



FINANCE DEPARTMENT
 5400 West Civic Center Dr. Suite 1 • Highland, UT 84003
 Phone 801-772-4520 ~ Fax 801-756-6903

January 21, 2015

Via electronic submission to www.emma.msrb.org
 Attn: Municipal Disclosure

Re: Continuing Disclosure Undertaking of the City of Highland, Utah County, Utah

To Whom It May Concern:

In accordance with the provisions of paragraph (b) (5) (i) (A) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City of Highland, Utah County, Utah (the "City" and sometimes referred to herein as the "Issuer"), hereby files with you the enclosed (i) General Purpose Financial Statements for the Fiscal Year Ended June 30, 2014 (the "2014 GPFS"); and (ii) the Supplemental Continuing Disclosure Memorandum of the City dated January 31, 2015 (the "SCDM"). This letter, the 2014 GPFS, and the SCDM constitute the annual financial information and operating data concerning the City to be filed in compliance with the Issuer's obligation under that certain agreement entered into in connection with the offering of the following securities described in the following Official Statements:

Securities	Official Statement
CUSIP: 430818 AJ3; AK0.....	\$6,000,000 Highland City, Utah County, Utah Sales and Franchise Tax Revenue Bonds Series 2006, dated August 15, 2006 dated August 15, 2006
CUSIP: 430818 BD5; BE3; BF0; BG8; BH6; BJ2; BK9; BL7; BM5;BN3; BP8; BQ6; BR4.....	\$7,315,000 Highland City, Utah County, Utah Sales and Franchise Tax Revenue Bonds Series 2007, dated June 19, 2007
CUSIP: 430047 BQ2; BR0; BS8; BT6; BU3; BV1; BW9; BX7	\$4,310,000 Highland City, Utah County, Utah General Obligation Refunding Bonds Series 2009, dated March 17, 2009

Other than the defeasance of the 2006 Bonds, no other event described in paragraph (b) (5) (i) (c) of the Rule has occurred that is required to be disclosed with respect to any of the above-described securities.

Sincerely,

City of Highland, Utah County, Utah

A handwritten signature in blue ink that reads "R. Gary LeCheminant". The signature is written in a cursive style with a blue ink color.

R. Gary LeCheminant, Finance Director

cc: Zions Bank Public Finance, Salt Lake City, Utah

Supplemental

Continuing Disclosure Memorandum

Summary of Debt Structure and Financial Information
SEC Rule 15c2-12

For

City of Highland, Utah

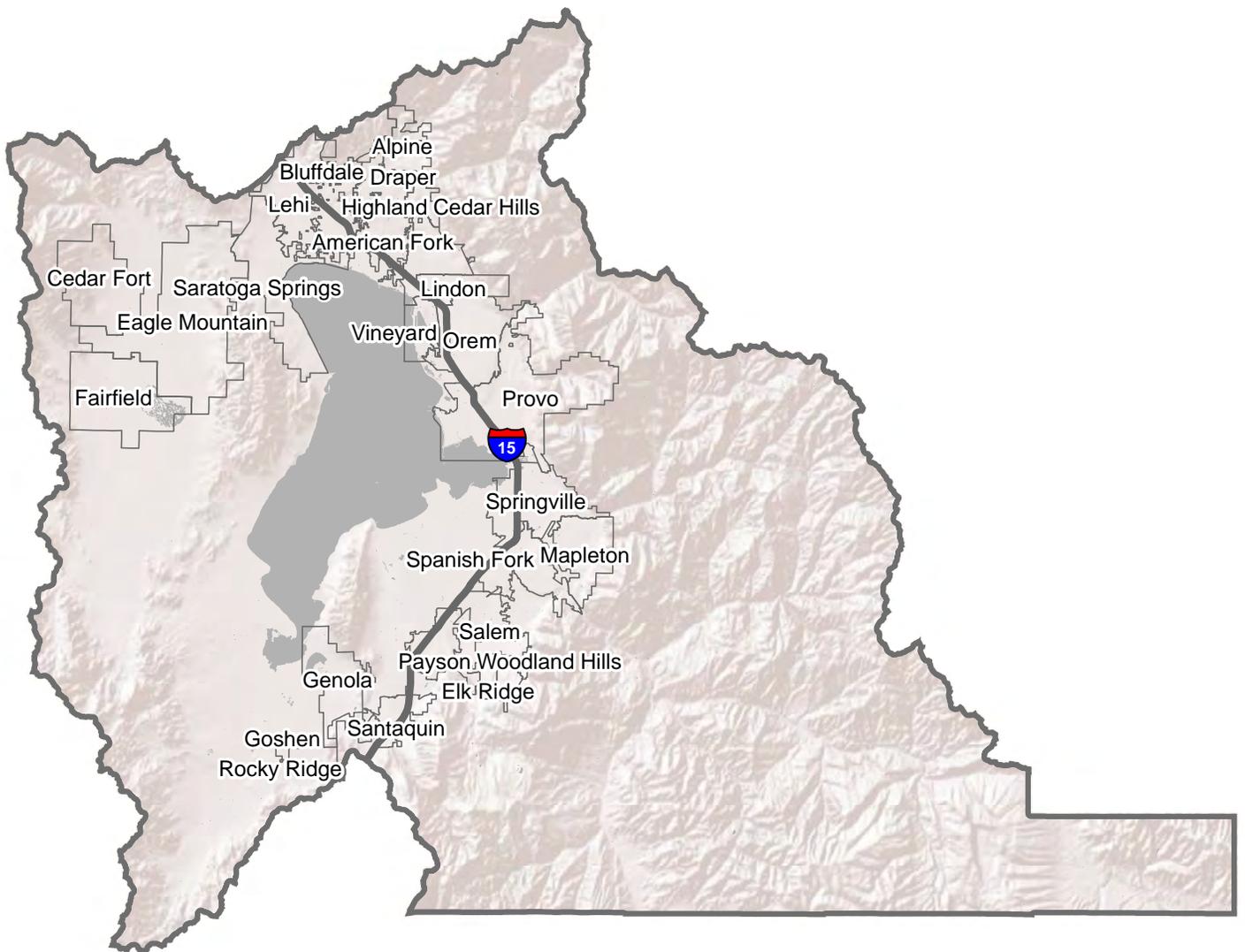
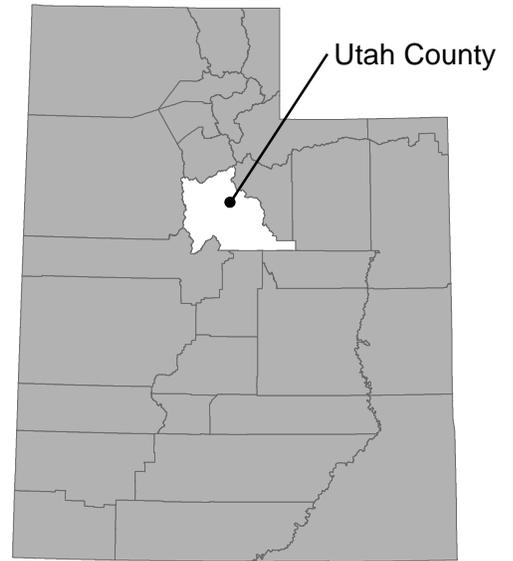
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Submitted and dated as of January 23, 2015
(Submission required by January 31, 2015)

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Counties in Utah



Cities in Utah County

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GENERAL

Contact Person for the City

As of the date of this Supplemental Continuing Disclosure Memorandum, the chief contact person for the City of Highland, Utah County, Utah (the “City”) is:

Gary LeCheminant, Finance Director
garyl@highlandcity.org

Highland City
5378 W 10400 N
Highland UT 84003
801.756.5751 | f 801.756.6903

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year beginning on July 1 and ending on June 30 of the year indicated

The Issues

The City is providing continuing disclosure on the following *three* issues:

1.

\$4,310,000
City of Highland, Utah
General Obligation Refunding Bonds, Series 2009

Bonds dated and issued on: March 17, 2009
CUSIP numbers on the bonds are provided below.

The 2009 Bonds, as defined herein, were awarded pursuant to competitive bidding to BMO Capital Markets GKST, Inc., Chicago, Illinois, at a “true interest rate” of 3.64%. Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

Background Information. The \$4,310,000 General Obligation Refunding Bonds, Series 2009, dated March 17, 2009 (the “2009 Bonds”), were issued as fully-registered bonds in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC is currently acting as securities depository for the 2009 Bonds.

Payment Dates. Principal of and interest on the 2009 Bonds (interest payable May 1 and November 1 of each year) are payable by Zions Bank, Corporate Trust Department, Salt Lake City, Utah (“Zions Bank”), as Paying Agent, to the registered owners thereof, currently DTC.

Optional Redemption. The 1998 Bonds maturing on or prior to May 1, 2018, are not subject to call and redemption prior to maturity. The 2009 Bonds maturing on and after May 1, 2019 are subject to redemption prior to maturity in whole or in part at the option of the City on November 1, 2018 or on any date thereafter, from such maturities or parts thereof as shall be selected by the City at the redemption price of 100% of the principal amount to be redeemed plus accrued interest (if any) thereon to the redemption date. 100% of the principal amount of the 2009 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, but without premium.

Current Maturity Schedule.

Current principal outstanding: \$2,880,000

Original issue amount: \$4,310,000

Dated: March 17, 2009

Due: May 1, as shown below

Due May 1	CUSIP 430047	Principal Amount	Original Interest Rate		Due May 1	CUSIP 430047	Principal Amount	Original Interest Rate
2015.....	BQ2	\$315,000	3.25%		2019.....	BU3	\$365,000	4.00 %
2016.....	BR0	325,000	3.75		2020.....	BV1	380,000	4.00
2017.....	BS8	340,000	4.00		2021.....	BW9	395,000	4.00
2018.....	BT6	350,000	4.00		2022.....	BX7	410,000	4.125

Bank Qualified Obligations. The City designated the 2009 Bonds as “qualified tax–exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, relating to the deductibility of certain financial institutions’ interest expense allocable to tax–exempt interest.

Security. The 2009 Bonds are general obligations of the City payable from the proceeds of ad valorem taxes to be levied annually without limitation as to rate or amount on all of the taxable property in the City, fully sufficient to pay the 2009 Bonds as to both principal and interest.

2.

\$6,000,000
City of Highland, Utah
Sales and Franchise Tax Revenue Bonds, Series 2006

Bonds dated: issued on: August 15, 2006
CUSIP numbers on the bonds are provided below.

The 2006 Bonds, as defined herein, were awarded pursuant to competitive bidding to PNC Capital Markets LLC, Philadelphia, Pennsylvania, at a “true interest rate” of 4.19%. Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

Background Information. The \$6,000,000 Sales and Franchise Tax Revenue Bonds, Series 2006, dated August 15, 2006 (the “2006 Bonds”), were issued as fully–registered bonds in book–entry only form, registered in the name of Cede & Co., as nominee for DTC. DTC is currently acting as securities depository for the 2006 Bonds.

Payment Dates. Principal of and interest on the 2006 Bonds (interest payable March 1 and September 1 of each year) are payable by Zions Bank, as Paying Agent, to the registered owners thereof, currently DTC.

Optional Redemption. The 2006 Bonds maturing on or before September 1, 2016, are not subject to optional redemption prior to maturity. The 2006 Bonds maturing on or after September 1, 2017, are subject to redemption at the option of the City on September 1, 2016, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City at a redemption price equal to 100% of the principal amount of the 2006 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The 2006 Bonds maturing on September 1, 2022 and September 1, 2025 are subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the

principal amount thereof, plus accrued interest thereon to the date of redemption, but without premium, on the dates and in the principal amounts as follows:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
September 1, 2021	\$355,000
September 1, 2022 (final maturity).....	<u>375,000</u>
Total.....	<u>\$730,000</u>
September 1, 2024	\$410,000
September 1, 2025 (final maturity).....	<u>435,000</u>
Total.....	<u>\$845,000</u>

Current Maturity Schedule.

Current principal outstanding: \$550,000

Original issue amount: \$6,000,000

Dated: August 15, 2006

Due: September 1, as shown below

\$550,000 Serial Bonds

Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate		Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate
2015.....	AJ3	\$270,000	4.25%		2020.....	AP9	\$335,000	4.15%
2016.....	AK0	280,000	4.25		2023.....	AS3	380,000	4.30
2017.....	AL8	295,000	4.00		2026.....	AV6	435,000	4.35
2018.....	AM6	305,000	4.05					
2019.....	AN4	320,000	4.10					

~~**\$730,000 4.30% Term Bond due September 1, 2022 (CUSIP 430818 AR5)**~~

~~**\$845,000 4.35% Term Bond due September 1, 2025 (CUSIP 430818 AU8)**~~

(~~Strikethrough~~) Principal and interest were refunded by the \$3,970,000 Sales and Franchise Tax Revenue Refunding Bonds, Series 2015 (the “2015 Bonds”). The 2015 Bonds were privately placed.

Bank Qualified Obligations. The City designated the 2006 Bonds as “qualified tax-exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, relating to the deductibility of certain financial institutions’ interest expense allocable to tax-exempt interest.

Security. The 2006 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the revenues, moneys, securities and funds pledged therefor in the Indenture. The revenues consist of the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal and interest on the 2006 Bonds and the City is limited by Utah law in its ability to increase the rate of such taxes. The 2006 Bonds do not constitute a general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant any security interest in all or any portion of the improvements financed or refinanced with the proceeds of the 2006 Bonds to secure payment of the 2006 Bonds.

Credit Enhancement. Payment of the principal of and interest on the 2006 Bonds when due are insured by a municipal bond insurance policy issued by Ambac Assurance.

3.

\$7,315,000
City of Highland, Utah
Sales and Franchise Tax Revenue Bonds, Series 2007

Bonds dated and issued on: June 19, 2007
CUSIP numbers on the bonds are provided below.

The 2007 Bonds, as defined herein, were awarded pursuant to competitive bidding to Stifel Nicolaus and Company, Inc., Minneapolis, Minnesota, at a “true interest rate” of 4.19%. Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

Background Information. The \$7,315,000 Sales and Franchise Tax Revenue Bonds, Series 2007, dated June 19, 2007 (the “2007 Bonds”), were issued as fully-registered bonds in book-entry only form, registered in the name of Cede & Co., as nominee for DTC. DTC is currently acting as securities depository for the 2007 Bonds.

Payment Dates. Principal of and interest on the 2007 Bonds (interest payable March 1 and September 1 of each year) are payable by Zions Bank, to the registered owners thereof, currently DTC.

Optional Redemption. The 2007 Bonds maturing on or before September 1, 2017, are not subject to optional redemption prior to maturity. The 2007 Bonds maturing on or after September 1, 2018, are subject to redemption at the option of the City on September 1, 2017, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City at a redemption price equal to 100% of the principal amount of the 2007 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Current Maturity Schedule.

Current principal outstanding: \$5,550,000

Original issue amount: \$7,315,000

Dated: June 19, 2007

Due: September 1, as shown below

Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate		Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate
2015.....	BD5	\$300,000	4.50%		2022.....	BL7	\$395,000	4.125%
2016.....	BE3	320,000	4.50		2023.....	BM5	425,000	4.15
2017.....	BF0	330,000	5.25		2024.....	BN3	430,000	4.15
2018.....	BG8	350,000	4.00		2025.....	BP8	445,000	4.20
2019.....	BH6	360,000	4.00		2026.....	BQ6	480,000	4.20
2020.....	BJ2	375,000	4.05		2027.....	BR4	955,000	4.25
2021.....	BK9	385,000	4.05					

Bank Qualified Obligations. The City designated the 2007 Bonds as “qualified tax-exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, relating to the deductibility of certain financial institutions’ interest expense allocable to tax-exempt interest.

Security. The 2007 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the revenues, moneys, securities and funds pledged therefor in the Indenture. The revenues consist of the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal and interest on the 2007 Bonds and the City is limited by Utah law in its ability to increase the rate of such taxes. The 2007 Bonds do not constitute a general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant any security interest in all or any portion of the improvements financed or re-financed with the proceeds of the 2007 Bonds to secure payment of the 2007 Bonds.

Credit Enhancement. Payment of the principal of and interest on the 2007 Bonds when due are insured by a municipal bond insurance policy issued by CIFG Assurance.

DEBT STRUCTURE OF THE CITY OF HIGHLAND, UTAH

Outstanding Municipal Debt

Outstanding General Obligation Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2009 (1).....	Refunding	\$4,310,000	May 1, 2022	\$2,880,000
	<i>Less: revenue supported general obligation debt (2)</i>			<i>(2,880,000)</i>
	Total outstanding direct general obligation debt (supported by ad valorem taxes)			<u>\$ 0</u>

(1) Rated "AA" by S&P, as of the date of this Supplemental Continuing Disclosure Memorandum.

(2) Although the 2009 Bonds (the "GO Bonds") are general obligation bonds of the City, for which ad valorem taxes may be levied, the City expects to pay the GO Bonds from other legally available revenues of the City. The GO Bonds are anticipated to be retired by water revenues, or other legally available moneys of the City.

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Outstanding Sales and Franchise Tax Revenue Bonded Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2015 (1).....	Refunding	\$3,970,000	September 1, 2026	\$ 3,970,000
2007 (2).....	Recreation/land	7,315,000	September 1, 2027	5,550,000
2006 (3) (4).....	Police/Fire Buildings	6,000,000	September 1, 2016 (5)	<u>550,000</u>
Total				<u>\$10,070,000</u>

- (1) Not rated; no rating applied for. These bonds were privately placed.
- (2) Rated "AA-" by S&P, as of the date of SUPPLEMENTAL CONTINUING DISCLOSURE MEMORANDUM. These bonds are insured by CIFG.
- (3) Rated "AA-" by S&P, as of the date of this SUPPLEMENTAL CONTINUING DISCLOSURE MEMORANDUM. These bonds are insured by Ambac Assurance.
- (4) Portions of this bond were refunded by the 2014 Bonds.
- (5) Final maturity date after portions of these bonds were refunded by the 2014 Bonds.

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**Debt Service Schedule of Outstanding General Obligation
Bonds By Fiscal Year**

Fiscal Year Ending June 30	\$4,310,000 Series 2009		Total Debt Service
	Principal	Interest	
2014.....	\$ 305,000	\$ 122,069	427,069
2015.....	315,000	112,538	427,538
2016.....	325,000	102,300	427,300
2017.....	340,000	90,113	430,113
2018.....	350,000	76,513	426,513
2019.....	365,000	62,513	427,513
2020.....	380,000	47,913	427,913
2021.....	395,000	32,713	427,713
2022.....	410,000	16,913	426,913
Totals.....	<u>\$3,185,000</u>	<u>\$ 663,581</u>	<u>\$ 3,848,581</u>

Debt Service Schedule of Outstanding Sales and Franchise Tax Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	\$3,970,000 Series 2015		\$7,315,000 Series 2007		\$6,000,000 Series 2006		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
	2014.....	\$ 0	\$ 0	\$ 275,000	\$ 254,631	\$ 250,000	\$ 194,323	\$ 525,000	\$ 448,954	$ 973,954
2015.....	0	10,452	285,000	242,031	260,000	106,193	545,000	358,676	903,676
2016.....	0	91,777	300,000	228,869	270,000	17,638	570,000	338,283	908,283
2017.....	45,000	91,552	320,000	214,919	280,000	5,950	645,000	312,421	957,421
2018.....	354,000	89,203	330,000	199,056	0	0 (1)	684,000	288,259	972,259
2019.....	356,000	84,765	350,000	183,394	0	0 (1)	706,000	268,159	974,159
2020.....	364,000	79,721	360,000	169,194	0	0 (1)	724,000	248,915	972,915
2021.....	371,000	73,559	375,000	154,400	0	0 (1)	746,000	227,959	973,959
2022.....	384,000	66,000	385,000	139,010	0	0 (1)	769,000	205,010	974,010
2023.....	398,000	56,897	395,000	123,067	0	0 (1)	793,000	179,963	972,963
2024.....	397,000	46,463	425,000	106,101	0	0 (1)	822,000	152,564	974,564
2025.....	422,000	34,674	430,000	88,360	0	0 (1)	852,000	123,034	975,034
2026.....	442,000	21,383	445,000	70,093	0	0 (1)	887,000	91,475	978,475
2027.....	437,000	7,211	480,000	50,668	0	0 (1)	917,000	57,878	974,878
2028.....	—	—	955,000	20,294	—	—	955,000	20,294	975,294
Totals.....	<u>\$3,970,000</u>	<u>\$ 753,655</u>	<u>\$6,110,000</u>	<u>\$2,244,086</u>	<u>\$1,060,000</u>	<u>\$ 324,103</u>	<u>\$11,140,000</u>	<u>\$3,321,844</u>	<u>\$ 14,461,844</u>

(1) Principal and interest were refunded by the 2015 Bonds.

Other Financial Considerations

The City has issued two notes payable. See “THE CITY’S BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR 2014–Notes To The Financial Statements–Note 1. Long–Term Debt. Notes Payable.”

Overlapping And Underlying General Obligation Debt

<u>Taxing Entity</u>	<u>2014 Taxable Value (1)</u>	<u>City’s Portion of Tax– able Value</u>	<u>City’s Per– centage</u>	<u>Entity’s General Obligation Debt</u>	<u>City’s Portion of G.O. Debt</u>
Overlapping:					
State of Utah	\$210,954,472,304	\$1,060,640,487	0.5%	\$2,833,715,000	\$15,683,775
CUWCD (2)	124,020,860,379	1,060,640,487	0.8	250,170,000	2,079,760
Alpine School Dist. ...	16,245,007,528	1,060,640,487	6.5	460,085,000	<u>29,905,525</u>
Total overlapping					<u>47,669,060</u>
Underlying:					
Total underlying					<u>0</u>
Total overlapping and underlying general obligation debt					<u>\$47,669,060</u>
Total overlapping general obligation debt (excluding the State) (3)					\$31,985,285
Total direct general obligation bonded indebtedness (4)					<u>0</u>
Total direct and overlapping general obligation debt (excluding the State) (3)					<u>\$31,985,285</u>

-
- (1) Taxable values are preliminary and subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property.
 - (2) Central Utah Water Conservancy District (“CUWCD”) outstanding general obligation bonds are limited ad valorem tax bonds. By law CUWCD may levy a tax rate of up to .000400 to pay for operation and maintenance expenses and any outstanding limited ad valorem tax bonds.
 - (3) The State’s general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.
 - (4) Does not include general obligation debt of the City expected to be paid from other revenue sources.

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Debt Ratios

The following table sets forth the ratios of general obligation debt that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the City, the estimated market value of such property and the population of the City. *The City expects to repay all its current outstanding general obligation debt from revenues of the City other than property taxes specifically levied for such debt.* The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.

	To 2014 Estimated Taxable Value (1)	To 2014 Estimated Market Value (2)	To 2013 Population Estimate Per Capita (3)
Direct General Obligation Debt (4)	0.00%	0.00%	\$ 0
Direct and Overlapping General Obligation Debt	3.02	1.71	1,880

- (1) Based on an estimated 2014 Taxable Value of \$1,060,640,487, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2014 Market Value of \$1,871,867,760, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on City population of 17,011 by the 2013 U.S. Census Bureau.
- (4) Based on outstanding direct general obligation debt of \$0 (excluding general obligation debt expected to be paid from other revenue sources).

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

The general obligation indebtedness of the City is limited by State law to 12% of taxable property in the City (4% for general purposes and an additional 8% for sewer, water and electric purposes) as computed from the last equalized assessment rolls for State or County purposes prior to incurring the debt. The legal debt limit and additional debt incurring capacity of the City are based on the estimated fair market value for 2014 and the calculated valuation value from 2013 uniform fees, and are calculated as follows:

Estimated 2014 "Fair Market Value"			\$1,871,867,760
2013 Valuation from Uniform Fees (1)			<u>11,255,349</u>
Estimated 2014 "Fair Market Value for Debt Incurring Capacity"			<u>\$1,883,123,109</u>
	8% Sewer, Water and Electric	4% Other Purposes	12% Total
"Fair Market Value" x .08	\$150,649,849	\$ 0	\$150,649,849
"Fair Market Value" x .04	<u>0</u>	<u>75,324,924</u>	<u>75,324,924</u>
Total debt incurring capacity.....	150,649,849	75,324,924	225,974,733
Less: current outstanding general obligation debt	<u>(2,880,000)</u>	<u>(0)</u>	<u>(2,880,000)</u>
Additional debt incurring capacity.....	<u>\$147,769,849</u>	<u>\$75,324,924</u>	<u>\$223,094,773</u>

- (1) For debt incurring capacity only, in computing the fair market value of taxable property in the City, the value of all motor vehicles and state-assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) will be included as a part of the fair market value of the taxable property in the City.

No Defaulted Obligations

The City has never failed to pay principal of and interest on its financial obligations when due.

INFORMATION SPECIFIC TO THE SALES AND FRANCHISE TAX REVENUE BONDS

Pledged Taxes

The Pledged Taxes for the past 10 Fiscal year is as follows.

Fiscal Year Ended June 30	Historical Collections of Pledged Taxes			% Increase (Decrease) from Prior Year
	Local Sales and Use Tax	Energy Sales and Use Tax	Total Pledged Taxes	
2014	\$1,815,443	\$916,995	\$2,732,438	11.1%
2013	1,691,756	766,912	2,458,679	6.0
2012	1,597,153	721,900	2,319,053	4.1
2011	1,503,543	724,674	2,228,217	4.3
2010	1,463,203	673,200	2,136,403	(0.5)
2009	1,486,793	660,794	2,147,587	(8.9)
2008	1,643,181	714,333	2,357,514	12.2
2007	1,576,737	524,507	2,101,244	16.3
2006	1,262,101	545,323	1,807,424	32.0
2005	925,329	443,773	1,369,101	1.7

(Source: The City.)

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HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

The following table shows the debt service requirement for the sales tax revenue bonds, the historical Pledged Sales and Use Taxes and the historical debt service coverage for the relevant Fiscal Year with respect to such bonds (based on the assumptions contained therein).

Fiscal Year Ending June 30	Total Debt Service on Sales Tax Revenue Bonds	Pledged Sales and Use Taxes (1)	Debt Service Coverage (2)
Historical:			
2005.....	\$ 0	\$ 1,369,101	– X
2006.....	0	1,807,424	–
2007.....	138,655	2,101,244	15.2
2008.....	666,059	2,357,514	3.5
2009.....	977,116	2,147,587	2.2
2010.....	973,166	2,136,403	2.2
2011.....	973,454	2,228,217	2.3
2012.....	972,866	2,319,053	2.4
2013.....	971,404	2,458,679	2.5
2014.....	973,954	2,732,438	2.8
2015.....	903,676		
2016.....	908,284		
2017.....	957,421		
2018.....	972,261		
2019.....	974,159		
2020.....	972,915		
2021.....	973,959		
2022.....	974,010		
2023.....	972,964		
2024.....	974,564		
2025.....	975,034		
2026.....	978,476		
2027.....	974,879		
2028.....	975,294		
Totals.....	\$ 20,134,569		

(1) There is no assurance that Pledged Sales and Use Taxes in each year will equal or exceed such amount.

(2) Multiple of which Pledged Sales and Use Taxes exceed Total Debt Service.

FINANCIAL INFORMATION REGARDING THE CITY OF HIGHLAND, UTAH

Sources Of General Fund Revenues

Set forth below are brief descriptions of the various sources of revenues available to the City's general fund. The percentage of total general fund revenues represented by each source is based on the City's audited June 30, 2014 fiscal year period.

Taxes—Approximately 62% of general fund revenues are from taxes.

Charges for Services—Approximately 20% of general fund revenues are collected from fines and forfeitures.

Intergovernmental Revenue—Approximately 7% of general fund revenues are from state sources.

Licenses and Permits—Approximately 7% of general fund revenues are from licenses and permits.

Fines and Forfeitures—Approximately 4% of general fund revenues are collected from fines and forfeitures.

Miscellaneous Revenue—Less than 1% of general fund revenues are from miscellaneous revenues.

Interest—Less than 1% of general fund revenues are from interest income.

Five-Year Financial Summary

The summaries contained herein were extracted from the City's basic financial statements for fiscal years 2014 through 2010. The summaries itself have not been audited.

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Highland City

Statement of Net Position

(This summary has not been audited)

	June 30				
	2014	2013	2012	2011	2010
Assets					
Current assets:					
Cash and cash equivalents.....	\$ 4,572,121	\$ 3,246,312	\$ 2,433,403	\$ 1,811,445	\$ 1,147,607
Receivables:					
Accounts.....	104,888	1,575,580	1,536,410	1,657,619	-
Taxes.....	1,979,330	2,097,187	2,079,518	2,013,453	-
Due from other governments.....	29,481	-	-	-	-
Prepaid expenses.....	5,000	-	-	91,270	-
Restricted Amounts:					
Cash and cash equivalents.....	1,446,744	1,093,056	1,450,651	338,545	168,601
Receivables - B&C roads.....	99,680	-	-	-	-
Accounts receivable, net of allowance for uncollectibles.....	-	-	-	-	4,971,625
Deferred charges.....	-	-	304,494	327,461	-
Land held for resale.....	473,000	473,000	473,000	506,716	-
Capital assets:					
Non depreciable.....	64,411,076	64,755,509	63,732,096	64,660,839	62,481,811
Depreciable assets (net of depreciation).....	57,686,439	61,186,284	65,927,136	69,689,586	74,844,583
Total assets.....	<u>130,807,759</u>	<u>134,426,928</u>	<u>137,936,708</u>	<u>141,096,934</u>	<u>143,614,227</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expense.....	469,452	613,267	422,366	410,510	1,217,680
Accrued liabilities.....	89,843	50,966	46,064	104,714	-
Accrued interest payable.....	193,100	210,523	336,096	601,250	-
Developer and customer deposits.....	204,653	169,244	155,455	87,531	-
Unearned revenue.....	12,435	1,533,769	3,066,358	3,137,005	3,821,022
Noncurrent liabilities:					
Due within one year.....	1,080,272	1,008,115	983,459	965,123	933,694
Due in more than one year.....	15,065,312	15,411,896	16,410,144	17,304,555	15,843,122
Total liabilities.....	<u>17,115,067</u>	<u>18,997,780</u>	<u>21,419,942</u>	<u>22,610,688</u>	<u>21,815,518</u>
Deferred Inflows of Resources:					
Unearned property tax revenue.....	1,603,170	1,576,870	-	-	-
Total deferred inflows of resources.....	<u>1,603,170</u>	<u>1,576,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources.....	<u>18,718,237</u>	<u>20,574,650</u>	<u>21,419,942</u>	<u>22,610,688</u>	<u>21,815,518</u>
Net Position:					
Invested in capital assets, net of related debt.....	106,294,238	109,622,133	112,359,627	116,155,129	120,888,829
Restricted for:					
Future development.....	99,680	-	88,098	203,007	-
Impact fees.....	847,774	792,236	530,137	338,545	-
Community improvements.....	-	-	-	-	212,177
American Fork Canyon Debris Basin.....	20,270	20,217	20,085	-	-
Debt service.....	114,601	111,464	566,982	-	-
Unrestricted.....	4,712,959	3,306,228	2,951,837	1,789,565	697,703
Total net position.....	<u>112,089,522</u>	<u>113,852,278</u>	<u>116,516,766</u>	<u>118,486,246</u>	<u>121,798,709</u>
Total liabilities, deferred inflows of resources and net position.....	<u>\$ 130,807,759</u>	<u>\$ 134,426,928</u>	<u>\$ 137,936,708</u>	<u>\$ 141,096,934</u>	<u>\$ 143,614,227</u>

(Source: Information taken from the City's audited basic financial statements. This summary itself has not been audited.)

Highland City

Statement of Activities (1)

Total Primary Government

(This summary has not been audited)

	Net (Expense) Revenue and Changes in Net Assets				
	Fiscal Year Ended June 30				
	2014	2013	2012	2011	2010
Governmental activities:					
General government.....	\$ (408,205)	\$ (431,526)	\$ (460,386)	\$ (603,424)	\$ (1,818,851)
Public safety.....	(2,708,227)	(2,673,952)	(2,622,247)	(2,276,665)	(1,589,603)
Streets and public works.....	(3,072,162)	(3,204,713)	(3,165,582)	(2,533,068)	(3,206,103)
Parks and recreation.....	(1,206,344)	(365,892)	66,947	(583,282)	144,029
Cemetery.....	30,828	(30,665)	(49,694)	(70,862)	1,974
Garbage.....	78,622	90,497	92,279	78,315	59,798
Interest on long-term debt.....	(434,471)	(464,892)	(502,013)	(652,730)	(552,909)
Total governmental activities.....	<u>(7,719,959)</u>	<u>(7,081,143)</u>	<u>(6,640,696)</u>	<u>(6,641,716)</u>	<u>(6,961,665)</u>
Business-type activities:					
Water.....	507,036	(29,202)	(10,079)	70,910	(198,038)
Sewer.....	129,360	116,433	143,052	(83,632)	(217,247)
Pressurized irrigation.....	150,123	(10,483)	(61,508)	(308,359)	(78,769)
Storm sewer.....	234,468	14,671	50,157	(116,015)	(106,388)
Total business-type activities.....	<u>1,020,987</u>	<u>91,419</u>	<u>121,622</u>	<u>(437,096)</u>	<u>(600,442)</u>
Total primary government.....	<u>(6,698,972)</u>	<u>(6,989,724)</u>	<u>(6,519,074)</u>	<u>(7,078,812)</u>	<u>(7,562,107)</u>
General revenues:					
Property taxes.....	1,770,203	1,745,146	1,795,041	1,686,835	1,760,012
Vehicle taxes.....	189,293	164,604	160,762	165,262	175,778
Sales taxes.....	1,793,581	1,691,767	1,597,153	1,503,543	1,463,203
Franchise taxes.....	1,116,326	969,171	926,239	931,548	887,486
Unrestricted investment earnings.....	21,212	24,741	22,442	11,394	17,644
Miscellaneous.....	11,924	22,569	47,957	208,305	109,132
Gain on disposal of assets.....	33,677	11,732	-	-	-
Total general revenues.....	<u>4,936,216</u>	<u>4,629,730</u>	<u>4,549,594</u>	<u>4,506,887</u>	<u>4,413,255</u>
Change in net assets.....	<u>(1,762,756)</u>	<u>(2,359,994)</u>	<u>(1,969,480)</u>	<u>(2,571,925)</u>	<u>(3,148,852)</u>
Change in accounting method.....	-	-	-	-	-
Net position—beginning, restated.....	113,852,278	116,212,272	118,486,246	121,798,709	126,701,954
Prior period adjustments.....	-	-	-	(740,538)	(1,754,393)
Net position—ending.....	<u>\$112,089,522</u>	<u>\$ 113,852,278</u>	<u>\$ 116,516,766</u>	<u>\$ 118,486,246</u>	<u>\$ 121,798,709</u>

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete. For a detailed itemized report see “HIGHLAND CITY, UTAH’S BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR 2014.”

(Source: Information taken from the City’s audited basic financial statements. This summary itself has not been audited.)

Highland City

Balance Sheet—Governmental Fund Types

General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2014	2013	2012	2011	2010
Assets					
Cash and cash equivalents.....	\$ 486,243	\$ 482,533	\$ 90,900	\$ 90,298	\$ -
Receivables:					
Accounts receivable.....	10,126	7,248	7,926	23,086	66,754
Taxes receivable.....	1,979,330	2,097,187	2,079,518	2,013,453	2,033,247
Due from other funds.....	686,750	624,322	712,583	957,866	1,064,598
Due from other governments.....	29,481	-	-	-	-
Prepaid expenses - Highland fling.....	5,000	-	-	-	-
Restricted accounts:					
Restricted cash and cash equivalents.....	204,653	169,244	155,455	-	-
Receivable B&C roads.....	99,680	-	-	-	-
Total assets.....	<u>\$3,501,263</u>	<u>\$3,380,534</u>	<u>\$3,046,382</u>	<u>\$3,084,703</u>	<u>\$3,164,599</u>
Liabilities and fund equity					
Liabilities:					
Accounts payable.....	\$ 225,734	\$ 316,672	\$ 199,634	\$ 228,013	\$ 365,342
Development bonds held.....	204,653	169,244	155,455	87,531	224,946
Unearned revenue.....	12,435	-	1,532,589	1,489,148	1,661,271
Accrued liabilities.....	65,864	37,468	32,622	104,714	-
Compensated absences.....	-	-	-	-	93,475
Total liabilities.....	<u>508,686</u>	<u>523,384</u>	<u>1,920,300</u>	<u>1,909,406</u>	<u>2,345,034</u>
Deferred Inflows of Resources:					
Unearned property tax revenue.....	1,498,613	1,576,870	-	-	-
Total deferred inflows of resources.....	<u>1,498,613</u>	<u>1,576,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Class B& C Roads.....	99,680	-	88,098	203,007	84,414
Assigned to:					
Equipment replacement.....	-	-	15,044	9,020	-
Library.....	-	-	29,075	13,465	-
Unassigned.....	1,394,284	1,280,280	993,865	949,805	735,151
Total fund balances.....	<u>1,493,964</u>	<u>1,280,280</u>	<u>1,126,082</u>	<u>1,175,297</u>	<u>819,565</u>
Total liabilities, deferred inflows of resources, and fund balance.....	<u>\$3,501,263</u>	<u>\$3,380,534</u>	<u>\$3,046,382</u>	<u>\$3,084,703</u>	<u>\$3,164,599</u>

(Source: Information taken from the City's audited basic financial statements. This summary itself has not been audited.)

Highland City

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Fund Types—General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2014	2013	2012	2011	2010
Revenues:					
Taxes.....	\$ 4,869,403	\$4,570,688	\$ 4,479,195	\$4,287,188	\$4,286,479
Licenses and permits.....	552,019	501,575	413,120	336,152	208,053
Intergovernmental.....	550,819	572,238	552,578	573,697	545,877
Charges for services.....	1,572,568	1,428,419	1,114,901	1,373,782	1,427,160
Fines and forfeitures.....	280,404	287,279	265,582	257,710	271,578
Interest.....	207	1,495	2,374	2,452	4,137
Miscellaneous.....	33,677	22,569	17,957	21,499	50,444
Total revenues.....	7,859,097	7,384,263	6,845,707	6,852,480	6,793,728
Expenditures:					
General government.....	1,390,768	1,332,183	1,062,636	1,272,033	1,516,794
Public safety.....	2,894,472	2,829,980	2,736,889	2,382,419	2,161,381
Streets and public works.....	737,624	630,131	598,168	536,223	573,255
Parks and recreation.....	760,197	613,326	575,848	653,048	786,271
Cemetery.....	79,670	66,497	57,366	97,145	91,815
Garbage.....	609,882	562,627	539,253	524,130	526,332
Debt service:					
Principal.....	-	-	74,432	70,219	66,245
Interest and finance charges.....	-	-	4,466	8,679	12,653
Capital outlay.....	-	8,647	-	-	15,676
Total expenditures.....	6,472,613	6,043,391	5,649,058	5,543,896	5,750,422
Excess of revenues over (under) expenditures.....	1,386,484	1,340,872	1,196,649	1,308,584	1,043,306
Other financing sources (uses):					
Sale of land.....	-	-	-	-	-
Sale of capital assets.....	5,100	10,645	-	-	-
Operating transfers in.....	57,000	-	-	70,000	-
Operating transfers out.....	(1,235,000)	(1,197,319)	(1,245,864)	(1,204,650)	(979,757)
Total other financing sources (uses).....	(1,172,900)	(1,186,674)	(1,245,864)	(1,134,650)	(979,757)
Excess of revenues and other financing sources over expenditures and other financing (uses).....	213,584	154,198	(49,215)	173,934	63,549
Fund balance at beginning of year.....	1,280,280	1,126,082	1,175,297	819,565	756,016
Prior period adjustments.....	-	-	-	181,798	-
Fund balance at end of year.....	\$ 1,493,864	\$1,280,280	\$1,126,082	\$1,175,297	\$ 819,565

(Source: Information taken from the City's audited basic financial statements. This summary itself has not been audited.)

Historical City Tax Rates

The maximum rate of levy applicable to the City for general fund operations authorized by State law is .007000 per dollar of taxable value of taxable property within the City.

	Maximum Limit	Tax Rate				
		2014	2013	2012	2011	2010
General Fund .....	.007000	.001460	.001638	.001742	.001743	.001686
Library .....		.000221	.000248	.000263	.000261	.000262
Total levy .....		.001681	.001886	.002005	.002004	.001948

Comparative Total Property Tax Rates Within Utah County

Tax Levying Entity	Total Tax Rate Within Taxing Area (1)				
	2014	2013	2012	2011	2010
Alpine School District:					
Alpine City .....	.011303	.012205	.012552	.012488	.011187
American Fork City .....	.012232	.013182	.013448	.013412	.012591
Bluffdale (2).....	.011856	.012323	—	—	—
Cedar Fort Town .....	.010830	.011683	.011875	.011834	.011246
Cedar Hills City .....	.012102	.013305	.013819	.013771	.012955
Draper City (2).....	.015178	.016499	.017268	.017240	.015810
Eagle Mountain City .....	.013896	.014951	.012882	.013867	.012556
Fairfield Town .....	.010468	.012038	.012272	.012398	.011856
Highland City.....	.011744	.012714	.012641	.012622	.011909
Lehi City .....	.011875	.012876	.013234	.013150	.012582
Lindon City .....	.011554	.012475	.012743	.012698	.011834
City of Orem .....	.011419	.012314	.012568	.012508	.011710
Pleasant Grove City .....	.011689	.012669	.012951	.012874	.012046
City of Provo (3).....	.012442	.013360	.013639	.013433	.012329
Saratoga Springs City.....	.011925	.013193	.013690	.013738	.012705
Vineyard Town .....	.012508	.013172	.013394	.012867	.011776
Unincorporated Areas (4).....	.012429	.013230	.014160	.014263	.013502
Provo City School District:					
City of Provo.....	.010982	.011774	.012130	.011774	.010815
City of Orem (3).....	.009959	.010709	.011059	—	—
Nebo School District:					
Elk Ridge City.....	.013114	.013757	.014109	.013769	.013382
Genola Town.....	.011726	.012276	.012418	.012105	.011558
Goshen Town.....	.011639	.012153	.012330	.012129	.011868
Mapleton City .....	.013806	.014697	.015033	.014718	.014304
Payson City .....	.012022	.012584	.012774	.012471	.012160
City of Provo (3).....	.013529	.014187	.014426	.013991	.013282
Salem City.....	.012814	.013421	.013668	.013318	.013809
Santaquin City.....	.012930	.013211	.013211	.012978	.013139
Spanish Fork City .....	.012316	.012901	.013057	.012735	.012565
Springville City .....	.013247	.013839	.014026	.013652	.013536
Woodland Hills City .....	.016016	.017503	.016913	.016617	.016101
Unincorporated Areas (4).....	.016374	.016349	.016867	.016944	.017315

- (1) These tax rates represent a taxing district within the city or town with the highest combined total tax rates of all overlapping taxing districts.
- (2) A portion of the city is also located in Salt Lake County.
- (3) A small portion of the city lies within the indicated school district.
- (4) These tax rates represent a taxing district within the unincorporated municipalities within the County with the highest combined total tax rates of all overlapping taxing districts.

(Source: Reports from the Utah State Tax Commission.)

Taxable, Fair Market And Market Values Of Property

<u>Year</u>	<u>Taxable Value (1)</u>	<u>% Change Over Prior Year</u>	<u>Fair Market/Market Value (2)</u>	<u>% Change Over Prior Year</u>
2014 (3).....	\$1,060,640,487	14.2%	\$1,871,867,760	14.6%
2013	928,933,025	8.4	1,554,657,530	8.7
2012	856,597,974	1.3	1,429,713,357	0.8
2011	846,033,259	(1.2)	1,407,682,350	(1.1)
2010	856,214,846	(11.2)	1,423,967,938	(10.2)

- (1) Taxable values were calculated by reducing the fair market/market value of primary residential property by 45%, representing a partial property tax exemption for such property.
- (2) Does not include valuation from Uniform Fees.
- (3) Preliminary; subject to change. Utah State Tax Commission.

(Source: Property Tax Division, Utah State Tax Commission (as to Taxable Value only).)

See “Historical Summaries Of Taxable Value Of Property” below.

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Historical Summaries Of Taxable Values Of Property

	2014		2013	2012	2011	2010
	Taxable Value (1)	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
<i>Set by State Tax Commission (Centrally Assessed)</i>						
Total centrally assessed.....	\$ 22,572,339	2.1 %	\$ 23,293,955	\$ 25,697,895	\$ 22,882,469	\$ 23,564,819
<i>Set by County Assessor (Locally Assessed)</i>						
Real property:						
Primary residential.....	881,500,000	83.1	764,774,395	700,474,357	699,699,092	693,920,446
Other residential.....	1,750,000	0.2	1,617,100	1,434,300	52,402,653	66,510,323
Commercial and industrial.....	57,865,596	5.5	47,041,000	43,327,000	52,639,096	56,983,858
FAA (greenbelt).....	210,000	0.0	209,844	211,245	204,999	201,700
Unimproved non FAA (vacant)...	86,950,000	8.2	82,272,679	76,048,620	9,082,549	8,528,731
Agricultural.....	500,000	0.0	431,500	559,800	391,600	416,774
Total real property.....	1,028,775,596	97.0	896,346,518	822,055,322	814,419,989	826,561,832
Personal property (2):						
Primary mobile homes.....	0	0.0	0	0	0	0
Secondary mobile homes.....	0	0.0	0	0	0	0
Other business personal.....	9,292,552	0.9	9,292,552	8,844,757	8,617,962	6,088,195
Total personal property.....	9,292,552	0.9	9,292,552	8,844,757	8,617,962	6,088,195
Total locally assessed.....	1,038,068,148	97.9	905,639,070	830,900,079	823,037,951	832,650,027
Total taxable value.....	\$ 1,060,640,487	100.0 %	\$ 928,933,025	\$ 856,597,974	\$ 845,920,420	\$ 856,214,846

(1) Preliminary; subject to change.

(2) Does not include taxable valuation associated with SCME (semi-conductor manufacturing equipment).

(Source: Property Tax Division, Utah State Tax Commission.)

Tax Collection Record

Tax Year End 12/31	(1) Total Taxes Levied	(2) Treasurer's Relief	Net Taxes Assessed	Current Collections	(3) Deliq., Personal Property and Miscellaneous Collections	(4) Total Collections	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed
2013	\$1,753,074	\$6,726	\$1,746,347	\$1,631,861	\$141,822	\$1,773,683	93.4%	101.6%
2012	1,717,470	7,747	1,709,723	1,616,068	211,519	1,827,586	94.5	106.9
2011	1,694,742	7,634	1,687,108	1,558,708	182,422	1,741,130	92.4	103.2
2010	1,667,030	7,158	1,659,872	1,512,255	167,092	1,679,347	91.1	101.1
2009	1,738,011	7,562	1,730,449	1,554,769	185,951	1,740,720	89.8	100.6

- (1) Excludes redevelopment agencies valuation. However, the City has no redevelopment agency.
- (2) Treasurer's Relief includes abatements. These Treasurer's Relief items are levied against the property, but are never collected and paid to the entity.
- (3) Delinquent Collections include interest; sales of real and personal property; and miscellaneous delinquent collections.
- (4) The City collected Uniform Fees (fees-in-lieu payments) for tax year of 2013 of \$168,830; for tax year of 2012 of \$162,602; for tax year of 2011 of \$162,947; for tax year of 2010 of \$167,525; for tax year of 2009 of \$173,262; and for tax year 2008 of \$167,461; from tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State.

(Source: Taken from Utah County's audited financial statements for the indicated years.)

Some of the Largest Taxpayers

Taxpayer	Type of Business	2014 Taxable Value (1)	% of the City's 2014 Prel. Taxable Value
Westroc Inc.	Sand and gravel	\$ 8,240,314	0.8%
Highland Hideaway Storage	Commercial real estate	7,974,900	0.8
PacifiCorp.	Electric utility	7,903,799	0.7
Lehi Mink Farm LLC.....	All other animal production	5,345,500	0.7
Lone Peak Village LC.....	Commercial real estate	4,286,800	0.5
Kohler's Food Store.....	Supermarket	4,070,300	0.4
Alpine County Club.....	Building and real estate	3,444,563	0.4
MRFP LLC	Residential real estate	3,351,800	0.3
Acorn Ridge.....	Commercial real estate	3,285,820	0.3
Ivory Development LLC.....	Developer/real estate	<u>2,722,200</u>	0.3
Totals		<u>\$50,625,996</u>	4.8%

- (1) Taxable Value used in this table excludes all tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State. See in this section "Taxable, Fair Market And Market Value Of Property" above.

(Source: Utah County Assessor.)

HIGHLAND CITY, UTAH'S BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR 2014

Included with this supplement are the City's audit financial statements in accordance with Government Auditing Standards and the State of Utah Legal Compliance Audit Guide for Fiscal Year 2014.

Additionally, the City's present and historical financial statements may be found on the State of Utah, State Auditor's website at:

<http://reporting.auditor.utah.gov/>

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**HIGHLAND CITY, UTAH
FINANCIAL STATEMENTS**

For The Year Ended June 30, 2014

**HIGHLAND CITY, UTAH
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Keddington & Christensen, LLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
Highland City
Highland City, Utah

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 assessment s, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 budgetary comparison information as noted in 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

December 30, 2014

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2014

The management of Highland City presents the following narrative and analysis of the financial statements and financial activities of Highland City as prescribed by the Government Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2014.

Financial Highlights

The assets of Highland City exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$113,852,278 (net position). Of this amount \$4,712,959 (unrestricted net position) may be used to meet the government's ongoing obligations.

Highland City's total net position decreased by \$529,412. Elements of the decrease were: 1) Interest payments on debt); 2) ongoing operations of the governmental activities; 3) ongoing operations of the business-type activities assets.

Highland City's governmental funds reported combined ending fund balances at June 30, 2014 of \$2,538,728 an increase of \$662,042 in comparison to the prior year. At June 30, 2014 unrestricted fund balance of the general fund was \$1,394,284, or 21.5% of total general fund expenditures for the year.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's financial position and changes in financial position, similar to consolidated financial statements in a private sector business. The statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Position presents information on all of Highland City's assets, liabilities, and deferred inflows of resources, with the difference between the three reported as net position. Increases or decreases over time in net position gives an indicator as to whether the financial condition of the City is improving or declining.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., debt interest payment when the fiscal year ends between interest payments).

Both of the government-wide financial statements distinguish functions of Highland City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Highland City include general government, public safety, streets and public improvements, parks and recreation, cemetery and garbage. The business-type activities of Highland City include services for water, pressurized irrigation, sewer (sanitary), and storm sewer.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

The government-wide financial statements include Highland City (known as the primary government) and a separate legal entity (known as component unit). The financial information for the Highland Open Space Special Service District is included in the financial statements. However, because the City's governing body is the same as the governing board of this component unit and can substantially control it, their financial information is blended and reported together with the financial information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Highland City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of Highland City can be divided into two categories; governmental funds and proprietary funds.

Governmental funds

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

Highland City maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and three capital projects funds, all of which are considered to be major funds. Data from the other three (3) governmental funds is provided in the form of individual and combining statements elsewhere in this report.

Highland City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary funds

Highland City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, pressurized irrigation, sewer, and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, secondary water and storm sewer.

Notes to the Financial Statements

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

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with nonmajor governmental funds. They are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position is an indicator of a government's financial position. In the case of Highland City, assets exceeded liabilities by \$113,852,278 at the close of the fiscal year. The largest portion of the City's net assets reflects its investment in capital assets (land, buildings, machinery and equipment) and infrastructure (roads, sidewalks, curb and gutter and various utility lines and storage facilities); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities with the exception of the Pressurized Irrigation fund. As of June 30, 2014 unrestricted net position for the Pressurized Irrigation fund was a deficit of \$116,713.

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Current and other assets	\$ 4,724,505	\$ 5,620,097	\$ 3,985,739	\$ 2,865,038	\$ 8,710,244	\$ 8,485,135
Capital assets	75,123,778	77,843,524	48,207,081	48,098,269	123,330,859	125,941,793
Total Assets	<u>\$ 79,848,283</u>	<u>\$ 83,463,621</u>	<u>\$ 52,192,820</u>	<u>\$ 50,963,307</u>	<u>\$132,041,103</u>	<u>\$134,426,928</u>
Current and other liabilities	\$ 728,426	\$ 2,323,926	\$ 241,057	\$ 253,843	\$ 969,483	\$ 2,577,769
Long-term liabilities	10,629,080	11,165,998	5,516,504	5,254,013	16,145,584	16,420,011
Total Liabilities	<u>11,357,506</u>	<u>13,489,924</u>	<u>5,757,561</u>	<u>5,507,856</u>	<u>17,115,067</u>	<u>18,997,780</u>
Deferred inflows of resources	1,603,170	1,576,870	-	-	1,603,170	1,576,870
Net assets:						
Net investment in capital assets	64,744,559	66,677,526	42,783,023	42,944,607	107,527,582	109,622,133
Restricted	204,237	104,768	878,088	819,149	1,082,325	923,917
Unrestricted	1,938,811	1,614,533	2,774,148	1,691,695	4,712,959	3,306,228
Total Net Position	<u>66,887,607</u>	<u>68,396,827</u>	<u>46,435,259</u>	<u>45,455,451</u>	<u>113,322,866</u>	<u>113,852,278</u>
Total Liabilities, deferred inflows of Resources, and Net Position	<u>\$ 79,848,283</u>	<u>\$ 83,463,621</u>	<u>\$ 52,192,820</u>	<u>\$ 50,963,307</u>	<u>\$132,041,103</u>	<u>\$134,426,928</u>

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,768,284	\$ 2,573,917	\$ 4,238,531	\$ 4,040,623	7,006,815	6,614,540
Operating grants and contributions	75,367	9,693	-	-	75,367	9,693
Capital grants and contributions	1,850,186	1,292,693	923,212	459,650	2,773,398	1,752,343
General revenues:						
Property and uniform vehicle taxes	1,959,496	1,909,750	-	-	1,959,496	1,909,750
Other Taxes	2,909,907	2,660,938	-	-	2,909,907	2,660,938
Other	38,968	31,547	15,921	15,763	54,889	47,310
Gain (loss) on disposition of assets	11,924	11,732	-	-	11,924	11,732
Total Revenues	9,614,132	8,490,270	5,177,664	4,516,036	14,791,796	13,006,306
Expenses:						
General government	2,013,141	1,915,383	-	-	2,013,141	1,915,383
Public safety	3,087,916	3,024,762	-	-	3,087,916	3,024,762
Streets and public improvements	3,768,613	3,877,880	-	-	3,768,613	3,877,880
Parks and recreation	1,141,251	999,897	-	-	1,141,251	999,897
Cemetery	125,178	112,005	-	-	125,178	112,005
Garbage	609,882	562,627	-	-	609,882	562,627
Interest on long-term debt	434,471	464,892	-	-	434,471	464,892
Water	-	-	854,139	905,639	854,139	905,639
Pressurized irrigation	-	-	1,350,454	1,448,442	1,350,454	1,448,442
Storm sewer	-	-	350,466	400,047	350,466	400,047
Sewer	-	-	1,585,697	1,654,726	1,585,697	1,654,726
Total Expenses	11,180,452	10,957,446	4,140,756	4,408,854	15,321,208	15,366,300
Increase (Decrease) in net position before transfers	(1,566,320)	(2,467,176)	1,036,908	107,182	(529,412)	(2,359,994)
Transfers	57,100	-	(57,100)	-	-	-
Increase (Decrease) in Net Position	(1,509,220)	(2,467,176)	979,808	107,182	(529,412)	(2,359,994)
Net Position - Beginning	68,396,827	70,864,003	45,455,451	45,348,269	113,852,278	116,212,272
Net Position - Ending	<u>\$ 66,887,607</u>	<u>\$ 68,396,827</u>	<u>\$ 46,435,259</u>	<u>\$ 45,455,451</u>	<u>\$113,322,866</u>	<u>\$113,852,278</u>

Governmental activities. As noted in the table above, governmental activities decreased the City's net position by \$1,509,220. Key elements of the decrease were as follows:

1. Interest payments on long-term debt.
2. Increased payments for parks and recreation.
3. Increased expenditures for streets and public improvements.

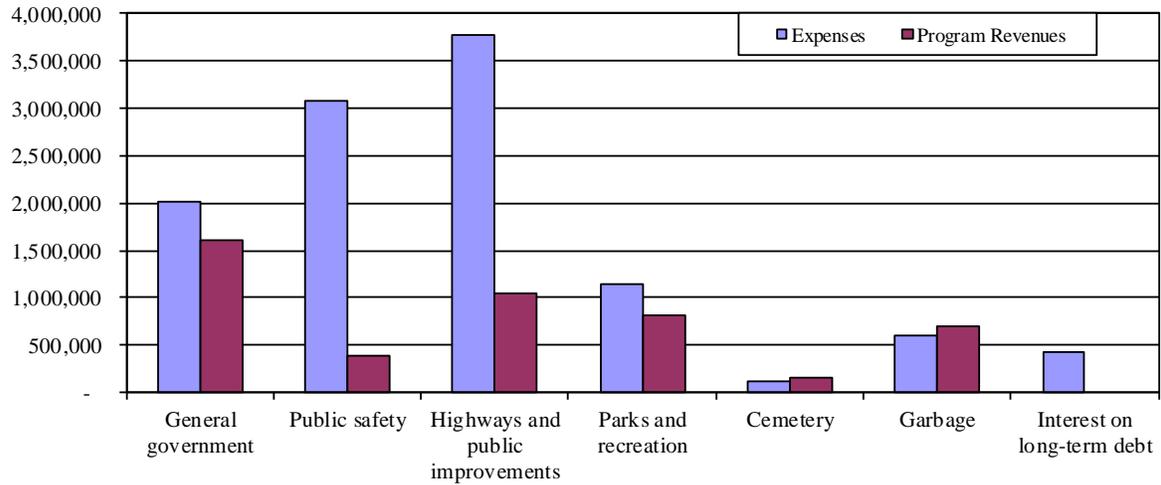
Business-type activities. As noted previously in the table, business-type activities increased the City's net position by \$979,808. Key elements of the decrease were as follows:

1. Assets contributed by developers are accounted for as capital contributions, which increased \$463,562.
2. Overall reduction of expenses in the business-type activities during the year resulting in a decrease of expenses of \$268,098.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

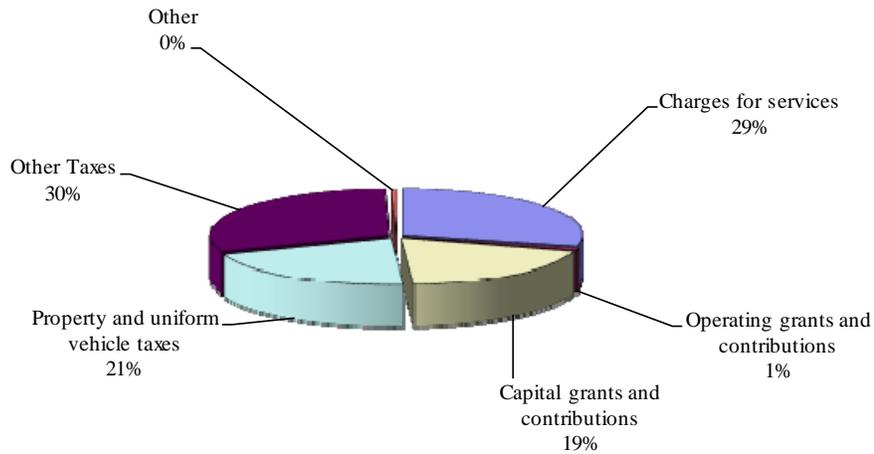
The following chart displays the governmental activities program revenues compared to expenses attributed to the activity.

Expenses and Program Revenues - Governmental Activities



The following chart displays the governmental activities program revenues by type.

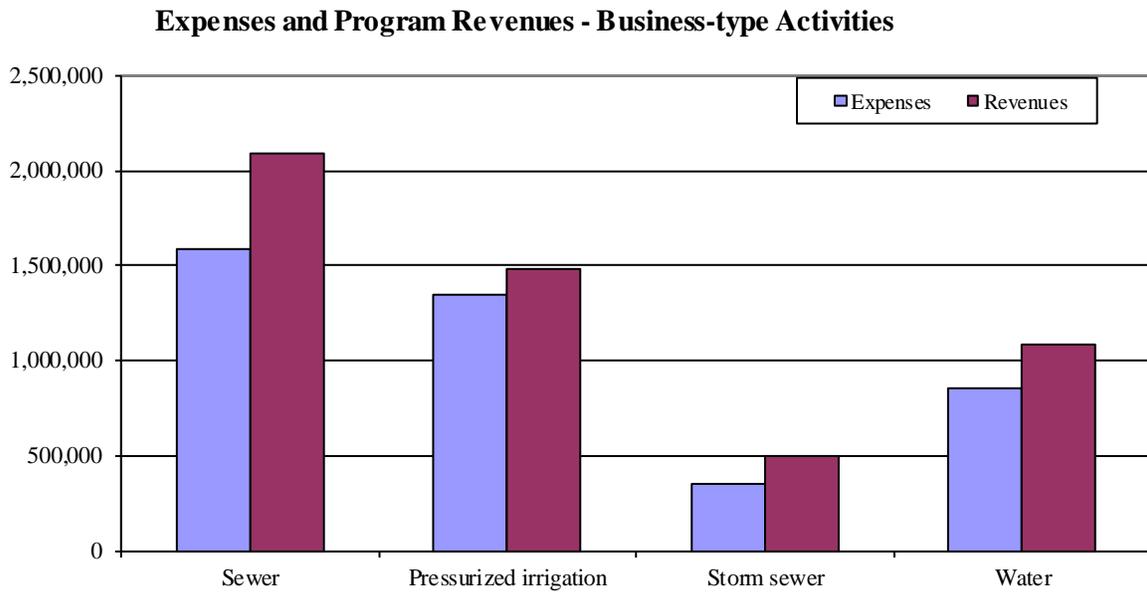
Revenues by Source - Governmental Activities



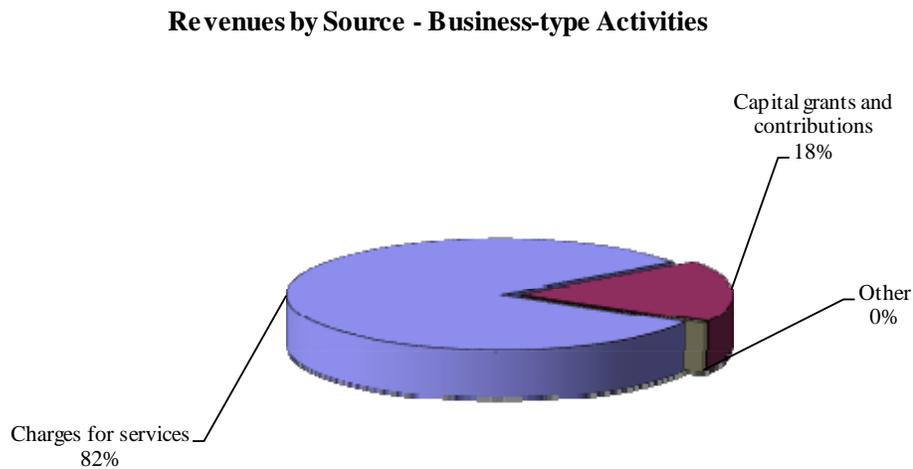
HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

Business-type Activities

The following chart displays the business-type activities revenues compared to program expenses attributed to the activity. Traditionally business-type activities are self-supporting and the chart depicts the relationship of revenues to expenses.



The following chart displays the business-type activities revenues by type.



HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance is a useful measure of the government's net resources available for spending at the end of the fiscal year.

At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$2,539,435, which was an increase of \$662,749 in comparison with the prior year.

The general fund is the main operating fund of the City. At June 30, 2014, unrestricted fund balance of the general fund was \$1,394,284. A comparison of the unrestricted fund balance and total fund balance to total general fund expenditures is a measure of liquidity. Unrestricted fund balance represented 21.5% of total general fund expenditures. The City's unrestricted general fund balance increased \$114,004 during the fiscal year ended June 30, 2014.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements in more detail.

Culinary Water Fund-Unrestricted net position at June 30, 2014 amounted to \$1,387,991 an increase of \$395,439 from the previous year. Operating revenues were \$942,548 and operating expenses were \$854,139.

Pressurized Irrigation fund-Unrestricted net position at June 30, 2014 amounted to a deficit of \$116,713, a decrease of \$76,238 from the previous year. Operating revenues were \$1,288,471 and operating expenses were \$1,191,415.

Sewer fund-Unrestricted net position at June 30, 2014 amounted to \$1,215,394, an increase of \$571,280 from the previous year. Operating revenues were \$1,570,936 and operating expenses were \$1,585,697.

Storm sewer fund- Unrestricted net position at June 30, 2014 amounted to \$288,933 an increase of \$193,429 from the previous year. Operating revenues were \$436,576 and operating expenses were \$346,456.

General Fund Budgetary Highlights

During the fiscal year, the general funds original budget was amended from \$7,366,090 (\$6,244,161 expenditures and \$1,121,929 transfers and appropriated fund balance) to a final budget total of \$7,729,404 (\$6,492,475 expenditures and \$1,236,929 transfers and appropriated fund balance). Expenses for the general government and public safety were less than budgeted, however, expenses for streets and public works, parks and recreation, and garbage were more than budgeted. Overall the City was within their budgeted expenses by \$19,862.

Capital Assets and Debt Administration

Capital Assets. Highland City's investment in capital assets from governmental and business-type activities as of June 30, 2014 was \$122,101,525 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and water stock. The total decrease in the City's investment in capital assets for the current year was \$3,840,268, which is primary as a result of depreciation during the year.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2014

Highland City's Capital Assets

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Land	\$ 39,607,624	\$ 39,607,624	\$ 534,455	\$ 534,455	\$ 40,142,079	\$ 40,142,079
Buildings	14,080,927	14,080,927	1,157,289	1,157,289	15,238,216	15,238,216
Improvements other than buildings	69,168,651	67,895,235	33,765,775	32,929,299	102,934,426	100,824,534
Machinery and equipment	1,907,144	1,932,162	2,046,752	2,046,752	3,953,896	3,978,914
Construction in progress	236,032	981,496	-	275,000	236,032	1,256,496
Water shares	-	-	24,032,965	23,356,934	24,032,965	23,356,934
Total	<u>125,000,378</u>	<u>124,497,444</u>	<u>61,537,236</u>	<u>60,299,729</u>	<u>186,537,614</u>	<u>184,797,173</u>
Less accumulated depreciation	(49,876,600)	(46,653,920)	(13,330,155)	(12,201,460)	(63,206,755)	(58,855,380)
Total Capital Assets	<u>\$ 75,123,778</u>	<u>\$ 77,843,524</u>	<u>\$ 48,207,081</u>	<u>\$ 48,098,269</u>	<u>\$123,330,859</u>	<u>\$125,941,793</u>

Additional information on the City's capital assets is available in the notes to the financial statements.

Long-term debt. On June 30, 2014 the City had a total bonded debt outstanding of \$13,303,572. Of this amount \$2,924,353 was considered general obligation debt and was backed by the full faith and credit of the City.

Highland City's Outstanding Debt

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
General obligation bonds	\$ -	\$ -	\$ 2,924,353	\$ 3,234,897	2,924,353	3,234,897
Revenue bonds	10,379,219	10,911,082	-	-	10,379,219	10,911,082
Other long term debt	249,861	254,916	2,592,151	1,918,765	2,842,012	2,173,681
Total	<u>\$ 10,629,080</u>	<u>\$ 11,165,998</u>	<u>\$ 5,516,504</u>	<u>\$ 5,153,662</u>	<u>16,145,584</u>	<u>16,319,660</u>

The Utah State Constitution limits the amount of general obligation debt a municipal government may issue at 4% of its total taxable property value of \$970,393,587, except cities of the third class (Highland City is classified as a third class city) may issue debt up to an additional 8% of its total taxable property value of \$970,393,587 for water systems, artificial lighting systems or sewer systems. On June 30, 2014 the City's limitation was \$38,815,743 and the additional limitation was \$77,631,487, the current general obligation bonds are \$2,924,353.

Economic Factors and Next Year's Budgets and Rates

Economic trends of the state and region are better than the national indices and continue to show modest improvement. Home construction is up and the economy is improving at a moderate pace; as a result the revenues were budgeted slightly higher in the current year. These and other factors were considered in preparing Highland City's budget for the 2014-2015 fiscal year. We are hoping the economy continues to rebound in 2014-2015. During the current fiscal year, unassigned fund balance in the general fund increased by \$213,684. The general fund unrestricted fund balance of \$1,394,284 represented 18% of general fund revenues which is within the range of 5% to 25% limit allowed by state law. Use of the fund balance was primarily for maintaining the level of funding for capital projects.

Request for Information

This financial report is designed to provide a general overview of Highland City's activities for those with an interest in the City's operations and position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Highland City, Finance Director, 5400 W. Civic Center Drive, Suite #1, Highland, Utah 84003.

BASIC FINANCIAL STATEMENTS

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,759,921	\$ 2,812,200	\$ 4,572,121
Receivables:			
Accounts	15,410	89,478	104,888
Taxes	1,979,330	-	1,979,330
Due from other governments	29,481		29,481
Internal Balances	53,473	(53,473)	-
Prepaid expenses	5,000	-	5,000
Restricted amounts:			
Cash and cash equivalents	309,210	1,137,534	1,446,744
Receivables - B & C roads	99,680		99,680
Land held for resale	473,000	-	473,000
Capital Assets:			
Non-depreciable Capital Assets	39,843,656	24,567,420	64,411,076
Depreciable Capital Assets (net)	35,280,122	23,639,661	58,919,783
	Total Assets	Total	Total
	\$ 79,848,283	\$ 52,192,820	\$ 132,041,103
Liabilities:			
Accounts payable	\$ 289,586	\$ 179,866	\$ 469,452
Accrued liabilities	75,933	13,910	89,843
Accrued interest payable	145,819	47,281	193,100
Developer and customer deposits	204,653	-	204,653
Unearned revenues	12,435	-	12,435
Noncurrent Liabilities:			
Due within one year	637,219	443,053	1,080,272
Due in more than one year	9,991,861	5,073,451	15,065,312
	Total Liabilities	Total	Total
	11,357,506	5,757,561	17,115,067
Deferred Inflows of Resources			
Unearned property tax revenue	1,603,170	-	1,603,170
	Total Deferred Inflows of Resources	Total	Total
	1,603,170	-	1,603,170
Total Liabilities and Deferred Inflows of Resources	12,960,676	5,757,561	18,718,237
Net Position:			
Net investment in capital assets	64,744,559	42,783,023	107,527,582
Restricted for:			
Debt Service / park construction	104,557	10,044	114,601
Future development	99,680	-	99,680.00
Impact fees	-	847,774	847,774
American Fork Canyon Debris Basin	-	20,270	20,270
Unrestricted	1,938,811	2,774,148	4,712,959
	Total Net Position	Total	Total
	66,887,607	46,435,259	113,322,866
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 79,848,283	\$ 52,192,820	\$ 132,041,103

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

HIGHLAND CITY, UTAH
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue & 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	\$ 2,013,141	\$ 1,543,112	\$ 61,824.00	\$ -	\$ (408,205)	\$ -	\$ (408,205)
Public safety	3,087,916	280,404	13,543	85,742	(2,708,227)	-	(2,708,227)
Streets and public works	3,768,613	48,905	-	995,872	(2,723,836)	-	(2,723,836)
Parks and recreation	1,141,251	51,353	-	768,572	(321,326)	-	(321,326)
Cemetery	125,178	156,006	-	-	30,828	-	30,828
Garbage	609,882	688,504	-	-	78,622	-	78,622
Interest	434,471	-	-	-	(434,471)	-	(434,471)
Total Governmental Activities	11,180,452	2,768,284	75,367	1,850,186	(6,486,615)	-	(6,486,615)
Business-type Activities:							
Sewer	1,585,697	1,570,936	-	521,797	-	507,036	507,036
Pressurized irrigation	1,350,454	1,288,471	-	191,343	-	129,360	129,360
Storm sewer	350,466	436,576	-	64,013	-	150,123	150,123
Water	854,139	942,548	-	146,059	-	234,468	234,468
Total Business-type Activities	4,140,756	4,238,531	-	923,212	-	1,020,987	1,020,987
Total Government	\$ 15,321,208	\$ 7,006,815	\$ 75,367	\$ 2,773,398	(6,486,615)	1,020,987	(5,465,628)
General Revenues:							
Taxes:							
Property					1,770,203	-	1,770,203
Vehicle					189,293	-	189,293
Sales					1,793,581	-	1,793,581
Franchise					1,116,326	-	1,116,326
Unrestricted investment earnings					5,291	15,921	21,212
Gain on disposal of assets					11,924	-	11,924
Miscellaneous					33,677	-	33,677
Transfers					57,100	(57,100)	-
Total General Revenues					4,977,395	(41,179)	4,936,216
Changes in Net Assets					(1,509,220)	979,808	(529,412)
Net Position, Beginning					68,396,827	45,455,451	113,852,278
Net Position, Ending					\$ 66,887,607	\$ 46,435,259	\$113,322,866

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

HIGHLAND CITY, UTAH
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Debt Service	Capital Projects Roads	Capital Projects Building	Capital Projects Parks	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ 486,243	\$ 4,233	\$ -	\$ -	\$ 743,761	\$ 525,684	\$ 1,759,921
Receivables:							
Accounts	10,126	-	-	-	-	5,284	15,410
Taxes	1,979,330	-	-	-	-	-	1,979,330
Due from other funds	686,750	-	-	-	-	-	686,750
Due from other governments	29,481	-	-	-	-	-	29,481
Prepaid expenses - Highland fling	5,000	-	-	-	-	-	5,000
Property held for resale	-	-	473,000	-	-	-	473,000
Restricted amounts:							
Cash and cash equivalents	204,653	-	-	-	104,557	-	309,210
Receivable - B & C roads	99,680	-	-	-	-	-	99,680
Total Assets	\$ 3,501,263	\$ 4,233	\$ 473,000	\$ -	\$ 848,318	\$ 530,968	\$ 5,357,782
Liabilities:							
Accounts payable	\$ 225,734	\$ -	\$ 8,108	\$ -	\$ -	\$ 55,744	\$ 289,586
Accrued liabilities	65,864	-	-	-	-	10,069	75,933
Due to other funds	-	-	568,567	64,710	-	-	633,277
Developer bonds held	204,653	-	-	-	-	-	204,653
Unearned revenue - Highland fling donations	12,435	-	-	-	-	-	12,435
Total Liabilities	508,686	-	576,675	64,710	-	65,813	1,215,884
Deferred Inflows of Resources							
Unearned property tax revenue	1,498,613	-	-	-	104,557	-	1,603,170
Total Deferred Inflows of Resources	1,498,613	-	-	-	104,557.00	-	1,603,170
Fund Balances:							
Nonspendable:							
Property held for resale	-	-	473,000	-	-	-	473,000
Restricted for:							
Debt service / park construction	-	-	-	-	104,557	-	104,557
B & C roads	99,680	-	-	-	-	-	99,680
Assigned to:							
Debt service	-	4,233	-	-	-	-	4,233
Capital projects & opens space funds	-	-	-	-	639,204	465,155	1,104,359
Unassigned	1,394,284	-	(576,675)	(64,710)	-	-	752,899
Total Fund Balances	1,493,964	4,233	(103,675)	(64,710)	743,761	465,155	2,538,728
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,501,263	\$ 4,233	\$ 473,000	\$ -	\$ 848,318	\$ 530,968	\$ 5,357,782

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

HIGHLAND CITY, UTAH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

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

Total Fund Balances - Governmental Funds	\$	2,538,728
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		75,123,778
Interest expense is not due and payable in the current period and therefore is not recorded in the funds.		(145,819)
Long-term liabilities, including bonds, capital leases, and notes are not due and payable in the current period and therefore, are not reported in the funds.		(10,629,080)
Total Net Assets - Governmental Activities	\$	<u>66,887,607</u>

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

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	General Fund	Debt Service	Capital Projects Roads	Capital Projects Building	Capital Projects Parks	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 4,869,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,869,403
Licenses and permits	552,019	-	-	-	-	-	552,019
Intergovernmental	550,819	-	-	-	61,304	-	612,123
Impact fees	-	-	100,430	85,742	758,745	9,827	954,744
Charges for services	1,572,568	-	8,414	-	-	265,998	1,846,980
Exaction fees	-	-	-	-	-	71,221	71,221
Fines and forfeitures	280,404	-	-	-	-	-	280,404
Interest	207	-	-	-	3,122	1,962	5,291
Miscellaneous	33,677	-	-	-	18,129	-	51,806
Total Revenues	7,859,097	-	108,844	85,742	841,300	349,008	9,243,991
Expenditures:							
Current:							
General government	1,390,768	-	-	-	-	419,275	1,810,043
Public safety	2,894,472	-	-	-	-	-	2,894,472
Streets and public works	737,624	-	602,994	-	-	-	1,340,618
Parks and recreation	760,197	-	-	-	3,500	-	763,697
Cemetery	79,670	-	-	-	-	-	79,670
Garbage	609,882	-	-	-	-	-	609,882
Capital outlay	-	-	-	-	174,691	-	174,691
Debt service:							
Principal	-	525,000	-	-	-	-	525,000
Interest	-	448,954	3,714	232	-	-	452,900
Total Expenditures	6,472,613	973,954	606,708	232	178,191	419,275	8,650,973
Excess (deficiency) of revenues over (under) expenditures	1,386,484	(973,954)	(497,864)	85,510	663,109	(70,267)	593,018
Other Financing Sources (Uses):							
Sale of capital assets	5,100	-	-	-	6,824	-	11,924
Transfers in	57,100	975,000	525,000	-	-	191,500	1,748,600
Transfers out	(1,235,000)	-	-	(70,000)	(386,500)	-	(1,691,500)
Total Other Financing Sources (Uses)	(1,172,800)	975,000	525,000	(70,000)	(379,676)	191,500	69,024
Net Change in Fund Balances	213,684	1,046	27,136	15,510	283,433	121,233	662,042
Fund Balances, Beginning	1,280,280	3,187	(130,811)	(80,220)	460,328	343,922	1,876,686
Fund Balances, Ending	\$ 1,493,964	\$ 4,233	\$ (103,675)	\$ (64,710)	\$ 743,761	\$ 465,155	\$ 2,538,728

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

HIGHLAND CITY, UTAH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$	662,042
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay		198,259
Depreciation expense		(3,276,171)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
Asset deletions		(53,491)
Depreciation deletions		53,491
<p>Contributed assets are not recorded in governmental funds due to no current resources being expended in the acquisition of such assets. The Statement of Activities will record these contributed assets at their estimated fair value on the date of contribution.</p>		
		358,166
<p>Amortization of bond premiums, reported on the Statement of Activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Bond premiums		6,863
<p>Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of bond principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position.</p>		
Payment of bond principal		525,000
<p>Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due. This adjustment reflects the changes due to accrued interest on bonds payable and compensated absences.</p>		
Accrued interest		11,566
Compensated absences		5,055
Changes in net assets of governmental activities	\$	(1,509,220)

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

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>		
Revenues:				
Taxes	\$ 4,506,870	\$ 4,602,184	\$ 4,869,403	\$ 267,219
Licenses and permits	572,500	777,500	552,019	(225,481)
Intergovernmental	559,500	559,500	550,819	(8,681)
Charges for services	1,436,720	1,499,720	1,572,568	72,848
Fines and forfeitures	268,000	268,000	280,404	12,404
Interest	2,500	2,500	207	(2,293)
Miscellaneous	20,000	20,000	33,677	13,677
Total Revenues	<u>7,366,090</u>	<u>7,729,404</u>	<u>7,859,097</u>	<u>129,693</u>
Expenditures:				
Current:				
General government	1,366,050	1,481,550	1,390,768	90,782
Public safety	2,864,463	2,936,878	2,894,472	42,406
Streets and public works	660,648	685,876	737,624	(51,748)
Parks and recreation	718,239	728,410	760,197	(31,787)
Cemetery	81,981	81,981	79,670	2,311
Garbage	552,780	577,780	609,882	(32,102)
Total Expenditures	<u>6,244,161</u>	<u>6,492,475</u>	<u>6,472,613</u>	<u>19,862</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,121,929</u>	<u>1,236,929</u>	<u>1,386,484</u>	<u>149,555</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	5,100	5,100
Transfers in	-	-	57,100	57,100
Transfers out	(1,120,000)	(1,235,000)	(1,235,000)	-
Appropriated fund balance	(1,929)	(1,929)	-	1,929
Total Other Financing Sources (Uses)	<u>(1,121,929)</u>	<u>(1,236,929)</u>	<u>(1,172,800)</u>	<u>64,129</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>213,684</u>	<u>\$ 213,684</u>
Fund Balances, Beginning			<u>1,280,280</u>	
Fund Balances, Ending			<u>\$ 1,493,964</u>	

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

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds				Total
	Sewer	Pressurized Irrigation	Water	Nonmajor Storm Sewer	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 1,070,269	\$ -	\$ 1,423,580	\$ 318,351	\$ 2,812,200
Restricted cash and cash equivalents	1,107,220	10,044	-	20,270	1,137,534
Accounts receivable	28,778	17,509	39,352	3,839	89,478
Total Current Assets	2,206,267	27,553	1,462,932	342,460	4,039,212
Noncurrent Assets:					
Capital assets:					
Water shares	-	22,395,116	1,637,849	-	24,032,965
Land	26,540	277,450	107,132	123,333	534,455
Buildings	-	663,667	493,622	-	1,157,289
Infrastructure	9,128,833	13,733,797	7,951,479	2,951,666	33,765,775
Machinery and equipment	184,643	147,928	1,398,013	316,168	2,046,752
Less accumulated depreciation	(3,418,171)	(4,747,432)	(4,134,122)	(1,030,430)	(13,330,155)
Total Noncurrent Assets	5,921,845	32,470,526	7,453,973	2,360,737	48,207,081
Total Assets	\$ 8,128,112	\$ 32,498,079	\$ 8,916,905	\$ 2,703,197	\$ 52,246,293
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 106,521	\$ 12,838	\$ 47,066	\$ 13,441	\$ 179,866
Accrued liabilities	4,361	2,889	3,917	2,743	13,910
Accrued interest payable	-	47,281	-	-	47,281
Compensated absences	11,462	5,785	7,693	6,388	31,328
Notes payable	-	96,725	-	-	96,725
Bonds payable - current	-	315,000	-	-	315,000
Due to other funds	-	53,473	-	-	53,473
Total Current Liabilities	122,344	533,991	58,676	22,572	737,583
Noncurrent Liabilities:					
Compensated absences	22,212	11,956	16,265	10,685	61,118
Notes Payable	-	2,402,980	-	-	2,402,980
Bonds payable	-	2,609,353	-	-	2,609,353
Total Noncurrent Liabilities	22,212	5,024,289	16,265	10,685	5,073,451
Total Liabilities	144,556	5,558,280	74,941	33,257	5,811,034
Net Position:					
Net investment in capital assets	5,921,845	27,046,468	7,453,973	2,360,737	42,783,023
Restricted for impact fees					
Impact fees	847,774	-	-	-	847,774
Debt service		10,044			10,044
American Fork Canyon Debris Basin	-	-	-	20,270	20,270
Unrestricted	1,213,937	(116,713)	1,387,991	288,933	2,774,148
Total Net Position	7,983,556	26,939,799	8,841,964	2,669,940	46,435,259
Total Liabilities and Net Position	\$ 8,128,112	\$ 32,498,079	\$ 8,916,905	\$ 2,703,197	\$ 52,246,293

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

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Total
	Sewer	Pressurized Irrigation	Water	Nonmajor Storm Sewer	
Operating Revenues:					
Charges for services	\$ 1,567,240	\$ 1,288,471	\$ 724,354	\$ 436,576	\$ 4,016,641
Connection fees	3,696	-	212,919	-	216,615
Miscellaneous	-	-	5,275	-	5,275
Total Operating Revenues	1,570,936	1,288,471	942,548	436,576	4,238,531
Operating Expenses:					
Salaries and benefits	202,660	133,634	158,107	157,248	651,649
Operations	1,065,461	664,139	394,821	76,951	2,201,372
Depreciation	317,576	393,642	301,211	116,267	1,128,696
Total Operating Expenses	1,585,697	1,191,415	854,139	350,466	3,981,717
Operating Income (Loss)	(14,761)	97,056	88,409	86,110	256,814
Nonoperating Revenues (Expenses):					
Impact fees	313,529	96,281	-	-	409,810
Interest income	9,017	40	5,819	1,045	15,921
Interest expense	-	(159,039)	-	-	(159,039)
Total Nonoperating Revenues (Expenses)	322,546	(62,718)	5,819	1,045	266,692
Income (Loss)	307,785	34,338	94,228	87,155	523,506
Capital Contributions	208,268	95,062	146,059	64,013	513,402
Transfers out	-	(57,100)	-	-	(57,100)
Changes in Net Assets	516,053	72,300	240,287	151,168	979,808
Net Position, Beginning	7,467,503	26,867,499	8,601,677	2,518,772	45,455,451
Net Position, Ending	\$ 7,983,556	\$ 26,939,799	\$ 8,841,964	\$ 2,669,940	\$ 46,435,259

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

HIGHLAND CITY, UTAH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Total
	Sewer	Pressurized Irrigation	Water	Nonmajor Storm Sewer	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 1,596,633	\$ 1,282,514	\$ 956,940	\$ 442,328	\$ 4,278,415
Cash received from other entities	-	-	5,275	-	5,275
Cash payments to suppliers for goods and services	(1,072,718)	(686,237)	(389,604)	(65,395)	(2,213,954)
Cash payments to employees and professional contractors for services	(202,867)	(134,339)	(158,333)	(158,362)	(653,901)
Net cash provided (used) by operating activities	321,048	461,938	414,278	218,571	1,415,835
Cash Flows From Non-Capital Financing Activities:					
Transfers to other funds	-	(57,100)	-	-	(57,100)
Advances from other funds	-	53,473	-	-	53,473
Net cash provided (used) by non-capital financing activities	-	(3,627)	-	-	(3,627)
Cash Flows From Capital and Related Financing Activities:					
Principal payments on bonds	-	(305,000)	-	-	(305,000)
Interest and fees paid on bonds and notes payable	-	(170,438)	-	-	(170,438)
Principal payments on notes payable	-	(95,091)	-	-	(95,091)
Receipt of impact fees	313,529	96,281	-	-	409,810
Purchase of capital assets	-	(38,137)	-	(9,940)	(48,077)
Net cash provided (used) by capital and related financing activities	313,529	(512,385)	-	(9,940)	(208,796)
Cash Flows From Investing Activities:					
Interest on investments	9,017	40	5,819	1,045	15,921
Net cash provided (used) by investing activities	9,017	40	5,819	1,045	15,921
Net Increase (Decrease) In Cash	643,594	(54,034)	420,097	209,676	1,219,333
Cash at Beginning of Year	1,533,895	64,078	1,003,483	128,945	2,730,401
Cash at End of Year	\$ 2,177,489	\$ 10,044	\$ 1,423,580	\$ 338,621	\$ 3,949,734

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

HIGHLAND CITY, UTAH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				
	Sewer	Pressurized Irrigation	Storm Sewer	Water	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (14,761)	\$ 97,056	\$ 88,409	\$ 86,110	\$ 256,814
Adjustments to reconcile operating income (loss) to net cash from (used) by operating activities:					
Depreciation	317,576	393,642	301,211	116,267	1,128,696
(Increase) decrease in assets:					
Accounts receivable	25,697	(5,957)	19,667	5,752	45,159
Increase (decrease) in liabilities:					
Accounts payable	(7,257)	(22,098)	5,217	11,556	(12,582)
Accrued liabilities	1,981	1,436	1,973	263	5,653
Compensated absences	(2,188)	(2,141)	(2,199)	(1,377)	(7,905)
Net cash provided (used) by operating activities	\$ 321,048	\$ 461,938	\$ 414,278	\$ 218,571	\$ 1,415,835
Noncash investing, capital, and financing activities:					
Contributions of capital assets	208,268	95,062	146,059	64,013	513,402
Addition of capital assets due to notes payable	-	676,031	-	-	676,031

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

HIGHLAND CITY, UTAH NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highland City, Utah (the City) was incorporated in 1977 and operates under a council-city manager form of government. The governing body consists of five elected council members and a mayor. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager. The City provides the following services: general administrative services, public safety, highway and public works, parks and recreations, cemetery, garbage, and utilities (sewer, pressurized irrigation, storm sewer, and culinary water).

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 accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City is discussed below.

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency and accountability. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

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 Highland City Open Space Special Service District (the District) was established to provide recreation services, including the operation and maintenance of parks, open space and trails within certain areas of the City. The District is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is legally separate entity from the City, the District is reported as if it were part of the primary government because of the City's ability to impose its will upon the operation of the District. The District is included in these financial statements as the Open Space Trust Fund. Separate financial statements are not issued for the District.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative services, public safety, highway and public works, parks and recreations, cemetery, and garbage are classified as governmental activities. The City's sewer, pressurized irrigation, storm sewer, and water services are classified as business-type activities.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. Principal sources of revenue are taxes, licenses and permits and intergovernmental revenues. Primary expenses are for general government, public safety, streets and public works, parks and recreation, cemetery and garbage.

The *Debt Service Fund* accounts for the expenditures required for the City's debt service.

The *Capital Projects Roads Fund* accounts for the construction and improvement of roads within the City.

The *Capital Projects Building Fund* accounts for the construction and improvement of buildings owned by the City.

The *Capital Projects Parks Fund* accounts for the construction and improvement of parks owned by the City.

The City reports the following major proprietary funds:

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

The *Pressurized Irrigation Fund* accounts for the activities of the City's pressurized irrigation distribution system.

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

Activities of these three funds include administration, operations and maintenance of the sewer, pressurized irrigation, and water systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The effect of interfund activity has generally been eliminated from the government-wide financial statements in accordance with GAAP.

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Budgetary Data

Annual budgets are prepared and adopted, in accordance with State law, by the City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Fund, Capital Project Funds, Debt Service Fund, and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 25% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. The City Administrator has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source.

(D) Tax Revenues

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before August 17. All property taxes levied by the City are assessed and collected by Utah County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes and telephone franchise taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utilities, and cable television companies and remitted to the City periodically.

(E) Cash, Cash Equivalents and Investments

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 the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Investments consist of accounts at the Utah Public Treasurer's Investment Trust (the State Treasurer's Pool). Investments of the City are stated at cost, which approximates fair value.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Restricted Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the government-wide and proprietary fund financial statements. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

(G) Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The government reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

Assets	Years
Buildings and structures	20 to 50
Improvements and infrastructure	10 to 50
Machinery, equipment and vehicles	5 to 15

(H) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

Receivables at June 30, 2014, consisted of property tax, franchise tax, sales tax, grants and utility customer accounts (billings for user charged services). Taxes and grants are deemed collectible in full. Utility charges have an allowance of \$21,000.

(I) Long-Term Obligations

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. Employees may accumulate unlimited vacation. An employee who is separated from employment may be compensated for all accrued vacation. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 65 days of sick leave. Employees will not be paid for any accumulated sick leave at separation from employment.

(K) Deferred Outflows/Inflows of Resources

Beginning in the fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the financial statements 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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the financial statements 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unearned property tax revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These amounts account for property taxes levied on January 1, 2014 for the 2014-2015 fiscal year.

(L) Equity Classification

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) Equity Classification (Continued)

In accordance with GASBS No. 54, the City classifies fund balances in the governmental funds as follows: Nonspendable, Restricted, Committed, Assigned or Unassigned.

- (1) *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.
- (2) *Restricted fund balance* classifications are reported as restricted if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification include those funds that can only be used for specific purposed pursuant to constraints imposed by formal action (Ordinances and Resolutions) of the City council, which is government's highest level of decision making authority.
- (4) *Assigned fund balance* classification includes amounts that are constrained by the government's intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the Finance Director, City Council, or City Administrator. 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 in the General Fund, that are intended to be used for specific purposes. The assigned designation may be reversed by the Finance Director, City Council, or City Administrator.
- (5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary Fund equity is classified the same as in the government-wide statements.

When restricted, committed, assigned, or unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by committed resources, then assigned resources, and then unassigned resources as they are needed.

(M) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost, which approximate fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds.

The City's deposit and investment policy is to follow the Utah Money Management Act; however, the City does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Components of cash and investments (including interest earning deposits) at June 30, 2014 are as follows:

	Fair Value	Carrying Amount	Credit Rating (1)	Weighted Average Years to Maturity (2)
Cash on deposit	\$ 232,723	\$ 174,965	N/A	N/A
Investment (3):				
Utah State Treasurer's Investment Pool	5,876,078	5,843,900	N/A	N/A
Total cash and cash equivalents	<u>\$ 6,108,801</u>	<u>\$ 6,018,865</u>		
Portfolio weighted average maturity				N/A

- (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 days to maturity.
(3) All investments are considered cash equivalents on the financial statements.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2014, none of the City's \$226,027 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risks of investments is to comply with the Utah 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 and Poors; banker acceptance 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 by the Act.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure by investing mainly in the Utah Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

The City invests in the Public Treasurer’s Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer’s Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. 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 to participants on the ratio of the participant’s share to the total funds in the PTIF based on the participant’s average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasurer’s Office.

For the year ended June 30, 2014, the City had investments of \$5,843,900 with the PTIF. The fair value of these investments was \$5,876,078. The difference between the fair value and carrying value of the investment with the PTIF is deemed immaterial for allocation among the different funds, and therefore, the carrying value is deemed to be the fair value at June 30, 2014.

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

The composition of “interfund balances” as of June 30, 2014 is as follows:

	Interfund Receivables	Interfund Payables
Governmental activities		
General Fund	\$ 686,750	\$ -
Capital Improvements - Roads	-	568,567
Capital Improvements - Buildings	-	64,710
Total Governmental activities	686,750	633,277
Business-type activities		
Pressurized irrigation	-	53,473
Total Business-type activities	-	53,473
Total interfund receivables and payables	\$ 686,750	\$ 686,750

The due to/from other funds are the result of individual funds’ cash flow needs. These accounts at the fund financial statement level have been eliminated at the government-wide financial statement level (Statement of Net Position). Balances are not expected to be paid off within one year.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Transfers

The purpose of the transfers was to provide cash flows and pay operating expenses. The transfers among the funds for the year ended June 30, 2014 were as follows:

	In	Out
Governmental activities		
General Fund	\$ 57,100	\$ 1,235,000
Debt service fund	975,000	-
Capital Improvements - Roads	525,000	-
Capital Improvements - Buildings	-	70,000
Capital Improvements - Parks	-	386,500
Nonmajor Governmental Funds	191,500	-
Total governmental activities	1,748,600	1,691,500
Business activities		
Presurized Irrigation	-	57,100
Total business activities	-	57,100
	\$ 1,748,600	\$ 1,748,600

NOTE 4 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2014:

	Amount
Governmental activities	
Construction bonds	\$ 204,653
Park construction	104,557
B & C road	99,680
Total governmental activities	408,890
Business-type activities	
Restricted for impact fees	1,107,220
Debt service	10,044
Construction of water basin	20,270
Total business-type activities	1,137,534
Total restricted assets	\$ 1,546,424

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS

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

	Balance June 30, 2013	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 39,607,624	\$ -	\$ -	\$ 39,607,624
Construction in progress	981,496	-	(745,464)	236,032
Total capital assets, not being depreciated	40,589,120	-	(745,464)	39,843,656
Capital assets, being depreciated:				
Buildings and structures	14,080,927	-	-	14,080,927
Improvements and infrastructure	67,895,235	1,273,416	-	69,168,651
Machinery, equipment and vehicles	1,932,162	28,473	(53,491)	1,907,144
Total capital assets, being depreciated	83,908,324	1,301,889	(53,491)	85,156,722
Less accumulated depreciation for:				
Buildings and structures	(2,117,657)	(354,568)	-	(2,472,225)
Improvements and infrastructure	(43,098,302)	(2,795,136)	-	(45,893,438)
Machinery, equipment and vehicles	(1,437,961)	(126,467)	53,491	(1,510,937)
Total accumulated depreciation	(46,653,920)	(3,276,171)	53,491	(49,876,600)
Total capital assets, net of accumulated depreciation	37,254,404	(1,974,282)	-	35,280,122
Governmental activities capital assets, net	\$ 77,843,524	\$ (1,974,282)	\$ (745,464)	\$ 75,123,778

Governmental activities depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 205,773
Public Safety	194,062
Streets and Public Works	2,457,434
Parks and recreation	373,394
Cemetery	45,508
Total depreciation expense - governmental activities	\$ 3,276,171

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

The Business-type activities property, plant and equipment consist of the following at June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2014</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 534,455	\$ -	\$ -	\$ 534,455
Construction in progress	275,000	-	(275,000)	-
Water Shares	23,356,934	676,031	-	24,032,965
Total capital assets, not being depreciated	<u>24,166,389</u>	<u>676,031</u>	<u>(275,000)</u>	<u>24,567,420</u>
Capital assets, being depreciated:				
Buildings and structures	1,157,289	-	-	1,157,289
Improvements and infrastructure	32,929,299	836,478	-	33,765,777
Machinery, equipment and vehicles	2,046,752	-	-	2,046,752
Total capital assets, being depreciated	<u>36,133,340</u>	<u>836,478</u>	<u>-</u>	<u>36,969,818</u>
Less accumulated depreciation for:				
Buildings and structures	(400,172)	(40,120)	-	(440,292)
Improvements and infrastructure	(10,765,922)	(983,786)	-	(11,749,708)
Machinery, equipment and vehicles	(1,035,366)	(104,791)	-	(1,140,157)
Total accumulated depreciation	<u>(12,201,460)</u>	<u>(1,128,697)</u>	<u>-</u>	<u>(13,330,157)</u>
Total capital assets, net of accumulated depreciation	<u>23,931,880</u>	<u>(292,219)</u>	<u>-</u>	<u>23,639,661</u>
Business-type activities capital assets, net	<u>\$ 48,098,269</u>	<u>\$ 383,812</u>	<u>\$ (275,000)</u>	<u>\$ 48,207,081</u>

Business-type depreciation expense was charged to functions/programs as follows:

Business-type activities	
Sewer	\$ 317,576
Pressurized Irrigation	393,643
Storm Drain	116,267
Water	<u>301,211</u>
Total depreciation expense - business-type activities	<u>\$ 1,128,697</u>

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 GRANTS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the City's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable funds. Based on prior experience, the City administration believes such disallowance, if any, would be immaterial.

NOTE 7 DEVELOPER AND CUSTOMER DEPOSITS

Developer and customer deposits are principally deposits from customers that are held by the City for water connections or for construction, or other projects until such time for refund is warranted.

NOTE 8 UNEARNED PROPERTY TAXES

In conjunction with GASB pronouncement 33, "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued property tax receivable and unearned property tax revenue in the General Fund in the amount of \$1,498,613.

Property taxes recorded 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 at November 30. Since the property tax levied on October 1, 2014 was not expected to be received within 60 days after the year ended June 30, 2014, the City was required to record both receivable and unearned revenue of the estimated amount of the total property tax to be levied on October 1, 2014.

NOTE 9 JOINT VENTURE

The City and two other municipalities (the Members) entered into an interlocal agreement to create Lone Peak Public Safety District (Lone Peak). Lone Peak was created to provide fire, emergency medical services, and police services. Lone peak is funded by direct payments from the Member cities which is allocated on a population basis. Lone Peak is governed by a Board of Public Safety Commissioners composed of two elected or appointed officials from the Member cities.

Audited financial statements for Lone Peak are prepared annually and can be obtained from Lone Peak's finance director, Lone Peak Public Safety District, 5400 W Civic Center Blvd. Suite #1.

A summary of transactions between the City and Lone Peak is shown below:

	2014
Payments to Lone Peak	
Administrative expenses	\$ 113,862
Member payments for	
Police	1,610,476
Fire / EMS	1,000,088
Total payments to Lone Peak	\$ 2,724,426
Receipts from Lone Peak	
Rent of office space	\$ 221,497
Reimbursement of employee wages and office supplies used by Lone Peak	19,601
Total receipts from Lone Peak	\$ 241,098

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 LONG-TERM DEBT

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

	<u>June 30,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds payable					
Revenue bonds	\$ 10,815,000	\$ -	\$ (525,000)	\$ 10,290,000	\$ 545,000
Plus: unamortized premiums	96,082	-	(6,863)	89,219	-
Total bonds payable	<u>10,911,082</u>	<u>-</u>	<u>(531,863)</u>	<u>10,379,219</u>	<u>545,000</u>
Compensated absences	254,916	79,340	(84,395)	249,861	92,219
Governmental activities long-term liabilities	<u>11,165,998</u>	<u>79,340</u>	<u>(616,258)</u>	<u>10,629,080</u>	<u>637,219</u>
Business-type Activities:					
Bonds payable					
General obligation bonds	3,185,000	-	(305,000)	2,880,000	315,000
Plus: unamortized premiums	49,897	-	(5,544)	44,353	-
Total bonds payable	<u>3,234,897</u>	<u>-</u>	<u>(310,544)</u>	<u>2,924,353</u>	<u>315,000</u>
Notes payable	1,918,765	676,031	(95,091)	2,499,705	96,725
Compensated absences	100,351	27,328	(35,233)	92,446	31,328
Business-type activities long-term liabilities	<u>5,254,013</u>	<u>703,359</u>	<u>(440,868)</u>	<u>5,516,504</u>	<u>443,053</u>
	<u>\$ 16,420,011</u>	<u>\$ 782,699</u>	<u>\$ (1,057,126)</u>	<u>\$ 16,145,584</u>	<u>\$ 1,080,272</u>

Governmental Activities:

Revenue Bonds

Series 2006 Sales and Franchise Tax Revenue Bonds, original issue of \$6,000,000, principal due in annual installments beginning September 2007, interest at 4.00% to 4.35% due in semi-annual installments beginning March 2007, with the final payment due September 2026. The bonds were issued to finance the costs associated with construction of police and fire public safety buildings.

\$ 4,455,000

Series 2007 Sales and Franchise Tax Revenue Bonds, original issue of \$7,315,000, principal due in annual installments beginning September 2008, interest at 4.00% to 5.25% due in semi-annual installments beginning September 2007, with the final payment due September 2027. The bonds were issued to finance the costs associated with acquisition, construction and equipping park improvements and related improvements.

5,835,000

Total Tax Revenue Bonds - Governmental Activities

\$ 10,290,000

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 LONG-TERM DEBT (Continued)

Business-type Activities

General Obligation Bonds

Series 2009 General Obligation Refunding Bonds, original issue of \$4,310,000, principal payments due in annual installments beginning May 2010, interest at 2.75% to 4.125% due in semi-annual installments beginning November 2009 with the final payment due May 2022. The bonds were issued to refund the outstanding portion of the 1998 General Obligation Refunding Bonds.

\$ 2,880,000

Total General Obligation Bonds - Business-type Activities

\$ 2,880,000

Notes Payable

Note payable to the Provo River Users Association for the City's portion of costs relating to the Provo Reservoir Canal Enclosure Project. Original amount \$615,833, interest at 4.00%, approximately 22% of original principal is due in two equal installments in July 2010 and March 2011 along with accrued interest. Remaining principal and interest to be paid in annual installments beginning March 2012 with final payment due March 2035.

\$ 449,409

Assessment payable to the Highland Conservation District for the City's portion of costs relating to the Provo Reservoir Canal Enclosure Project. Original amount \$1,563,945, principal and interest at 2.65% due in installments beginning November 2010 with final installment due November 2035.

2,050,296

Total Notes Payable - Business-type Activities

\$ 2,499,705

All of the City's Sales Tax Revenue Bonds are payable solely by a pledge and assignment of their associated revenue sources. Total future sales tax of \$10,290,000 has been pledged through 2028. The current revenue recognized during the period for pledged Franchise and Sales Tax Revenue bonds was \$2,710,576 compared to principal and interest of \$973,954 paid during the year which equals a coverage ratio of 2.78.

The annual debt service requirements to maturity, including principal and interest for the long-term debt, as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Franchise and Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	545,000	425,516
2016	570,000	401,091
2017	600,000	375,454
2018	625,000	347,742
2019	655,000	320,004
2020-2024	3,705,000	1,165,721
2025-2028	3,590,000	314,023
	<u>\$ 10,290,000</u>	<u>\$ 3,349,551</u>

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 LONG-TERM DEBT (Continued)

Year Ending June 30,	Business-type Activities General Obligation Bonds	
	Principal	Interest
2015	315,000	112,538
2016	325,000	102,300
2017	340,000	90,112
2018	350,000	76,512
2019	365,000	62,512
2020-2022	1,185,000	97,536
	<u>\$ 2,880,000</u>	<u>\$ 541,510</u>

Year Ending June 30,	Business-type Activities Notes Payable	
	Principal	Interest
2015	96,725	46,839
2016	98,414	45,163
2017	100,122	43,449
2018	101,866	41,701
2019	103,663	39,914
2020-2024	556,963	170,928
2025-2029	618,047	116,580
2030-2034	679,727	54,862
2035	144,178	2,873
	<u>\$ 2,499,705</u>	<u>\$ 562,309</u>

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. This insurance covers all of these risks except natural disasters.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 RETIREMENT PLANS (Continued)

Plan Description

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office (the Office) Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the 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 Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

The City is legally obligated to contribute to the retirement systems as long as they have employees meeting membership requirements. All required contributions were paid within the applicable periods.

Funding Policy

The City is required to contribute a percentage of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. The contribution rates were as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rate
<u>July 2013 - June 2014</u>			
Contributory System:			
Local Governmental Division Tier 2	N/A	N/A	13.990%
Noncontributory System:			
Local Governmental Division Tier 1	N/A	N/A	17.290%

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 RETIREMENT PLANS (Continued)

The City's actual contributions were as follows:

<u>System</u>	<u>Year Ended June 30,</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer Contributions</u>	<u>Salary subject to retirement contributions</u>
Contributory System:					
Local Governmental Division					
	2014	\$ -	\$ -	\$ 17,759	\$ 208,930
	2013	-	-	3,765	43,984
Noncontributory System:					
Local Governmental Division 1					
	2014	\$ -	\$ -	\$ 213,478	\$ 1,164,149
	2013	-	-	210,002	1,297,778
	2012	-	-	191,998	1,394,322
Defined Contribution System					
457 Plan					
	2014	\$ 58,559	\$ -		
	2013	41,602	225		
	2012	59,653	147,283		
401(k) Plan					
	2014	\$ 37,205	\$ 190,168		
	2013	23,636	182,055		
	2012	47,435	44,297		
Roth IRA Plan					
	2014	\$ 5,698	\$ -		
	2013	2,058	-		
	2012	1,966	-		

NOTE 13 COMMITMENTS AND AGREEMENTS

The City has commitments to reimburse developers related to the Town Center project in the aggregate amount of \$203,342, which will be ultimately resolved after exaction fees are received in the Capital Projects Parks, Capital Projects Road, and Capital Projects Building funds.

SUPPLEMENTAL INFORMATION

HIGHLAND CITY, UTAH
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Open Space Trust</u>	<u>Northwest Annexation</u>	<u>Town Center Capital Projects</u>	
Assets:				
Cash and cash equivalents	\$ 111,215	\$ 89,073	\$ 325,396	\$ 525,684
Receivables:				
Accounts	5,284	-	-	5,284
Total Assets	<u>\$ 116,499</u>	<u>\$ 89,073</u>	<u>\$ 325,396</u>	<u>\$ 530,968</u>
Liabilities:				
Accounts payable	\$ 55,744	\$ -	\$ -	\$ 55,744
Accrued liabilities	10,069	-	-	10,069
Total Liabilities	<u>65,813</u>	<u>-</u>	<u>-</u>	<u>65,813</u>
Fund Balances:				
Assigned	50,686	89,073	325,396	465,155
Total Fund Balances	<u>50,686</u>	<u>89,073</u>	<u>325,396</u>	<u>465,155</u>
Total Liabilities and Fund Balances	<u>\$ 116,499</u>	<u>\$ 89,073</u>	<u>\$ 325,396</u>	<u>\$ 530,968</u>

HIGHLAND CITY, UTAH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
GOVERNMENTAL FUNDS – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Open Space Trust</u>	<u>Northwest Annexation</u>	<u>Town Center Capital Projects</u>	
Revenues:				
Charges for services	\$ 265,998	\$ -	\$ -	\$ 265,998
Exaction fees	-	-	71,221	71,221
Impact fees	-	9,827	-	9,827
Interest income	279	435	1,248	1,962
Total Revenues	<u>266,277</u>	<u>10,262</u>	<u>72,469</u>	<u>349,008</u>
Expenditures:				
Current:				
General government	419,275	-	-	419,275
Total Expenditures	<u>419,275</u>	<u>-</u>	<u>-</u>	<u>419,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(152,998)</u>	<u>10,262</u>	<u>72,469</u>	<u>(70,267)</u>
Other Financing Sources:				
Transfers in	191,500	-	-	191,500
Total Other Financing Sources	<u>191,500</u>	<u>-</u>	<u>-</u>	<u>191,500</u>
Net Change in Fund Balances	38,502	10,262	72,469	121,233
Fund Balances, Beginning	<u>12,184</u>	<u>78,811</u>	<u>252,927</u>	<u>343,922</u>
Fund Balances, Ending	<u>\$ 50,686</u>	<u>\$ 89,073</u>	<u>\$ 325,396</u>	<u>\$ 465,155</u>

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