

REGULAR MEETING

**AGENDA
AND
STAFF MEMO**

**HEBER CITY CORPORATION
75 North Main Street
Heber City, UT 84032
City Council Regular Meeting
January 7, 2016**

6:00 p.m. Regular Meeting

**TIME AND ORDER OF ITEMS ARE APPROXIMATE AND MAY BE
CHANGED AS TIME PERMITS**

- I. Call to Order**

- II. Pledge of Allegiance: Council Member Ronald Crittenden**

- III. Prayer/Thought: By Invitation (Default Council Member Jeffrey Smith)**

- IV. Minutes for Approval: November 19, 2015 Draft Work Meeting and Regular Meeting Minutes**

- V. Open Period for Public Comments**
 1. Ben Probst, Gilbert & Stewart CPA's, Presentation of FY 2014-2015 Audit

 2. Resolution No. 2016-1 A Resolution Amending the Heber City Culinary Water Rate and Allowing the Amendment of the Consolidated Fee Schedule

 3. Approve Lot line Adjustment between Lot 247 and 248 of Phase 2 Cottages at Valley Station Subdivision.

 4. Clarification to Strawberry Annexation Agreement

 5. Approve Resolution 2016-2 – a Resolution Allowing Potential Incentives the City May

Offer to Encourage Development of Hotels

6. Final Approval of Red Ledges Phase 2L Subdivision Plat and Associated Subdivision Agreement - This is part of Parcel A, located located on Chimney Rock Road. The entrance to Red Ledges is at 1851 East Center Street
7. Red Ledges Requests Subdivision Final Approval of Red Ledges Phase 2M located at Chimney Rock Road, the entrance to Red Ledges is at 1851 East Center Street
8. Appointment of Alternate Member to the Airport Advisory Board
9. City Council Board Assignments
10. Election of Mayor Pro Tempore
11. Consideration of Special Assignment Pay
12. Closed Meeting as Needed

Ordinance 2006-05 allows Heber City Council Members to participate in meetings via telecommunications media.

In accordance with the Americans with Disabilities Act, those needing special accommodations during this meeting or who are non-English speaking should contact Michelle Limon at the Heber City Offices (435) 654-0757 at least eight hours prior to the meeting.

Posted on December 31, 2015, in the Heber City Municipal Building located at 75 North Main, Wasatch County Building, Wasatch County Community Development Building, Wasatch County Library, on the Heber City Website at www.ci.heber.ut.us, and on the Utah Public Notice Website at <http://pmn.utah.gov>. Notice provided to the Wasatch Wave on January 4, 2016.

Memo

To: Mayor and City Council
From: Mark K. Anderson
Date: 12/30/2015
Re: City Council Agenda Items for January 7, 2016

REGULAR MEETING

Item 1 – Ben Probst, Gilbert & Stewart CPA’s, Presentation of FY 2014-2015 Audit:

Ben Probst, Gilbert and Stewart CPA’s, will be appearing before the Council to present the audit results for FY 2014/15. Enclosed is a copy of the report. Also, I will be providing a bound copy of the audit report to the City Council as well.

All in all, the City is doing well financially in most Funds. The Funds of most concern are the Water and Sewer Funds. Although we have increased rates in the Water Fund for the last three years and the Sewer Fund in July 2015, we are not making much headway on reducing the operating losses in these funds.

With regard to his audit findings contained in the Management Letter, I would make the following comments:

The City is implementing additional internal controls in the Justice Court to make sure all receipts are accounted for daily by both clerks. With the pending move of the Justice Court to the Public Safety Building, a new bank account will be set to handle all of their receipts and additional internal control procedures are being implemented.

With regard to the underpayment of Justice Court fines and surcharges that are submitted to the State of Utah, we have worked closely with the Court auditors to determine our unpaid liability and the Court Clerks now understand which report they need to print to submit the proper payment each month. The obligation to the State is accounted for in the audit.

Item 2 - Resolution #2016-1 A Resolution Amending the Heber City Culinary Water Rate and Allowing the Amendment of the Consolidated Fee Schedule: Consistent with the adopted budget, which included a water rate increase in January 2016, a 12% culinary water and a 10% pressurized irrigation rate increase is before the Council for approval. The

proposed increase will yield about \$150,000 in culinary water revenues and \$27,000 in pressurized irrigation revenues per year. The rate increase is needed to fund the replacement and maintenance of aging infrastructure. At this time, the City is funding very little of its depreciation expense in the water and sewer fund. See enclosed Resolution. Staff would recommend approval.

As noted at our last meeting, approval of the two segments of needed Main Street water line replacement will negatively affect the budgeted funding for an additional Public Works storage building.

Item 3 – Approve Lot Line Adjustment Between Lot 247 and 248 of Phase 2 Cottages at Valley Station Subdivision: The owners of lots 247 and 248 in Phase 2 of the Cottages at Valley Station are requesting that 3 feet of property be taken from Lot 248 and given to Lot 247. This is being requested because the home that was constructed on Lot 247 does not have the required side yard setback. See enclosed staff report from Tony Kohler. Staff would recommend approval.

Item 4 - Clarification to Strawberry Annexation Agreement: In obtaining signatures on the Strawberry Annexation Agreement, staff has been unable to obtain a signature from Blake Allen for the Shingledecker property. Although it is primarily the City's intent to put property owners on notice of the things that are required by the City when development/redevelopment occurs, strict enforcement of the annexation agreement as written would make the redevelopment of Mr. Allen's property cost prohibitive. As a result, staff is recommending that the Council approve an addendum to this agreement giving more clarity regarding what is expected from Mr. Allen and Loren Jensen who have property that would be impacted by the future extension of 500 East.

Item 5 - Approve Resolution 2016-2 – a Resolution Allowing Potential Incentives the City May Offer to Encourage Development of Hotels: The Council has asked that this Resolution be brought forward again for consideration. As the Council considers this Resolution, staff would offer the following:

- Incentives should not normally be offered unless the desired business will not locate in the City without the incentive
- It appears the Best Western hotel group has chosen to move forward with their development regardless of any incentives offered by the City
- Having the Best Western hotel group complete the remaining subdivision infrastructure items in the Gateway Phase I Subdivision is of benefit to the City
- Incentives should be performance based
- The proposed hotel would provide amenities that would be beneficial to our tourist based economy

With that said, recent conversations with a member of the hotel group is that they are hopeful that the City would be willing to sell needed water rights for the project to the group. The \$6,000 cost per acre foot proposed in the incentive resolution is attractive to the group, plus obtaining 23.84 acre feet may take several transactions to obtain water rights at a reasonable

rate. It is my impression that the market value of Wasatch Irrigation water rights is \$25,000 to \$30,000 per share for 3.4 acre feet of water. This equates to \$7,352 to \$8,823 per acre foot.

In conversations with Bart Mumford, we are comfortable that the City will have residual water rights from the development of the Airport Industrial Park if the City wanted to make those available to this group for purchase. The City would still retain possession of the water rights, but the developer would not have to seek out water rights for the development. This would also help bolster reserves in the Water Fund. Staff would recommend that the Council first determine if they want to adopt the enclosed Resolution. If not, the Council may want to discuss if they are willing to consider allowing the Best Western hotel group to purchase water rights directly from the City. If the City is willing, a price should be discussed that the Council is comfortable with and the matter should be re-advertised on a future agenda.

Item 6 - Final Approval of Red Ledges Phase 2L Subdivision Plat and Associated Subdivision Agreement - This is part of Parcel A, located on Chimney Rock Road. The entrance to Red Ledges is at 1851 East Center Street: Red Ledges is seeking final plat approval for Phase 2L. This is a 10 lot subdivision located on the northwest border of the Red Ledges development. (See enclosed staff report, plat map and subdivision agreement) The Planning Commission has reviewed the proposed subdivision and is recommending approval. Staff would also recommend approval subject to the terms of the subdivision agreement.

Item 7 - Red Ledges requests Subdivision Final Approval of Red Ledges Phase 2M located at Chimney Rock Road, the entrance to Red Ledges is at 1851 East Center Street: Red Ledges is seeking final plat approval for Phase 2M. This is a 30 lot subdivision located in the northwesterly part of the Red Ledges development. (See enclosed staff report, plat map) The Planning Commission has reviewed the proposed subdivision and is recommending approval. Staff would also recommend approval.

Item 8 - Appointment of Alternate Member to the Airport Advisory Board: Mayor McDonald is recommending the appointment of Karree Larsen as an alternate member of the Airport Advisory Board. Mrs. Larsen would replace Rob Shallenberger who resigned from the Airport Advisory Board after being elected to the Charleston Town Council. It is my understanding that Mrs. Larsen is a resident of Charleston and a commercial airline pilot. Staff hopes to be able to provide a bio from Mrs. Larsen early next week.

Item 9 - City Council Board Assignments: Mayor McDonald is proposing the Council be assigned to the various Boards/Committees per the attached document.

Item 10 - Election of Mayor Pro Tempore: After each election it has tradition to elect a Mayor Pro Tempore who would chair City Council meetings if the Mayor is absent. Staff would recommend the Council nominate and elect a Mayor Pro Tempore.

Item 11 - Consideration of Special Assignment Pay: Section 13.10 - Special Assignment Pay, of the Heber City Personnel Policy provides for the following:

- A. An employee may be paid additional salary, upon approval of the City Manager and with the consent of the City Council for performing duties not specified in the job description.*

With the resignation of City Recorder, Lynsee Sulser stepped up and did several of the Human Resource/Payroll tasks that have been performed by the City Recorder. Recently, she also made herself available while on vacation to review the payroll to make sure it was processed properly. With that said, it is my recommendation that Lynsee be given an additional \$250 for the month plus period that she stepped up to make sure that things ran smoothly while the City sought a replacement for the City Recorder.

The Council should also be mindful that Allison Lutes, Deputy City Recorder, also stepped up and helped fill the void created by the departure of the City Recorder. She has already been compensated per Section 13.10(B) which provides the following:

- B. An employee required to assume his/her supervisors duties for any period in excess of (10) ten working days shall be paid an additional rate of 5% of the lowest step of the supervisor's scale, whichever is greater, for the entire period he/she performs such duties.*

I am requesting the Council approve this one time \$250 bonus for Lynsee Sulser as detailed above.

Closed Meeting as Needed:

MINUTES

1 Heber City Corporation
2 City Council Meeting
3 November 19, 2015
4 6:30 p.m.

5
6 WORK MEETING

7
8 The Council of Heber City, Wasatch County, Utah, met in **Work Meeting** on November 19,
9 2015, in the City Council Chambers in Heber City, Utah

10
11 I. Call to Order
12 City Manager Memo

13
14 Mayor Pro Tem Bradshaw called the meeting to order.

15
16 Present: Council Member Robert Patterson
Council Member Jeffery Bradshaw
Council Member Erik Rowland
Council Member Heidi Franco
Council Member Kelleen Potter

Excused: Mayor Alan McDonald

Also Present: City Manager Mark Anderson
City Engineer Bart Mumford
City Planner Tony Kohler
Chief of Police Dave Booth
City Attorney Mark Smedley
City Deputy Recorder Allison Lutes

17
18 Others Present: Michelle Limon, Darryl Glissmeyer, Michelle Holmes, Jonathan Holmes, Jeff
19 Smith, James Doolin, Wes Bingham, Pam Patrick, Ashley Mullaney, Russ Booth, Rob
20 Heywood, Brian Balls, Tracy Taylor, Annie McMullen, Jim McMullen, Scott Sweat, Cori Ann
21 Sweat, Michelle Marriott, Bob Marriott, David Hicks, Mike Altieri, Carol Clark, Josh Daniels,
22 Connor Boyack, Carolyn Adair, Leonard Adair, Craig Hansen, Vicky Smith, Stephen Smith,
23 Sharon Spencer, Paul Ritchie, and others whose names were illegible.

24
25 1. Discuss Implementation of a Temporary Land Use Regulation Prohibiting the Erection of
26 Electronic Signs

27 Staff Report
28 Utah Code §10-9a-504

29
30 Kohler reviewed that the Planning Commission met after the last Council meeting. The
31 Commission still felt strongly that electronic reader boards could be incompatible with the vision
32 for the City. The Commission recognized that the issue was a more complex matter, and

1 requested the Council adopt a temporary land use regulation to prohibit new electronic signs or
2 conversions of existing signs for a period of six months.

3
4 Following a brief discussion, the Council was in favor of moving this item to the next regular
5 Council meeting.

6
7 2. Update Regarding Form Based Codes/Branding Process
8 **Staff Memo**

9
10 Kohler explained there were two processes that were ongoing: the Transfer Development Rights
11 ("TDRs") and branding/form based codes. The form based codes steering committee met on
12 November 16 and were given a good summary and presentation on branding and form based
13 codes. Kohler noted the committee was given a questionnaire to fill out, which would also be
14 provided to the Council and Planning Commission. The purpose of the questionnaire was to
15 provide the consultants with discussion points and to create a framework for a public open house,
16 set for 6:30 p.m. on December 15 at the Senior Center.

17
18 Kohler reviewed that the TDR subcommittee met a couple of days prior to the Council meeting
19 and selected a consultant out of Washington, D.C., RCLCO.

20
21 Kohler indicated he anticipated receiving a report from Mountainlands Association of
22 Government ("MAG") in February, and preliminary results from the City's first open house on
23 the form based codes were also expected. He expressed that the timing was ideal, as there would
24 be important data in the TDR and housing studies to assist the form based code consultants.

25
26 In closing, Kohler noted the subcommittee would be meeting once or twice a month.

27
28 Mayor Pro Tem Bradshaw reminded the Council that a County Council meeting was scheduled
29 for December 10 at the Senior Citizens Center. Anderson noted he would confirm the meeting
30 time and communicate to the Council.

31
32 3. Update Regarding the UDOT HAWK Signal Progress
33 **HAWK Conceptual Drawings**

34
35 Mumford updated the Council on the proposed UDOT pedestrian crossing, and projected
36 conceptual drawings. The HAWK crossing at the Main Street park would consist of two masts
37 on either side, with pedestrian-activated lights. UDOT also proposed adding bulb-outs, or no
38 parking protective areas, to enhance the safety of the crossing. The 100 North crossing was
39 designed to include two poles with flashing pedestrian-activated lights. The lights would not
40 flash red to stop the traffic, unlike the HAWK crossing. Construction was contemplated to
41 proceed through winter, with completion anticipated by the spring.

42
43 Mumford did not have any update concerning the "Your Speed Is" signs at the entrances to the
44 City, but he indicated he would check on the status.

45
46 4. **Other Items as Needed**

1 Mumford stated that typically for subdivisions, the City required the developer install certain
2 utilities, e.g., gas, power, phone, and cable. For the past several years, the traditional phone line
3 provider was Century Link, which recently changed its model to require developers to pay to
4 install the phone lines if it wasn't economically feasible for Century Link to do so. The City
5 recently learned of a subdivision that did not install Century Link, and instead went with
6 Comcast. Mumford stated that the City's code was not clear on whether traditional phone lines
7 were required, and whether one provider or any provider would be acceptable. He added they
8 would be discussing this issue in the next agenda prep meeting.

9
10 Chief Booth updated the Council on the progress of the Public Safety building. Clean up phase
11 had commenced, and they anticipated moving in mid-December. He added they definitely
12 appeared to be keeping expenses within the budget.

13
14 Booth indicated the "closing house" concerning the old building would happen, however he was
15 unsure when.

16
17 Anderson noted that Mumford and Booth had done an exceptional job in managing the budget.

18
19 Anderson introduced Michelle Limon, Mayor McDonald's Appointee for City Recorder, who
20 gave a brief introduction concerning her qualifications and background.

21
22 Anderson noted that David Lady, of Salina, Kansas accepted the offer of employment for the
23 Assistant City Engineer, and would be starting on January 11.

24
25 With no further business, the meeting was adjourned.

26
27
28
29

Allison Lutes, Deputy City Recorder

1 Heber City Corporation
2 City Council Meeting
3 November 19, 2015
4 7:00 p.m.

5
6 REGULAR MEETING

7
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9 2015, in the City Council Chambers in Heber City, Utah

10
11 I. Call to Order
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13
14 Present: Council Member Robert Patterson
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15
16 Others Present: Michelle Limon, Darryl Glissmeyer, Michelle Holmes, Jonathan Holmes, Jeff
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21 Smith, Stephen Smith, Sharon Spencer, Paul Ritchie, and others whose names were illegible.

22
23 II. Pledge of Allegiance: Council Member Erik Rowland

24
25 III. Prayer/Thought: Council Member Heidi Franco

26
27 IV. Open Period for Public Comments

28
29 Mayor Pro Tem Bradshaw asked for comments from the audience on items not addressed on the
30 agenda. Tracy Taylor noted that the purchase of the Maverik gas station property near the

1 airport had been removed from the agenda. She asked who originally added it to the agenda, and
2 why it had been removed. Anderson responded that he had put it on the agenda, but after
3 returning from his vacation, he felt the more appropriate approach would be to hold a public
4 hearing on a budget amendment concerning this item. Taylor felt it was important for the public
5 to be aware that the FAA stated it preferred the City control the property, but it did not mandate
6 that the City control the parcel. She thought it was a complicated issue, and she encouraged the
7 City Attorney's involvement in guiding the City through the process.

8
9 1. Appointment of City Recorder

10 Michelle Limon Resume

11 Utah Code §10-3-916

12
13 Council Member Rowland moved to approve the appointment of Michelle Limon as the City
14 Recorder. Council Member Franco made the second.

15
16 Voting Aye: Council Members Robert Patterson, Jeffery Bradshaw, Erik Rowland, Heidi Franco,
17 and Kelleen Potter. Voting Nay: None.

18
19 2. Connor Boyack, President, and Josh Daniels, Policy Analyst - Libertas Institute -
20 Presentation of Award to Heber City
21 Freest City in Utah

22
23 Connor Boyack provided a brief introduction concerning Libertas Institute, a state-based political
24 nonprofit, stressing individual liberty. Josh Daniels, the lead analyst on the local government
25 project, discussed how the study was conducted using a statistical average, and based on three
26 main policy areas: individual liberty, private property, and free enterprise. Heber City ranked in
27 first place in the study. Following a brief presentation, Boyack and Daniels presented the
28 Council with the Freest City in Utah award.

29
30 3. Public Hearing - Ordinance 2015-29, an Ordinance Considering the Annexation of a 94.8
31 Acre Parcel Known as the Bassett-Ritchie Annexation and Located at Approximately 800
32 North Highway 40; and Approval of the Associated Annexation Agreement

33 Ordinance 2015-29

34 Annexation Agreement

35 Comments From Doug and Cheryl Hardy

36
37 Mayor Pro Tem Bradshaw stated this was a public hearing to receive comments on the proposed
38 Bassett-Ritchie Annexation. Kohler and Rob Heywood briefly reviewed the substance of the
39 annexation, after which Mayor Pro Tem Bradshaw opened the meeting for public comments.

40
41 Pam Patrick expressed her concern with the water supply, and asked where the water would be
42 sourced.

1 Richard Carlisle wanted to know exactly what was being annexed, and where the roads would
2 cross through the area. Kohler and Brian Balls, the surveyor, indicated on the projected
3 annexation map where the annexation and city boundaries were located.
4

5 In response to Pam Patrick's concern, Anderson stated that the water would be sourced from the
6 City's existing sources: the Broadhead springs and wells, the Valley Hills well, and the hospital
7 well. He added that anyone who developed in the City was required to donate water rights equal
8 to the demand that would be put on the system.
9

10 Ms. Patrick was specifically concerned with the Valley Hills well, which was located in the
11 Wasatch View Acres, in county property. She expressed that the water level had dropped in their
12 well and other residents' wells. She added that the Utah State website specifically stated that the
13 Valley Hills well was designated for the exclusive use of old Valley Hills. Further, Patrick was
14 concerned whether the City had taken potential drought conditions into account.
15

16 Anderson stated that any additional water rights the City would put into the Valley Hills well for
17 the purpose of pumping water would need to be approved by the State, and a public hearing
18 would need to be held.
19

20 Annie McMullen questioned why the City would consider annexing this area now, when it had
21 enacted a moratorium on building permits to consider form based codes. She also noticed the
22 proposed map indicated a higher density near Spring Creek, where the deer winter, and
23 encouraged the Council to consider establishing a wildlife corridor along the side of the
24 annexation area that skirted Valley Hills.
25

26 In response to McMullen's concerns, Kohler explained the petition was submitted by the private
27 sector and was not solicited. Further, the decision was a legislative decision and the area fell
28 within the City's annexation policy plan. The City had been aware of this annexation for several
29 years, adopted a new zone for this area, and invested in a sewer line to service the area. Kohler
30 explained that part of the reason to consider the annexation was economic development. Further,
31 the Mayor had encouraged the City to consider development for economic growth.
32

33 McMullen added she was also concerned with the high density areas depicted on the annexation
34 application. Kohler explained that the City required annexation petitioners to submit a concept
35 plan, which was non-binding. There were no approvals granting any entitlements to this
36 concept. McMullen reiterated her concerns regarding allowing wildlife access around the
37 sensitive Spring Creek area, and hoped the higher density areas would not be added around that
38 wildlife access area.
39

40 Mike Altieri asked what would be done with the isolated area shown on the northeast area of the
41 concept plan. Rob Heywood responded that at present, there was no other plan for that area,
42 other than open space.
43

44 Craig Hansen was on the Planning Commission when this annexation came up the first time. He
45 expressed he never really liked the PCMU written by the developer's consultant. Hansen

1 inquired where the eastern bypass was proposed. Mayor Pro Tem Bradshaw explained the
2 bypass would run just south of Valley Hills Drive, through the north side of the cemetery.
3 Hansen expressed his confidence in Rob Heywood, but he did believe the proposed plan
4 included too much density in parts of it, and he felt it deserved more study.

5
6 Tracy Taylor asked whether the wells mentioned earlier were metered. Mumford responded
7 affirmatively. Taylor informed the Council of a State legislative audit last spring that found
8 many wells had not been metered, and in fact the Valley Hills well had not been metered since
9 2005. She indicated she would send the audio of the audit hearing to the Council, and she urged
10 the City to get a handle on the real water situation, to ensure the City's wells were properly
11 metered before accepting another annexation into the City.

12
13 Next, Taylor expressed concern with whether the Transfer Development Rights ("TDRs") which
14 the City was currently working on, would be available when the current building moratorium
15 would expire in the spring. She urged the Council to consider adding a clause in the annexation
16 agreement that mandated the developer's use of TDRs in this annexation.

17
18 Mayor Pro Tem Bradshaw closed the public portion of the hearing, and solicited comments from
19 the Council.

20
21 Council Member Franco asked how the proposed trail would cross the road and whether it would
22 be wide enough for wildlife passage. Kohler and Mumford showed the conceptual trail, and
23 indicated it would have to cross the open area. Council Member Franco thought they may want
24 to consider locating the crossing near the cemetery.

25
26 Council Member Franco then expressed her concern with Article 6B in the annexation
27 agreement, concerning the development of the eastern bypass road. She felt the provision was
28 too vague, in light of the City's 800 foot cul-de-sac requirement. She asked Rob Heywood
29 whether he would consider making Article 6B more specific. Heywood responded he didn't
30 believe the clarification was necessary, and felt it premature to develop a road before it was
31 needed.

32
33 Council Member Potter asked whether there had been any thoughts on addressing the wildlife
34 issue. Heywood said there had not as yet, however the plan was currently a conceptual plan.
35 Council Member Franco inquired whether the high density area depicted on the conceptual map
36 near Spring Creek, was certain. Heywood stated it was not, and added they were not planning
37 any residential units at this time, as they were awaiting the outcome of the form based codes
38 project.

39
40 Brian Balls stated that the Bassetts had employed a wetlands study in 2000. The wetlands
41 depicted on the conceptual map resulted from the outcome of that study and was a jurisdictional
42 wetlands, comprised of approximately 8.5 acres. Balls added the City required a buffer between
43 the wetlands, so with that included, it comprised approximately 11 acres.

1 Council Member Franco expressed her hope that the developers would be sensitive to lighting in
2 the development and that it would fit the character of the City.

3
4 Council Member Rowland moved to approve Ordinance 2015-29, an Ordinance considering the
5 annexation of a 94.8 acre parcel known as the Bassett-Ritchie Annexation, located at
6 approximately 800 North Highway 40; and to approve the associated Annexation Agreement.
7 Council Member Patterson made the second.

8
9 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Kelleen Potter.
10 Voting Nay: None.

11
12 4. Approve Ordinance 2015-24, an Ordinance Amending the Heber City General Plan
13 Designating All of Block 54 as Future Highway Commercial
14 Staff Memorandum
15 Ordinance 2015-24

16
17 Kohler explained this ordinance started as a staff request to change two parcels owned by the
18 Malone dealership to commercial. The ongoing issue had been the lighting, and the dealership
19 had since installed dimmers.

20
21 David Hicks, General Manager of the Malone dealership, stated that although their lighting met
22 City code requirements, they invested an additional \$8,000 in a dimmer that had been operating
23 for the past few months. In addition, the dealership adjusted the angles of the lights. Hicks
24 added he had spoken with all of the affected neighbors, who agreed the changes made a huge
25 difference in the lighting.

26
27 Council Member Franco asked whether the dealership could turn off the back two rows of
28 lighting to mitigate the impact on the homeowner to the south. Hicks believed that would pose a
29 security risk to their inventory if they were to turn off lighting. He agreed they could install
30 skirting on two of the lights to help further deflect the lights from the affected property to the
31 south.

32
33 Council Member Rowland moved to approve Ordinance 2015-24, an ordinance amending the
34 Heber City General Plan designating all of Block 54 as future highway commercial, and
35 Ordinance 2015-25, an ordinance amending Heber City's zoning map for property located at the
36 southwest corner of 200 South and 100 East and approximately 55 East 300 South. Council
37 Member Potter made the second.

38
39 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
40 None.

41
42 5. Approve Ordinance 2015-25, an Ordinance Amending Heber City's Zoning Map for
43 Property located at the Southwest Corner of 200 South and 100 East and Approximately
44 55 East 300 South
45 Staff Memorandum

1 Ordinance 2015-25

2
3 The vote on this agenda item was combined with agenda item number 4, above.

4
5 6. Discuss Offer of New Non-Reversionary Hangar Lease Agreement to the
6 Commemorative Air Force and Daniel Hangar #5

7
8 Anderson explained the two issues concerning this agenda item. First, the City Council
9 authorized staff to offer the new non-reversionary lease agreement to all existing non-
10 reversionary leases in the Daniel hangar complex. In doing so, Anderson reviewed the existing
11 Commemorative Air Force (“CAF”) lease, and determined the City would not receive any
12 consideration for offering the new lease to the CAF. He explained a unique recapture provision
13 in the CAF agreement, whereby if the CAF were to sell its hangar within the first ten years of the
14 lease term, it would be required to pay the lease fees as though they had paid all along.
15 Anderson recommended the recapture period in the lease be extended so that the City would
16 derive some value from the lease. The second issue related to Daniel Hangar 5: this agreement
17 was initially non-reversionary, but a new buyer requested a reversionary lease to guarantee an
18 additional 5 year lease term. The question was whether the City should offer the new non-
19 reversionary lease to this hangar to avoid being viewed as discriminatory. Marc Miller with the
20 FAA felt the City should offer the non-reversionary lease to that hangar owner.

21
22 Council Member Franco expressed that if the City were to offer the non-reversionary lease to
23 Hangar 5, then it may provide leverage to the other eight reversionary lease holders to argue they
24 should have non-reversionary leases as well. Anderson clarified that the only reason this non-
25 reversionary lease would be offered to Hangar 5 was due to its having previously been a non-
26 reversionary lease. Council Member Franco suggested they extend the deadline on these two
27 offers so that the Airport Board would have time to discuss this issue.

28
29 Council Member Rowland suggested they speak with existing reversionary owners and see what
30 they thought about offering the non-reversionary lease to Hangar 5.

31
32 Council Member Rowland moved to extend the recapture term from 10-15 years in the existing
33 lease agreement with the Commemorative Air Force, in consideration for the City's offering a
34 new non-reversionary lease to the CAF. Council Member Patterson made the second.

35
36 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
37 None.

38
39 Council Member Rowland moved to relegate the discussion concerning Hangar #5 regarding the
40 new non-reversionary lease back to the Airport Board for its consideration. Council Member
41 Potter made the second.

42
43 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
44 None.

1 7. Approve Heber City's Capital Improvement Portion of the Mountainland Association of
2 Governments (MAG) Consolidated Plan
3 MAG Consolidated Plan
4

5 Anderson explained that the MAG asked the City annually to review the Consolidated Plan to
6 use as a good planning document for the community, and to be eligible to receive grants for
7 identified projects.
8

9 Council Member Patterson moved to approve Heber City's Capital Improvement Portion of the
10 Mountainland Association of Governments (MAG) Consolidated Plan. Rowland made the
11 second.
12

13 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
14 None.
15

16 8. Approve Ordinance 2015-30, an Ordinance Amending Section 18.42.040 B, Building
17 Setbacks; and Section 18.42.100 I, Residential Transition, of the Heber City Municipal
18 Code Regarding Mixed-Use Residential Commercial Zone (MURCZ)

19 Comments From Scott and Cori Ann Sweat
20 Ordinance 2015-30
21 Staff Report
22 Site Plan and Sample Elevations
23

24 James Doolin with Volkommen Construction stated that since they last appeared before the
25 Council, they obtained the property located on the southwest corner of 1000 South and 300
26 West, and proposed to construct another 20 unit townhome subdivision on that parcel, in addition
27 to the 40 unit subdivision previously proposed. Doolin explained they currently proposed a 10-
28 foot buffer at the rear of the project, but they were requesting the front setback be changed to 10
29 feet from 15 feet, to allow a greater buffer.
30

31 Doolin spoke with Scott Sweat, who was concerned with the density of the project. Doolin
32 explained that Volkemmon met all of the code requirements, including 20 units per acre. Sweat
33 was concerned with noise from the proposed 40-unit subdivision, and felt it would negatively
34 impact his property value.
35

36 Doolin proposed his idea to build an enclosed garage structure along the north end of the
37 property that directly impacted the Sweats and the two other houses to the north, providing their
38 setback request was granted. He felt this would help mitigate Sweat's concerns. Doolin stated
39 the garage would be 17 feet tall, and it could be built 13 feet from the existing wall along the
40 property line. He added they could make the garages appear more residential, with siding and/or
41 dormers.
42

43 Doolin explained they would require 80 spaces for the residential units and 8 for the retail units.
44 Some of the parking would be uncovered, to allow for some open areas. The landscape buffer
45 behind the garages would be maintained by the developer, as would the park area.

1 Scott Sweat encouraged the Council to not pass the amendment before they had an opportunity
2 to review the new plan; he asked that the process be slowed down to perhaps propose ideas that
3 would work for all.

4
5 Discussion focused on the buffer zone between the residential area and the subdivision, whereby
6 a concern was raised regarding security issues in creating a "no man's land" and whether it would
7 be preferable to situate the garages closer to the north wall.

8
9 Doolin proposed they be allowed to move forward on their subdivision process, based on the
10 assumption the City could ultimately approve both the issues regarding the setback and transition
11 area, noting the current code may need to be amended, since it required an 8-foot buffer.
12 Further, he requested they continue to work on the zone amendment along with the development
13 agreement, allow them to present both to the Planning Commission on December 10, after which
14 they would come to the City Council with the Planning Commission's recommendation in
15 January.

16
17 Council Member Franco moved to approve Resolution 2015-30, a resolution amending Section
18 18.42.040 B, Building Setbacks, and changing the required setback from 15 feet to 10 feet.
19 Council Member Patterson made the second.

20
21 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
22 None.

23
24 Council Member Rowland moved to continue the remaining discussion on zoning changes until
25 after the developer had met with the Planning Commission and had received a recommendation.
26 Council Member Patterson made the second.

27
28 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
29 None.

30
31 **9. Approve Resolution 2015-16, a Resolution Amending the Personnel Policy Section 4.1,**
32 **Hiring Procedures, Section 13.19, Workers' Compensation, Section 13.14, Sick Leave**
33 **and Section 13.29 Instant Award Policy**
34 **Resolution 2015-16**

35
36 Council Member Franco moved to approve Resolution 2015-16, a resolution amending the
37 Personnel Policy Section 4.1, Hiring Procedures, Section 13.19, Worker's Compensation,
38 Section 13.14, Sick Leave and Section 13.29 Instant Award Policy. Council Member Patterson
39 made the second.

40
41 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
42 None.

43
44 **10. Schedule a Public Hearing to Amend the 2015-16 Operating Budget**
45

1 Council Member Franco requested they be given information regarding the current incoming
2 revenue vs. projected revenue, and the total amount spent vs. the budgeted amount, as well as the
3 funds to be amended. Anderson responded he would work with Wes Bingham on compiling the
4 information.

5
6 Anderson listed some of the items he anticipated discussing during the hearing on the budget,
7 including the budget for the city engineer, the sewer project, the roads project, the city park
8 sidewalk, the purchase of the airport runway protection zone property, the taxiway lighting, the
9 Main Street water lines, and lightening strike repairs.

10
11 Council Member Patterson moved to schedule a public hearing on December 3 to amend the
12 2015-16 Operating Budget. Council Member Franco made the second.

13
14 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
15 None.

16
17 11. Approve Megco and CH47 Lot Line Adjustment at Approximately 1600 South Highway
18 40

19 Staff Memo re Lot Line Adjustment
20 Lot Line Adjustment Request

21
22 Kohler explained this was a pretty straightforward request, which involved adjusting the lot
23 lines, due to gas tanks on the neighboring property. The adjoining property owners agreed to the
24 change.

25
26 Council Member Potter moved to approve the Megco and CH47 lot line adjustment at
27 approximately 1600 South Highway 40. Council Member Patterson made the second.

28
29 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
30 None.

31
32 12. Dirty Rotten Buckers, Request Local Consent For a Permit to Serve Beer at a Single
33 Event at the Event Center

34 Staff Report re Application for Local Consent
35 Application for Local Consent

36
37 Anderson stated that a background check had not been received for one of the owners. The
38 applicant brought the background check to the evening's meeting, where Kohler reviewed it and
39 determined it was clean. Staff then recommended approval of the application.

40
41 Danny Goode with Wasatch County noted that because the event was being held in a County
42 facility, the County Council would also have to approve the application.

43
44 Michelle Marriott, owner-applicant, explained that the group already held a bond with the State.
45 The upcoming event was a charity event, and they wanted to control consumption of alcoholic

1 beverages by selling them at the event, rather than spectators potentially bringing in their own.
2 She added they had never had a problem concerning the sale of alcohol at their events.

3
4 Council Member Patterson moved to approve Dirty Rotten Buckers, request local consent for a
5 permit to serve beer at a single event at the Event Center. Council Member Rowland made the
6 second.

7
8 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
9 None.

10
11 **13. Approve 2016 Holiday Schedule**
12 **2016 Holiday Schedule**

13
14 Council Member Franco moved to approve the 2016 Holiday Schedule. Council Member
15 Rowland made the second.

16
17 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
18 None.

19
20 **14. Approve 2015 Employee Christmas Bonuses**
21 **Estimated Christmas Bonus Cost**

22
23 Council Member Franco moved to approve the 2015 Employee Christmas Bonuses. Council
24 Member Patterson made the second.

25
26 Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay:
27 None.

28
29 **15. Approve Land Purchase Agreements With Gifford Hickey and Fat Trout, LLC for Right-**
30 **of-Way Property Located at 650 South 1200 West**
31 **Real Estate Purchase Contract - Gifford Paul Hickey Trust**
32 **Real Estate Purchase Contract - Fat Trout, LLC**

33
34 Anderson reviewed that the Hickeys were fairly resolute in their request to include sidewalk
35 improvements on 650 South, so Anderson added that provision in the agreements. Further, Mark
36 Smedley conducted some research and had spoken with Shawn Seager and Diane McGuire with
37 UDOT, and concluded he was comfortable in providing a letter indicating the City required this
38 right-of-way for public transportation purpose, and had the City not been able to acquire it
39 amicably, the City would have needed to proceed with an eminent domain process. The sellers
40 requested a contract amendment concerning the foregoing for their tax purposes. If the Council
41 was comfortable with such an amendment, Anderson requested that he and Smedley be allowed
42 to work out the language in the provision to avoid jeopardizing the City's potential
43 reimbursement from the Corridor Preservation Fund, and that the approval be conditioned upon a
44 subsequent budget amendment that would be considered at the next meeting, since this proposed
45 purchase had not been budgeted.

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Council Member Potter moved to approve land purchase agreements with Gifford Hickey and Fat Trout, LLC for Right-of-Way Property Located at 650 South 1200 West. Council Member Rowland made the second.

Anderson requested the Council consider adding that approval be conditioned upon the City Attorney drafting language that addressed the needs of the property owners regarding the land purchase under threat of condemnation; and subject to approval of a budget amendment for the purchase of the property. The Council agreed to the foregoing.

Voting Aye: Council Member Robert Patterson, Council Member Jeffery Bradshaw, Council Member Erik Rowland, Council Member Heidi Franco, Council Member Kelleen Potter. Voting Nay: None.

Council Member Franco moved to adjourn the meeting. Council Member Patterson made the second.

Voting Aye: Council Members Patterson, Bradshaw, Rowland, Franco, and Potter. Voting Nay: None.

At approximately 10:15 p.m., the meeting was adjourned.

Allison Lutes, Deputy City Recorder

TAB 1

HEBER CITY CORPORATION

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 30, 2015



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA
—
SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

Honorable Mayor and City Council
Heber City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Heber City for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Heber City are described in Note 1 to the financial statements. The City implemented Government Auditing Standard Board pronouncement 68 which is described in Note 1 of the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of the capital assets' useful life is based on the historical life of similar assets. We evaluated the key factors and assumptions used to develop the capital assets' useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be

significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

During the course of the audit we were informed of an issue concerning the receipting of cash in one of the departments of the general fund.

Finding: Hand prepared cash receipts were not being properly recorded and maintained. Deposits of cash receipts were not being properly reviewed to assure that cash receipts were being recorded and deposited in sequential order as indicated on the receipt.

Recommendation: We recommend that proper documentation of receipts be maintained and that department officials review and properly maintain sequential numbering of all cash receipts.

City's Response: We will provide proper training and oversight on all cash receipts

Utah State Legal Compliance Findings – Current Year

15-1 General Compliance – Justice Court

Finding: The State has established certain reports in the Justice Courts software system (CORIS) that helps to prepare the amount of fees and surcharges that need to be submitted to the state monthly. During the fiscal year the state's courts audited the Heber City Justice Court and determined that the wrong report was being used to prepare and submit the proper amount of fees and surcharges to the state.

Recommendation: We recommend that staff receive adequate training so the proper fees and surcharges are submitted to the State.

City's Response: The City has met with the auditors of The Administrative Office of Courts and is in the process of adopting policies to address this issue.

Utah State Legal Compliance Findings – Prior Year

12-1 General Compliance – General Fund Balance in Excess of Amount Allowed

Finding: The City is allowed to maintain an unreserved general fund balance not to exceed 25% of total estimated general fund revenues. The unreserved general fund balance was \$214,450 in excess of the amount allowed.

Recommendation: It is recommended that the unreserved general fund balance be brought into compliance with State requirement.

City's Response: City is now in compliance.

14-1 General Compliance – Financial Information Not Posted on time to the State Website

Finding: The State has established the Utah Public Finance Website to which local governments are required to post financial and employee compensation information. Participating entities are required to post their revenue and expenses transactions at least quarterly within one month after the end of the fiscal quarter. They are also required to post employee compensation summary information at least once per year within three months after the end of the fiscal year. The 2014 financial information for Heber City was not being posted timely.

Recommendation: It is recommended that in the future all required information be posted in accordance with the requirement.

City's Response: City is now in compliance.

14-2 General Compliance – Budgetary Compliance in The Water Fund

Finding: The legal spending limit for an individual fund of the City is established by the adopted budget revised for any amendments by the end of the fiscal year. The water fund budget was overspent by \$16,233 during the fiscal year.

Recommendation: It is recommended that all departmental budgets be watched closely throughout the year to ensure that spending is kept within the legal limits of the budget. If necessary, at the end of the fiscal year departmental budgets should be amended to ensure they are not overspent.

City's Response: City is now in compliance.

This information is intended solely for the use of City Council and management of Heber City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants

December 30, 2015

Heber City Corporation
Wasatch County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Heber City Corporation
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Heber City Corporation
Heber City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Heber City, as of and for the year ended June 30, 2015, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 4-D to the financial statements, in 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the required supplementary information regarding pensions, as listed 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heber City's basic financial statements. Combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and budgetary comparison schedules as listed in the supplementary section in the table of contents 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 and budgetary comparison schedules 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, 2015 on our consideration of Heber City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heber City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC
December 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

As management of Heber City Corporation (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$7,525,539.
- *Total unrestricted net position for the City as a whole increased by \$3,326,619.
- *Total net position for governmental activities increased by \$4,599,984.
- *Total net position for business-type activities increased by \$2,925,555.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Heber City Corporation. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

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

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. 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.

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 government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation is provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major governmental funds, the general fund and a capital projects fund.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City's proprietary funds are all of the enterprise type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses four enterprise funds to account for the operations of the water, sewer, airport hangar sales and utility fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

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. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

FINANCIAL ANALYSIS

Heber City Corporation's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 21,859,835	11,658,811	25,183,752	23,197,250	47,043,588	34,856,061
Net capital assets	55,005,354	49,548,666	36,505,843	35,273,910	91,511,197	84,822,576
Deferred outflows of resources	280,599	221,684	73,845	58,340	354,444	280,024
Total assets and deferred outflows	<u>77,145,789</u>	<u>61,429,161</u>	<u>61,763,440</u>	<u>58,529,500</u>	<u>138,909,228</u>	<u>119,958,661</u>
Long-term debt	7,273,849	854,507	793,000	900,000	8,066,849	1,754,507
Other liabilities	7,326,847	2,925,406	1,058,159	695,587	8,385,005	3,620,993
Deferred inflows of resources	1,442,468	1,146,607	52,813	-	1,495,281	1,146,607
Total liabilities and deferred inflows	<u>16,043,163</u>	<u>4,926,520</u>	<u>1,903,972</u>	<u>1,595,587</u>	<u>17,947,135</u>	<u>6,522,107</u>
Net position:						
Net investment in capital assets	47,731,505	48,694,159	35,712,843	34,373,910	83,444,348	83,068,069
Restricted	8,130,068	4,547,272	20,655,652	20,415,806	28,785,720	24,963,078
Unrestricted	5,241,053	3,261,211	3,490,973	2,144,196	8,732,026	5,405,407
Total net position	<u>\$ 61,102,626</u>	<u>56,502,642</u>	<u>59,859,467</u>	<u>56,933,913</u>	<u>120,962,093</u>	<u>113,436,555</u>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$120,962,093, an increase of \$7,525,539 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$8,732,026, which represents an increase of \$3,326,619 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the amount of debt that has been issued and/or repaid during the year.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

FINANCIAL ANALYSIS (continued)

Heber City Corporation's Change in Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 1,230,507	1,676,286	2,843,941	3,163,196	4,074,448	4,839,482
Operating grants	141,174	37,802	-	-	141,174	37,802
Capital grants	3,952,952	1,671,112	1,713,485	1,475,475	5,666,437	3,146,587
General revenues:						
Property taxes	1,306,497	948,033	-	-	1,306,497	948,033
Sales tax	3,156,067	2,782,862	-	-	3,156,067	2,782,862
Other taxes	850,276	848,209	-	-	850,276	848,209
Other revenues	1,789,002	93,395	2,043,809	303,658	3,832,811	397,053
Total revenues	<u>12,426,475</u>	<u>8,057,699</u>	<u>6,601,235</u>	<u>4,942,329</u>	<u>19,027,710</u>	<u>13,000,028</u>
Expenses:						
General government	1,904,362	1,502,552	-	-	1,904,362	1,502,552
Public safety	2,616,698	2,411,653	-	-	2,616,698	2,411,653
Public works	2,273,056	2,406,282	-	-	2,273,056	2,406,282
Parks and recreation	276,527	264,163	-	-	276,527	264,163
Cemetery	302,286	256,224	-	-	302,286	256,224
Airport	406,479	684,255	-	-	406,479	684,255
Interest on long-term debt	47,083	16,975	-	-	47,083	16,975
Water	-	-	2,135,977	1,975,488	2,135,977	1,975,488
Sewer	-	-	1,346,397	1,211,699	1,346,397	1,211,699
Airport hangars	-	-	39,796	462,379	39,796	462,379
Utility	-	-	153,510	172,316	153,510	172,316
Total expenses	<u>7,826,490</u>	<u>7,542,104</u>	<u>3,675,680</u>	<u>3,821,882</u>	<u>11,502,170</u>	<u>11,363,986</u>
Change in net position	<u>\$ 4,599,984</u>	<u>515,596</u>	<u>2,925,555</u>	<u>1,120,446</u>	<u>7,525,539</u>	<u>1,636,042</u>

For the City as a whole, total revenues increased by \$6,027,682 compared to the previous year, while total expenses increased by \$138,184. The total net change of \$7,525,539 is, in private sector terms, the net change for the year which is \$5,889,497 more than the previous year's net change (net income).

Governmental activities revenues of \$12,426,475 is \$4,368,776 more than the previous year. This increase is primarily due to increases in capital grants and contributions. Governmental activities expenses of \$7,826,490 is \$284,386 more than the previous year. Decreases in public works and airport expenses were more than offset by increases in all other departments.

Business-type activities revenue of \$6,601,235 is \$1,658,906 more than the previous year. Capital grants and contributions revenues increased significantly compared to the previous year. Business-type activities expenses of \$3,675,680 were less than the previous year by \$146,202. Decreases in the airport hangar and utility funds expenses more than offset increases in the water and sewer funds.

Heber City Corporation
Management's Discussion and Analysis
June 30, 2015

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net position and any restrictions on those amounts is described below:

General Fund

The fund balance of \$4,736,058 reflects an increase of \$1,324,542 from the previous year. Total revenues increased by \$2,066,002. Tax revenues, including property taxes and sales taxes increased by \$733,736. Intergovernmental revenues increased by \$183,613. Charges for licenses and permits decreased by \$85,394. Charges for services decreased by \$155,953. All other revenues increased by \$1,389,998.

Total expenditures increased by \$579,241. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government increased by \$288,550, public safety increased by \$371,238, public works decreased by \$180,505, parks and recreation increased by \$41,079, cemetery increased by \$50,982, and airport decreased by \$3,482. Capital outlay expenditures increased by \$1,380. Transfers out were made to other funds for \$1,827,335.

Nonspendable fund balance for the prepaid assets amounts to \$2,344. Fund balance restricted for Class C roads, transportation tax, and debt service amount to \$1,035,810, \$1,366,943, and \$280,205, respectively. The unassigned fund balance is \$2,050,755.

Water Fund

Net operating loss for the year was \$553,742 compared to the previous year amount of \$513,212. The change in net position (net income) was \$1,742,645, compared to the previous year's amount of \$631,800. The amounts restricted for impact fees and construction are \$2,231,878 and \$92,173, respectively. Unrestricted net position amounts to \$1,355,377.

Sewer Fund

Net operating loss for the year was \$354,790, compared to the previous year's loss of \$268,978. The change in net position (net income) was \$747,783, compared to the previous year's amount of \$78,618. The amount restricted for impact fees is \$1,197,741. Unrestricted net position amounts to \$1,787,220.

Airport Hangar Sales Fund

Net operating income for the year was \$6,911 compared to the previous year amount \$80,047. The change in net position (net income) was \$8,124 compared to the previous year's amount of \$81,083. Unrestricted net position amounts to \$199,460.

Utility Fund

Net operating income for the year was \$85,402 compared to the previous year amount \$54,676. The change in net position (net income) was \$86,190 compared to the previous year's amount of \$55,137. Unrestricted net position amounts to \$148,915.

Heber City Corporation
Management's Discussion and Analysis
 June 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year were originally budgeted in the amount of \$6,879,547. This amount was amended during the year to \$8,234,158. Actual revenues amounted to \$8,813,263, which was \$579,105 more than budget.

Expenditures for the current year were originally budgeted in the amount of \$6,339,315. This amount was amended during the year to \$6,493,926. Actual expenditures amounted to \$5,661,385 which was \$832,541 under the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Heber City Corporation's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Capital Assets:						
Land	\$ 15,789,407	16,221,548	557,761	696,428	16,347,168	16,917,976
Water shares and rights	-	-	8,215,836	7,678,650	8,215,836	7,678,650
Buildings	2,326,285	2,218,080	1,074,297	1,074,297	3,400,582	3,292,376
Improvements	51,618,899	51,397,114	-	-	51,618,899	51,397,114
Water system	-	-	23,672,464	22,113,331	23,672,464	22,113,331
Sewer system	-	-	13,214,260	13,019,844	13,214,260	13,019,844
Airport hangars	-	-	354,580	354,580	354,580	354,580
Machinery and equipment	3,109,715	3,049,995	2,444,105	1,804,637	5,553,819	4,854,631
Construction in progress	<u>7,702,363</u>	<u>236,336</u>	<u>62,180</u>	<u>546,796</u>	<u>7,764,543</u>	<u>783,132</u>
Total Capital Assets	80,546,669	73,123,072	49,595,482	47,288,562	130,142,150	120,411,634
Less Accumulated Depreciation	(25,541,315)	(23,574,406)	(13,089,639)	(12,014,652)	(38,630,954)	(35,589,059)
Net Capital Assets	<u>\$ 55,005,354</u>	<u>49,548,666</u>	<u>36,505,843</u>	<u>35,273,910</u>	<u>91,511,197</u>	<u>84,822,576</u>

The total amount of capital assets, net of depreciation, of \$91,511,197 has increased by \$6,688,621 from the previous year.

Governmental activities capital assets, net of depreciation, of \$55,005,354 represents an increase of \$5,456,688 from the previous year.

Business-type activities capital assets, net of depreciation, of \$36,505,843 increased during the year by \$1,231,933.

The amount of increases in capital asset balances, net of depreciation, represent the amount that new investments in capital assets exceeded depreciation charged on capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

Heber City Corporation
Management's Discussion and Analysis
 June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Heber City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2011 Copier Lease	\$ 849	2,507
2011 Sales Tax Revenue	573,000	852,000
2014 Sales Tax Revenue	6,700,000	-
Compensated absences	286,454	252,321
Total governmental	\$ 7,560,303	1,106,828
Business-type activities:		
2013 Water Revenue	\$ 793,000	900,000
Compensated absences	137,000	123,275
Total business-type	930,000	1,023,275
Total outstanding debt	\$ 8,490,303	2,130,103

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

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

City Manager
 75 North Main
 Heber City, UT 84032

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BASIC FINANCIAL STATEMENTS

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Heber City Corporation
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 9,666,199	3,562,130	13,228,329
Accounts receivable, net	4,820,545	356,743	5,177,289
Prepaid expenses	2,344	-	2,344
Other assets	1,344	-	1,344
Total current assets	14,490,433	3,918,873	18,409,306
Non-current assets:			
Restricted cash and cash equivalents	7,362,729	4,129,263	11,491,992
Capital assets:			
Not being depreciated	23,491,770	8,835,777	32,327,547
Net of accumulated depreciation	31,513,584	27,670,066	59,183,649
Investment in joint venture	-	17,133,860	17,133,860
Net pension asset	6,674	1,756	8,430
Total non-current assets	62,374,756	57,770,722	120,145,478
Total assets	76,865,189	61,689,595	138,554,784
Deferred outflows of resources - pensions	280,599	73,845	354,444
Total assets and deferred outflows of resources	\$ 77,145,789	61,763,440	138,909,228
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 5,860,338	601,044	6,461,381
Customer deposits	-	14,295	14,295
Accrued interest payable	37,420	5,120	42,540
Compensated absences, current portion	107,070	41,729	148,799
Long-term debt, current portion	462,849	108,000	570,849
Total current liabilities	6,467,676	770,188	7,237,864
Non-current liabilities:			
Compensated absences, non-current portion	179,384	95,271	274,655
Long-term debt, non-current portion	6,811,000	685,000	7,496,000
Net pension liability	1,142,635	300,700	1,443,335
Total non-current liabilities	8,133,019	1,080,971	9,213,990
Total liabilities	14,600,695	1,851,159	16,451,854
Deferred inflows of resources - property taxes	1,241,788	-	1,241,788
Deferred inflows of resources - pensions	200,680	52,813	253,493
Total liabilities and deferred inflows of resources	16,043,163	1,903,972	17,947,135
NET POSITION:			
Net investment in capital assets	47,731,505	35,712,843	83,444,348
Restricted:			
Investment in joint venture	-	17,133,860	17,133,860
Community improvements	7,614,155	3,429,619	11,043,774
Perpetual care endowment	234,328	-	234,328
Debt service	281,585	-	281,585
Unrestricted	5,241,053	3,583,145	8,824,198
Total net position	61,102,626	59,859,467	120,962,093
Total liabilities, deferred inflows of resources, and net position	\$ 77,145,789	61,763,440	138,909,228

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

Heber City Corporation
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 1,904,362	1,006,156	-	-	(898,206)
Public safety	2,616,698	-	141,174	41,029	(2,434,496)
Public works	2,273,056	-	-	788,122	(1,484,934)
Parks and recreation	276,527	640	-	69,600	(206,287)
Cemetery	302,286	76,525	-	-	(225,761)
Airport	406,479	147,186	-	3,054,201	2,794,908
Interest on long-term debt	47,083	-	-	-	(47,083)
Total governmental activities	<u>7,826,490</u>	<u>1,230,507</u>	<u>141,174</u>	<u>3,952,952</u>	<u>(2,501,858)</u>
Business-type activities:					
Water	2,135,977	1,566,715	-	1,384,426	815,164
Sewer	1,346,397	991,607	-	329,059	(25,731)
Airport hangar sales	39,796	46,707	-	-	6,911
Utility	153,510	238,912	-	-	85,402
Total business-type activities	<u>3,675,680</u>	<u>2,843,941</u>	<u>-</u>	<u>1,713,485</u>	<u>881,746</u>
Total primary government	<u>\$ 11,502,170</u>	<u>4,074,448</u>	<u>141,174</u>	<u>5,666,437</u>	<u>(1,620,112)</u>

(The statement of activities continues on the following page)

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

Heber City Corporation
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (2,501,858)</u>	<u>881,746</u>	<u>(1,620,112)</u>
General revenues:			
Property taxes	1,306,497	-	1,306,497
Sales tax	3,156,067	-	3,156,067
Other taxes	850,276	-	850,276
Unrestricted investment earnings	92,503	38,424	130,927
Miscellaneous	791,843	-	791,843
Gain on sale of capital asset	904,656	1,664,573	2,569,229
Change in joint venture equity	<u>-</u>	<u>340,812</u>	<u>340,812</u>
Total general revenues	<u>7,101,842</u>	<u>2,043,809</u>	<u>9,145,651</u>
Change in net position	<u>4,599,984</u>	<u>2,925,555</u>	<u>7,525,539</u>
Net position - beginning, restated	<u>56,502,642</u>	<u>56,933,913</u>	<u>113,436,554</u>
Net position - ending	<u>\$ 61,102,625</u>	<u>59,859,467</u>	<u>120,962,093</u>

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

Heber City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Airport Capital Projects	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,171,417	447,889	4,301,870	1,082,264	9,003,440
Receivables:					
Property taxes	1,241,788	-	-	-	1,241,788
Due from other governments	478,738	2,803,658	-	236,818	3,519,214
Other receivables	59,544	-	-	-	59,544
Prepaid expenses	2,344	-	-	-	2,344
Other assets	1,344	-	-	-	1,344
Restricted cash and cash equivalents	<u>2,261,220</u>	<u>-</u>	<u>2,876,331</u>	<u>2,225,178</u>	<u>7,362,729</u>
TOTAL ASSETS	<u>\$ 7,216,395</u>	<u>3,251,547</u>	<u>7,178,201</u>	<u>3,544,260</u>	<u>21,190,403</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities:					
Accounts payable	\$ 202,329	3,148,534	1,442,520	30,734	4,824,117
Accrued liabilities	<u>1,036,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,221</u>
Total liabilities	<u>1,238,550</u>	<u>3,148,534</u>	<u>1,442,520</u>	<u>30,734</u>	<u>5,860,338</u>
Deferred inflows of resources - taxes	<u>1,241,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241,788</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,480,338</u>	<u>3,148,534</u>	<u>1,442,520</u>	<u>30,734</u>	<u>7,102,126</u>
FUND BALANCES:					
Nonspendable:					
Prepaid assets	2,344	-	-	236,818	239,162
Perpetual care	-	-	-	234,328	234,328
Restricted for:					
Class C Roads	1,035,810	-	-	-	1,035,810
Transportation tax	1,366,943	-	-	-	1,366,943
Debt service	280,205	-	-	1,380	281,585
Impact fees	-	-	-	2,332,726	2,332,726
Capital projects	-	-	2,876,331	-	2,876,331
Assigned for:					
Capital projects	-	103,013	2,859,350	708,274	3,670,637
Unassigned	<u>2,050,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,050,755</u>
TOTAL FUND BALANCES	<u>4,736,058</u>	<u>103,013</u>	<u>5,735,681</u>	<u>3,513,526</u>	<u>14,088,277</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,216,395</u>	<u>3,251,547</u>	<u>7,178,201</u>	<u>3,544,260</u>	<u>21,190,403</u>

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

Heber City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2015

	General Fund	Airport Capital Projects	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 1,306,497	-	-	-	1,306,497
Sales	3,156,067	-	-	-	3,156,067
Other taxes	850,276	-	-	-	850,276
Licenses and permits	627,574	-	-	-	627,574
Intergovernmental revenues	662,282	3,054,201	-	-	3,716,483
Charges for services	299,736	-	-	26,004	325,740
Fines and forfeitures	277,192	-	-	-	277,192
Interest	31,632	2,414	33,806	21,227	89,079
Miscellaneous revenue	1,320,756	201,956	-	-	1,522,712
Total revenues	<u>8,532,013</u>	<u>3,258,571</u>	<u>33,806</u>	<u>47,231</u>	<u>11,871,621</u>
EXPENDITURES:					
General government	1,724,510	-	-	-	1,724,510
Public safety	2,688,298	-	-	-	2,688,298
Public works	558,799	-	-	91,858	650,657
Parks and recreation	234,976	-	-	750	235,726
Cemetery	284,385	-	-	-	284,385
Airport	76,210	-	-	-	76,210
Capital outlay	94,208	3,403,205	3,823,669	412,264	7,733,346
Debt service:					
Principal	-	-	-	280,659	280,659
Interest	-	-	-	13,261	13,261
Total expenditures	<u>5,661,385</u>	<u>3,403,205</u>	<u>3,823,669</u>	<u>798,792</u>	<u>13,687,051</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>2,870,628</u>	<u>(144,634)</u>	<u>(3,789,863)</u>	<u>(751,561)</u>	<u>(1,815,430)</u>
Other Financing Sources and (Uses):					
Heber Light and Power dividend	281,250	-	-	-	281,250
Proceeds from bonds issued	-	-	6,700,000	-	6,700,000
Impact fees	-	-	-	377,643	377,643
Transfer in (out)	(1,827,335)	-	1,250,000	377,335	(200,000)
Total other financing sources and (uses)	<u>(1,546,085)</u>	<u>-</u>	<u>7,950,000</u>	<u>754,978</u>	<u>7,158,893</u>
Net Change in Fund Balances	1,324,542	(144,634)	4,160,137	3,418	5,343,463
Fund balances - beginning of year, restated	<u>3,411,515</u>	<u>247,647</u>	<u>1,575,544</u>	<u>3,510,108</u>	<u>8,744,814</u>
Fund balances - end of year	<u>\$ 4,736,058</u>	<u>103,013</u>	<u>5,735,681</u>	<u>3,513,526</u>	<u>14,088,277</u>

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

Heber City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2015

Total Fund Balances for Governmental Funds	<u>\$ 14,088,277</u>
Total net position reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	78,357,647
Less accumulated depreciation	<u>(24,086,876)</u>
Net capital assets	<u>54,270,770</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>6,674</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>280,599</u>
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
Long-term debt outstanding	<u>(7,273,849)</u>
Accrued interest payable	<u>(37,420)</u>
Compensated absences	<u>(286,454)</u>
Net pension liability	<u>(1,142,635)</u>
Deferred inflows of resources - pensions	<u>(200,680)</u>
One internal service fund is used by management to charge the cost of vehicle replacement to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.	
Internal service fund balance	<u>1,397,343</u>
Total Net Position of Governmental Activities	<u>\$ 61,102,626</u>

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

Heber City Corporation
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 5,343,463**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	7,733,346
Contributed fixed assets	139,755
Depreciation expense	<u>(2,104,478)</u>
Net	<u>5,768,623</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. 169,576

Retirement of fixed assets reduces the total fixed assets in the statement of net position, however, no expenditure or revenue is recognized in the fund statement. (448,405)

Bond proceeds are reported as financing sources in governmental funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (6,700,000)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 280,659

Accrued interest for long-term debt is not reported as an expenditure for the current period, while it is recorded in the statement of activities. (33,822)

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

Change in compensated absences (34,133)

An internal service fund is used by management to charge the cost of fleet management to individual funds. The net expense of the internal service is reported within the governmental activities.

Change in internal service fund 254,024

Change in Net Position of Governmental Activities **\$ 4,599,984**

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

Heber City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:							
Assets:							
Current assets:							
Cash and cash equivalents	\$ 1,181,655	2,038,700	-	182,753	159,023	3,562,130	662,759
Accounts receivable, net	156,433	160,742	-	16,707	22,861	356,743	-
Total current assets	<u>1,338,087</u>	<u>2,199,442</u>	<u>-</u>	<u>199,460</u>	<u>181,884</u>	<u>3,918,873</u>	<u>662,759</u>
Non-current assets:							
Restricted cash and cash equivalents	2,931,523	1,197,739	-	-	-	4,129,263	-
Capital assets:							
Not being depreciated	8,591,338	244,439	-	-	-	8,835,777	-
Net of accumulated depreciation	16,971,066	10,347,335	-	277,755	73,911	27,670,066	734,583
Net pension asset	1,096	534	-	-	126	1,756	-
Other non-current assets	-	-17,133,860	-	-	-	-17,133,860	-
Total non-current assets	<u>28,495,023</u>	<u>11,790,048</u>	<u>17,133,860</u>	<u>277,755</u>	<u>74,037</u>	<u>57,770,722</u>	<u>734,583</u>
Total assets	<u>29,833,110</u>	<u>13,989,490</u>	<u>17,133,860</u>	<u>477,214</u>	<u>255,921</u>	<u>61,689,595</u>	<u>1,397,343</u>
Deferred outflows of resources - pensions	46,092	22,462	-	-	5,291	73,845	-
Total assets and deferred outflows of resources	\$ <u>29,879,202</u>	<u>14,011,952</u>	<u>17,133,860</u>	<u>477,214</u>	<u>261,211</u>	<u>61,763,440</u>	<u>1,397,343</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:							
Liabilities:							
Current liabilities:							
Accounts payable	\$ 322,818	270,165	-	-	8,061	601,044	-
Customer deposits	14,295	-	-	-	-	14,295	-
Compensated absences, current portion	23,130	17,087	-	-	1,512	41,729	-
Revenue bonds, current portion	108,000	-	-	-	-	108,000	-
Total current liabilities	<u>473,363</u>	<u>287,252</u>	<u>-</u>	<u>-</u>	<u>9,573</u>	<u>770,188</u>	<u>-</u>
Non-current liabilities:							
Compensated absences, long-term	51,354	40,432	-	-	3,485	95,271	-
Revenue bonds, long-term	685,000	-	-	-	-	685,000	-
Net pension liability	187,690	91,467	-	-	21,543	300,700	-
Total non-current liabilities	<u>924,044</u>	<u>131,899</u>	<u>-</u>	<u>-</u>	<u>25,028</u>	<u>1,080,971</u>	<u>-</u>
Total liabilities	<u>1,397,406</u>	<u>419,151</u>	<u>-</u>	<u>-</u>	<u>34,601</u>	<u>1,851,159</u>	<u>-</u>
Deferred inflows of resources - pensions	32,964	16,065	-	-	3,784	52,813	-
Total liabilities and deferred inflows of resources	<u>1,430,371</u>	<u>435,216</u>	<u>-</u>	<u>-</u>	<u>38,385</u>	<u>1,903,972</u>	<u>-</u>
NET POSITION:							
Net investment in capital assets	24,769,403	10,591,774	-	277,755	73,911	35,712,843	734,583
Restricted for:							
Investment in joint venture	-	-17,133,860	-	-	-	-17,133,860	-
Impact fees	2,231,878	1,197,741	-	-	-	3,429,619	-
Construction	92,173	-	-	-	-	92,173	-
Unrestricted	1,355,377	1,787,220	-	199,460	148,915	3,490,973	662,759
Total net position	<u>28,448,831</u>	<u>13,576,736</u>	<u>17,133,860</u>	<u>477,214</u>	<u>222,826</u>	<u>59,859,467</u>	<u>1,397,343</u>
Total liabilities, deferred inflows of resource, and net position	\$ <u>29,879,202</u>	<u>14,011,952</u>	<u>17,133,860</u>	<u>477,214</u>	<u>261,211</u>	<u>61,763,440</u>	<u>1,397,343</u>

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

Heber City Corporation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
Operating income:							
Charges for sales and service	\$ 1,545,140	985,325	-	46,707	238,912	2,816,084	-
Connection fees	20,998	6,282	-	-	-	27,280	-
Other operating income	577	-	-	-	-	577	-
Total operating revenue	<u>1,566,715</u>	<u>991,607</u>	<u>-</u>	<u>46,707</u>	<u>238,912</u>	<u>2,843,941</u>	<u>-</u>
Operating expenses:							
Personnel services	869,899	445,934	-	-	92,215	1,408,048	-
Cost of sales	-	-	-	27,977	-	27,977	-
Utilities	113,722	23,814	-	-	12,366	149,902	-
Repair & maintenance	54,637	316,136	-	-	9,416	380,190	-
Other supplies & expenses	394,419	148,411	-	-	32,944	575,774	-
Depreciation expense	687,779	412,101	-	11,819	6,569	1,118,269	150,587
Total operating expense	<u>2,120,457</u>	<u>1,346,397</u>	<u>-</u>	<u>39,796</u>	<u>153,510</u>	<u>3,660,160</u>	<u>150,587</u>
Net operating income (loss)	<u>(553,742)</u>	<u>(354,790)</u>	<u>-</u>	<u>6,911</u>	<u>85,402</u>	<u>(816,219)</u>	<u>(150,587)</u>
Non-operating income (expense):							
Intergovernmental revenue	-	-	-	-	-	-	182,107
Impact fees	390,352	159,468	-	-	-	549,820	-
Sale of fixed assets	900,000	764,573	-	-	-	1,664,573	19,080
Interest income	27,481	8,941	-	1,213	789	38,424	3,424
Interest on long-term debt	(15,521)	-	-	-	-	(15,521)	-
Change in joint venture equity	-	-	340,812	-	-	340,812	-
Total non-operating income (expense)	<u>1,302,313</u>	<u>932,982</u>	<u>340,812</u>	<u>1,213</u>	<u>789</u>	<u>2,578,108</u>	<u>204,611</u>
Income (loss) before contributions	748,571	578,192	340,812	8,124	86,190	1,761,890	54,024
Capital contributions	994,074	169,591	-	-	-	1,163,665	-
Transfers in (out)	-	-	-	-	-	-	200,000
Change in net position	1,742,645	747,783	340,812	8,124	86,190	2,925,555	254,024
Net position - beginning, restated	26,706,186	12,828,953	16,793,048	469,090	136,636	56,933,913	1,143,319
Net position - ending	<u>\$ 28,448,831</u>	<u>13,576,736</u>	<u>17,133,860</u>	<u>477,214</u>	<u>222,826</u>	<u>59,859,467</u>	<u>1,397,343</u>

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

Heber City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
Cash flows from operating activities:							
Cash received from customers - service	\$ 1,560,015	988,968	-	30,000	238,281	2,817,264	-
Cash paid to suppliers	(349,259)	(285,322)	-	-	(55,113)	(689,694)	(16,042)
Cash paid to employees	(880,852)	(454,743)	-	-	(92,171)	(1,427,766)	-
Net cash provided (used) in operating activities	329,904	248,903	-	30,000	90,997	699,804	(16,042)
Cash flows from noncapital financing activities:							
Transfers in	-	-	-	-	-	-	200,000
Net cash provided (used) in noncapital financing activities	-	-	-	-	-	-	200,000
Cash flows from capital and related financing activities:							
Cash from intergovernmental revenues	-	-	-	-	-	-	182,107
Cash from impact fees	390,352	159,468	-	-	-	549,820	-
Cash from sale of fixed assets	900,000	764,573	-	-	-	1,664,573	19,080
Cash payments for capital assets	(844,025)	(318,579)	-	-	(23,933)	(1,186,537)	(287,057)
Cash payments for long-term debt	(107,000)	-	-	-	-	(107,000)	-
Cash payments for long-term debt interest	(15,842)	-	-	-	-	(15,842)	-
Net cash provided (used) in capital and related financing activities	323,485	605,462	-	-	(23,933)	905,015	(85,870)
Cash flows from investing activities:							
Cash received from interest earned	27,481	8,941	-	1,213	789	38,424	3,424
Net cash provided (used) in investing activities	27,481	8,941	-	1,213	789	38,424	3,424
Net increase (decrease) in cash	680,871	863,306	-	31,213	67,853	1,643,242	101,512
Cash balance, beginning	3,432,308	2,373,133	-	151,539	91,170	6,048,151	561,247
Cash balance, ending	\$ 4,113,178	3,236,439	-	182,753	159,023	7,691,392	662,759
Cash reported on the balance sheet:							
Cash and cash equivalents	\$ 1,181,655	2,038,700	-	182,753	159,023	3,562,130	662,759
Non-current restricted cash	2,931,523	1,197,739	-	-	-	4,129,263	-
Total cash and cash equivalents	\$ 4,113,178	3,236,439	-	182,753	159,023	7,691,392	662,759

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

Heber City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2015

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:

	Water Fund	Sewer Fund	Electric Fund	Airport Hangar Sales	Nonmajor Utility Fund	Total Enterprise Funds	Governmental Internal Service Fund
Net operating income (loss)	\$ (553,742)	(354,790)	-	6,911	85,402	(816,219)	(150,587)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:							
Depreciation and amortization	687,779	412,101	-	11,819	6,569	1,118,269	150,587
Changes in assets and liabilities:							
(Increase) decrease in receivables	(9,200)	(2,639)	-	(16,707)	(631)	(29,177)	-
(Increase) decrease in inventory	-	-	-	27,977	-	27,977	-
(Increase) decrease in non-current assets	(779)	(380)	-	-	(89)	(1,248)	-
(Increase) decrease in deferred outflows	(9,678)	(4,716)	-	-	(1,111)	(15,505)	-
Increase (decrease) in payables	172,806	177,441	-	-	(3,579)	346,668	(16,042)
Increase (decrease) in customer deposits	2,500	-	-	-	-	2,500	-
Increase (decrease) in compensated absences	7,252	5,821	-	-	652	13,725	-
Increase (decrease) in deferred inflows	32,964	16,065	-	-	3,784	52,813	-
Net cash provided (used) in operating activities	<u>\$ 329,904</u>	<u>248,903</u>	<u>-</u>	<u>30,000</u>	<u>90,997</u>	<u>699,804</u>	<u>(16,042)</u>
Noncash financing and investing transactions:							
Developer contributions	\$ 994,074	169,591	-	-	-	1,163,665	-
Change in equity in joint venture	-	-	340,812	-	-	340,812	-

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Heber City Corporation (the City), a municipal corporation located in Wasatch County, Utah, operates under a Six Member-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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 net position reports the financial position of the governmental and business-type activities of the City and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege 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*.

Fund Financial Statements

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

Property taxes, sales taxes, intergovernmental revenues, and interest 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. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental fund:

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

The *airport capital projects* fund is used to account for financial resources of capital projects related to the airport.

The *capital projects fund* is used to account for financial resources for capital projects of the City not accounted for through other funds.

Proprietary funds

The City reports the following major proprietary funds:

The *water fund* is used to account for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* is used to account for the billing to citizens for the Heber Valley Special Service District's treatment operations and maintenance costs of the wastewater collection system.

The *electric fund* accounts for the activities of the City's joint venture with Heber Light & Power Company's electric generation and distribution operations.

The *hangar sales fund* accounts for the construction and sale or lease of hangars located at the Heber City airport.

1-E. Assets, Liabilities, and Net Position or Equity

1-E-1. Deposit and Investments

All of the City's deposits are in demand deposit accounts, in accounts with the Utah Public Treasurers Investments Fund or with marketable securities with maturities of three years or less managed by Zions Wealth Advisors. Deposits are reported at cost, which approximates fair value. Additional information is contained in Note 3.

1-E-2. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-E. Assets, Liabilities, and Net Position or Equity (continued)

1-E-3. Receivables and Payables (continued)

Property taxes are assessed and collected for the City by Wasatch County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net position.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories consist of immaterial amounts of expendable supplies for consumption and so no inventory balance is reported.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities 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.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-E. Assets, Liabilities, and Net Position or Equity (continued)

1-E-6. Capital Assets (continued)

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20-50
Improvements	7-50
Infrastructure	7-50
Machinery and equipment	5-15

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as expenses.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

1-E-8. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a bi-weekly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. The City's policy is to permit employees to accumulate a limited amount of earned, but unused, vacation time which will be paid to employees upon termination. The City also allows payment for accumulated sick leave to some employees at retirement or termination. Employees who have worked for the City for at least 5 years are eligible to be paid for 25 percent and employees who have worked for the City for at least 10 years are eligible to be paid for 50 percent of their accumulated sick leave.

1-E-9. Pensions

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

1-E-10. Fund Equity

Government-wide Financial Statements

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-E. Assets, Liabilities, and Net Position or Equity (continued)

1-E-10. Fund Equity (continued)

Net investment in capital assets - 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.

Restricted net position - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

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

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

Restricted fund balance - This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of the government or b) imposed by law through constitutional provisions or enabling legislation. The City's remaining balance of Class C roads, transportation tax, impact fees, and debt service reserves is restricted.

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

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

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-E. Assets, Liabilities, and Net Position or Equity (continued)

1-E-11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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 reports deferred outflows related to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include 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 then. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are reported as deferred inflows. The City also reports deferred inflows related to pensions as required by GASB 68.

1-E-12. Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, 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 the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 25% of the current year's actual revenues must be appropriated within the following two years.

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the City Manager, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2015 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 200
Demand deposits - checking	3,155,934
Investment in marketable securities	5,073,828
Deposits - PTIF	16,490,358
Total cash	\$ 24,720,320

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	\$ 13,228,329
Restricted cash and cash equivalents (non-current)	11,491,992
Total cash and cash equivalents	\$ 24,720,320

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

The City also invests with Zions Wealth Advisors who invests in money market funds and short and intermediate-term fixed income securities (including taxable, tax-exempt or tax advantaged). Zions Wealth Advisors meets the requirements of the Utah Money Management Act. The City's investment policy allows for the purchase of investments that have a maturity date of less than three years. As of June 30, 2015, the average adjusted maturity was less than two years.

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-A. Deposits and investments (continued)

Deposit and Investment Risk

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits of the City are kept in bank demand deposits or PTIF accounts and are available immediately.

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. As noted on the previous page, PTIF is unrated.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2015, \$3,075,366 of the City's demand deposits of \$3,325,366 were uninsured and uncollateralized.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City views its placements of moneys in PTIF as deposits, however, this risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of June 30, 2015 for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Customers, current	\$ -	292,591	292,591
Property taxes receivable	1,241,788	-	1,241,788
Due from other governments	3,519,214	-	3,519,214
Other receivables	59,544	74,152	133,696
Total receivables	4,820,545	366,743	5,187,289
Allowance for uncollectibles	-	(10,000)	(10,000)
Net receivables	\$ 4,820,545	356,743	5,177,289

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirement	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 16,221,548	7,905	440,046	15,789,407
Construction in progress	236,336	7,684,754	218,727	7,702,363
Total capital assets, not being depreciated	16,457,884	7,692,659	658,773	23,491,770
Capital assets, being depreciated:				
Building	2,218,080	108,205	-	2,326,285
Improvements other than buildings	51,397,113	242,372	20,587	51,618,898
Machinery and equipment	3,049,994	353,258	293,539	3,109,713
Total capital assets, being depreciated	56,665,187	703,835	314,126	57,054,896
Less accumulated depreciation for:				
Building	662,374	47,999	-	710,373
Improvements other than buildings	20,857,851	1,975,798	12,227	22,821,422
Machinery and equipment	2,054,180	231,268	275,929	2,009,519
Total accumulated depreciation	23,574,405	2,255,065	288,156	25,541,314
Total capital assets being depreciated, net	33,090,782	(1,551,230)	25,970	31,513,582
Governmental activities capital assets, net	\$49,548,666	6,141,429	684,743	55,005,352

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

Governmental activities:	
General government	\$ 29,216
Public safety	43,056
Public works	1,630,910
Parks and recreation	45,808
Cemetery	23,632
Airport	331,856
Internal service	150,587
Total	\$ 2,255,065

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital Assets (continued)

Capital asset activity for business-type activities was as follows:

	Beginning Balance	Additions	Retirement	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 696,428	-	138,667	557,761
Water shares	7,678,650	537,186	-	8,215,836
Construction in progress	546,796	753,267	1,237,883	62,180
Total capital assets, not being depreciated	8,921,874	1,290,453	1,376,550	8,835,777
Capital assets, being depreciated:				
Buildings	1,074,297	-	-	1,074,297
Water system	22,113,331	1,559,133	-	23,672,464
Sewer system	13,019,844	194,416	-	13,214,260
Airport infrastructure	354,580	-	-	354,580
Machinery and equipment	1,804,637	682,750	43,283	2,444,104
Total capital assets, being depreciated	38,366,689	2,436,299	43,283	40,759,705
Less accumulated depreciation for:				
Buildings	191,703	21,486	-	213,189
Water system	7,146,682	622,869	-	7,769,551
Sewer system	3,829,732	321,742	-	4,151,474
Airport infrastructure	65,006	11,819	-	76,825
Machinery and equipment	781,529	140,354	43,283	878,600
Total accumulated depreciation	12,014,652	1,118,270	43,283	13,089,639
Total capital assets being depreciated, net	26,352,037	1,318,029	-	27,670,066
Business-type activities capital assets, net	\$ 35,273,911	2,608,482	1,376,550	36,505,843

Depreciation expense was charged to the functions/programs of the primary government business-type activities as follows:

Business-type activities:	
Water	\$ 687,779
Sewer	412,102
Airport hangars	11,819
Utility	6,570
Total	\$ 1,118,270

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term debt

Governmental activities:	Original Principal	%	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
2011 Copier Lease							
Matures 11/4/2015	\$ 7,929	3.07	\$ 2,507	-	1,659	848	848
2011 Sales Tax Revenue							
Matures 10/15/2016	1,400,000	1.27-2.12	852,000	-	279,000	573,000	284,000
2014 Sales Tax Revenue							
Matures 3/1/2045	6,700,000	1.5	-	6,700,000	-	6,700,000	178,000
Compensated absences			252,322	164,525	130,393	286,454	107,070
Total governmental activity			\$1,106,829	6,864,525	411,052	7,560,302	569,918
long-term liabilities							

The 2011 Sales Tax Bonds were used to prepay all of the City's outstanding bonds and to make road improvements within the City. The City pledges income derived from sales tax to repay the revenue bonds. Annual principal and interest payments are expected to require approximately sixteen percent of the sales tax revenue. Although sales tax has been pledged, it is the City's practice to fund the debt service on this bond with Class C Road fund monies.

The 2014 Sales Tax Bonds were issued for the construction of the new public safety building. The City pledges income derived from sales tax to repay the revenue bonds. The revenue stream related to each type of bond is pledged through the maturity of the bond.

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2016	462,848	109,107	571,955
2017	470,000	100,893	570,893
2018	184,000	95,115	279,115
2019	187,000	92,355	279,355
2020	189,000	89,550	278,550
2021-2025	990,000	404,325	1,394,325
2026-2030	1,067,000	327,810	1,394,810
2031-2035	1,149,000	245,355	1,394,355
2036-2040	1,238,000	156,540	1,394,540
2041-2045	1,337,000	60,765	1,397,765
Total	\$ 7,273,848	1,681,815	8,955,663

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term debt (continued)

<u>business-type activities:</u>	Original Principal	% Rate	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
2013 Water Revenue Matures 11/4/2015	\$900,000	.90 - 2.75	\$ 900,000	-	107,000	793,000	108,000
Compensated absences			123,275	66,156	52,431	137,000	41,729
total business-type activity long-term liabilities			\$1,023,275	66,156	159,431	930,000	149,729

The 2013 Water Revenue Bonds were used to fund various water improvements throughout the City. The City pledges income derived from metered water sales to repay the revenue bonds. Annual principal and interest payments are expected to require approximately eleven percent of metered water sales revenue. The revenue stream for these bonds is pledged through the maturity of the bonds.

Debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2016	108,000	14,793	122,793
2017	109,000	13,518	122,518
2018	110,000	11,929	121,929
2019	112,000	9,957	121,957
2020	115,000	7,571	122,571
2021-2022	239,000	6,466	245,466
Total	\$ 793,000	64,234	857,234

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-E. Operating transfer reconciliation

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 22,013	1,450,000
Debt Service Fund	292,203	-
Capital Projects Fund	1,250,000	-
Streets Fund	107,146	-
Class C Road Fund	-	292,203
Transportation Tax Fund	-	107,146
Internal Service Fund	200,000	-
Permanent Fund	-	22,013
	\$ 1,871,362	1,871,362

The Class C road fund transferred \$292,023 to the Debt Service Fund to cover the costs of bond payments. The General Fund transferred \$1,250,000 to the Capital Projects Fund for future capital projects and \$200,000 to the Internal Service Fund for future capital purchases. \$107,146 was transferred from the Transportation Tax Fund to the Capital Projects-Streets Fund for street projects. \$22,013 was transferred from the Permanent Fund to the General Fund for construction of a storage building at the cemetery.

NOTE 4 - OTHER INFORMATION

4-A. Risk management

Heber City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover most of these risks at a cost it considered to be economically justifiable. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage. The City also carries comprehensive general liability insurance coverage through Utah Local Governments Trust. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

4-B. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 30, 2015, the date the financial statements were available to be used.

4-C. Investment in Joint Venture

Heber Light & Power Company

The City is party to a joint venture with Midway and Charleston, neighboring municipalities. The joint venture was created by the three municipalities to provide electric services to their communities. Additional information is as follows:

Heber City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4-C. Investment in Joint Venture (continued)

- a. Participants and their percentage shares were: Heber City, 75.0%; Charleston, 12.5%; and Midway, 12.5%.
- b. The utility is governed by the Power Board which is selected from the Mayor and City Council of the participating municipalities.
- c. The Power Board governs the operations of the utility through management employed by the Board. Since the utility is subject to the same laws as the creating entities, it must follow state law for cities in the areas of fiscal management, budgeting, and financing. As the governing board is made up of the participants' mayors and appointees from the city councils, each participant has indirect control over these matters.
- d. Summary financial information, as of the joint venture's last year end of December 31, 2014 is as follows:

	<u>Heber Light and Power</u>	<u>Heber City's Share</u>
Total assets	\$ 37,984,223	28,488,167
Total liabilities	<u>15,139,076</u>	<u>11,354,307</u>
Net position	<u>22,845,147</u>	<u>17,133,860</u>
Total operating revenues	15,578,146	11,683,610
Cost of sales	<u>8,817,110</u>	<u>6,612,833</u>
Gross profit	6,761,036	5,070,777
Operating expenses	<u>7,200,078</u>	<u>5,400,059</u>
Net operating income (loss)	(439,042)	(329,282)
Non-operating income	45,519	34,139
Non-operating expense	<u>(511,985)</u>	<u>(383,989)</u>
Loss before contributions	(905,508)	(679,131)
Impact fees	571,682	428,762
Capital contributed by developers	1,088,243	816,182
Less withdrawals	<u>(300,000)</u>	<u>(225,000)</u>
Change in net position	<u>\$ 454,417</u>	<u>340,813</u>

- e. The joint venture has the following long-term debt:

Revenue bonds	\$ 9,170,000
Capital lease payable	2,334,867
Unamortized bond premiums	182,508
Compensated absences	154,808
Termination benefits	558,952
Other post employment benefits	534,985
Cat escrow account	<u>6,579</u>
	12,942,699
Less current portion	<u>(546,255)</u>
Net long-term debt	<u>\$ 12,396,444</u>

- f. Audited financial statements for Heber Light and Power are available at Heber Light and Power's office.

Heber City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan

Plan description:

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

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

The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing multiple-employer retirement system.

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

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

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

Benefits provided:

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

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

Heber City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4-D. General Information about the Pension Plan (continued)

* with actuarial reductions

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

Contributions:

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

<u>Utah Retirement Systems</u>	Employee Paid	Pay by Employer for Employee	Employer Contribution Rates
Contribution System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%

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

At December 31, 2014, we reported a net pension asset of \$8,430 and a net pension liability of \$1,443,335.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1908641%	\$ -	\$ 828,777
Public Safety System	0.4886821%	\$ -	\$ 614,558
Tier 2 Public Employees System	0.0765151%	\$ 2,319	\$ -
Tier 2 Public Safety and Firefighter System	0.4130641%	\$ 6,111	\$ -
Total Net Pension Asset/Liability		<u>\$ 8,430</u>	<u>\$ 1,443,335</u>

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

Heber City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4-D. General Information about the Pension Plan (continued)

For the year ended December 31, 2014, we recognized pension expense of \$414,325. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 199	\$ 88,853
Changes in assumptions	\$ -	\$ 164,640
Net difference between projected and actual earnings on pension plan investments	\$ 33,912	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 320,333	\$ -
Total	\$ 354,444	\$ 253,493

\$320,333 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2015	\$ (60,268)
2016	\$ (60,268)
2017	\$ 960,268
2018	\$ (35,813)
2019	\$ (423)
Thereafter	\$ (2,339)

Actuarial assumptions:

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

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

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

Heber City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4-D. General Information about the Pension Plan (continued)

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

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

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	31.50%	0.57%
Cash and cash equivalents	0	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

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

Heber City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan (continued)

Discount rate:

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

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	\$ 3,567,213	\$ 1,434,905	\$ (320,807)

Pension plan fiduciary net position:

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

4-E. Prior period adjustments

The requirement to apply GASB 68 this fiscal year resulted in adjustments to the prior period net positions. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources, and if applicable, a Net Pension Asset.

In addition, the City failed to remit the correct amount of Justice Court security surcharges to the State in prior years. As a result, a prior period adjustment has been recorded to report as an accrued liability the amount yet to be remitted.

The results to beginning net positions are as follows:

	Governmental Activities	Business-type Activities			Total
	General Fund	Water Fund	Sewer Fund	Utility Fund	
Net position - beginning	\$ 57,833,549	26,907,507	12,927,064	159,744	97,827,864
GASB 68 adjustments	(1,225,617)	(201,321)	(98,111)	(23,108)	(1,548,157)
Security surcharge adjustment	(105,290)	-	-	-	(105,290)
Net position - beginning, restated	\$ 56,502,642	26,706,186	12,828,953	136,636	96,174,417

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Heber City Corporation
Notes to Required Supplementary Information
June 30, 2015

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

Budgeting and Budgetary Control

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2015, spending for all departments was within the appropriated budget.

Heber City Corporation
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 (Unaudited)**
 For the Year Ended June 30, 2015

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 4,815,500	4,897,111	5,312,840	415,729
Licenses and permits	508,250	528,250	627,574	99,324
Intergovernmental revenues	609,197	609,197	662,282	53,085
Charges for services	260,300	260,300	299,736	39,436
Fines and forfeitures	436,000	436,000	277,192	(158,808)
Interest	23,300	23,300	31,632	8,332
Miscellaneous revenue	2,000	1,255,000	1,320,756	65,756
Total revenues	6,654,547	8,009,158	8,532,013	522,855
Expenditures				
General government	1,781,375	1,916,825	1,752,318	164,507
Public safety	2,736,780	2,755,941	2,688,298	67,643
Public works	1,118,700	1,118,700	620,065	498,635
Parks and recreation	271,960	271,960	234,976	36,984
Cemetery	342,950	342,950	289,517	53,433
Airport	87,550	87,550	76,210	11,340
Total expenditures	6,339,315	6,493,926	5,661,385	832,541
Excess (Deficiency) of Revenues Over (Under) Expenditures	315,232	1,515,232	2,870,628	1,355,396
Other Financing Sources and (Uses)				
Heber Light and Power dividend	225,000	225,000	281,250	56,250
Transfers in (out)	(597,203)	(1,837,203)	(1,827,335)	9,868
Total Other Financing Sources and (Uses)	(372,203)	(1,612,203)	(1,546,085)	66,118
Net Change in Fund Balances	(56,971)	(96,971)	1,324,542	1,421,513
Fund Balances - beginning of year	3,411,515	3,411,515	3,411,515	-
Fund Balances - end of year	\$ 3,354,544	3,314,544	4,736,058	1,421,513

Heber City Corporation
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	0.1908641 %	0.4886821 %	0.0765151 %	0.4130641 %
Proportionate share of the net pension liability (asset)	\$ 828,777	\$ 614,558	\$ (2,319)	\$ (6,111)
Covered employee payroll	\$ 1,547,653	\$ 670,715	\$ 375,680	\$ 171,002
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.6 %	91.6 %	-0.6 %	-3.6 %
Plan fiduciary net position as a percentage of the total pension liability	90.2 %	90.5 %	103.5 %	120.5 %

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

Heber City Corporation
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Contractually required contribution	\$ 299,985	\$ 240,703	\$ 31,568	\$ 18,612
Contributions in relation to the contractually required contribution	<u>\$ (299,985)</u>	<u>\$ (240,703)</u>	<u>\$ (31,568)</u>	<u>\$ (18,612)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 1,547,653	\$ 670,715	\$ 375,680	\$ 171,002
Contributions as a percentage of covered- employee payroll **	19.38 %	35.89 %	8.40 %	10.88 %

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

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

Heber City Corporation
Notes to Required Supplementary Information
Utah Retirement Systems
For the Year Ended June 30, 2015

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for information purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

Defined Contribution System

	Employee Paid <u>Contributions</u>	Employer Paid <u>Contributions</u>
401(k) Plan	\$ 38,128	\$ 49,986
457 Plan	23,720	-
Roth IRA Plan	1,430	-
Traditional IRA Plan	-	-
HRA Plan	-	-

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

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Heber City Corporation
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Debt Service	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	709,024	-	373,240	-	-	1,082,264
Due from other governments	-	-	-	236,818	-	-	236,818
Restricted cash and cash equivalents	1,380	-	86,020	1,541,871	350,815	245,091	2,225,178
TOTAL ASSETS	1,380	709,024	86,020	2,151,929	350,815	245,091	3,544,260
LIABILITIES							
Accrued liabilities	-	750	-	19,221	-	10,763	30,734
TOTAL LIABILITIES	-	750	-	19,221	-	10,763	30,734
FUND BALANCES:							
Nonspendable:							
Perpetual care	-	-	-	-	-	234,328	234,328
Prepaid assets	-	-	-	236,818	-	-	236,818
Restricted for:							
Impact fees	-	-	86,020	1,895,890	350,815	-	2,332,726
Debt service	1,380	-	-	-	-	-	1,380
Assigned for:							
Capital projects	-	708,274	-	-	-	-	708,274
TOTAL FUND BALANCES	1,380	708,274	86,020	2,132,708	350,815	234,328	3,513,526
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,380	709,024	86,020	2,151,929	350,815	245,091	3,544,260

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

Heber City Corporation
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2015

	Debt Service	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:							
Charges for services	\$ -	-	-	-	-	26,004	26,004
Interest	207	4,707	571	11,822	2,307	1,614	21,227
Total revenues	207	4,707	571	11,822	2,307	27,618	47,231
EXPENDITURES:							
Public works	-	-	-	91,858	-	-	91,858
Parks and recreation	-	750	-	-	-	-	750
Capital outlay	-	-	-	378,604	33,660	-	412,264
Debt service:							
Principal	280,659	-	-	-	-	-	280,659
Interest	13,261	-	-	-	-	-	13,261
Total expenditures	293,919	750	-	470,462	33,660	-	798,792
Excess (Deficiency) of Revenues over (Under) Expenditures	(293,713)	3,957	571	(458,641)	(31,353)	27,618	(751,561)
Other Financing Sources and (Uses):							
Impact fees	-	-	-	308,043	69,600	-	377,643
Transfers in	292,203	-	-	107,146	-	-	399,349
Transfers (out)	-	-	-	-	-	(22,013)	(22,013)
Total other financing sources and (uses)	292,203	-	-	415,189	69,600	(22,013)	754,978
Net Change in Fund Balances	(1,510)	3,957	571	(43,452)	38,247	5,604	3,418
Fund balances - beginning of year	2,890	704,317	85,449	2,176,160	312,569	228,723	3,510,108
Fund balances - end of year	\$ 1,380	708,274	86,020	2,132,708	350,815	234,328	3,513,526

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

OTHER REPORTS

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HEBER CITY CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor Number</u>	<u>Expended</u>
U.S. Department of Transportation			
Direct:			
Airport Improvement Program	20.106	-	<u>\$ 2,904,124</u>
U.S. Department of Interior			
Passed Through Utah Department of Heritage and Arts			
Historic Preservation Fund	15.904	142249	10,000
Historic Preservation Fund	15.904	151198	<u>7,735</u>
Total U.S. Department of Interior			<u>17,735</u>
U.S. Department of Homeland Security			
Passed Through Utah Division of Emergency Management			
Pre-Disaster Mitigation	97.047		<u>3,675</u>
Total Federal Awards Expended			<u>\$ 2,925,534</u>

HEBER CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal programs of Heber City. The City reporting entity is defined in Note 1 to the City's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial assistance passed through from other agencies are included in the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the City's basic financial statements.



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

City Council
Heber City Corporation
Heber City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Heber City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Heber City's basic financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gilbert & Stewart

GILBERT & STEWART, CPA PC
December 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City Council
Heber City Corporation
Heber City, Utah

Report on Compliance for Each Major Federal Program

We have audited Heber City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Heber City's major federal programs for the year ended June 30, 2015. Heber City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Heber City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heber City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Heber City's compliance.

Opinion on Each Major Federal Program

In our opinion, Heber City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Heber City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Heber City's internal control over compliance with the types of requirements that could

have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heber City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gilbert & Stewart

Gilbert & Stewart, CPA PC
December 30, 2015

HEBER CITY CORPORATION
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

No matters were reported in the prior year.

HEBER CITY CORPORATION
Schedule of Findings and Questioned Costs
Year ending June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

-Material weaknesses identified? ___ Yes X No

-Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards:

Internal control over major programs:

-Material weaknesses identified? ___ Yes X No

-Significant deficiencies identified that are not considered to be material weakness(es)? ___ Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ Yes X No

2. FINANCIAL STATEMENT FINDINGS

No matters were identified.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were identified.



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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE ON: COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS COMPLIANCE FOR EACH MAJOR STATE PROGRAM INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF STATE AWARDS

Honorable Mayor and City Council
Heber City Corporation
Heber City, Utah

REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND FOR EACH MAJOR STATE PROGRAM

We have audited Heber City's compliance with applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on Heber City or each of its major state programs for the year ended June 30, 2015.

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

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Restricted Taxes
- Open & Public Meetings Act
- Cash Management
- Nepotism

The City received state funding from the following programs classified as major programs for the year ended June 30, 2015:

- B&C Road Funds (Department of Transportation)
- Community Impact Board (Division of Housing and Community Development)

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Heber City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Heber City complied, in all material respects, with the compliance requirements identified above that could have a direct and material effect on the City or on its major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in a separate letter of communication with those charged with governance dated December 30, 2015. Our opinion on compliance is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in a separate letter of communication with those charged with governance. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Heber City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC
December 30, 2015

Heber City
Schedule of Expenditures of State Grants, Contracts, and Loan Funds
For the Year Ended June 30, 2015

<u>Grant Name</u>	<u>Award/Contract # (if applicable)</u>	<u>Year of Last Audit</u>	<u>Expenditures</u>
<u>Division of Housing and Community Development</u>			
Community Impact Board		2015	\$ <u>3,823,669</u>
Subtotal -- Division of Housing and Community Development			\$ <u>3,823,669</u>
<u>Department of Transportation</u>			
B&C Roads		2015	\$ 319,437
Airport Expansion			<u>150,077</u>
Subtotal -- Department of Transportation			\$ <u>469,514</u>
<u>Department of Alcoholic Beverage Control</u>			
State Liquor Funds Allotment			\$ <u>21,326</u>
Subtotal -- Department of Alcoholic Beverage Control			\$ <u>21,326</u>
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES			\$ <u>4,314,509</u>

TAB 2

RESOLUTION NO. 2016 - 01

A RESOLUTION AMENDING THE HEBER CITY CULINARY WATER RATE, AND ALLOWING THE AMENDMENT OF THE CONSOLIDATED FEE SCHEDULE.

BE IT RESOLVED by the City Council of Heber City, Utah that the Heber City Culinary Water Rate, as a matter of policy, is amended as set forth in Exhibit "A" and the Consolidated Fee Schedule should be amended pursuant to an ordinance thereto.

This Resolution shall take effect and be in force from and after its adoption and publication.

ADOPTED and PASSED by the City Council of Heber City, Utah this ____ day of _____, 2016, by the following vote:

	AYE	NAY
Council Member Jeffery Bradshaw	_____	_____
Council Member Heidi Franco	_____	_____
Council Member Kelleen L. Potter	_____	_____
Council Member Jeffrey W. Smith	_____	_____
Council Member Ronald R. Crittenden	_____	_____

APPROVED:

Mayor Alan W. McDonald

ATTEST:

RECORDER

Heber City Corporation
Culinary Water Rate Increase - 12%
Pressurized Irrigation Rate Increase 10%
January 2016

Service	Current Monthly Fee	Proposed Monthly Fee
Residential Water - Base Fee		
.75" Meter	\$ 14.50	\$ 16.25
1" Meter	\$ 14.50	\$ 16.25
Residential Water - Price Per 1,000 Gallons		
0 - 7,000	\$ 0.52	\$ 0.58
7,001 - 12,000	\$ 0.64	\$ 0.72
12,000 - 19,000	\$ 0.93	\$ 1.04
19,001 - 35,000	\$ 1.16	\$ 1.30
35,001 - 70,000	\$ 1.34	\$ 1.50
70,001 - 999,999,999	\$ 1.56	\$ 1.75
Commercial Water - Base Fee		
.75" Meter	\$ 14.50	\$ 16.25
1.0" Meter	\$ 14.50	\$ 16.25
1.5" Meter	\$ 63.67	\$ 71.31
2.0" Meter	\$ 104.65	\$ 117.21
3.0" Meter	\$ 243.97	\$ 273.25
4.0" Meter	\$ 407.86	\$ 456.80
6.0" Meter	\$ 752.07	\$ 842.32
8.0" Meter	\$ 1,309.33	\$ 1,466.45
10.0" Meter	\$ 1,367.32	\$ 1,531.40
Commercial Water - Price Per 1,000 Gallons		
0 - 7,000	\$ 0.58	\$ 0.65
7,001 - 999,999,999	\$ 1.22	\$ 1.37
Secondary Irrigation		
Less than 6,000 square feet	\$ 6.00	\$ 6.60
6,000 - 9,999 square feet	\$ 10.00	\$ 11.00
10,000 - 14,999 square feet	\$ 15.00	\$ 16.50
15,000 - 19,999 square feet	\$ 20.00	\$ 22.00
More than 20,000 per 1K square feet	\$ 25.00	\$ 27.50

TAB 3

HEBER CITY COUNCIL
Report by: Anthony L. Kohler
Meeting date: January 7, 2016

Re: Cottages at Valley Station Lot 247 and 248 Lot Line Adjustment

The owners of Lot 247 and 248 of Valley Station are requesting to adjust their mutual boundaries by moving 3 feet of property from Lot 248 to Lot 247. Both properties are located within the MURCZ Mixed Used Residential Commercial Zone, which does not have a minimum or maximum lot size or required side yard setback, though the development agreement with Oakwood Homes requires a 5 foot side yard setback. Section 10-9a-608 of the Utah State Code addresses the process for lot line adjustments. The city has not designated a specific land use authority for this action, so the City Council is the default authority to approve this request.

The deeds have been already recorded for this transaction; the County Recorder needs the city's approval before the transaction can be formalized.

RECOMMENDATION

The proposed lot line adjustment is consistent with Heber City Code and Utah State Code, Section 10-9a-608. Specifically:

- (1) No new dwelling lot or housing unit results from the property lines adjustment;
- (2) The adjoining property owners consent to the property line adjustment;
- (3) The property lines adjustment does not result in a remnant land that did not previously exist; and
- (4) The property line adjustment does not result in a violation of applicable zoning requirements.

Section 10-9a-608 Utah State Code

- (5) (a) The owners of record of adjacent parcels that are described by either a metes and bounds description or by a recorded plat may exchange title to portions of those parcels if the exchange of title is approved by the land use authority in accordance with Subsection (5)(b).
- (b) The land use authority shall approve an exchange of title under Subsection (5)(a) if the exchange of title will not result in a violation of any land use ordinance.
- (c) If an exchange of title is approved under Subsection (5)(b):
 - (i) a notice of approval shall be recorded in the office of the county recorder which:
 - (A) is executed by each owner included in the exchange and by the land use authority;
 - (B) contains an acknowledgment for each party executing the notice in accordance with the provisions of Title 57, Chapter 2a, Recognition of Acknowledgments Act; and
 - (C) recites the descriptions of both the original parcels and the parcels created by the exchange of title; and
 - (ii) a document of conveyance shall be recorded in the office of the county recorder.
- (d) A notice of approval recorded under this Subsection (5) does not act as a conveyance of title to real property and is not required in order to record a document conveying title to real property.

Heber City Corporation
75 North Main Street
Heber City, UT 84032

Notice

The undersigned does hereby declare that on January 7, 2016, the Heber City Council approved a 3 foot lot line adjustment, adding 3 feet to Lot 247 from Lot 248 in the Cottages at Valley Station Subdivision Phase 2 as described in Exhibit 1 and illustrated in Exhibit 2.

The City Council, acting as the Land Use Authority, found:

- (1) No new dwelling lot or housing unit results from the property lines adjustment;
- (2) The adjoining property owners consent to the property line adjustment;
- (3) The property lines adjustment does not result in a remnant land that did not previously exist; and
- (4) The property line adjustment does not result in a violation of applicable zoning requirements.

This notice serves as the required notice of approval by the Heber City Council, as required by Utah State Code, Section 10-9a-608 5 (a). This notice of approval recorded under this Subsection (5) does not act as a conveyance of title to real property, is not required in order to record a document conveying title to real property and is not intended to do anything other than indicate that the proper notice has been given and that the City approves and does not object to the lot line adjustment.

Anthony L. Kohler

Date: _____

STATE OF UTAH)
)ss
COUNTY OF WASATCH)

On this _____ day of _____, 20_____, personally appeared before me, the above Planning Director of Heber City, Utah, who acknowledged that he signed the above certificate and that the statements contained thereon are true.

Notary Public, Residing at Heber City, Utah

Exhibit 1: Old Parcel Legal Descriptions

Parcel 1

Owner Name: Oakwood Homes
Legal Description: Lot 247 Cottages at Valley Station Subdivision Phase 2
Serial Number: 0VC-2247-0-006-045

New Boundary Description for Lot 247

DESCRIPTION (NEW LOT 247)

ALL OF LOT 247, PHASE 2, COTTAGES AT VALLEY STATION SUBDIVISION PLAT THEREOF ON FILE AT THE WASATCH COUNTY RECORDER'S OFFICE.

TOGETHER WITH THE FOLLOWING:

BEGINNING AT THE REAR LOT CORNER COMMON TO LOTS 247 & 248 OF SAID PHASE 2, COTTAGES AT VALLEY STATION SUBDIVISION; THENCE SOUTH 32°03'46" EAST 3.00 FEET ALONG THE REAR LOT LINE OF SAID LOT 248; THENCE SOUTH 54°57'58" WEST 98.78 FEET TO A POINT ON THE FRONT LOT LINE OF SAID LOT 248; THENCE ALONG SAID FRONT LOT LINE OF SAID LOT 248, ALONG THE ARC OF A 1480.00-FOOT RADIUS CURVE TO THE RIGHT 3.00 FEET (CHORD BEARS N 35°18'20" W 3.00') TO THE FRONT LOT COMMON TO SAID LOTS 247 & 248; THENCE ALONG SAID LOT LINE COMMON TO LOTS 247 & 248 NORTH 54°57'58" EAST 98.95 FEET TO THE POINT OF BEGINNING.

NEW AREA = 8,031.41 SQ. FT.

A.P.N. 00-0021-0793

Parcel 2

Owner Name: Oakwood Homes
Legal Description: Lot 248 Cottages at Valley Station Subdivision Phase 2
Serial Number: 0VC-2248-0-006-045

New Boundary Description for Lot 248

DESCRIPTION (NEW LOT 248)

ALL OF LOT 248, PHASE 2, COTTAGES AT VALLEY STATION SUBDIVISION PLAT THEREOF ON FILE AT THE WASATCH COUNTY RECORDER'S OFFICE.

LESS AND EXCEPTING THE FOLLOWING:

BEGINNING AT THE REAR LOT CORNER COMMON TO LOTS 247 & 248 OF SAID PHASE 2, COTTAGES AT VALLEY STATION SUBDIVISION; THENCE SOUTH 32°03'46" EAST 3.00 FEET ALONG THE REAR LOT LINE OF SAID LOT 248; THENCE SOUTH 54°57'58" WEST 98.78 FEET TO A POINT ON THE FRONT LOT LINE OF SAID LOT 248; THENCE ALONG SAID FRONT LOT LINE OF SAID LOT 248, ALONG THE ARC OF A 1480.00-FOOT RADIUS CURVE TO THE RIGHT 3.00 FEET (CHORD BEARS N 35°18'20" W 3.00') TO THE FRONT LOT COMMON TO SAID LOTS 247 & 248; THENCE ALONG SAID LOT LINE COMMON TO LOTS 247 & 248 NORTH 54°57'58" EAST 98.95 FEET TO THE POINT OF BEGINNING.

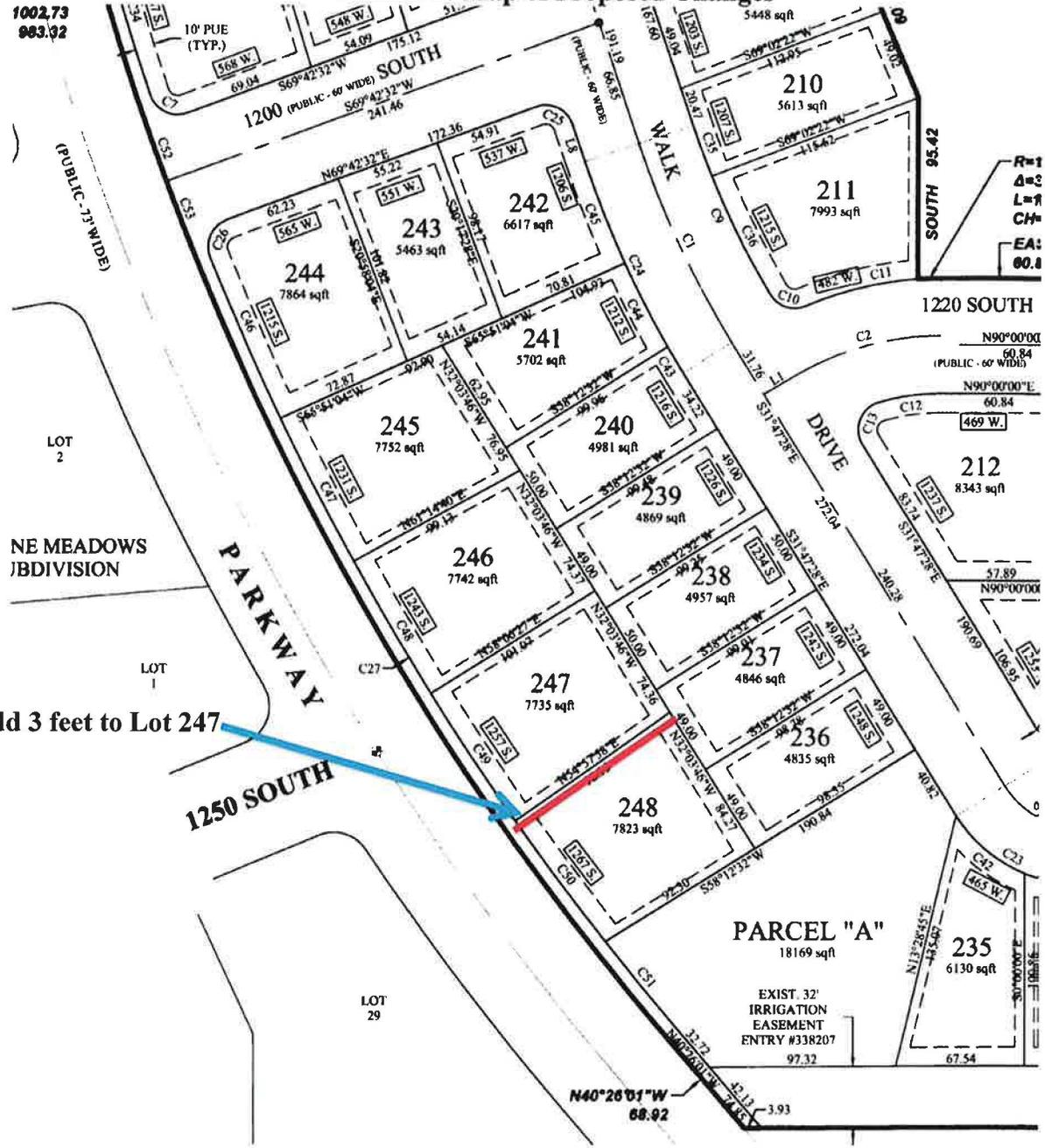
NEW AREA = 7,525.85 SQ. FT.

A.P.N. 00-0021-0794

Exhibit 2: Map of Proposed Changes

1002.73
993.32

R=1
Δ=3
L=9
CH=1
EA: 60.8



Add 3 feet to Lot 247

PARCEL "A"
18169 sqft

EXIST. 32'
IRRIGATION
EASEMENT
ENTRY #338207
97.32

N40°28'01"W
88.92

TAB 4

ANNEXATION AGREEMENT
AND
COVENANT RUNNING WITH THE LAND
(STRAWBERRY ANNEXATION)

THIS AGREEMENT entered into this _____ day of _____, 2015, by and between Heber City, hereinafter referred to as "City" and the undersigned petitioners, as "Petitioner".

WHEREAS, the Petitioner has proposed annexation of 56.93 acres into Heber City; and

WHEREAS, the Planning Commission has reviewed the proposed annexation and has recommended approval of the proposed annexation with conditions.

NOW, THEREFORE, the parties hereby agree as follows:

1. **ZONING**

- a) Properties within the annexation area shall be zoned consistent with the Heber City General Plan Land Use Map as shown in Exhibit D, which includes the Planned Community Mixed Use Zone (PCMU) and the C-2 Commercial Zone;
- b) **OPEN SPACE.** For properties located within the PCMU Zone, Petitioner may provide offsite Open Space to meet the Civic Space requirements of the PCMU ZONE found in Section 18.62.020 F. 2. e.
 1. Notwithstanding this option, each development shall provide at least 15 percent of its required Civic Space onsite;
 2. Any offsite Open Space dedication shall be on an acre per acre equivalent, or on a land value equivalent, whichever is the greater area of land, in the amount of acreage specified by the PCMU Zone;
 3. Such Open Space shall be obtained through a development right purchase (property shall remain privately owned) for properties located within the Sending Area (North Fields) identified on Exhibit J;
 4. Such Open Space shall be preserved in perpetuity as agricultural land through a Conservation Easement held by a third party, such as Utah Open Lands;
 5. Such land shall not have been used to meet the requirements for Open Space in another development; and
 6. Such Open Space shall have adequate water rights retained with the land to maintain it in agricultural production, as evidenced by a deed restriction on said property.
- c) As properties develop or redevelop along Highway 40, the street frontage shall be brought to current city standards for landscaping as required by the C-2 & C-4

Design Criteria, including the planting of trees.

2. **WATER RIGHTS**

- a) Petitioners shall, at the time of development, transfer to the City any required diversion water rights necessary for development of their property;

3. **EXISTING UTILITIES**

- a) Petitioner is responsible for acquiring and paying for any necessary offsite easements, dedications, or right of way; and construct any offsite utilities required to connect to existing utilities and service the development of their property, including: sewer, water, secondary irrigation, electricity, gas, cable television, etc.;
- b) At Petitioner's expense, existing utilities shall be relocated into future right of ways as needed at the time of development to avoid conflict with proposed development;
- c) Existing wells and septic tanks are suitable for existing uses. As properties develop or redevelop, connection to the City's sewer and water systems will be required. The health department may require connection to sewer and water systems if septic tanks or wells fail, or as those services are expanded;
- d) At the time of development, above ground utilities along the street frontage shall be placed underground, unless the City determines that burial is unfeasible;

4. **REIMBURSEMENT**

- a) Petitioners fronting Mill Road will be required to reimburse the original developer that installed the existing 16-inch Mill Road Water Line for their proportionate share of the construction cost. Details for reimbursement are available from the Heber City Engineer;

5. EXISTING STREET FRONTAGE

- a) As properties develop or redevelop, Petitioners shall improve their respective property's existing street frontage along Mill Road and Highway 40 to current standards, including right of way dedication, curb and gutter, storm drain system, sidewalk, asphalt widening, underground utilities, and asphalt overlay of the existing asphalt;

6. CULINARY WATER

- a) The Heber City Capital Facility Plan identifies future culinary water line approximate locations needed to service properties within the annexation as shown in Exhibit F.
- b) At the time of development or redevelopment of the **Thurgood, Lane Jensen, Loren Jensen 1, and Shingledecker** properties, Petitioners shall construct within their respective properties, the 12-inch culinary water line connecting from East Airport Road east to Mill Road, identified as W-008 on Exhibit F. Heber City will participate in said construction with Impact Fees to pay for the cost of upsizing the water line from 8-inches to 12-inches. Also, Petitioners shall construct and loop any additional onsite or offsite water lines needed to serve their developments and bring water from existing facilities.
- c) At the time of development or redevelopment of the **Loren Jensen 2 and Shingledecker** properties, Petitioners shall construct along their street frontage, an 8-inch culinary water line along Highway 40. Also, any additional onsite water lines needed to serve their developments.

7. SEWER

- a) The Heber City Capital Facility Plan identifies future sewer line approximate locations needed to serve properties within the annexation as shown in Exhibit G.
- b) At the time of development or redevelopment of the **Melhoff and TRV** properties, Petitioners shall construct within their respective properties, the 10-inch sewer line running north to south, identified as S-028 on

Exhibit G. Heber City will participate in said construction with Impact Fees to pay for the cost of upsizing the sewer line from 8-inches to 10-inches. Also, Petitioners shall construct any additional onsite or offsite sewer lines needed to serve their developments and connect sewer to existing facilities.

- c) At the time of development or redevelopment of the **Thurgood, Lane Jensen, Loren Jensen 1 & 2, and Shingledecker** properties, Petitioners shall construct any additional onsite or offsite sewer lines needed to serve their developments and connect sewer to existing facilities, including the 10-inch sewer line identified as S-004 on Exhibit G.

8. **STREETS**

- a) The Heber City Capital Facility Plan identifies future street locations needed to serve properties within the annexation as shown in Exhibit H. Required street construction and dedication includes all surface and subsurface improvements, storm drain facilities, as well as all underground utilities;
- b) At the time of development or redevelopment of the **Melhoff, TRV, and Earnshaw** properties, Petitioners shall dedicate and improve their respective property's Mill Road street frontage to the 72 foot right of way, Major Collector Standard, identified as T-040 on Exhibit H. Heber City will participate in said construction with Impact Fees to pay for the cost of upsizing the asphalt width from 36-feet to 50-feet. As part of the improvements these properties shall also patch and install a 2-inch overlay over the existing Mill Road asphalt, east of the same said frontages;
- c) At the time of development or redevelopment of the **Shingledecker, and Loren Jensen 2** properties, Petitioners shall dedicate and improve their respective property's Highway 40 street frontage to the standard adopted by UDOT including right of way dedication, curb and gutter, storm drain facilities, sidewalk, asphalt widening, underground utilities, and asphalt overlay of the existing asphalt;
- d) At the time of development or redevelopment of the **Melhoff and TRV** properties, Petitioners shall dedicate

and improve within their respective properties, the 66 foot right of way Minor Collector, at the approximate alignment of 900 East, identified as T-051 on Exhibit H. Heber City will participate in said construction with Impact Fees to pay for the cost of upsizing the asphalt width from 36-feet to 44-feet;

- e) At the time of development or redevelopment of the **Shingledecker and Loren Jensen 1** properties, Petitioners shall dedicate and improve within their respective properties, the 72-foot wide Major Collector at approximately 500 East, identified as T-029 on Exhibit H. Heber City will participate in said construction with Impact Fees to pay for the construction cost of upsizing the asphalt width from 36-feet to 50-feet;

9. **PARKS AND TRAILS**

- a) The Heber City Capital Facility Plan identifies future park and trail locations needed to serve properties within the annexation as shown in Exhibit I.
- b) At the time of development or redevelopment of the **Melhoff, TRV, and Earnshaw** properties, Petitioners shall dedicate and construct along their respective Mill Road street frontages, a minimum 10-foot wide concrete off-street trail (or equivalent to match connecting the trail to the north) within a minimum 20 to 30-foot wide landscaped berm area along Mill Road, though the City may consider a narrower width for the landscaped area for localized hardship situations;

10. **PRESSURIZED IRRIGATION**

- a) Petitioners shall construct onsite or offsite pressurized irrigation lines needed to serve their developments and connect to existing facilities.
11. This Agreement contains the entire agreement between the parties, and no statement, promise or inducement made by either party hereto, or agent of either party hereto which is not contained in this written Agreement shall be valid or binding; and this Agreement may not be enlarged, modified or altered except in writing approved by the parties;
12. This Agreement shall be a covenant running with the land, and shall be binding upon the parties and their assigns and successors in interest. This Agreement shall be recorded with the Wasatch County Recorder;

13. In the event there is a failure to perform under this Agreement and it becomes reasonably necessary for either party to employ the services of an attorney in connection therewith (whether such attorney be in-house or outside counsel), either with or without litigation, on appeal or otherwise, the prevailing party in the controversy shall be entitled to recover its reasonable attorney's fees incurred by such party and, in addition, such reasonable costs and expenses as are incurred in enforcing this Agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year this agreement was first above written.

DATED this _____ day of _____, 2015.

HEBER CITY:

By: _____
Alan McDonald, Mayor

ATTEST:

Heber City Recorder

OWNER, _____

By: _____
Trent Melhoff

STATE OF UTAH)
 : ss.

OWNER, [Signature]

By: Brad A. Jensen
RidgePoint Holdings, LLC

STATE OF UTAH)
 : ss.
COUNTY OF WASATCH)

On this 24th day of August, 2015, personally appeared before me the above named Owner, who duly acknowledged to me that he is the owner in fee and executed the same as such.

[Signature]
NOTARY PUBLIC



: ss.
COUNTY OF WASATCH)

On this _____ day of _____, 2015, personally
appeared before me the above named Owner, who duly acknowledged
to me that he is the owner in fee and executed the same as such.

NOTARY PUBLIC

OWNER, GARY Thurgood

By: Gary Thurgood
Gary Thurgood

STATE OF UTAH)
: ss.
COUNTY OF WASATCH)

On this 2 day of November, 2015, personally
appeared before me the above named Owner, who duly acknowledged
to me that he is the owner in fee and executed the same as such.

Diann Greer
NOTARY PUBLIC



OWNER, _____

By: _____
Edith Thurgood

OWNER, Lane F. Jensen

By: _____
Lane F. Jensen

STATE OF UTAH)
 : ss.
COUNTY OF WASATCH)

On this 25th day of September, 2015, personally appeared before me the above named Owner, who duly acknowledged to me that he is the owner in fee and executed the same as such.

Sara McAfee
NOTARY PUBLIC



OWNER, _____

By: Phyllis Jensen
Phyllis Jensen

STATE OF UTAH)
 : ss.
COUNTY OF WASATCH)

On this 25th day of September, 2015, personally
appeared before me the above named Owner, who duly acknowledged
to me that he is the owner in fee and executed the same as such.

Alisha Wood
NOTARY PUBLIC



OWNER, _____

By: *Loren Jensen*
Loren Jensen

STATE OF UTAH)
 : ss.
COUNTY OF WASATCH)

On this 25th day of September, 2015, personally
appeared before me the above named Owner, who duly acknowledged
to me that he is the owner in fee and executed the same as such.

Alisha Wood
NOTARY PUBLIC

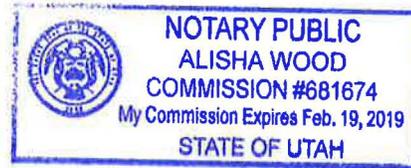


EXHIBIT A: PROPOSED ANNEXATION PLAT

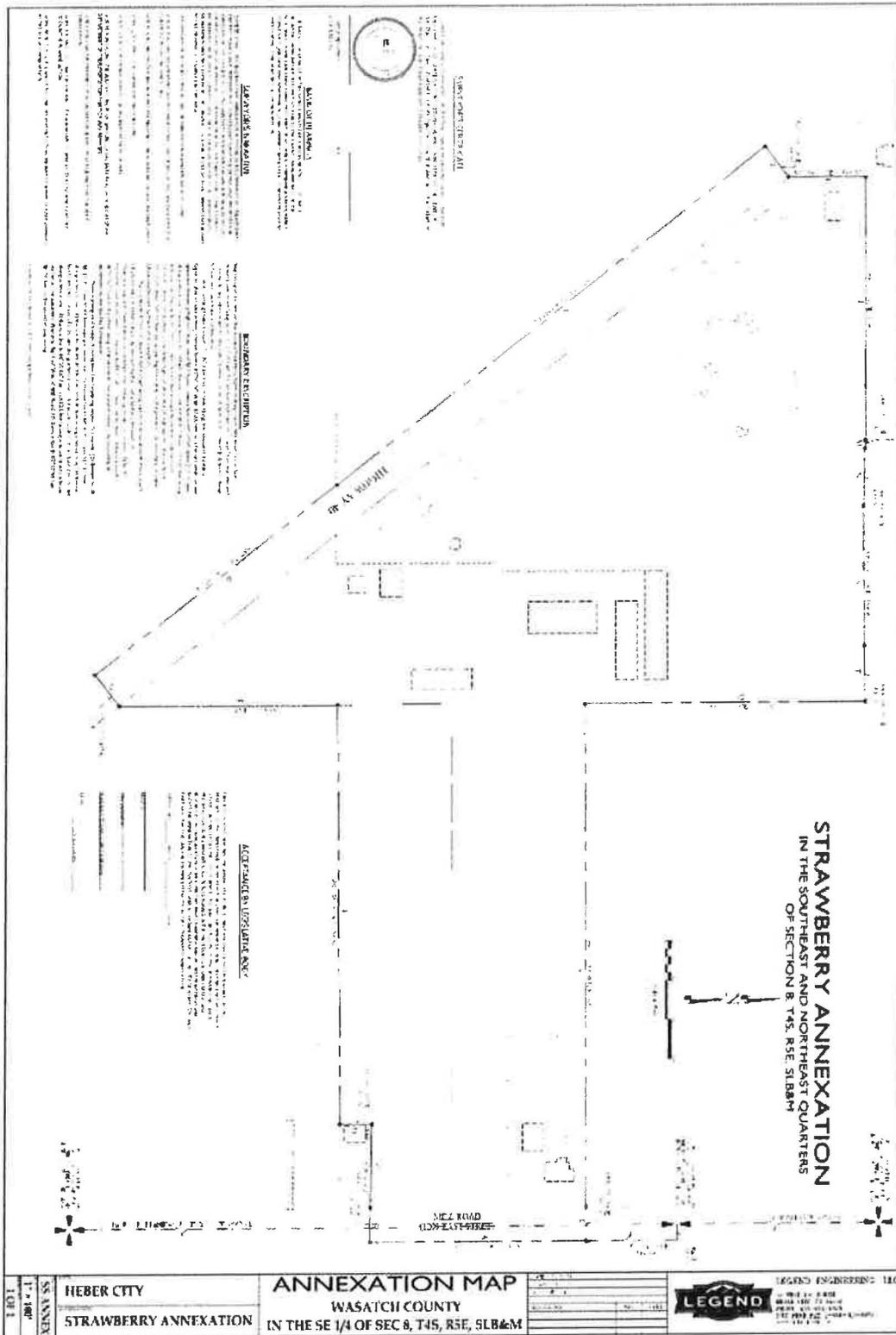


EXHIBIT B: LEGAL DESCRIPTION

BOUNDARY DESCRIPTION

Beginning at a point on the apparent easterly Right-of-Way line of Mill Road (1200 East Street), said point lying South 0°15'53" East 716.88 feet and East 39.32 feet from the Wasatch County Survey Monument for the East Quarter Corner of Section 8, Township 4 South, Range 5 East, Salt Lake Base and Meridian;

And running thence South 0°7'25" East 554.76 feet along the apparent Easterly Right-of-Way of said street; thence North 89°00'04" West 87.84 feet to a fence corner on the apparent Westerly Right-of-Way line of Mill Road; thence North 89°00'04" West 212.25 feet along a fence line; thence South 82.78 feet; thence South 89°38'41" West 1070.92 feet along a fence line; thence South 0°03'21" East 559.69 feet along a fence line; thence South 52°00'41" West 100.81 feet to the West Right-of-Way line of Highway 40; thence North 37°59'19" West 785.75 feet along said Right-of-Way to the present City boundary of Heber City as evidenced by the Hult Annexation;

Thence North 37°59'19" West 1398.62 feet along said Hult Annexation to the present City boundary of Heber City as evidenced by the Clyde-Bethers Annexation;

Thence along said Clyde-Bethers annexation the following three (3) courses: (1) North 51°59'06" East 99.97 feet; (2) thence North 0°14'22" East 196.60 feet; (3) thence South 89°57'52" East 674.23 feet along a fence line to the present Heber City boundary as evidenced by the Boldav Annexation;

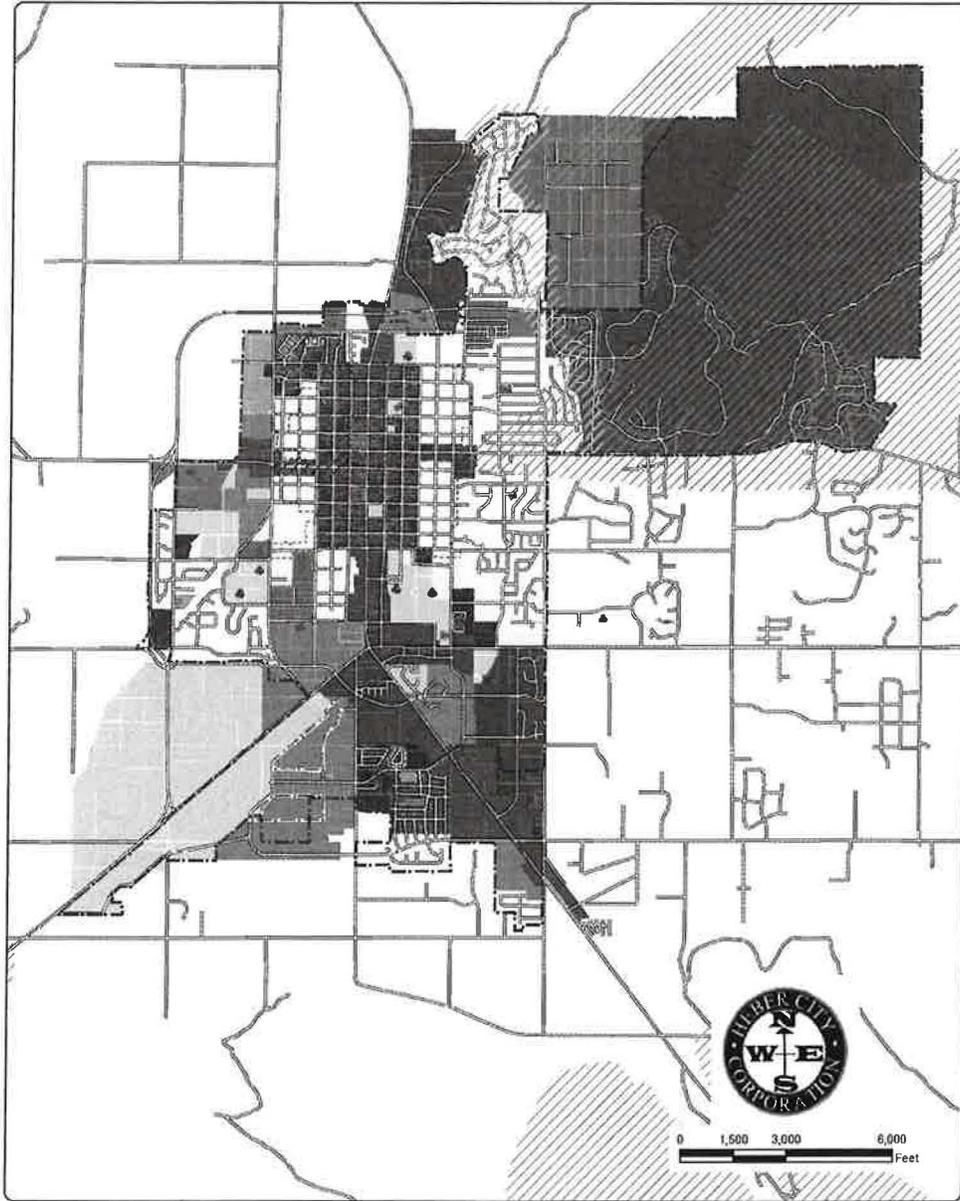
Thence along said Boldav Annexation the following seven (7) courses: (1) thence South 84°13'15" East 20.67 feet along a fence line; (2) thence South 88°30'41" East 147.10 feet along a fence line; (3) thence North 89°40'38" East 358.40 feet along a fence line; (4) thence North 89°08'17" East 142.26 feet along a fence line; (5) thence South 0°3'21" East 720.60 feet along a fence line; (6) thence North 89°50'44" East 1283.58 feet along a fence line to a fence corner at the apparent Westerly Right-of-Way of Mill Road; (7) thence North 89°50'44" East 86.79 feet to the point of beginning.

Contains 56.930 Acres or 2,479,890 square feet, more or less.

EXHIBIT C: PROPERTY SERIAL NUMBERS

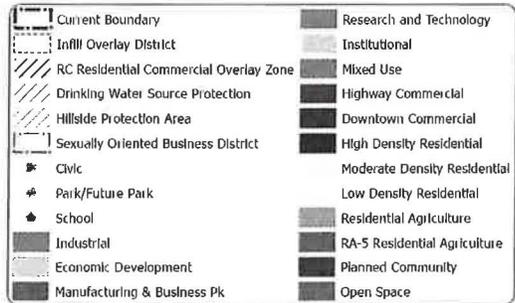
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OWC-1620-0-008-045
OWC-1630-0-008-045
OWC-1628-0-008-045
OWC-1629-2-008-045
OWC-1629-1-008-045
OWC-1629-4-008-045

EXHIBIT D: GENERAL PLAN LAND USE MAP



Heber City, Utah
June 16, 2015

Attest: Heber City Recorder



General Plan Land Use Map

EXHIBIT E: STRAWBERRY ANNEXATION PROPERTIES

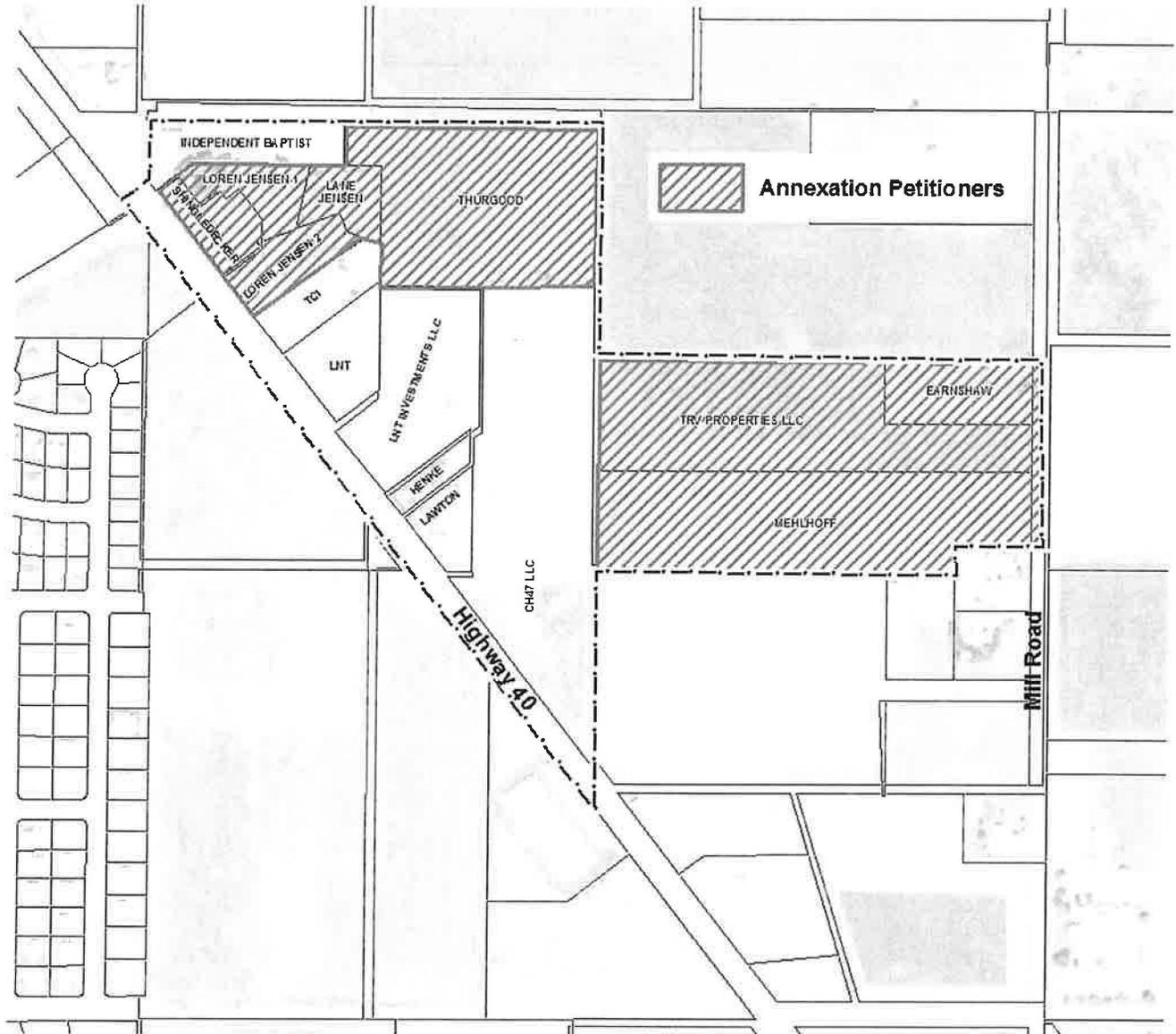
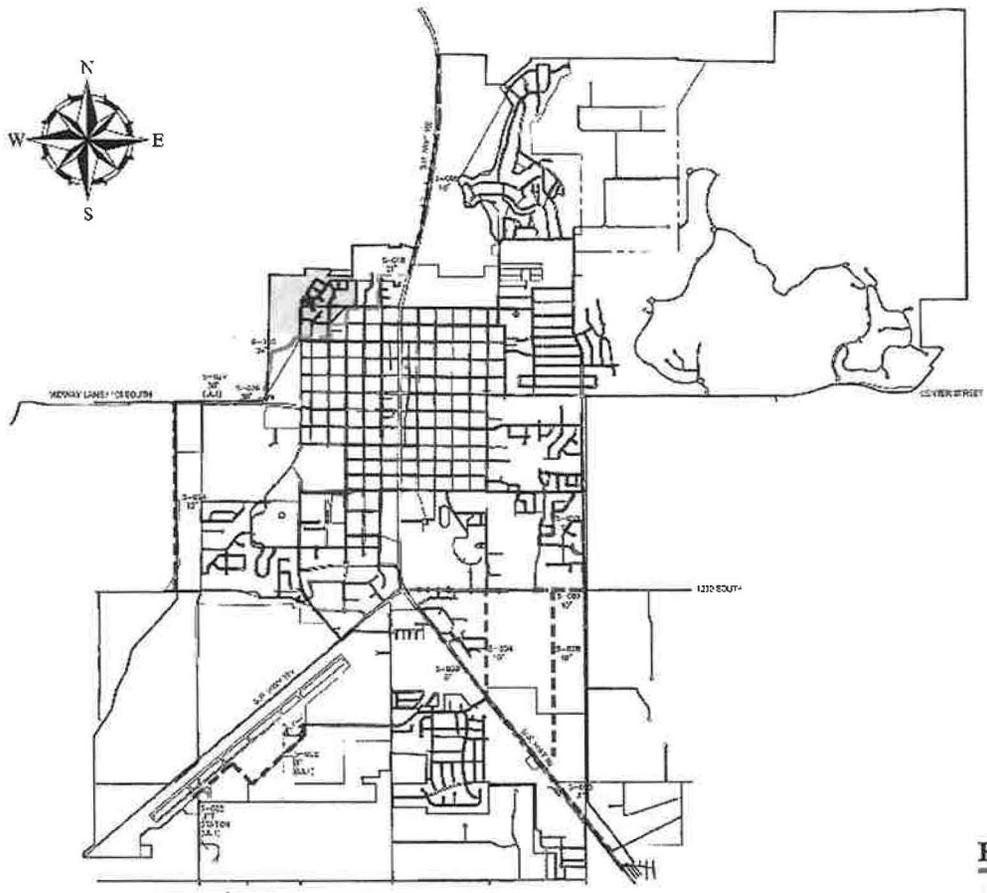


EXHIBIT F: CULINARY WATER

EXHIBIT G: SEWER

FIGURE 5-1
HEBER CITY
FUTURE
SEWER SYSTEM



LEGEND

- UTILITY BOUNDARY
- - - - - UTILITY BOUNDARY
- EXISTING SEWER

EXISTING SEWER LINES

PIPE SIZE (INCH)	PIPE COLOR
6	---
8	---
10	---
12	---
14	---
16	---
18	---
20	---
24	---
30	---
36	---

- 6" LIFT STATION
- 12" LIFT STATION

FUTURE SEWER LINES

PIPE SIZE	PIPE COLOR
8	---
12	---
16	---
20	---
24	---
30	---

- 6" LIFT STATION
- 12" LIFT STATION

HORROCKS
ENGINEERS ARCHITECTS
HEBER CITY, UTAH
2010-2011

c:\projects\2010\Heber City Map\GIS\Map\Doc\MapDoc For Future Sewer Map_11_2010.dwg 11/22/10 10:24 (08/09) Heber_Parcel Job 25 CD, RoadGIS.spl 0) occ:005

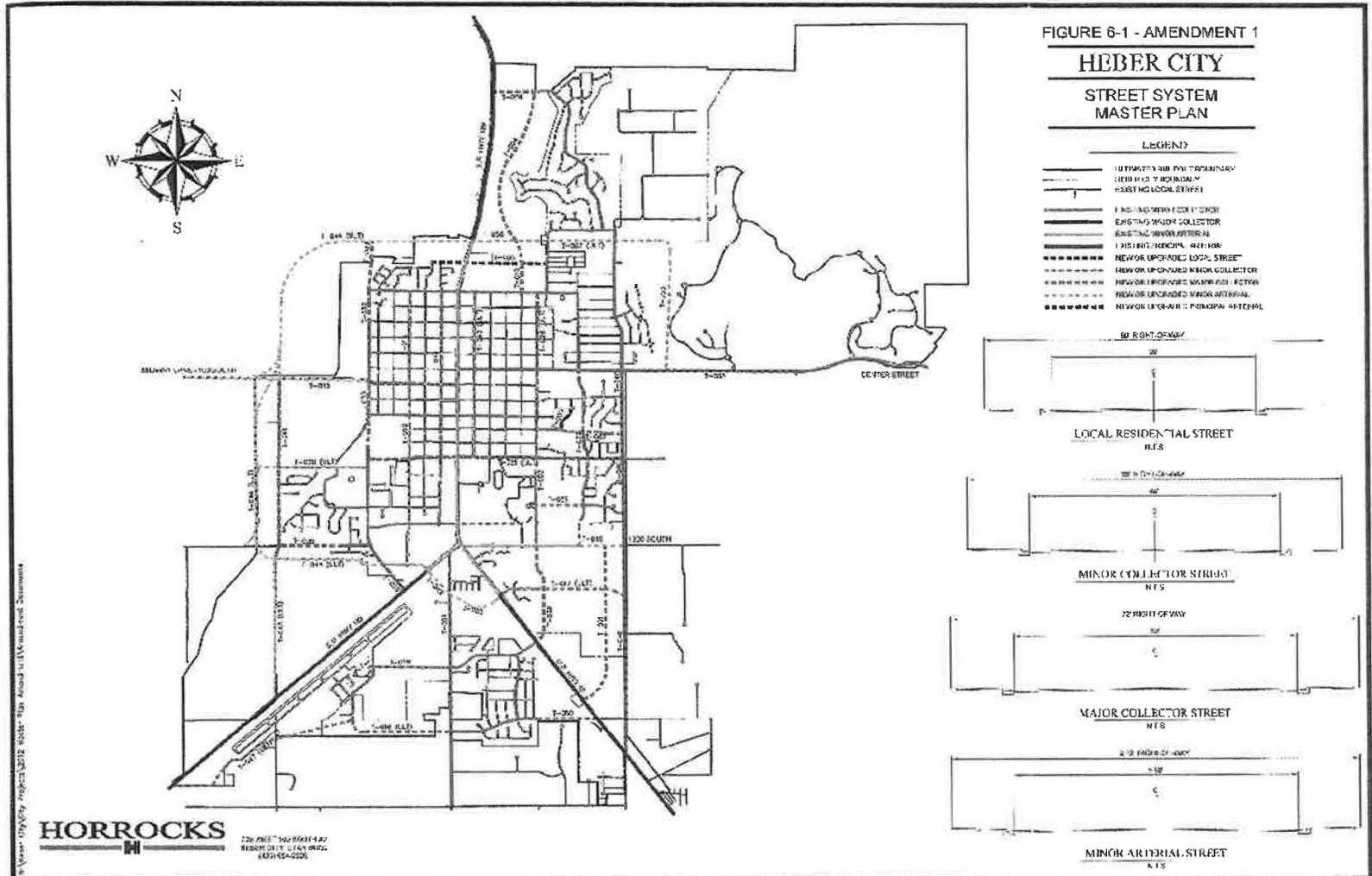


EXHIBIT H: STREETS

STRAWBERRY ANNEXATION AGREEMENT ADDENDUM

This addendum is intended to clarify the ANNEXATION AGREEMENT AND COVENANT RUNNING WITH THE LAND (STRAWBERRY ANNEXATION), particularly with regard to the Marion Shingledecker and Loren Jensen properties and the requirements specified in 6b), 6c), 7c), 8c), and 8e) of said Strawberry Annexation Agreement.

The required property improvements specified in 6b), 6c), 7c), 8c), and 8e) of the Annexation Agreement, shall be installed pursuant to the city's development code that is currently in effect at the time of development or redevelopment of those respective properties.

In consideration for the promises and considerations mutually exchanged between the Parties pursuant to the Annexation Agreement, upon request by Heber City, without limitation or restriction of duration, at the time of development or redevelopment of their respective properties, Petitioners specifically agree to dedicate a perpetual right of way necessary for the development and improvement of 500 East.

TAB 5

RESOLUTION NO. 2016-2

RESOLUTION OF CONDITIONS AND INCENTIVES TO ATTRACT INITIAL HOTELS TO THE CITY

WHEREAS, pursuant to the desires of the Heber City Council to attract reputable Hotels to Heber City, and

WHEREAS, the Council desires such an establishment to have a certain high level of standard in its quality, amenities, organization and atmosphere, the following conditions and incentives are intended to be memorialized by resolution, and

WHEREAS, inasmuch as the Council believes the City may be underserved by hotels in the City and as a body is desirous to offer incentives to attract hotels, staff has recommended that such incentives be limited to a specific period of time or to a certain number of hotels, and

WHEREAS, such a recommendation takes into consideration that the City has limited surplus water rights, and that attracting too many hotels may create a financially challenging environment if there is too much competition for limited customers, and

WHEREAS, in identifying such incentives, in conversation with interested parties, the incentives that appear most critical to are those that defer upfront costs as such a hotel may take a few years to become profitable, and

WHEREAS, additionally, in the event such incentives and conditions are considered for a specific project, City Staff and the Council should determine how the market rate of water rights will be determined. One option could be that such data be obtained from Wasatch and Timpanogos Irrigation from up to date, most recent sales from sellers/purchasers, if such information is available and willingly shared. As of the time of adoption of this Resolution, the City Council has considered a discounted rate for water rights at approximately \$6,000 per acre foot. The approved method to establish the value of the water rights will be to gather data from recent water share sales from Wasatch and Timpanogos Irrigation companies, and use the same in a comparative calculation.

NOW, THEREFORE, it is hereby resolved by the City Council of Heber City, Wasatch County, Utah, that Heber City hereby adopts the following conditions and incentives as suggested policy when considering attracting of, and approval for a hotel. Such incentivized policy shall be limited in duration to the next twenty four (24) months, or the establishment of two hotels, whichever comes first, following adoption of this Resolution.

The specific, **suggested conditions** required for consideration hereto, are as follows:

- That the hotel have 60 or more rooms
- That the hotel have a hotel rating of three or more stars,
- That the hotel contain 1,000 sq. feet or more of conference/meeting space
- That 90% of the rooms not be offered for stays beyond 30 days
- That an economic/financial analysis of the fiscal impact the hotel would have on the City be provided by a City approved independent party to show that the benefits the City will receive are equal to, or greater than any incentive offered.
~~(This should be prepared at the expense of the hotel by an independent third party)~~

Here listed are some specific, suggested incentives to be considered. The Council does not adopt such incentives by ordinance, nor intend to bind itself or any future City legislative body to these incentives, but so memorializes the following as a temporary suggested policy, for a limited duration to help identify incentives to assist in the consideration process.

The specific **suggested incentives** are as follows:

- Offering water rights at a discounted rate if paid in full up front, prior to occupancy
- Offering water rights at a market rate if payment for said shares is extended beyond occupancy (not to exceed 3 years)
- Offering to rebate the 1% Transient Room Tax (TRT) for sales in excess of \$1,000,000 for a period not to exceed 5 years

ADOPTED AND PASSED by the City Council of Heber City, Utah this _____ day of _____, 2016, by the following vote:

	AYE	NAY
Council Member Jeffery M Bradshaw	_____	_____
Council Member Heidi Franco	_____	_____
Council Member Kelleen L. Potter	_____	_____
Council Member Jeffrey W. Smith	_____	_____
Council Member Ronald R. Crittenden	_____	_____

APPROVED:

Mayor Alan McDonald

ATTEST:

RECORDER

Date of First Publishing: _____

TAB 6

Re: Red Ledges Phase 2L

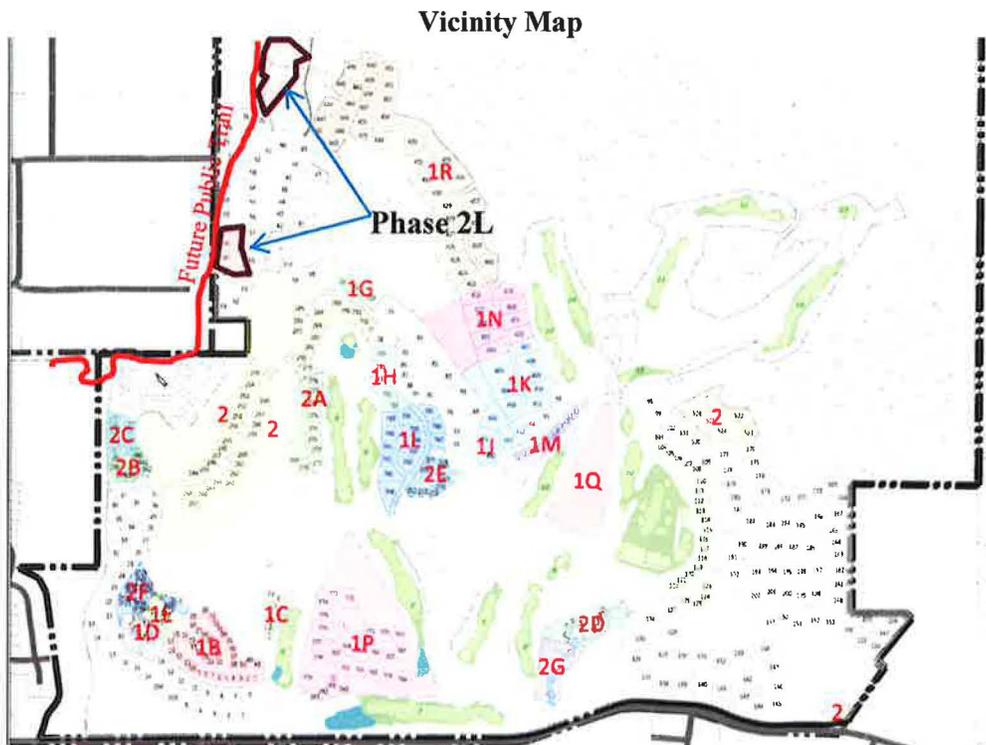
Red Ledges is proposing Phase 2L, consisting of 10 single-family lots. A future trail passes through part of this phase along the west side of the plat. Phase 1 of Red Ledges dedicated part of this public trail easement. The Master Plan Agreement and Interlocal Agreement require that as phases are constructed along the trail, the trail be dedicated and constructed. Red Ledges is requesting the construction and dedication in this phase be deferred as more utilities need to be installed in the corridor; construction vehicles use the corridor, posing a safety issue for trail users. Additionally, it is difficult to lock in the trail corridor on this plat since the adjoining plat has not had its location surveyed, but the city should consider a development agreement pertaining to the trail deferment.

Since the Planning Commission's recommendation, Red Ledges has demonstrated the trail corridor is less than 10 percent grade and has asked to defer the dedication of the trail until the adjoining phase to the west is platted. If this acceptable to the Council, staff would suggest a development agreement be put into place for the trail.

RECOMMENDATION

On December 10, 2015, the Planning Commission recommended approval of the proposed Phase 2L of Red Ledges, consisting of 10 Lots, as consistent with the Red Ledges Master Plan, the PC Planned Community Zone, Interlocal Agreement, and Master Plan Agreement, conditional upon the following:

1. The proposed plat be altered to designate a 20 foot wide public trail easement along the rear (west side) of the lots for the future public trail;
2. Prior to City Council approval, a grading plan be submitted for the trail corridor;
3. Prior to recording the plat, developer provide:
 - a. an updated title report;
 - b. addresses for the lots on the plat;
 - c. tax clearance from county assessor; and
 - d. an update on the open space dedication status with Wasatch County required by the Interlocal Agreement.



SUBDIVISION AGREEMENT
AND
COVENANT RUNNING WITH THE LAND
(Red Ledges Phase 2L)

THIS AGREEMENT is entered into this _____ day of _____, 2016, by and between Heber City (the "City") and Red Ledges Land Development, Inc. (the "Developer").

WHEREAS, the Developer has proposed a plat for an 10 lot subdivision, Red Ledges Phase 2L, in the Planned Community Zone in Heber City;

NOW, THEREFORE, the Parties hereby agree as follows:

1. Prior development agreements between the city and Red Ledges require public trails to be dedicated and constructed as each phase is constructed. Construction and dedication of the public trails within Phase 2L will be deferred until the adjoining phase is approved.
2. This Agreement contains the entire agreement between the Parties, and no statement, promise or inducement made by either party hereto, or agent of either party hereto which is not contained in this written Agreement shall be valid or binding. This Agreement may not be enlarged, modified or altered except in writing approved by the Parties.
3. This Agreement shall be a covenant running with the land, and shall be binding upon the Parties and their assigns and successors in interest. This Agreement shall be recorded with the Wasatch County Recorder.
4. In the event there is a failure to perform under this Agreement and it becomes reasonably necessary for either party to employ the services of an attorney in connection therewith (whether such attorney be in-house or outside counsel), either with or without litigation, on appeal or otherwise, the prevailing party in the controversy shall be entitled to recover its reasonable attorney's fees incurred by such party and, in addition, such reasonable costs and expenses as are incurred in enforcing this Agreement.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands the day and year this agreement was first above written.

DATED this _____ day of _____, 2016.

HEBER CITY:

By: _____
Alan McDonald, Mayor

ATTEST:

Heber City Recorder

RED LEDGES LAND DEVELOPMENT, INC., Developer:

By: _____
Todd R. Cates, VP of Red Ledges Land Development, Inc.

STATE OF UTAH)
 : ss.
COUNTY OF WASATCH)

On this _____ day of _____, 2016, personally appeared before me the above named authorized representative of Developer, who duly acknowledged to me that Developer is the owner in fee of the land in Red Ledges Phase 2L and executed the same as such.

NOTARY PUBLIC

Tab 7

Heber City Council
Meeting date: January 7, 2016
Report by: Anthony L. Kohler

Re: Red Ledges Phase 2M

Red Ledges is proposing Phase 2M, consisting of 30 single-family lots. The phase does not impede on ridgelines and is not adjacent to future public trails.

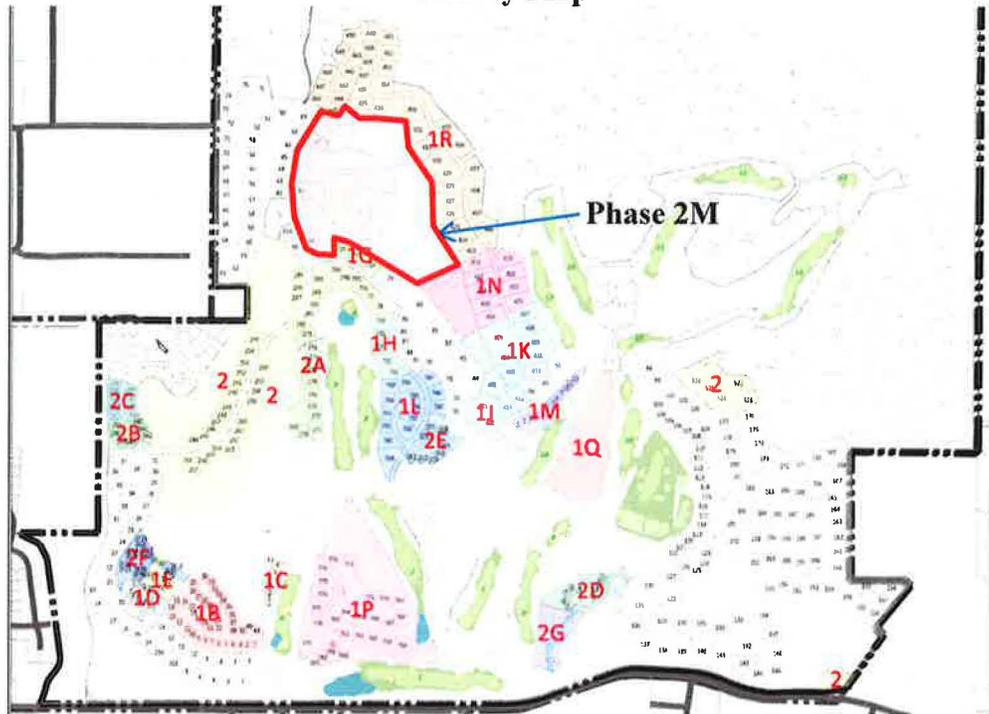
Red Ledges has 679 lots approved of the total master planned 1370. As per recent phasing discussion, Red Ledges is on track for most of the phased amenity improvements. Now that more than 642 lots have been platted, the bypass trail should be constructed. The western public trail (which connects to the bypass trail) has been deferred to this point since it parallels construction traffic and future Twin Creeks water and sewer lines. The timing of its construction should be discussed since most of the plats have been approved in the vicinity of the trail.

RECOMMENDATION

On December 10, 2015, the Planning Commission recommended approval of the proposed Phase 2M of Red Ledges, consisting of 30 Lots, as consistent with the Red Ledges Master Plan, the PC Planned Community Zone, Interlocal Agreement, and Master Plan Agreement, conditional that prior to recording the plat, developer provide:

- a. an updated title report;
- b. addresses for the lots on the plat; and
- c. tax clearance from county assessor.

Vicinity Map



Ridge Line Analysis of Phase 2L and 2M from 1300 East Center



Ridge Line Analysis of Phase 2L and 2M from 2400 East Center



Tab 8

Planning Commission

Jeff Patton – current member of board

Board of Adjustments

Dallin Koecher – Current board member

Airport Advisory Board

Kari McFee – Current board member

Airport Advisory Board Alternate

Karree Larsen - 801-960-0459 801-696-4855

Tab 9

City Council Board Assignments for 2016-2017

Airport Board Heidi Franco
 Ronald Crittenden

Animal Control Board Kelleen Potter

Cowboy Poetry Kelleen Potter

HVSSD (Sewer Board) Kelleen Potter
 Jeff Smith

Historic Preservation Heidi Franco

Personnel Committee Ronald Crittenden
 Jeff Smith

Wasatch Economic Heidi Franco

Wasatch Irrigation Jeff Bradshaw

Daniel Irrigation Jeff Bradshaw

Weed Control Ronald Crittenden

For Council Members information Only

Help Light and Power Jeff Bradshaw
 Jeff Smith