

**CITY OF HOLLADAY**

FINANCIAL STATEMENTS, SUPPLEMENTARY  
INFORMATION AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2014

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# **OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
City of Holladay

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Holladay as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Redevelopment Agency for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules 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 individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Osborne Robbins & Buhler PLLC*

December 31, 2014

**City of Holladay  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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As management of the City of Holladay (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements which begin on page 12.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$27,849,285 (\$26,675,086 in 2013) (*net position*), consisting of \$26,077,184 (\$24,690,293 in 2013) net investment in capital assets, \$3,158,180 (\$2,967,351 in 2013) in restricted net position and an unrestricted deficit of \$1,386,079 in 2014 (\$982,558 in 2013).
- The City's governmental funds reported combined fund balances of \$6,960,457 (\$8,928,489 in 2013). \$8,578,898 (\$9,969,289 in 2013) is restricted as to use, leaving a deficit in unassigned fund balance of \$1,618,441 (\$1,040,800 in 2013) which is an increase in the deficit from 2013 of \$577,641.
- The City's general fund balance decreased by \$401,709 due primarily to transfers made to other funds.

**Overview of the Financial Statements**

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

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

- The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**City of Holladay**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**

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All of the City's functions are principally supported by taxes and intergovernmental revenues (governmental activities). The City has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, public safety, community development, streets and highways, parks, recreation and culture.

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are categorized as governmental funds.

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, the redevelopment agency, and the general debt service fund, all of which are considered to be major funds. The redevelopment agency debt service fund is the only nonmajor fund of the City.

The City adopts an annual appropriated budget for its general fund and the redevelopment agency. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The governmental fund financial statements can be found on pages 14-16 of this report.

**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 can be found on pages 17-35 of this report.

**Other information.** Individual fund schedules can be found on pages 37-41 of this report.

**City of Holladay  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$27,849,285 at the close of the most recent year (\$26,675,086 as of June 30, 2013.)

As of June 30, 2014, \$26,077,184 (\$24,690,293 as of June 30, 2013) of the City's net position reflects its net investment in capital assets (e.g. land, improvements, machinery, equipment, vehicles, and infrastructure assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of Holladay Net Position	
	2014	2013
Current and other assets	\$ 12,442,387	\$ 15,033,259
Capital assets	39,917,958	37,630,289
Total assets	<u>\$ 52,360,345</u>	<u>\$ 52,663,548</u>
Deferred outflows of resources	<u>\$ 79,211</u>	<u>\$ 88,012</u>
Long-term liabilities outstanding	\$ 18,922,877	\$ 19,760,042
Other liabilities	377,894	1,173,932
Total liabilities	<u>\$ 19,300,771</u>	<u>\$ 20,933,974</u>
Deferred inflows of resources	<u>\$ 5,289,500</u>	<u>\$ 5,142,500</u>
Net position:		
Net investment in capital assets	\$ 26,077,184	\$ 24,690,293
Restricted	3,158,180	2,967,351
Unrestricted	(1,386,079)	(982,558)
Total net position	<u>\$ 27,849,285</u>	<u>\$ 26,675,086</u>

A portion of the City's net position (\$3,158,180 in 2014 and \$2,967,351 in 2013) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* represents net position which may be used to meet the government's ongoing obligations to citizens and creditors as cash is made available through the collection of taxes and other receivables. As of June 30, 2014 the City has a deficit unrestricted net position of \$1,386,079 (\$982,558 in 2013).

**City of Holladay  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**Governmental activities.**

Governmental activities increased the City's net position by \$1,174,198. Key elements in the change in net position include:

- There was an increase in general revenues of approximately \$300,000 during the current fiscal year due primarily to typical increases in sales and franchise taxes.
- Program service revenues increased over 2013 by approximately \$246,000, with the largest increases related to business licenses, building permits and plan check fees.
- Expenses increased from 2013 by over \$1,100,000. The City performed a lot of maintenance on its streets during 2014, which accounted for the largest share of the overall increase in expenditures.

City of Holladay  
Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,913,538	\$ 1,666,577
Operating grants and contributions	931,851	924,572
Capital grants and contributions	360,651	186,148
General revenues:		
Property taxes	5,197,229	5,174,374
Other taxes	5,878,868	5,659,632
Other	436,202	377,141
Total revenues	<u>14,718,339</u>	<u>13,988,444</u>
Expenses:		
General government	2,784,931	2,671,930
Public safety	5,785,140	5,365,615
Community development	1,265,916	1,520,487
Streets and highways	2,453,567	1,740,681
Parks, recreation, and culture	593,230	390,922
Interest on long-term debt	661,357	726,284
Total expenses	<u>13,544,141</u>	<u>12,415,919</u>
Change in net position	1,174,198	1,572,525
Net position, beginning	26,675,087	25,102,561
Net position, ending	<u>\$ 27,849,285</u>	<u>\$ 26,675,086</u>

**City of Holladay  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**Financial Analysis of the Government's Funds**

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

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

As of the end of the 2014 fiscal year, the City's governmental funds reported combined ending fund balance of \$6,960,457 (\$8,928,489 in 2013). In 2014 the City showed a combined deficit in unassigned fund balance of \$1,618,441, compared to a combined deficit of \$1,040,800 in 2013, for an overall increase to the combined deficit in 2014 of \$577,641. The combined deficit is primarily associated with the Redevelopment Agency fund balance, which reports an unassigned deficit of \$4,759,908 which has arisen primarily from expenditures related to development. In 2000 an interfund note payable to the capital projects fund was issued to fund these expenditures. As development projects are finished, the increased value of the property within the development areas will generate additional tax revenues that are expected to decrease the deficit. The general fund, the capital projects fund and the general debt service fund all show positive amounts in assigned and unassigned fund balance which is available for spending at the government's discretion. \$3,344,250 of total fund balance consists of restricted fund balance which is not available for new spending because it has already been committed 1) to liquidate contracts of the prior period, 2) to pay debt service, 3) to pay capital improvement commitments, 4) or for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the 2014 fiscal year, fund balance of the general fund was \$3,141,467, all of which was unassigned (\$3,543,176 in 2013). Revenues and expenditures remained relatively consistent as compared to 2013 with some increases, as mentioned in revenues related to licenses, fees and permits and also an increase in expenditures related to streets and highways. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 31.7% of total general fund expenditures (38.7% in 2013).

At the end of fiscal year 2014, the capital projects fund had a total fund balance of \$4,794,401 (\$6,317,355 in 2013), which consisted of \$1,094,401 in assigned fund balance, and \$3,700,000 in nonspendable and restricted fund balance. The decrease in 2014 was due to expenditure of the proceeds from bonds that were issued during 2012. Approximately \$1.7 million of those bond proceeds were expended during 2014 as the projects that were bonded for were completed. Major capital outlay expenditures included approximately \$1.4 million in engineering and construction costs related to a new fire station that was completed in April 2014 and approximately \$200,000 in improvements to the City Hall Park.

**City of Holladay  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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**General Fund Budgetary Highlights**

During the fiscal year, the General Fund's budget was amended from an original expenditure budget of \$10,071,833 to a final budget of \$10,221,238, an increase of \$149,405. This increase was related primarily to budgeting for increased expenditures related to community arts and events and was funded from additional budgeted intergovernmental revenues. Budgeted transfers were also increased from \$3,384,102 to \$3,535,563 and were funded from additional tax and miscellaneous revenues.

Actual expenditures in the General Fund were less than the amended budget by \$309,059.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets as of June 30, 2014 amounts to \$39,917,958, net of accumulated depreciation (\$37,630,289 in 2013). This investment in capital assets includes land, buildings and structures, improvements including infrastructure, machinery, equipment, vehicles, and office furniture and equipment.

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

- Fire Station – Approximately \$1.3 million in engineering costs, environmental assessments, and construction costs were incurred in relation to the new fire station that was completed during 2014.
- Construction In Process – The City incurred approximately \$200,000 in costs related to the improvements being made to the City Hall Park.
- Land – The City acquired land of \$878,000 under the terms of a lease purchase agreement.

**City of Holladay  
Management's Discussion and Analysis  
Year Ended June 30, 2014**

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City of Holladay Capital Assets (net of depreciation)		
	2014	2013
Land	\$ 8,282,736	\$ 7,404,736
Construction in progress	1,124,762	3,011,594
Buildings and structures	21,613,667	18,529,168
Improvements, including infrastructure	8,134,867	7,912,908
Machinery, equipment, and vehicles	744,544	750,756
Office furniture and equipment	17,382	21,127
Total	\$ 39,917,958	\$ 37,630,289

Additional information on the City's capital assets can be found in Note F on page 27 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,501,265 consisting of \$3,935,000 in tax increment debt and \$13,566,265 in sales tax revenue bonds secured by Class C road funds and sales tax revenues. The City also has outstanding a note payable to Salt Lake County which funded some development expenditures and which had a balance at June 30, 2014 of \$450,000. During 2014, the City also entered into a capital lease agreement with a bank for the purchase of land within the City. The lease has an outstanding principal balance of \$878,000 at June 30, 2014.

The City's total debt experienced an overall decrease of \$837,165, the net effect of entering into the capital lease agreement mention above, offset by scheduled principal reductions on all the other debt.

The City's bond rating was reviewed in October 2011 in connection with the issuance of refunding and revenue bonds. It received a "AA" rating from Standard and Poor's on its 2011 Sales Tax Revenue and Refunding Bonds. This is the same rating the City received when it issued its 2008 Sales Tax Bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of the taxable value of property within the City. The current limitation for the City is approximately \$188,842,000 and the City currently has no general obligation debt.

Additional information on the City's long-term debt can be found in Note G on pages 28 - 30 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The past year the economic climate has improved in the City and we are seeing positive growth. In revenues we see growth especially in sales tax. The sales tax numbers are equal to the numbers before the 2008 recession. We expect to see continued growth in our building permit department. Last year we had growth that far exceed our expectations, in a city that is almost "built out" we see many request for new housing developments, usually in the nature of infill housing.

The City has been very fortunate in receiving several grants to help supplement our budget. This has allowed us to move forward on several projects, such as developing City Hall Park, curb and sidewalk projects and additional street paving.

**City of Holladay**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**

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The Village Center development, a development consisting of approximately 42,000 square feet of retail and office space, has finally been completed and is nearly fully leased. This should help the growth in sales tax. The last phase of the Canyon Slope development has also been completed and is generating a steady stream of revenues.

One of the major issues that still face the City is what the status of the Cottonwood Mall site is. We are working very close with Howard Hughes Corporation in developing a plan that will be both profitable and functional for the developers and the City. This past year there were announcements made from three components of the site. We are confident that progress is being made and we look forward to seeing development in the very near future.

One of the most significant changes facing the City that take place in January of 2015, is the addition of approximately 3,500 new residents. After two years of work, the citizens of the Olympus Hills area were annexed into the City. From all of the analyses that were performed it will be a "break even" financial situation for the City. This will bring our population to approximately 30,000.

As a city we are confident that we have weathered the financial storm of 2008. And the future is looking good before us. The Salt Lake Valley Conference of Mayors have worked hard in presenting a program to the Utah State Legislature to provide new revenue coming to cities in Salt Lake Valley through additional Gas Tax of a local option Sales tax. This will provide funds for roads maintenance that have otherwise come from the general fund, allowing those general fund resources to be used for other capital projects or additional road repairs.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Randy Fitts, City Manager, 4580 S 2300 E, Holladay, Utah 84117.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HOLLADAY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
CASH AND CASH EQUIVALENTS	\$ 3,405,846
RECEIVABLES (NET)	
TAXES	6,178,830
INTERGOVERNMENTAL	155,231
OTHER	6,537
SPECIAL ASSESSMENT	606
RESTRICTED ASSETS	
CASH AND CASH EQUIVALENTS	2,695,337
NON-DEPRECIABLE CAPITAL ASSETS	9,407,498
DEPRECIABLE CAPITAL ASSETS, NET	30,510,460
TOTAL ASSETS	<u>\$ 52,360,345</u>
DEFERRED OUTFLOWS OF RESOURCES	
REACQUISITION PRICE OF REFUNDED DEBT IN EXCESS OF CARRYING AMOUNT OF OLD DEBT	<u>\$ 79,211</u>
<b>LIABILITIES</b>	
ACCOUNTS PAYABLE	\$ 42,130
ACCRUED LIABILITIES	6,192
ACCRUED INTEREST PAYABLE	186,070
PAYABLE FROM RESTRICTED ASSETS	
DEPOSITS	143,502
NON-CURRENT LIABILITIES	
DUE WITHIN ONE YEAR	1,829,707
DUE IN MORE THAN ONE YEAR	
COMPENSATED ABSENCES	23,403
NOTE PAYABLE	450,000
CAPITAL LEASE OBLIGATIONS PAYABLE	848,502
BONDS PAYABLE	15,771,265
TOTAL LIABILITIES	<u>\$ 19,300,771</u>
DEFERRED INFLOWS OF RESOURCES	
PROPERTY TAXES	<u>\$ 5,289,500</u>
<b>NET POSITION</b>	
NET INVESTMENT IN CAPITAL ASSETS	26,077,184
RESTRICTED FOR	
DEBT SERVICE	2,365,765
COMMUNITY DEVELOPMENT	792,415
UNRESTRICTED (DEFICIT)	<u>(1,386,079)</u>
TOTAL NET POSITION	<u>\$ 27,849,285</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF HOLLADAY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET REVENUE (EXPENSE) AND CHANGES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET POSITION GOVERNMENTAL ACTIVITIES (TOTAL)
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES					
GENERAL GOVERNMENT	\$ 2,784,931	\$ 870,671	\$ -	\$ -	\$ (1,914,260)
PUBLIC SAFETY	5,785,140	-	27,852	62,970	(5,694,318)
COMMUNITY DEVELOPMENT	1,265,916	973,631	67,445	-	(224,840)
STREETS AND HIGHWAYS	2,453,567	69,236	836,554	158,845	(1,388,932)
PARKS, RECREATION AND CULTURE	593,230	-	-	138,836	(454,394)
INTEREST ON LONG-TERM DEBT	661,357	-	-	-	(661,357)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 13,544,141</u>	<u>\$ 1,913,538</u>	<u>\$ 931,851</u>	<u>\$ 360,651</u>	<u>(10,338,101)</u>
GENERAL REVENUES:					
PROPERTY TAXES					5,197,229
SALES TAXES					3,348,992
FRANCHISE TAXES					2,230,814
TRANSIENT ROOM TAX					70,780
MOTOR VEHICLE FEES IN LIEU					228,282
INVESTMENT EARNINGS					39,605
GAIN ON DISPOSITION OF CAPITAL ASSETS					178,711
OTHER					217,886
TOTAL GENERAL REVENUES					<u>11,512,299</u>
CHANGE IN NET POSITION					1,174,198
NET POSITION AT BEGINNING OF YEAR					<u>26,675,087</u>
NET POSITION AT END OF YEAR					<u>\$ 27,849,285</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF HOLLADAY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

**CITY OF HOLLADAY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

	GENERAL	CAPITAL PROJECTS	REDEVELOP- MENT AGENCY (SPECIAL REVENUE)	GENERAL DEBT SERVICE	NONMAJOR GOVERNMENTAL FUND - RE- DEVELOPMENT AGENCY DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS	\$ 1,859,909	\$ 1,105,509	\$ 181	\$ 440,247	\$ -	\$ 3,405,846
RECEIVABLES						
TAXES	5,043,830	-	1,135,000	-	-	6,178,830
INTERGOVERNMENTAL	155,231	-	-	-	-	155,231
OTHER	6,537	-	-	-	-	6,537
SPECIAL ASSESSMENT	606	-	-	-	-	606
DUE FROM OTHER FUNDS	267,674	-	-	-	-	267,674
NOTE RECEIVABLE FROM REDEVELOPMENT AGENCY	-	3,700,000	-	-	-	3,700,000
RESTRICTED ASSETS						
CASH AND CASH EQUIVALENTS	143,502	-	601,834	1,950,001	-	2,695,337
TOTAL ASSETS	<u>\$ 7,477,289</u>	<u>\$ 4,805,509</u>	<u>\$ 1,737,015</u>	<u>\$ 2,390,248</u>	<u>\$ -</u>	<u>\$ 16,410,061</u>
<b>LIABILITIES</b>						
ACCOUNTS PAYABLE	\$ 31,022	\$ 11,108	\$ -	\$ -	\$ -	\$ 42,130
DUE TO OTHER FUNDS	-	-	267,674	-	-	267,674
ACCRUED LIABILITIES	6,192	-	-	-	-	6,192
NOTE PAYABLE TO THE CAPITAL PROJECTS FUND	-	-	3,700,000	-	-	3,700,000
PAYABLE FROM RESTRICTED ASSETS DEPOSITS	143,502	-	-	-	-	143,502
TOTAL LIABILITIES	<u>180,716</u>	<u>11,108</u>	<u>3,967,674</u>	<u>-</u>	<u>-</u>	<u>4,159,498</u>
DEFERRED INFLOWS OF RESOURCES						
TAXES	4,155,106	-	1,135,000	-	-	5,290,106
FUND BALANCES (DEFICIT)						
NONSPENDABLE	-	3,700,000	-	-	-	3,700,000
RESTRICTED	-	-	1,394,249	1,950,001	-	3,344,250
ASSIGNED	-	1,094,401	-	440,247	-	1,534,648
UNASSIGNED	3,141,467	-	(4,759,908)	-	-	(1,618,441)
TOTAL FUND BALANCES (DEFICIT)	<u>3,141,467</u>	<u>4,794,401</u>	<u>(3,365,659)</u>	<u>2,390,248</u>	<u>-</u>	<u>6,960,457</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES , AND FUND BALANCES	<u>\$ 7,477,289</u>	<u>\$ 4,805,509</u>	<u>\$ 1,737,015</u>	<u>\$ 2,390,248</u>	<u>\$ -</u>	<u>\$ 16,410,061</u>

TOTAL GOVERNMENTAL FUND BALANCES	\$	6,960,457
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:		
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS		39,917,958
DEFERRED OUTFLOWS OF RESOURCES ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND THEREFORE ARE DEFERRED IN THE FUNDS		79,211
LONG-TERM LIABILITIES, INCLUDING BONDS PAYABLE, CONTRACTS PAYABLE AND COMPENSATED ABSENCES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED IN THE FUNDS		(18,922,877)
CERTAIN GOVERNMENTAL REVENUES THAT ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES ARE DEFERRED IN THE FUNDS		606
INTEREST PAYABLE ON LONG-TERM OBLIGATIONS DOES NOT REQUIRE CURRENT FINANCIAL RESOURCES AND IS NOT REPORTED IN THE GOVERNMENTAL FUNDS		(186,070)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>27,849,285</u>

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

	GENERAL	CAPITAL PROJECTS	REDEVELOP- MENT AGENCY (SPECIAL REVENUE)	GENERAL DEBT SERVICE	NONMAJOR GOVERNMENTAL FUND - RE- DEVELOPMENT AGENCY DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
TAXES (PLEGGED AS SECURITY FOR SALES AND EXCISE TAX BONDS)	\$ 9,948,145	\$ -	\$ 1,127,952	\$ -	\$ -	\$ 11,076,097
LICENSES, FEES AND PERMITS	982,792	225,752	-	-	-	1,208,544
INTERGOVERNMENTAL	1,066,601	-	-	-	-	1,066,601
CHARGES FOR SERVICES	60,705	-	-	-	-	60,705
FINES AND FORFEITURES	870,671	-	-	-	-	870,671
MISCELLANEOUS	106,136	280,020	10,400	-	-	396,556
INTEREST ON INVESTMENTS	10,983	36,341	11,532	8,517	-	67,373
<b>TOTAL REVENUES</b>	<b>13,046,033</b>	<b>542,113</b>	<b>1,149,884</b>	<b>8,517</b>	<b>-</b>	<b>14,746,547</b>
<b>EXPENDITURES</b>						
<b>CURRENT</b>						
GENERAL GOVERNMENT	2,237,356	-	-	-	-	2,237,356
PUBLIC SAFETY	5,713,071	-	-	-	-	5,713,071
COMMUNITY DEVELOPMENT	745,275	-	521,600	-	-	1,266,875
STREETS AND HIGHWAYS	732,151	-	-	-	-	732,151
PARKS, RECREATION AND CULTURE	484,326	-	-	-	-	484,326
CAPITAL OUTLAY	-	3,862,833	878,000	-	-	4,740,833
DEBT SERVICE	-	-	-	-	-	-
PRINCIPAL	-	-	-	1,235,000	430,000	1,665,000
INTEREST	-	-	27,768	511,314	213,885	752,967
<b>TOTAL EXPENDITURES</b>	<b>9,912,179</b>	<b>3,862,833</b>	<b>1,427,368</b>	<b>1,746,314</b>	<b>643,885</b>	<b>17,592,579</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,133,854	(3,320,720)	(277,484)	(1,737,797)	(643,885)	(2,846,032)
<b>OTHER FINANCING SOURCES (USES)</b>						
PROCEEDS FROM ISSUANCE OF CAPITAL LEASE	-	-	878,000	-	-	878,000
TRANSFERS IN	-	2,130,789	-	1,737,797	643,885	4,512,471
TRANSFERS OUT	(3,535,563)	(333,023)	(643,885)	-	-	(4,512,471)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,535,563)</b>	<b>1,797,766</b>	<b>234,115</b>	<b>1,737,797</b>	<b>643,885</b>	<b>878,000</b>
NET CHANGE IN FUND BALANCE	(401,709)	(1,522,954)	(43,369)	-	-	(1,968,032)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	3,543,176	6,317,355	(3,322,290)	2,390,248	-	8,928,489
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 3,141,467	\$ 4,794,401	\$ (3,365,659)	\$ 2,390,248	\$ -	\$ 6,960,457

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,968,032)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES WHILE GOVERNMENTAL ACTIVITIES REPORT DEPRECIATION EXPENSE TO ALLOCATE THOSE EXPENDITURES OVER THE LIFE OF THE ASSETS: CAPITAL ASSET PURCHASES CAPITALIZED	3,299,297
DEPRECIATION EXPENSE	(1,011,628)
SOME SPECIAL ASSESSMENT AND INTERGOVERNMENTAL REVENUES ARE NOT CONSIDERED "AVAILABLE" IN THE GOVERNMENTAL FUNDS	(440)
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES, SUCH AS COMPENSATED ABSENCES, AND INTEREST, DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED AS EXPENDITURES IN THE GOVERN- MENTAL FUNDS	68,001
REPAYMENT OF BOND AND CONTRACT PRINCIPAL IS AN EXPENDITURE IN THE GOVERNMENTAL FUNDS, BUT THE REPAYMENT REDUCES LONG-TERM LIABILITIES IN THE STATEMENT OF NET POSITION	1,665,000
PROCEEDS FROM ISSUANCE OF DEBT IS AN OTHER FINANCING SOURCE IN THE GOVERNMENTAL FUNDS, BUT REPRESENTS AN INCREASE TO LONG-TERM LIABILITIES IN THE STATEMENT OF NET POSITION	(878,000)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,174,198</b>

**CITY OF HOLLADAY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014**

	GENERAL FUND				REDEVELOPMENT AGENCY			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
<b>REVENUES</b>								
TAXES	\$ 9,799,500	\$ 9,863,739	\$ 9,948,145	\$ 84,406	\$ 1,110,000	\$ 1,160,700	\$ 1,127,952	\$ (32,748)
LICENSES, FEES AND PERMITS	1,665,000	1,665,000	982,792	(682,208)	-	-	-	-
INTERGOVERNMENTAL	929,255	1,159,507	1,066,601	(92,906)	-	-	-	-
CHARGES FOR SERVICE	42,000	42,000	60,705	18,705	-	-	-	-
FINES AND FORFEITURES	945,000	945,000	870,671	(74,329)	-	-	-	-
MISCELLANEOUS	57,180	63,555	106,136	42,581	-	-	10,400	10,400
INTEREST ON INVESTMENTS	18,000	18,000	10,983	(7,017)	2,100	2,100	11,532	9,432
<b>TOTAL REVENUES</b>	<b>13,455,935</b>	<b>13,756,801</b>	<b>13,046,033</b>	<b>(710,768)</b>	<b>1,112,100</b>	<b>1,162,800</b>	<b>1,149,884</b>	<b>(12,916)</b>
<b>EXPENDITURES</b>								
<b>CURRENT</b>								
GENERAL GOVERNMENT	2,411,754	2,413,754	2,237,356	176,398	-	-	-	-
PUBLIC SAFETY	5,773,335	5,773,335	5,713,071	60,264	-	-	-	-
COMMUNITY DEVELOPMENT	710,680	747,055	745,275	1,780	432,535	523,035	521,600	1,435
STREETS AND HIGHWAYS	722,500	722,500	732,151	(9,651)	-	-	-	-
PARKS, RECREATION AND CULTURE	453,564	564,594	484,326	80,268	-	-	-	-
CAPITAL OUTLAY	-	-	-	-	-	878,000	878,000	-
DEBT SERVICE - INTEREST	-	-	-	-	-	-	27,768	(27,768)
<b>TOTAL EXPENDITURES</b>	<b>10,071,833</b>	<b>10,221,238</b>	<b>9,912,179</b>	<b>309,059</b>	<b>432,535</b>	<b>1,401,035</b>	<b>1,427,368</b>	<b>(26,333)</b>
EXCESS OF REVENUES OVER EXPENDITURES	<b>3,384,102</b>	<b>3,535,563</b>	<b>3,133,854</b>	<b>(401,709)</b>	<b>679,565</b>	<b>(238,235)</b>	<b>(277,484)</b>	<b>(39,249)</b>
<b>OTHER FINANCING USES</b>								
PROCEEDS FROM ISSUANCE OF CAPITAL LEASE	-	-	-	-	-	878,000	878,000	-
TRANSFERS OUT	(3,384,102)	(3,535,563)	(3,535,563)	-	(639,765)	(639,765)	(643,885)	(4,120)
<b>TOTAL OTHER FINANCING USES</b>	<b>(3,384,102)</b>	<b>(3,535,563)</b>	<b>(3,535,563)</b>	<b>-</b>	<b>(639,765)</b>	<b>238,235</b>	<b>234,115</b>	<b>(4,120)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(401,709)</b>	<b>(401,709)</b>	<b>39,800</b>	<b>-</b>	<b>(43,369)</b>	<b>(43,369)</b>
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<b>3,543,176</b>	<b>3,543,176</b>	<b>3,543,176</b>	<b>-</b>	<b>(3,322,290)</b>	<b>(3,322,290)</b>	<b>(3,322,290)</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 3,543,176</b>	<b>\$ 3,543,176</b>	<b>\$ 3,141,467</b>	<b>\$ (401,709)</b>	<b>\$ (3,282,490)</b>	<b>\$ (3,322,290)</b>	<b>\$ (3,365,659)</b>	<b>\$ (43,369)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City was incorporated under the laws of the State of Utah in November 1999 and operates under an elected Council-Manager form of government. The City's major operations include police and fire protection, parks, public works, community development and general administrative services.

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

**Reporting Entity**

These financial statements present the City (primary government) and its component units, organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legal separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City.

The City's only blended component unit is the Holladay City Redevelopment Agency (RDA). The RDA serves all the citizens of the City and is governed by a board comprised of the City Council. In conformity with generally accepted accounting principles, the financial statements of the RDA have been included in the financial reporting entity as a special revenue fund. The RDA has a June 30 year end. Separate financial statements are not issued for the RDA.

The City did not have any other component units as of June 30, 2014.

**Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, streets, community development and general administrative services are classified as governmental activities. The City has no business-type activities as of June 30, 2014.

The government-wide Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, community development, streets, etc.). The functions are also supported by general government revenues (property, sales and franchise taxes, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales and franchise taxes, etc.).

The City does not allocate indirect expenses.

Certain eliminations have been made as prescribed by GAAP in regards to interfund activities, payables and receivables. All internal balances, except for interfund advances, in the Statement of Net Position have been eliminated.

The government-wide statements focus on the sustainability of the City in its entirety and the change in the City's net position resulting from current year activities.

**Basic Financial Statements – Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

The only fund types used by the City are governmental funds.

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial sources, uses and balances of financial resources, rather than upon net income.

The following is a description of the governmental funds of the City:

- **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City has four major governmental funds – the General Fund, the Capital Projects Fund, the General Debt Service Fund, and the Special Revenue Redevelopment Agency Fund which is used to account for revenues generated by development projects overseen by the Redevelopment Agency of the City of Holladay.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures, or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

*Accrual*

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

*Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under this basis, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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.

**Cash and cash equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agents and short-term investments with original maturity of three months or less from the date of acquisition.

**Restricted cash and cash equivalents**

Certain restricted cash and cash equivalents are held for debt service, capital projects and for bonds payable to developers.

**Receivables**

Receivables consist primarily of taxes, amounts due from other governmental entities and miscellaneous other items. An allowance for doubtful accounts is not considered necessary as of June 30, 2014.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Capital assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on these assets is computed using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings and Structures	40
Improvements	15
Infrastructure	30
Machinery, equipment, and vehicles	5-10
Office furniture and equipment	5-10

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. Revenue from property taxes is recognized in the year which the taxes are collected because the property taxes are intended to fund activities in the year of collection and not the fiscal year in which they were levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expenditure requirements. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: intergovernmental revenue, sales and franchise taxes, charges for services, interest, and other fees.

Property taxes are measurable and susceptible to accrual when they attach as an enforceable lien on the property. They become available when they are due. Amounts that are measurable but not available are recorded as deferred revenue. Property taxes become an enforceable lien on January 1 but are not due until November 30.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Compensated Absences**

Accumulated unpaid leave is accrued as incurred based on the years of service for each employee. Time off with pay is accumulated on a monthly basis and is fully vested when earned. Accumulated time off with pay cannot exceed 240 hours at the end of any fiscal year and any time off with pay in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued time off with pay is paid to the beneficiary. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end.

The noncurrent portion of these amounts (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Interfund Activity**

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and in the government-wide statement of activities, reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Fund Equity**

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

*Nonspendable fund balance.* This classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the city council – the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the city council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The city council and the city manager have the authority to assign amounts to be used for specific purposes.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Estimates and assumptions**

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

**Budgets and budgetary control**

Annual budgets are prepared and adopted, in accordance with state law, by the Mayor and 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 and the Capital Projects Fund. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established by activity and purpose within an individual fund. Each department head is responsible to the Mayor and City Council for spending within the budget for their department. All annual budgets lapse at fiscal year end.

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

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held to increase total appropriations of any governmental fund. 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.

Budgetary information included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and the Redevelopment Agency are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

**Subsequent Events**

Management has evaluated subsequent events through December 31, 2014, the date the financial statements were available to be issued.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE B – DEPOSITS AND INVESTMENTS

The City’s deposits and investments are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

**Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amounts are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the City at June 30, 2014 were \$277,864, and the bank balance was \$1,013,540 (\$543,571 of which was exposed to custodial credit risk as uninsured and uncollateralized) with the difference being outstanding checks and deposits.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The City’s investments at June 30, 2014 are presented below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund	\$ 5,823,319	\$ 5,823,319	\$ -	\$ -	\$ -

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

**Interest Rate Risk – Investments**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

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

**Credit Risk of Debt Securities**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The City’s rated debt investments are presented below:

<u>Rated Debt Investments</u>	Fair Value	<u>Investment Maturities (in years)</u>			
		AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 5,823,319	\$ -	\$ -	\$ -	\$ 5,823,319

**Custodial Credit Risk – Investments**

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

All of the City’s investments at June 30, 2014 were with the Utah Public Treasurer’s Investment Fund and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer’s Investment Fund is available at Note C.

**Concentration of Credit Risk – Investments**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government’s investment in a single issuer.

The City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

All of the City’s investments at June 30, 2014 were with the Utah Public Treasurer’s Investment Fund and therefore are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer’s Investment Fund is available at Note C.

NOTE C – EXTERNAL INVESTMENT POOL

The City invests in the Public Treasurer’s Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants’ balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant’s share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security’s fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2014) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2014, the City had \$5,823,319 invested in the PTIF which had a fair value of \$5,855,383 for a gain of \$32,064. Due to the insignificance of this amount in relation to the funds affected by the unrealized gain, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	83.12%
Certificates of deposit	4.11%
Money Market Accounts	5.25%
Commercial Paper	7.52%
	<u>100.00%</u>

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE D – RESTRICTED ASSETS AND FUND BALANCE

Cash and cash equivalents have been restricted as of June 30, 2014 for the following purposes and amounts as required by the provisions of the City’s various bond resolutions and other restrictions:

	Restricted Cash and Cash Equivalents	Reported as part of:	
		Restricted Fund Balance	Liabilities Payable From Restricted Assets
Tax increment bonds			
Debt service reserve	\$ 601,504	\$ 601,504	\$ -
Current debt service	491	491	-
Sales tax bonds			
Project account	-	-	-
Debt service reserve	907,847	907,847	-
Current debt service	1,041,993	1,041,993	-
Deposits	143,502	-	143,502
Tax increment revenues restricted for use in housing projects	-	792,415	-
	<u>\$ 2,695,337</u>	<u>\$ 3,344,250</u>	<u>\$ 143,502</u>

NOTE E – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following at June 30, 2014:

Unrestricted - expended prior to June 30, 2014	
Class C road revenues due from the State of Utah for the quarter ended June 30, 2014	<u>\$ 155,231</u>

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	July 1, 2013	Increases	Decreases	June 30, 2014
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 7,404,736	\$ 878,000	\$ -	\$ 8,282,736
Construction in progress	3,011,594	416,523	2,303,355	1,124,762
Total nondepreciable capital assets	<u>\$ 10,416,330</u>	<u>\$ 1,294,523</u>	<u>\$ 2,303,355</u>	<u>\$ 9,407,498</u>
Depreciable capital assets:				
Buildings and structures	\$ 20,519,158	\$ 3,632,328	\$ -	\$ 24,151,486
Improvements, including infrastructure	9,736,160	597,595	-	10,333,755
Machinery, equipment and vehicles	1,193,727	78,206	-	1,271,933
Office furniture and equipment	507,929	-	-	507,929
Total depreciable capital assets at historical cost	<u>31,956,974</u>	<u>4,308,129</u>	<u>-</u>	<u>36,265,103</u>
Less accumulated depreciation:				
Buildings and structures	1,989,990	547,829	-	2,537,819
Improvements, including infrastructure	1,823,252	375,636	-	2,198,888
Machinery, equipment and vehicles	442,971	84,418	-	527,389
Office furniture and equipment	486,802	3,745	-	490,547
Total accumulated depreciation	<u>4,743,015</u>	<u>1,011,628</u>	<u>-</u>	<u>5,754,643</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 27,213,959</u>	<u>\$ 3,296,501</u>	<u>\$ -</u>	<u>\$ 30,510,460</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 537,235
Public safety	58,138
Streets and highways, including infrastructure	365,228
Parks, recreation and culture	51,027
	<u>\$ 1,011,628</u>

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE G – LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2014:

**Governmental activities**

2011 Sales Tax Revenue Bonds	
\$8,935,000 sales tax term bonds due serially through November 15, 2031 with interest ranging from 2.5% to 3.75%	\$ 8,428,701
2008 Sales Tax Revenue Bonds	
\$9,025,000 sales tax revenue bonds due serially through October 1, 2018 with interest ranging from 4.0% to 5.0%	5,137,564
2006 Tax Increment Revenue Bonds	
\$6,000,000 tax increment term bonds due serially through December 30, 2020 with interest at 4.9%	3,935,000
Capital lease obligation	
Lease/purchase agreement with a bank payable in semi-annual installments of \$30,526 with interest at 4.25% through 2024 and variable from 2025 through maturity in 2034.	878,000
Note payable	
Noninterest bearing note payable to Salt Lake County, payable in annual installments of \$37,500 beginning in 2017 with a final balloon payment of \$112,500 in 2026.	450,000
Compensated absences	93,612
Total Governmental activities long-term debt	<u><u>\$ 18,922,877</u></u>

The following is a summary of the changes in governmental activities long-term debt for the year ended June 30, 2014:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014	Current Amounts due
Sales Tax Bonds	\$ 14,847,271	\$ -	\$ 1,281,006	\$ 13,566,265	\$ 1,280,000
Tax Increment Bonds	4,365,000	-	430,000	3,935,000	450,000
Capital lease obligation	-	878,000	-	878,000	29,498
Note payable	450,000	-	-	450,000	-
Compensated absences	97,771	73,328	77,487	93,612	70,209
	<u><u>\$ 19,760,042</u></u>	<u><u>\$ 951,328</u></u>	<u><u>\$ 1,788,493</u></u>	<u><u>\$ 18,922,877</u></u>	<u><u>\$ 1,829,707</u></u>

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE G – LONG-TERM DEBT – CONTINUED

As of June 30, 2014, annual debt service requirements to maturity of governmental activities are as follows:

Year ending June 30,	Tax Increment Revenue Bonds		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 450,000	\$ 213,885	\$ 1,280,000	\$ 511,313
2016	475,000	192,815	1,340,000	459,702
2017	495,000	170,765	1,395,000	404,945
2018	520,000	147,490	1,440,000	353,651
2019	545,000	123,235	1,515,000	296,464
2020-2024	1,450,000	211,680	2,255,000	918,945
2025-2029	-	-	2,630,000	535,916
2030-2032	-	-	1,360,000	115,597
Plus unamortized	3,935,000	1,059,870	13,215,000	3,596,533
premium	-	-	351,265	(351,265)
	<u>\$3,935,000</u>	<u>\$ 1,059,870</u>	<u>\$13,566,265</u>	<u>\$3,245,268</u>

Year ending June 30,	Note Payable	
	Principal	Interest
2015	\$ -	\$ -
2016	37,500	-
2017	37,500	-
2018	37,500	-
2019	37,500	-
2020-2024	187,500	-
2025	112,500	-
	<u>\$ 450,000</u>	<u>\$ -</u>

The amortization of compensated absences has not been included in the above schedules due to the uncertainty of the timing of the payments.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE G – LONG-TERM DEBT – CONTINUED**

The 2011 Sales Tax Revenue Bonds were issued, in part, to finance a current refunding of \$6,145,000 of 2004 Excise Tax Revenue Bonds. The 2004 Excise Tax Revenue Bonds were originally issued to finance the acquisition and improvement of open space, city offices and other development projects. The refunding was undertaken to reduce total future debt service payments. The reacquisition price of the 2011 Sales Tax Bonds exceeded the net carrying amount of the 2004 Excise Tax Bonds by a total of \$105,614. The amount of \$88,012 is shown as a deferred outflow of resources on the Statement of Activities and is being amortized over the life of the old debt, which is shorter than the life of the new debt. The refunding also resulted in an economic gain of \$488,196 and average annual cash flow savings of approximately \$102,000 over twelve years.

**NOTE H – PLEDGED REVENUES**

In 2011 the City pledged a portion of future sales tax revenues totaling \$11,292,338 to pay debt service on sales tax revenues bonds issued in November 2011. These bonds financed the refunding of the 2004 excise tax bonds and also provided funding for the construction of a fire station. Sales tax revenues will be committed to the repayment of the bonds until November 2032. These revenues were projected to produce approximately 575% of the debt service requirements over the life of the bonds. For the current year, principal and interest paid on the bonds was \$618,776 which equaled the amount of the pledged revenues for the year.

In 2008 the City pledged future Class C Road Funds totaling \$6,754,195 to pay debt service on sales tax revenue bonds issued in November 2008. Proceeds from these bonds will be used to finance the construction, repair and maintenance of class C roads and sidewalks, curbs and gutters within the City. The bonds are payable solely from excise tax revenues. Excise tax revenues, including Class C Road Funds and sales tax revenues will be committed to the repayment of the bonds until October 2018. These revenues were projected to produce approximately 332% of the debt service requirements over the life of the bonds. For the current year, principal and interest paid on the bonds was \$1,127,538, which equaled the amount of the pledged revenues for the year.

In 2006 the City also pledged future property tax revenues totaling \$5,424,870 to pay debt service on tax increment bonds issued in November 2006. Proceeds from these bonds were used to finance the Knudsen Park Economic Development Project. The bonds are payable solely from the incremental property tax revenues generated by the increased property taxes in the economic development area. Incremental property tax revenues were projected to produce 169% of the debt service requirements over the life of the bonds. The incremental property tax revenues from this project area are committed to the repayment of the bonds until December 2020. For the current year, debt service paid and total incremental property tax revenues were \$643,885 and \$1,127,952, respectively.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE I – CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement under which the related land will become the property of the City when the terms of the lease agreement are met.

2015	\$ 61,054
2016	61,053
2017	61,052
2018	61,053
2019	61,053
2020-2024	305,264
2025-2029	305,268
2030-2034	305,262
Less amounts representing interest	(343,059)
Present value of future minimum lease payments	<u>\$ 878,000</u>

The cost of the capital asset under the lease is \$878,000, all of which is attributable to land and will not be depreciated.

NOTE J – RETIREMENT PLANS

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Government Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy – In the Local Governmental Contributory Retirement System, the City is required to contribute 13.99% of plan members’ annual covered salary. In the Local Governmental Noncontributory Retirement System the City is required to contribute 17.29% of plan members’ annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE J – RETIREMENT PLANS - CONTINUED**

The City contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2014, and 2013 were \$3,244 and \$787, respectively. 2013 was the first year the City participated in the Contributory Retirement System. The City contributions to the Local Governmental Noncontributory Retirement System for the years ended June 30, 2014, 2013 and 2012 were \$159,782, \$140,276, and \$108,464, respectively. The contributions were equal to the required contributions for the period.

**NOTE K – DEFERRED COMPENSATION PLANS**

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k) for City employees covered by the State's noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll for the year ended June 30, 2014, was approximately \$1,093,000. Of that amount, \$939,820 was eligible to participate in the plan. The City participates at rates between 0% and 3.26% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2014, contributions totaling \$13,899 were made to the plan by employees and \$53,863 by the City.

**NOTE L – COMMITMENTS**

The City has entered into contracts with Salt Lake County for public works services. The contracts of approximately \$507,000 for these services expire June 30, 2015.

The City has also entered into a cooperative agreement with several other cities and Salt Lake County to create a governmental entity known as the United Fire Authority (the Authority) to provide for fire and paramedic services for the member cities and the County. The City's estimated share of the operating costs of the Authority for operations from July 1, 2014 through June 30, 2015, is approximately \$2,080,000.

Similarly, the City has entered into a cooperative agreement with several other cities and Salt Lake County to create a governmental entity known as the Unified Police Department to provide police services for the member cities and the County. The City's estimated share of the operating costs of this entity for the period from July 1, 2014 through June 30, 2015 is approximately \$3,800,000.

The City has also entered into a contract with Salt Lake County for animal control services. The contract calls for annual payments of approximately \$94,000 and expires June 30, 2015.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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NOTE M – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all of these risks of loss except natural disasters. There were no decreases in coverage during 2004. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Claims information for the past two years is as follows:

	<u>2014</u>	<u>2013</u>
Claims liability, July 1	\$ -	\$37,000
Claims incurred during the year and changes in estimates	1,493	-
Payments on claims during the year		
Payments made by insurance	1,493	37,000
Coinsurance and deductible insurance payments made by the City	-	-
Claims liability, June 30,	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE N - INTERFUND RECEIVABLES AND PAYABLES**

Individual fund receivables and payables at June 30, 2014, are as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Amount</u>
Redevelopment Agency	General Fund	\$ 267,674
Redevelopment Agency	Capital Projects Fund	3,700,000
		<u>\$3,967,674</u>

The interfund receivables/payables consist of operating funds of \$267,674 loaned between the General Fund and the Redevelopment Agency and a note receivable/payable of \$3,700,000 between the Redevelopment Agency and the Capital Projects fund. The interfund receivable/payable relates to operating cash temporarily loaned to the Redevelopment Agency by the General Fund to meet the daily operating cash needs of the Redevelopment Agency. The note receivable/payable between the Redevelopment Agency and the Capital Projects Fund was used to support specific capital expenditures and repayment will begin at such time the revenues from a particular economic development area are realized. In the meantime, interest is payable annually at a rate equal to what the City earns on its investments held with the Utah Public Treasurer's Investment Fund.

**NOTE O - INTERFUND TRANSFERS**

During the course of normal operations, the City has transactions between funds to construct capital assets and to fund debt service requirements.

A summary of interfund transfers by fund is as follows:

	<u>In</u>	<u>Out</u>
Major Fund:		
General Fund	\$ -	\$ 3,535,563
Capital Projects Fund	2,130,789	333,023
Redevelopment Agency	-	643,885
General Debt Service	1,737,797	-
Nonmajor governmental fund	643,885	-
	<u>\$ 4,512,471</u>	<u>\$ 4,512,471</u>

**NOTE P – DEFICIT FUND BALANCE**

The Redevelopment Agency has a deficit fund balance of \$3,365,659. Management expects tax increment funds to be collected over the next several years which would decrease the deficit and help to repay the interfund payable.

**CITY OF HOLLADAY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE Q – EXPENDITURES EXCEEDING APPROPRIATIONS**

During the year ended June 30, 2014 the Redevelopment Agency expenditures exceeded appropriations for Debt Service – Interest by \$27,768.

**NOTE R - REDEVELOPMENT AGENCY OF THE CITY OF HOLLADAY**

The City of Holladay Redevelopment Agency was created in 2006 to increase and develop the commercial growth in a central area of the City, known as the Village Center Project Area and in a second area known as the Olympus Economic Development Project Area. Redevelopment activity began during 2007, with the first tax increment received in 2007.

For the year ended June 30, 2014, the following activity occurred in the City’s Redevelopment Agency:

Tax increment collected from other taxing agencies for the project areas	<u><u>\$ 1,127,952</u></u>
Outstanding loans to finance RDA projects	<u><u>\$ 5,263,000</u></u>
Amounts expended for the acquisition of property	\$ -
Tax increments paid to other taxing agencies	421,621
Payments made to developers for reimbursement of development costs	90,963
Amounts expended for site improvements and preparation costs	878,000
Amounts expended for administrative costs	9,016
Amounts expended for debt service	<u><u>27,768</u></u>
	<u><u>\$ 1,427,368</u></u>

## **INDIVIDUAL FUND SCHEDULES**

### **General Fund and Capital Projects Fund**

These supplementary schedules are included to provide management with additional information for financial analysis.

**CITY OF HOLLADAY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE ACTUAL AMOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

	2014			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2013
	BUDGETED AMOUNTS		ACTUAL		ACTUAL
	ORIGINAL	FINAL			
<b>REVENUES</b>					
<b>TAXES</b>					
PROPERTY TAXES	\$ 4,184,500	\$ 4,184,500	\$ 4,069,277	\$ (115,223)	\$ 4,188,156
FEES IN LIEU OF TAXES	225,000	225,000	228,282	3,282	214,711
GENERAL SALES TAX	3,125,000	3,176,239	3,348,992	172,753	3,197,094
TRANSIENT ROOM TAX	42,000	55,000	70,780	15,780	40,206
FRANCHISE TAX	2,223,000	2,223,000	2,230,814	7,814	2,207,621
TOTALS	9,799,500	9,863,739	9,948,145	84,406	9,847,788
<b>LICENSES, FEES AND PERMITS</b>					
BUSINESS AND ANIMAL LICENSES	300,000	300,000	272,439	(27,561)	185,615
BUILDING PERMITS	1,365,000	1,365,000	710,353	(654,647)	551,481
TOTALS	1,665,000	1,665,000	982,792	(682,208)	737,096
<b>INTERGOVERNMENTAL REVENUE</b>					
CLASS "C" ROAD FUNDS	842,000	842,000	836,554	(5,446)	874,871
OTHER GRANTS	87,255	317,507	230,047	(87,460)	49,701
TOTALS	929,255	1,159,507	1,066,601	(92,906)	924,572
<b>CHARGES FOR SERVICE</b>					
LAND USE FEES	42,000	42,000	58,175	16,175	29,128
OTHER SERVICE REVENUE	-	-	2,530	2,530	665
TOTALS	42,000	42,000	60,705	18,705	29,793
<b>FINES AND FORFEITURES</b>					
COURTS FINES AND FORFEITURES	945,000	945,000	870,671	(74,329)	900,203
<b>MISCELLANEOUS REVENUE</b>					
MISCELLANEOUS	57,180	63,555	106,136	42,581	108,448
INTEREST ON INVESTMENTS	18,000	18,000	10,983	(7,017)	26,821
TOTALS	75,180	81,555	117,119	35,564	135,269
<b>TOTAL REVENUES</b>	<b>13,455,935</b>	<b>13,756,801</b>	<b>13,046,033</b>	<b>(710,768)</b>	<b>12,574,721</b>

CONTINUED

**CITY OF HOLLADAY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2014			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2013
	BUDGETED AMOUNTS		ACTUAL		ACTUAL
	ORIGINAL	FINAL			
<b>EXPENDITURES</b>					
<b>GENERAL GOVERNMENT</b>					
<b>COURT</b>					
PERSONNEL	361,603	361,603	372,232	(10,629)	354,214
OPERATIONS AND MAINTENANCE	580,509	580,509	493,823	86,686	487,834
CAPITAL	-	-	-	-	-
TOTAL	942,112	942,112	866,055	76,057	842,048
<b>ADMINISTRATIVE</b>					
PERSONNEL	588,921	588,921	525,844	63,077	508,959
OPERATIONS AND MAINTENANCE	556,260	556,260	547,591	8,669	518,422
CAPITAL	600	600	-	600	-
TOTAL	1,145,781	1,145,781	1,073,435	72,346	1,027,381
<b>TREASURY</b>					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	14,000	16,000	16,000	-	14,588
CAPITAL	-	-	-	-	-
TOTAL	14,000	16,000	16,000	-	14,588
<b>MAYORAL</b>					
PERSONNEL	31,721	31,721	30,308	1,413	19,925
OPERATIONS AND MAINTENANCE	2,400	2,400	2,600	(200)	2,400
CAPITAL	-	-	-	-	-
TOTAL	34,121	34,121	32,908	1,213	22,325
<b>LEGISLATIVE</b>					
PERSONNEL	88,965	88,965	76,382	12,583	69,889
OPERATIONS AND MAINTENANCE	115,775	115,775	103,686	12,089	54,685
CAPITAL	-	-	-	-	-
TOTAL	204,740	204,740	180,068	24,672	124,574
<b>FACILITIES MAINTENANCE</b>					
PERSONNEL	2,500	2,500	-	2,500	2,500
OPERATIONS AND MAINTENANCE	68,500	68,500	68,890	(390)	65,058
CAPITAL	-	-	-	-	-
TOTAL	71,000	71,000	68,890	2,110	67,558
TOTAL GENERAL GOVERNMENT	2,411,754	2,413,754	2,237,356	176,398	2,098,474
<b>PUBLIC SAFETY</b>					
<b>POLICE</b>					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	3,642,520	3,642,520	3,625,481	17,039	3,317,738
CAPITAL	-	-	-	-	-
TOTAL	3,642,520	3,642,520	3,625,481	17,039	3,317,738

CONTINUED

**CITY OF HOLLADAY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2014			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2013
	BUDGETED AMOUNTS		ACTUAL		ACTUAL
	ORIGINAL	FINAL			
<b>FIRE</b>					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	2,040,876	2,040,876	1,997,638	43,238	1,917,377
CAPITAL	-	-	-	-	-
TOTAL	<u>2,040,876</u>	<u>2,040,876</u>	<u>1,997,638</u>	<u>43,238</u>	<u>1,917,377</u>
<b>ANIMAL CONTROL</b>					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	89,939	89,939	89,952	(13)	85,656
CAPITAL	-	-	-	-	-
TOTAL	<u>89,939</u>	<u>89,939</u>	<u>89,952</u>	<u>(13)</u>	<u>85,656</u>
TOTAL PUBLIC SAFETY	<u>5,773,335</u>	<u>5,773,335</u>	<u>5,713,071</u>	<u>60,264</u>	<u>5,320,771</u>
<b>COMMUNITY DEVELOPMENT</b>					
PLANNING AND ZONING					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	6,850	6,850	4,000	2,850	4,000
CAPITAL	-	-	-	-	-
TOTAL	<u>6,850</u>	<u>6,850</u>	<u>4,000</u>	<u>2,850</u>	<u>4,000</u>
<b>INSPECTIONS</b>					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	190,000	190,000	190,000	-	229,936
CAPITAL	-	-	-	-	-
TOTAL	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>	<u>229,936</u>
<b>ECONOMIC DEVELOPMENT</b>					
PERSONNEL	411,800	411,800	438,409	(26,609)	395,548
OPERATIONS AND MAINTENANCE	102,030	138,405	112,866	25,539	86,929
CAPITAL	-	-	-	-	-
TOTAL	<u>513,830</u>	<u>550,205</u>	<u>551,275</u>	<u>(1,070)</u>	<u>482,477</u>
TOTAL COMMUNITY DEVELOPMENT	<u>710,680</u>	<u>747,055</u>	<u>745,275</u>	<u>1,780</u>	<u>716,413</u>
<b>STREETS AND HIGHWAYS</b>					
STREETS AND PUBLIC IMPROVEMENTS					
PERSONNEL	-	-	5,507	(5,507)	-
OPERATIONS AND MAINTENANCE	722,500	722,500	726,644	(4,144)	680,296
CAPITAL	-	-	-	-	-
TOTAL STREETS AND HIGHWAYS	<u>722,500</u>	<u>722,500</u>	<u>732,151</u>	<u>(9,651)</u>	<u>680,296</u>

CONTINUED

**CITY OF HOLLADAY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2014			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2013
	BUDGETED AMOUNTS		ACTUAL		ACTUAL
	ORIGINAL	FINAL			
PARKS, RECREATION AND CULTURE					
PARKS					
PERSONNEL	151,749	161,749	160,187	1,562	135,176
OPERATION AND MAINTENANCE	114,960	114,960	106,940	8,020	111,830
CAPITAL	-	-	-	-	-
TOTAL	<u>266,709</u>	<u>276,709</u>	<u>267,127</u>	<u>9,582</u>	<u>247,006</u>
COMMUNITY ARTS AND EVENTS					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	186,855	287,885	217,199	70,686	95,636
CAPITAL	-	-	-	-	-
TOTAL	<u>186,855</u>	<u>287,885</u>	<u>217,199</u>	<u>70,686</u>	<u>95,636</u>
TOTAL PARKS, RECREATION AND CULTURE	<u>453,564</u>	<u>564,594</u>	<u>484,326</u>	<u>80,268</u>	<u>342,642</u>
TOTAL EXPENDITURES	<u>10,071,833</u>	<u>10,221,238</u>	<u>9,912,179</u>	<u>309,059</u>	<u>9,158,596</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,384,102</u>	<u>3,535,563</u>	<u>3,133,854</u>	<u>(401,709)</u>	<u>3,416,125</u>
OTHER FINANCING USES					
TRANSFERS OUT	<u>(3,384,102)</u>	<u>(3,535,563)</u>	<u>(3,535,563)</u>	<u>-</u>	<u>(2,228,898)</u>
TOTAL OTHER FINANCING USES	<u>(3,384,102)</u>	<u>(3,535,563)</u>	<u>(3,535,563)</u>	<u>-</u>	<u>(2,228,898)</u>
NET CHANGE IN FUND BALANCE	-	-	(401,709)	(401,709)	1,187,227
FUND BALANCE AT BEGINNING OF YEAR	<u>3,543,176</u>	<u>3,543,176</u>	<u>3,543,176</u>	<u>-</u>	<u>2,355,949</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,543,176</u>	<u>\$ 3,543,176</u>	<u>\$ 3,141,467</u>	<u>\$ (401,709)</u>	<u>\$ 3,543,176</u>

**CITY OF HOLLADAY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE ACTUAL AMOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

	2014			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2013
	BUDGETED AMOUNTS		ACTUAL		ACTUAL
	ORIGINAL	FINAL			
<b>REVENUES</b>					
LICENSES, FEES AND PERMITS					
IMPACT FEES	\$ 380,000	\$ 380,000	\$ 225,752	\$ (154,248)	\$ 116,941
INTERGOVERNMENTAL					
FEDERAL GRANTS	-	-	-	-	69,207
OTHER GRANTS	900,000	900,000	-	(900,000)	-
MISCELLANEOUS REVENUE					
SALE OF CAPITAL ASSETS	218,500	218,500	280,020	61,520	196,200
INTEREST ON INVESTMENTS	-	-	36,341	36,341	57,048
<b>TOTAL REVENUES</b>	<b>1,498,500</b>	<b>1,498,500</b>	<b>542,113</b>	<b>(956,387)</b>	<b>439,396</b>
<b>EXPENDITURES</b>					
CAPITAL OUTLAY					
PARK IMPROVEMENTS	734,000	734,000	473,248	260,752	716,675
STORM DRAIN IMPROVEMENTS	255,000	286,444	316,289	(29,845)	157,330
STREETS IMPROVEMENTS	1,180,000	1,300,017	1,562,262	(262,245)	642,637
LAND AND BUILDING ACQUISITION	2,015,000	2,015,000	1,439,632	575,368	2,319,459
OTHER	923,828	923,828	71,402	852,426	54,794
<b>TOTAL CAPITAL OUTLAY EXPENDITURES</b>	<b>5,107,828</b>	<b>5,259,289</b>	<b>3,862,833</b>	<b>1,396,456</b>	<b>3,890,895</b>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(3,609,328)</u>	<u>(3,760,789)</u>	<u>(3,320,720)</u>	<u>440,069</u>	<u>(3,451,499)</u>
OTHER FINANCING SOURCES (USES)					
TRANSFERS IN	1,979,328	2,130,789	2,130,789	-	537,491
TRANSFERS OUT	(370,000)	(370,000)	(333,023)	36,977	(65,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,609,328</b>	<b>1,760,789</b>	<b>1,797,766</b>	<b>36,977</b>	<b>472,491</b>
NET CHANGE IN FUND BALANCE	(2,000,000)	(2,000,000)	(1,522,954)	477,046	(2,979,008)
FUND BALANCE AT BEGINNING OF YEAR	6,317,355	6,317,355	6,317,355	-	9,296,363
FUND BALANCE AT END OF YEAR	<u>\$ 4,317,355</u>	<u>\$ 4,317,355</u>	<u>\$ 4,794,401</u>	<u>\$ 477,046</u>	<u>\$ 6,317,355</u>