term.

	4,389,000
Total business-type activities - bonds	\$ 13,187,000

The debt service requirements on bonds and long-term debt at June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities - Bonds		Business-type Activities - Bonds		Governmental Activities - Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,123,000	\$ 772,788	1,253,000	433,104	\$ -	\$ -
2016	1,217,000	728,440	1,291,000	399,181	-	-
2017	1,262,000	682,925	1,322,000	364,197	-	-
2018	1,312,000	635,835	1,365,000	328,247	-	-
2019	1,362,000	586,170	1,000,000	291,145	-	-
2020-2024	7,175,000	2,106,638	2,970,000	1,109,658	-	-
2025-2029	5,100,000	716,916	1,939,000	624,312	-	-
2030-2034	1,001,000	76,750	1,193,000	357,930	-	-
2035-2038	-	-	854,000	78,030	-	-
Total debt	19,552,000	\$ 6,306,460	13,187,000	\$ 3,985,802	\$ -	\$ -
Unamortized premiums	540,776		-			
Loss on defeasance	(410,125)		(227,693)			
Total	\$ 19,682,651		\$ 12,959,307			

Year Ending June 30	Governmental Activities - Grantsville Legal Settlement		Governmental Activities - Legal Liability	
	Principal	Interest	Principal	Interest
2015	64,000	52,175	\$ 8,508,625	\$ 331,945
2016	66,000	50,575	1,356,619	257,472
2017	68,000	48,925	1,356,619	233,978
2018	70,000	47,225	1,356,619	204,171
2019	71,000	45,475	1,356,619	175,004
2020-2024	384,000	199,775	6,783,101	437,829
2025-2029	434,000	149,325	-	-
2030-2034	491,000	92,300	-	-
2035-2038	439,000	27,775	-	-
Total debt	\$ 2,087,000	\$ 713,550	\$ 20,718,202	\$ 1,640,399

The City is not obligated in any manner for special assessment debt.

10. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liability for the defeased bonds are not included in the financial statements of the reporting entity. At June 30, 2013, bonding totaling \$26,772,000 from the City are considered defeased. The deferred charge on refunding reported in the government-wide statement of net position and proprietary funds under deferred outflows of resources results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. As of June 30, 2014, the City had deferred outflows of resources in the amount of \$637,818.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

11. CAPITAL LEASES

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met. The capital lease will continue through June 2016. The following is a schedule by year of future minimum lease payments as of June 30, 2014.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2015	54,008
2016	49,507
2017	-
2018	-
2019	-
Total minimum lease payments	103,515
Less amounts representing interest	(10,737)
Present value of net minimum lease payments	92,778
Less current portion of capital lease obligations	(45,933)
Capital lease obligations net current portion	<u>\$ 46,845</u>

Equipment and related accumulated depreciation under capital leases are included under capital assets in the Governmental Activities and are as follows:

Equipment under capital lease	\$ 217,000
Less accumulated depreciation	(130,200)
Equipment under capital lease, net	<u>\$ 86,800</u>

12. DEFERRED INFLOW OF RESOURCES-UNAVAILABLE PROPERTY TAXES

Property taxes in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable on November 30. Since the property tax to be levied on October 1, 2014 is not expected to be received within 60 days after the year ended June 30, 2014, the City records unearned revenues of the estimated amount of the total property tax.

13. INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund required to collect them to the fund required to expend them in accordance with statute and budgetary authorization. Additionally, interfund transfers are used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2014 are as follows:

	<u>Transfers out</u>					<u>Transfers In</u>
	<u>Depot</u>			<u>Nonmajor</u>		
	<u>General Fund</u>	<u>Agency Fund</u>	<u>Maintenance Fund</u>	<u>Road C</u>	<u>Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects Fund	-	-	-	-	-	-
Nonmajor Governmental Fund	-	-	-	-	-	400,000
Debt Service Fund	<u>128,378</u>	<u>794,198</u>	<u>495,759</u>	<u>638,549</u>	<u>1,656,884</u>	<u>1,656,884</u>
Total Transfers out	<u>\$ 128,378</u>	<u>\$ 794,198</u>	<u>\$ 495,759</u>	<u>\$ 638,549</u>	<u>\$ 2,056,884</u>	<u>\$ 2,056,884</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLAN

Plan Description - The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, as well as the Public Safety Retirement System for employers with (without) Social Security coverage, both of which are cost sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems).

Retirement Systems provide refunds, retirement benefits, annual cost of living allowances, and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the state legislature.

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

Funding Policy - The City is legally obligated to contribute to the retirement systems on behalf of the employees as long as they have employees meeting membership requirements. Contributory Plan members are required to contribute a percentage of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. Currently, Plan members contribute 6.0%. The City is also required to make employer contributions as a percentage of covered salary to the respective systems. The contribution rates are the actuarially determined rates and are approved by the City Council as authorized by Chapter 49. Contribution rates for the Utah Retirement Systems and their respective plans are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer paid for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System:			
Local Government Division Tier 1	N/A	6.00%	13.28%
Local Government Division Tier 2	N/A	N/A	13.99%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	17.29%
Public Safety System:			
Other Division A Contributory Tier 2	N/A	N/A	20.85%
Other Division A Noncontributory Tier 1	N/A	N/A	32.14%

The contributions by the City for the year ended June 30, 2014 were paid by the due dates or within thirty days thereafter and were equal to the required contributions.

The required contributions and amounts paid for the fiscal year ended June 30, 2014 and the two previous fiscal years are as follows:

<u>For the Fiscal Years ended June 30,</u>	<u>Employer Paid</u>			<u>Total</u>	<u>Salary Subject to Retirement</u>
	<u>Employee Paid Contributions</u>	<u>for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Contributions</u>	<u>Contributions</u>
Contributory System:					
Local Governmental Division Tier 1 and Tier 2					
2012	\$ 1,001	\$ 7,665	\$ 20,911	\$ 29,577	\$ 234,208
2013	-	8,765	28,345	37,110	271,918
2014	-	6,379	44,004	50,383	457,914
Noncontributory System:					
Local Governmental Division Tier 1					
2012	-	-	498,385	498,385	3,765,745
2013	-	-	588,969	588,969	3,775,827
2014	-	-	620,471	620,471	3,607,152
Public Safety System					
Other Division A Contributory Tier 2					
2012	-	-	1,751	1,751	16,753
2013	-	-	10,209	10,209	91,975
2014	-	-	20,458	20,458	185,638
Other Division A Noncontributory Tier 1					
2012	-	-	357,852	357,852	1,412,541
2013	-	-	406,670	406,670	1,407,076
2014	-	-	466,112	466,112	1,489,801

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

15. EMPLOYEE BENEFIT PLANS

The City offers a non-contributory pension plan for volunteer firefighters. Originally, the Plan was funded by the City and administered by a third party. During 2000, the City assumed administration of the Plan as a non-qualified pension trust. Every two years, an independent actuary calculates the annual contribution requirement to keep the fund actuarially sound. Benefits are paid at retirement after age sixty-five, at \$5 per month per year of service for life, and are subject to a vesting schedule. Pension contributions for the years ended June 30, 2014, 2013, and 2012 were \$73,809, \$73,809, and \$26,043, respectively.

The City provides 401(k) plans for all eligible employees. Employees are enrolled in one of two plans: (1) Tooele City Employees' 401(k) Plan managed by John Hancock; or, (2) Utah State Retirement System 401(k) Plan. The Tooele City Employees' 401(k) Plan is available to full-time employees who are 18 or older and have completed six months of continuous employment. Employees become fully vested in the Plan at the conclusion of four years of employment. Employees enrolled in the Tooele City Employees' 401(k) Plan prior to June 30, 2011 were permitted to remain in that plan. Employees enrolling in a 401(k) plan on or after July 1, 2011 may elect to enroll in the Utah Retirement 401(k) Plan. Vesting is immediate in the Utah Retirement 401(k) Plan. Employees may voluntarily contribute to their 401(k) Plan in an amount not to exceed limitations established by the Internal Revenue Service. The City may make contributions at the discretion of the City Council. The City made no discretionary contributions to the 401(k) plans for the years ended June 30, 2014, 2013 and 2012.

In 2014 the City council approved an equalization benefit calculation for part-time elected officials who would be members of the Tier 2 retirement plan. Under the Tier 2 plan, part-time elected officials are not eligible for retirement. To eliminate this inequity among part-time elected officials, the City makes the equivalent contribution to a URS 401k account for these elected officials equal to what is paid on behalf of other part-time elected officials in the Tier 1 plan. Contributions made during 2014 were \$5,390.50.

Total employer contributions to the Tooele City Employees' 401(k) Plan for the years ending June 30, 2014, 2013, and 2012 were \$81,348, \$77,038 and \$72,399, respectively. Salaries subject to contributions were \$479,515, \$474,591 and \$448,658, respectively, for the same years. These contributions represent post-retired rehire contributions and URS pension exemption contributions, which are made in lieu of URS pension premiums as permitted by law.

The City provides a Defined Contribution System Traditional IRA Plan for all eligible employees. Employee contributions to the plan for the years ending June 30, 2014, 2013, and 2012 were \$2,087, \$1,490 and \$1,285, respectively.

The City provides a Defined Contribution System Roth IRA Plan for all eligible employees. Employee contributions to the plan for the years ending June 30, 2014, 2013, and 2012 were \$19,718, \$19,681 and \$19,080, respectively.

16. OTHER POSTEMPLOYMENT BENEFITS

In addition to the retirement benefits described above, the City provides postemployment health care and life insurance benefits through a single employer defined benefit plan to all employees who retire from the City and qualify to retire from the Systems. The benefits, benefit levels, employee contributions, and employer contributions are governed by City policy and can be amended at any time. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to maintain and account for the Plan. The Plan does not issue a separate report.

The City currently pays for postemployment benefits on a "pay-as-you-go" basis. Although the City is studying the establishment of a trust that would be used to cumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that "pay-as-you-go" funding will continue.

The City's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the City's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2014, the City's annual OPEB cost (expense) was \$216,325. The following table shows the components of the City's net annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Three-year trend information is as follows:

<u>For the fiscal years ended June 30,</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 278,731	\$ 290,843	\$ 290,843
Net OBEB obligation amortization adjustment to the ARC	<u>219</u>	<u>164</u>	<u>108</u>
Annual OPEB cost (expense)	<u>278,950</u>	<u>291,007</u>	<u>290,951</u>
Contributions made	<u>(62,626)</u>	<u>(78,853)</u>	<u>(73,011)</u>
Increase in net OPEB obligation	216,324	212,154	152,205
Net OPEB obligation beginning of year	<u>846,712</u>	<u>634,558</u>	<u>482,353</u>
Net OPEB obligation end of year	<u>\$ 1,063,036</u>	<u>\$ 846,712</u>	<u>\$ 634,558</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

The funded status of the plan as of July 1, 2013, the date of the latest actuarial valuation, is as follows:

<u>As of July 1,</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial accrued liability (AAL)	\$ 2,361,364	\$ 2,545,799	\$ 2,328,810
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,361,364</u>	<u>\$ 2,545,799</u>	<u>\$ 2,328,810</u>
Funded ration (actuarial value of plan assets/AAL)	0%	0%	0%
Annual covered payroll (active plan members)	\$ 5,891,199	\$ 5,719,611	\$ 5,204,545
UAAL as percentage of annual covered payroll	40.08%	44.51%	44.75%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of an occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, present the results of OPEB valuations as of June 30, 2013 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% unfunded discount rate and an annual healthcare costs trend rate of 7.0% initially, reduced by decrements of .25% for the following 8 years. Covered payroll included a 3.0% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded it obligations. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over an open thirty year period.

17. REDEVELOPMENT AGENCIES

In accordance with Utah Code Section 17b-4-1305, the City's Redevelopment Agencies are required to disclose the following information.

- A. The collections of tax increment revenue by Redevelopment Agencies as of June 30, 2014 are as follows:

<u>Project Area</u>	<u>Amount</u>
Depot	\$ 1,514,306
Industrial Park	68,615
Downtown	85,894
Total	<u>\$ 1,668,815</u>

- B. There was no amount of tax increment paid to any taxing agencies pursuant to Section 17B-4-1008 during the year.
 C. The Agencies had no outstanding debt during the year.
 D. The actual amount expended for:

<u>Project Area</u>	<u>Acquisition of Property</u>	<u>Site Improvement or Preparation Costs</u>	<u>Installation of Public Utilities or Other Public Improvements</u>	<u>Administrative Costs of the Agency</u>
Depot	\$ 158,331	\$ 652,245	\$ -	\$ 514,707
Industrial Park	-	-	-	0
Downtown	174	-	-	777,288
Total	<u>\$ 158,505</u>	<u>\$ 652,245</u>	<u>\$ -</u>	<u>\$ 1,291,995</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

18. LITIGATION AND SPECIAL ITEMS

Tooele City has leased a City-owned agricultural property located near Vernon, Utah, to a private sod farmer, "Plaintiff" since approximately 1991, pursuant to a lease entitled Vernon Ranch Management Agreement and Grazing Lease ("Agreement"). On November 20, 2012, Tooele City, through outside legal counsel, provided written notice that the Agreement had terminated under its terms on December 31, 2007. On January 18, 2013, Tooele City, through counsel, provided written notice of no-cause termination of the Agreement, as an alternative termination to the November 20, 2012 notice of expiration. On May 8, 2013 Tooele City filed a complaint (1) seeking a Declaratory judgment regarding the termination of the Agreement and (2) for Unlawful Detainer. Plaintiff filed a counterclaim seeking damages under the Agreement for value of Plaintiff's sod crop. Tooele City negotiated with Plaintiff an agreement for Plaintiff's full and complete exit from the Tooele City property, to be accomplished no later than December 10, 2013. Discovery is in process. A trial in this matter will determine what damages, if any, are owned by Tooele City to Plaintiff. The financial statements do not reflect any adjustments pending the outcome of this litigation.

The City is a named defendant in certain other legal actions pending or in process for miscellaneous unsubstantial claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of the claims will not have an adverse material effect on the City's financial statements.

19 NEGATIVE UNRESTRICTED NET POSITION

Due to the litigation settlement with Tooele Associates described in Note 9, unrestricted net position reported in the government wide statement of net position was negative as of June 30, 2014. Without this settlement liability, unrestricted net assets would have been \$18,635,997.

REQUIRED SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Postemployment Benefit Plan - Schedule of Funding Progress
Required Supplementary Information
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 2,054,272	\$ 2,054,272	0.0%	\$ 5,080,125	40.44%
7/1/2010	\$ -	\$ 2,145,342	\$ 2,145,342	0.0%	\$ 4,846,496	44.27%
7/1/2011	\$ -	\$ 2,328,810	\$ 2,328,810	0.0%	\$ 5,204,545	44.75%
7/1/2012	\$ -	\$ 2,545,799	\$ 2,545,799	0.0%	\$ 5,719,611	44.51%
7/1/2013	\$ -	\$ 2,361,364	\$ 2,361,364	0.0%	\$ 5,891,199	40.08%

OTHER SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds				Capital Projects Funds		Totals	
	Par Tax Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund		Public Safety Capital Projects Fund
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 186,819	\$ 114,059	\$ 852,863	\$ -	\$ -	\$ 1,153,741
Investments	-	-	-	-	-	-	-	-
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Assessments	72,954	-	-	-	-	-	-	72,954
Taxes	-	-	70,000	90,000	-	-	-	160,000
Loans receivable	-	-	-	6,416	-	-	-	6,416
Interest receivable	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Shop inventory	-	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	780,473	86,975	-	29,200	-	731,209	1,011,989	2,639,846
Investments	-	-	-	-	-	-	-	-
Total assets	853,427	86,975	256,819	239,675	852,863	731,209	1,011,989	4,032,957
Liabilities:								
Due to other funds	-	-	-	-	100,000	-	-	100,000
	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	100,000	-	-	100,000
Deferred inflows of resources:								
Unavailable revenue - property taxes	-	-	70,000	90,000	-	-	-	160,000
Total deferred inflows of resources	-	-	70,000	90,000	-	-	-	160,000
Fund balances:								
Restricted								
Public safety	-	-	-	-	-	-	1,011,989	1,011,989
Park development	-	-	-	-	-	681,209	-	681,209
Recreation and arts	853,427	-	-	-	-	-	-	853,427
Debt service	-	86,975	-	29,200	-	50,000	-	166,175
Assigned								
Capital projects	-	-	-	-	-	-	-	-
Redevelopment agency projects	-	-	186,819	120,475	-	-	-	307,294
Debt service fund	-	-	-	-	752,863	-	-	752,863
Total fund balances	853,427	86,975	186,819	149,675	752,863	731,209	1,011,989	3,772,957
Total liabilities, deferred inflows of resources and fund balances	\$ 853,427	\$ 86,975	\$ 256,819	\$ 239,675	\$ 852,863	\$ 731,209	\$ 1,011,989	\$ 4,032,957

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds					Capital Project Funds		Totals
	Par Tax Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Public Safety Capital Projects Fund	
Revenues:								
Taxes	\$ 342,296	\$ -	\$ 68,615	\$ 85,894	\$ -	\$ -	\$ -	\$ 496,805
Interest income	3,008	623	651	1,286	2,308	3,261	4,422	15,559
Impact fees	-	-	-	-	-	262,796	139,529	402,325
Miscellaneous revenue	31,833	-	-	6,825	-	-	-	38,658
Rental income	-	559,350	-	-	-	-	-	559,350
Total revenues	<u>377,137</u>	<u>559,973</u>	<u>69,266</u>	<u>94,005</u>	<u>2,308</u>	<u>266,057</u>	<u>143,951</u>	<u>1,512,697</u>
Expenditures:								
General government	220,000	-	-	174	-	39,024	500	259,698
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	-	-	-	-
Debt service:								
Principal - bonds & notes	-	-	-	750,000	984,000	-	-	1,734,000
Interest	-	-	-	27,288	817,133	-	-	844,421
Trustee fees	-	-	-	-	6,650	-	-	6,650
Total expenditures	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>777,462</u>	<u>1,807,783</u>	<u>39,024</u>	<u>500</u>	<u>2,844,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>157,137</u>	<u>559,973</u>	<u>69,266</u>	<u>(683,457)</u>	<u>(1,805,475)</u>	<u>227,033</u>	<u>143,451</u>	<u>(1,332,072)</u>
Other financing sources (uses) including transfers:								
Operating transfers in	-	-	-	400,000	1,656,884	-	-	2,056,884
Operating transfers (out)	-	(559,349)	-	(29,200)	-	(50,000)	-	(638,549)
Total other financing sources (uses) including transfers:	<u>-</u>	<u>(559,349)</u>	<u>-</u>	<u>370,800</u>	<u>1,656,884</u>	<u>(50,000)</u>	<u>-</u>	<u>1,418,335</u>
Net change in fund balances	157,137	624	69,266	(312,657)	(148,591)	177,033	143,451	86,263
Fund balances, beginning of year	696,290	86,351	117,553	462,332	901,454	554,176	868,538	3,686,694
Fund balances, end of year	<u>\$ 853,427</u>	<u>\$ 86,975</u>	<u>\$ 186,819</u>	<u>\$ 149,675</u>	<u>\$ 752,863</u>	<u>\$ 731,209</u>	<u>\$ 1,011,989</u>	<u>\$ 3,772,957</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

	<u>Par Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 350,000	\$ 342,296	\$ (7,704)
Interest income	2,500	3,008	508
Miscellaneous revenues	10,000	31,833	21,833
Rental income	-	-	-
Total Revenues	<u>362,500</u>	<u>377,137</u>	<u>14,637</u>
Expenditures:			
General government	220,700	220,000	700
Capital outlay	162,500	-	162,500
Total expenditures	<u>383,200</u>	<u>220,000</u>	<u>163,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,700)</u>	<u>157,137</u>	<u>177,837</u>
Other financing sources (uses) including transfers:			
Operating transfers (out)	-	-	-
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(20,700)	157,137	177,837
Fund balance, beginning of year	<u>696,290</u>	<u>696,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ 675,590</u>	<u>\$ 853,427</u>	<u>\$ 177,837</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

	<u>Municipal Building Authority</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Interest income	-	623	623
Miscellaneous revenues	-	-	-
Rental income	559,349	559,350	1
Total Revenues	<u>559,349</u>	<u>559,973</u>	<u>624</u>
Expenditures:			
General government	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>559,349</u>	<u>559,973</u>	<u>624</u>
Other financing sources (uses) including transfers:			
Operating transfers (out)	<u>(559,349)</u>	<u>(559,349)</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>(559,349)</u>	<u>(559,349)</u>	<u>-</u>
Net change in fund balance	-	624	624
Fund balance, beginning of year	<u>86,351</u>	<u>86,351</u>	<u>-</u>
Fund balance, end of year	<u>\$ 86,351</u>	<u>\$ 86,975</u>	<u>\$ 624</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

	<u>Industrial Park Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 85,000	\$ 68,615	\$ (16,385)
Interest income	-	651	651
Miscellaneous revenues	-	-	-
Rental income	-	-	-
Total Revenues	<u>85,000</u>	<u>69,266</u>	<u>(15,734)</u>
Expenditures:			
General government	85,000	-	85,000
Capital outlay	-	-	-
Total expenditures	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>69,266</u>	<u>69,266</u>
Other financing sources (uses) including transfers:			
Operating transfers (out)	-	-	-
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	69,266	69,266
Fund balance, beginning of year	<u>117,553</u>	<u>117,553</u>	<u>-</u>
Fund balance, end of year	<u>\$ 117,553</u>	<u>\$ 186,819</u>	<u>\$ 69,266</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

	<u>Downtown Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 175,000	\$ 85,894	\$ (89,106)
Interest income	2,950	1,286	(1,664)
Miscellaneous revenues	-	6,825	6,825
Total revenues	<u>177,950</u>	<u>94,005</u>	<u>(83,945)</u>
Expenditures:			
General government	300,000	174	299,826
Interest on long-term debt	56,250	27,288	28,962
Payment of debt	750,000	750,000	-
Total expenditures	<u>1,106,250</u>	<u>777,462</u>	<u>328,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(928,300)</u>	<u>(683,457)</u>	<u>244,843</u>
Other financing sources (uses) including transfers:			
Operating transfers in	400,000	400,000	-
Operating transfers (out)	(121,700)	(29,200)	92,500
Total other financing sources (uses) including transfers:	<u>278,300</u>	<u>370,800</u>	<u>92,500</u>
Net change in fund balance	(650,000)	(312,657)	337,343
Fund balance, beginning of year	<u>462,332</u>	<u>462,332</u>	-
Fund balance, end of year	<u>\$ (187,668)</u>	<u>\$ 149,675</u>	<u>\$ 337,343</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Debt Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ -	\$ 2,308	\$ 2,308
Total revenues	<u>-</u>	<u>2,308</u>	<u>2,308</u>
Expenditures:			
Principal retirement	949,000	984,000	(35,000)
Interest on long-term debt	853,729	817,133	36,596
Trustee fees	6,550	6,650	(100)
Total expenditures	<u>1,809,279</u>	<u>1,807,783</u>	<u>1,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,809,279)</u>	<u>(1,805,475)</u>	<u>3,804</u>
Other financing sources (uses) including transfers:			
Operating transfers in	<u>1,656,884</u>	<u>1,656,884</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>1,656,884</u>	<u>1,656,884</u>	<u>-</u>
Net change in fund balance	(152,395)	(148,591)	3,804
Fund balance - beginning of year	<u>901,454</u>	<u>901,454</u>	<u>-</u>
Fund balance - end of year	<u>\$ 749,059</u>	<u>\$ 752,863</u>	<u>\$ 3,804</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Major Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental revenue	\$ -	\$ 22,757	\$ 22,757
Interest income	25,000	30,549	5,549
Total revenues	<u>25,000</u>	<u>53,306</u>	<u>28,306</u>
Expenditures:			
General government	-	38,121	(38,121)
Capital projects			
Capital outlay	4,830,000	481,808	4,348,192
Debt service:			
Principal - capital lease	60,000	41,090	18,910
Interest	-	12,918	(12,918)
Total expenditures	<u>4,890,000</u>	<u>573,937</u>	<u>4,316,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,865,000)</u>	<u>(520,631)</u>	<u>4,344,369</u>
Other financing sources (uses) including transfers:			
Private contributions	-	13,050	13,050
Total other financing sources (uses) including transfers:	<u>-</u>	<u>13,050</u>	<u>13,050</u>
Net change in fund balance	(4,865,000)	(507,581)	4,357,419
Fund balance - beginning of year	<u>6,678,567</u>	<u>6,678,567</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,813,567</u>	<u>\$ 6,170,986</u>	<u>\$ 4,357,419</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

	<u>Park Improvements Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 3,250	\$ 3,261	\$ 11
Impact fees	130,080	262,796	132,716
Total revenues	<u>133,330</u>	<u>266,057</u>	<u>132,727</u>
Expenditures:			
General government	5,000	39,024	(34,024)
Capital projects			
Capital outlay	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total expenditures	<u>305,000</u>	<u>39,024</u>	<u>265,976</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,670)</u>	<u>227,033</u>	<u>398,703</u>
Other financing sources (uses) including transfers:			
Operating transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(221,670)	177,033	398,703
Fund balance - beginning of year	<u>554,176</u>	<u>554,176</u>	<u>-</u>
Fund balance - end of year	<u>\$ 332,506</u>	<u>\$ 731,209</u>	<u>\$ 398,703</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2014

	<u>Public Safety Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 7,000	\$ 4,422	\$ (2,578)
Impact fees	27,030	139,529	112,499
Total revenues	<u>34,030</u>	<u>143,951</u>	<u>109,921</u>
Expenditures:			
General government	270,000	500	269,500
Capital projects			
Capital outlay	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total expenditures	<u>770,000</u>	<u>500</u>	<u>769,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(735,970)</u>	<u>143,451</u>	<u>879,421</u>
 Net change in fund balance	 (735,970)	 143,451	 879,421
Fund balance - beginning of year	<u>868,538</u>	<u>868,538</u>	<u>-</u>
Fund balance - end of year	<u>\$ 132,568</u>	<u>\$ 1,011,989</u>	<u>\$ 879,421</u>

TOOELE CITY CORPORATION
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2014

	Storm Water	Totals
Assets:		
Cash and cash equivalents	\$ 2,873,937	\$ 2,873,937
Receivables:		
Accounts - net of allowance	53,290	53,290
Total current assets	2,927,227	2,927,227
Noncurrent assets		
Land	280,067	280,067
Infrastructure - storm drainage	4,405,721	4,405,721
Accumulated depreciation	(330,152)	(330,152)
Total noncurrent assets	4,355,636	4,355,636
Total assets	7,282,863	7,282,863
Liabilities:		
Accounts payable	54,684	54,684
Total liabilities	54,684	54,684
Net position:		
Net investment in capital assets	4,400,472	4,400,472
Unrestricted	2,827,707	2,827,707
Total net position	7,228,179	7,228,179
Total liabilities and net position	\$ 7,282,863	\$ 7,282,863

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Storm Water	Totals
Operating revenues:		
Utility sales	\$ 455,325	\$ 455,325
Total operating revenues	455,325	455,325
Operating expenditures:		
Contracted services	25,000	25,000
Administration	37,223	37,223
Depreciation	111,590	111,590
Total operating expenses	173,813	173,813
Operating income	281,512	281,512
Non-operating revenues (expenses):		
Interest income	13,010	13,010
Total non-operating revenues (expenses)	13,010	13,010
Change in net position	294,522	294,522
Net position - beginning of year	6,933,657	6,933,657
Net position - end of year	\$ 7,228,179	\$ 7,228,179

TOOELE CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Storm Water	Totals
Cash flows provided by operating activities:		
Receipts from customers and users	\$ 456,808	\$ 456,808
Payments for operations and maintenance	14,676	14,676
Payment for interfund services provided	(25,000)	(25,000)
Net cash provided by operating activities	446,484	446,484
Cash flows used by capital and related financing activities:		
Purchase of capital assets	(66,753)	(66,753)
Net cash used by capital and related financing activities	(66,753)	(66,753)
Cash flows provided by investing activities:		
Interest earned	13,010	13,010
Net cash provided by investing activities	13,010	13,010
Net increase in cash and cash equivalents	392,741	392,741
Cash and cash equivalents - beginning of year	2,481,196	2,481,196
Cash and cash equivalents - end of year	\$ 2,873,937	\$ 2,873,937
 Cash flows provided by operating activities:		
Operating income	\$ 281,512	\$ 281,512
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	111,590	111,590
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	1,483	1,483
Increase (decrease) in liabilities:		
Accounts payable	51,899	51,899
Net cash provided by operating activities	\$ 446,484	\$ 446,484
 Represented on the balance sheet as:		
Cash - unrestricted	\$ 2,873,937	\$ 2,873,937
Cash - restricted	-	-
	\$ 2,873,937	\$ 2,873,937

TOOELE CITY CORPORATION
Combining Statement of Changes in Assets and Liabilities - Agency Fund
June 30, 2014

	<u>Balance at Beginning of the Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of of the Year</u>
<u>Agency Fund</u>				
Assets:				
Cash and cash equivalents	\$ 389,360	\$ 303,992	\$ (225,302)	\$ 468,050
Total assets	<u>\$ 389,360</u>	<u>\$ 303,992</u>	<u>\$ (225,302)</u>	<u>\$ 468,050</u>
Liabilities:				
Accounts payable	\$ 2,660	\$ 293,468	\$ (189,980)	\$ 106,148
Refunds payable and others	<u>386,700</u>	<u>319,264</u>	<u>(344,062)</u>	<u>361,902</u>
Total liabilities	<u>\$ 389,360</u>	<u>\$ 612,732</u>	<u>\$ (534,042)</u>	<u>\$ 468,050</u>



**Haynie &
Company**

Certified Public Accountants (a professional corporation)
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
Tooele City Corporation
Tooele, 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 Tooele City Corporation (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 December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

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.



Salt Lake City, Utah
December 23, 2014



**Haynie &
Company**

Certified Public Accountants (a professional corporation)
1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 Fax (801) 972-8941

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

Honorable Mayor and
Members of the City Council
Tooele City Corporation
Tooele, Utah

Report on Compliance

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

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

Budgetary Compliance	Transfers from Utility Enterprise Funds
Fund Balance	Conflicts of Interest
Utah Retirement System Compliance	Open and Public Meetings Act
B & C Road Funds	

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

B & C Road Funds	Tooele Applied Technology College Appropriation
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Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City or its major state 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 on compliance 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 Compliance Requirements

In our opinion, Tooele City Corporation 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS
OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL
COMPLIANCE AUDIT GUIDE (continued)

Other Matters

The results of our auditing procedures disclosed immaterial instances of noncompliance which are required to be reported to management and those charged with governance in accordance with the *State Compliance Audit Guide*. We have made this communication in a separate management letter.

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 of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated December 23, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.



Salt Lake City, Utah
December 23, 2014

TOOELE CITY CORPORATION
SCHEDULE OF STATE EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2014

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
STATE OF UTAH HB 377			
Tooele Applied Technology College Appropriation			\$ 1,466,404
Subtotal			<u>\$ 1,466,404</u>
UTAH DEPARTMENT OF TRANSPORTATION			
B&C Road Funds		2014	810,820
Subtotal			<u>\$ 810,820</u>
DEPARTMENT OF HERITAGE AND ARTS, UTAH			
STATE LIBRARY DIVISION			
State Library and USL Grant	USL 14-0093		\$ 8,355
State Library Contract CLEF Grant	USL 14-0050		39,000
Subtotal			<u>\$ 47,355</u>
UTAH STATE TAX COMMISSION			
Alcohol Control Funds			\$ 40,448
Subtotal			<u>\$ 40,448</u>
UTAH GOVERNOR'S OFFICE			
Commission on Criminal & Juvenile Justice Grant	14F15		\$ 66,562
Subtotal			<u>\$ 66,562</u>
TOTAL GRANT, CONTRACT AND LOAN FUND EXPENDITURES			<u><u>\$ 2,431,589</u></u>