

TOOELE CITY CORPORATION

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2015

TOOELE CITY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tooele City Corporation as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 19 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Change in Auditor's

The financial statements of Tooele City Corporation for the year ended June 30, 2014 were audited by other auditors, whose report dated December 23, 2014 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, postemployment benefit plan - schedule of funding progress, and the related notes to the required supplementary information, as noted on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tooele City Corporation's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2015 on our consideration of the Tooele City Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tooele City Corporation's internal control over financial reporting and compliance.

WSRP, LLC

Salt Lake City, Utah
December 30, 2015



Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

The following is a discussion and analysis of Tooele City Corporation's (the "City") financial performance and activities for the fiscal year ending June 30, 2015. When read in conjunction with the notes to the financial statements, this section's financial highlights, overview, and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

Financial Highlights

- ◆ The total government-wide assets of the City exceeded its total government-wide liabilities as of the close of the most recent year by \$190,641,336 (*net position*). Of this amount, \$181,556,906 relates to investments in capital assets, net of any related debt. Unrestricted net position is \$(1,490,205) due to the litigation settlement with Tooele Associates of \$20,718,202 that occurred during 2014, significantly reducing the ending net position balance, as well as the implementation of GASB 68 as described below.
- ◆ During 2015, there was a prior period adjustment in the amount of \$3,230,334 made in accordance with the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" which the City adopted effective July 1, 2014. In addition, there was a prior period adjustment related to additional water rights that were identified by the City during 2015 in the amount of \$32,329,512. This increased the net position of the proprietary funds and business-type activities. Exclusive of the prior period adjustments, the City's net position increased by \$5,538,485 during 2015. This was due mainly as a result of a transfer in the amount of \$6,768,750 of water rights certificates to Tooele Associates, LP (Tooele Associates), as required by the settlement agreement between Tooele City Corporation and Tooele Associates that occurred during 2014. This significantly increased the net position in the water fund and business-type activities during the year as the City maintains the legal title to these water rights as required by the Utah Constitution. The water right's certificates transferred will allow Tooele Associates to develop real estate projects located within the City commonly known as Overlake. As the City maintains legal ownership of these water rights, the settlement of the liability resulted in recognition of revenue during 2015.
- ◆ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$16,540,686, an decrease of \$3,852,290 in comparison with the prior year, attributable mainly to a reduction of funding in the Class "C" Road Fund of \$2,418,674 as well as the principal and interest payment to the Tooele Associates in the amount of \$2,100,219 from the general fund. Approximately 18.36% of this total amount, or \$3,036,485, is available for spending at the government's discretion (*unreserved fund balance*).
- ◆ At the end of the current year, unassigned fund balance for the general fund was \$3,054,025, or 19.63% of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

Fund financial statements

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Governmental funds

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Redevelopment Agency-Depot and Class "C" Road Fund, which are considered to be major funds. Data from the other seven governmental funds (nonmajor) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report. During 2015, the Code Enforcement Fund, a new nonmajor special revenue fund, was approved by City officials and established.

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

Proprietary funds

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

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

Fiduciary funds

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

Notes to financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) concerning the City's schedule of contributions and schedule of proportionate share of the net pension liability as required by GASB 68, as well as the City's progress in funding its obligation to provide other post employment benefits (OPEB) to its employees. The combining statements referred to earlier, in connection with nonmajor funds and internal service funds, are presented immediately after the RSI. Also included are budget comparisons for governmental funds other than the General and Redevelopment Agency Funds.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$190,641,336 at the close of the most recent fiscal year.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Government-wide financial analysis (continued)

The largest portion of the City's net position (95.23%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, automobiles and trucks, office furniture and equipment, infrastructure, water stock, and utility plants and equipment), less any related and outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Tooele City Corporation's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 (As restated)	2015	2014 (As restated)	2015	2014 (As restated)
Assets:						
Current and other assets	\$ 22,112,341	\$ 25,464,371	\$ 12,701,927	\$ 14,469,018	\$ 34,814,268	\$ 39,933,389
Capital assets	104,054,298	106,782,335	107,679,663	104,605,279	211,733,961	211,387,614
Other assets	12,314	3,865	539	-	12,853	3,865
Total assets	126,178,953	132,250,571	120,382,129	119,074,297	246,561,082	251,324,868
Total deferred outflows						
of resources	988,821	925,187	263,415	283,957	1,252,236	1,209,144
Liabilities and net position:						
Long-term liabilities	32,153,075	38,168,894	10,758,248	12,417,329	42,911,323	50,586,223
Other liabilities	6,875,572	3,995,248	2,858,881	8,814,878	9,734,453	12,810,126
Total liabilities	39,028,647	42,164,142	13,617,129	21,232,207	52,645,776	63,396,349
Total deferred inflows						
of resources	4,474,475	4,034,812	51,731	-	4,526,206	4,034,812
Net position:						
Net investment in capital assets	85,614,674	86,828,050	95,942,232	91,594,509	181,556,906	178,422,559
Restricted	5,323,648	5,898,814	5,250,987	6,094,017	10,574,635	11,992,831
Unrestricted	(7,273,670)	(5,750,060)	5,783,465	437,521	(1,490,205)	(5,312,539)
Total net position	\$ 83,664,652	\$ 86,976,804	\$106,976,684	\$ 98,126,047	\$ 190,641,336	\$ 185,102,851

A portion of the City's net position (5.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (\$1,490,205) is negative due to the settlement with Tooele Associates.

At the end of the year, Tooele City Corporation is able to report positive balances in all three categories of net position for its business type activities. For governmental activities, net investment in capital assets and restricted remain positive. Unrestricted net position is negative for 2015 due to the litigation settlement with Tooele Associates that occurred in the prior year.

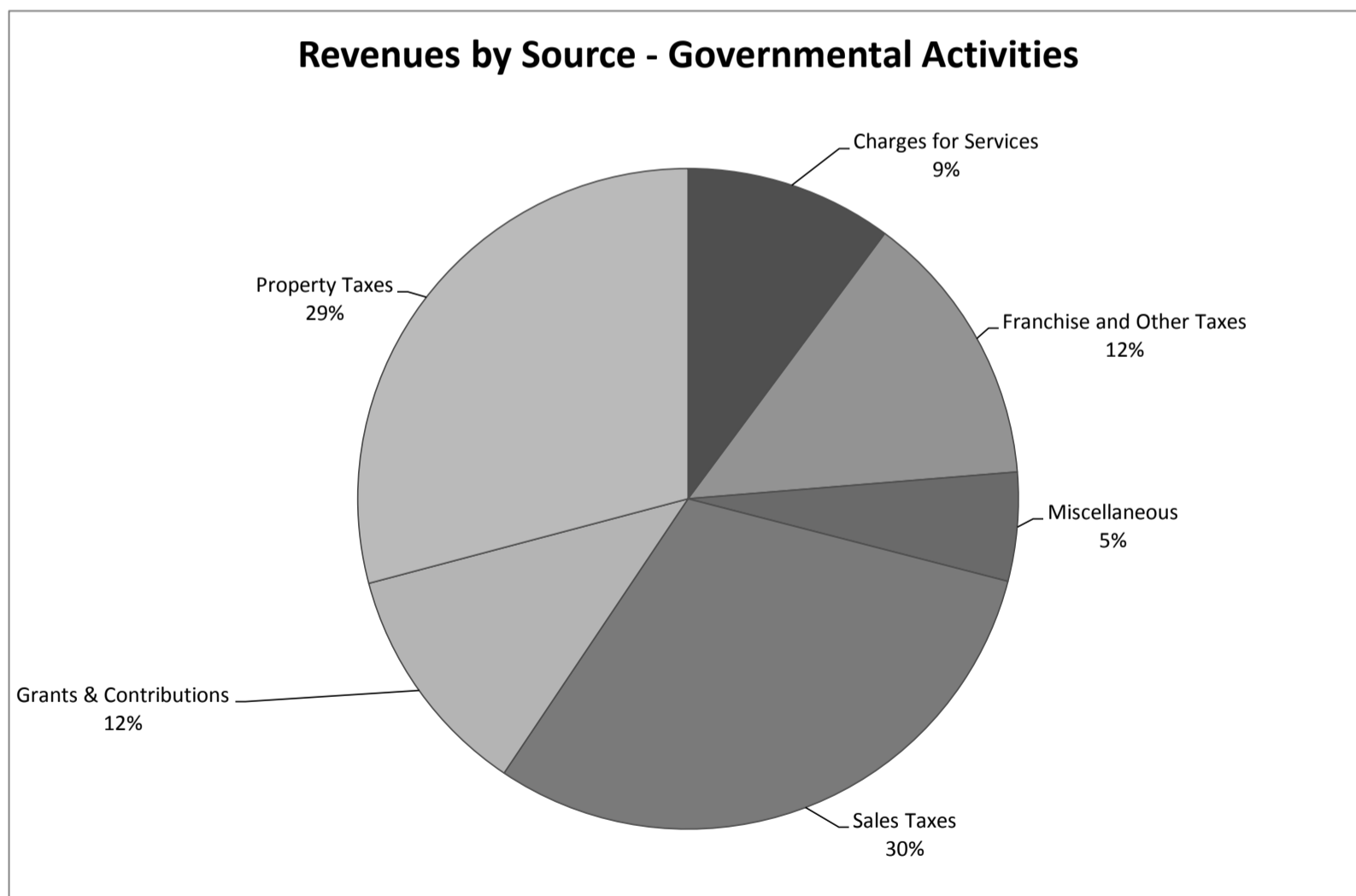
Tooele City Corporation's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 (As restated)	2015	2014 (As restated)	2015	2014 (As restated)
Revenues:						
Program revenues:						
Charges for services	\$ 1,670,919	\$ 1,730,483	\$ 8,580,122	\$ 8,421,845	\$ 10,251,041	\$ 10,152,328
Operating grants and contributions	1,880,530	4,361,718	-	-	1,880,530	4,361,718
Capital grants and contributions	7,929	127,815	224,443	34,900	232,372	162,715
General revenues:						
Taxes	12,022,763	12,329,646	-	-	12,022,763	12,329,646
Earnings on investments	77,122	121,710	63,899	62,947	141,021	184,657
Impact fees	350,970	402,325	1,213,796	1,047,380	1,564,766	1,449,705
Investment income	910	811	-	-	910	811
Gain on sale of capital assets	24,548	17,219	2,189	4,326	26,737	21,545
Gain on sale of water rights	-	-	6,877,812	61,238	6,877,812	61,238
Miscellaneous	421,485	484,050	1,031	4,550	422,516	488,600
Total revenues	16,457,176	19,575,777	16,963,292	9,637,186	33,420,468	29,212,963

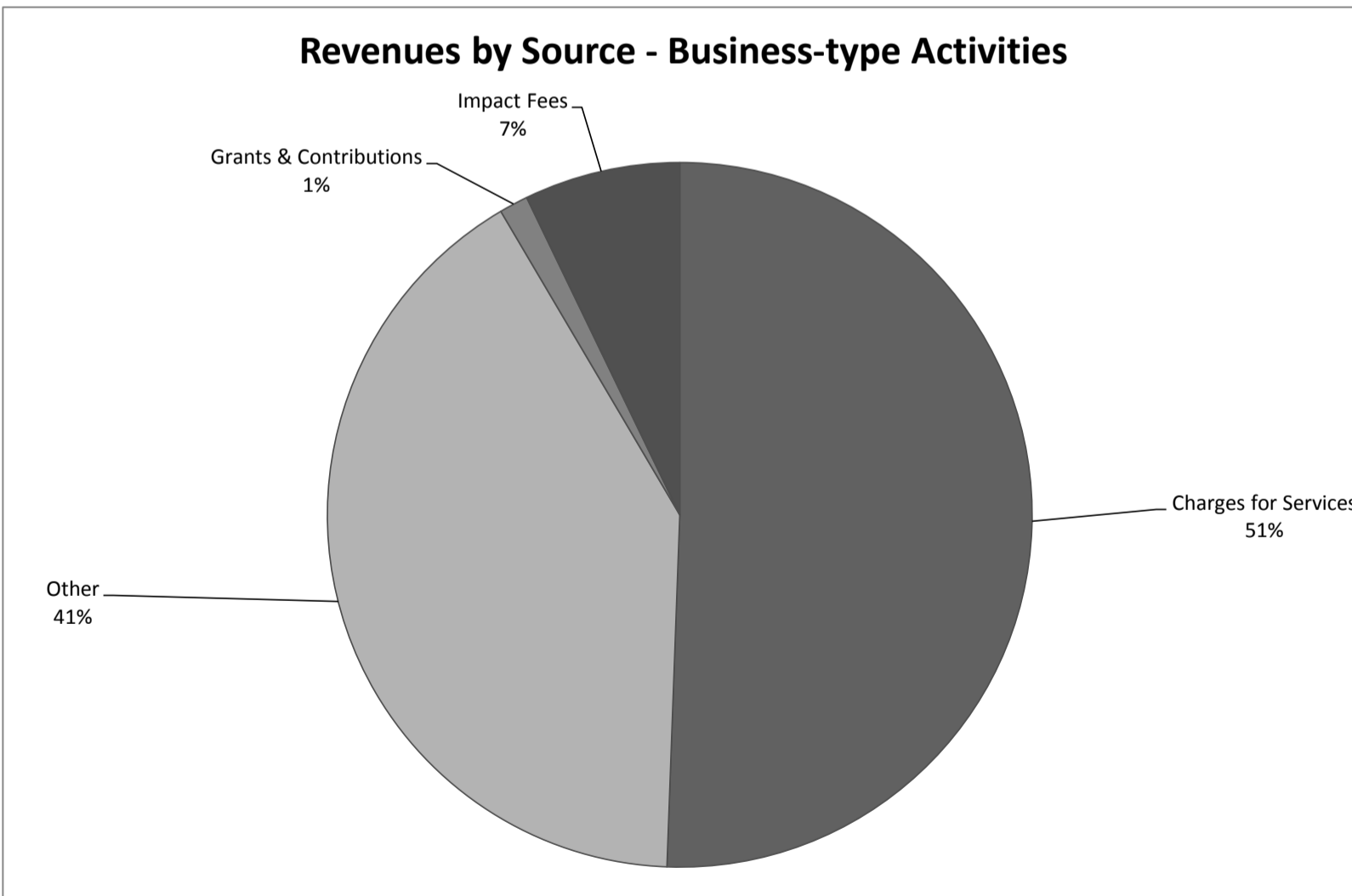
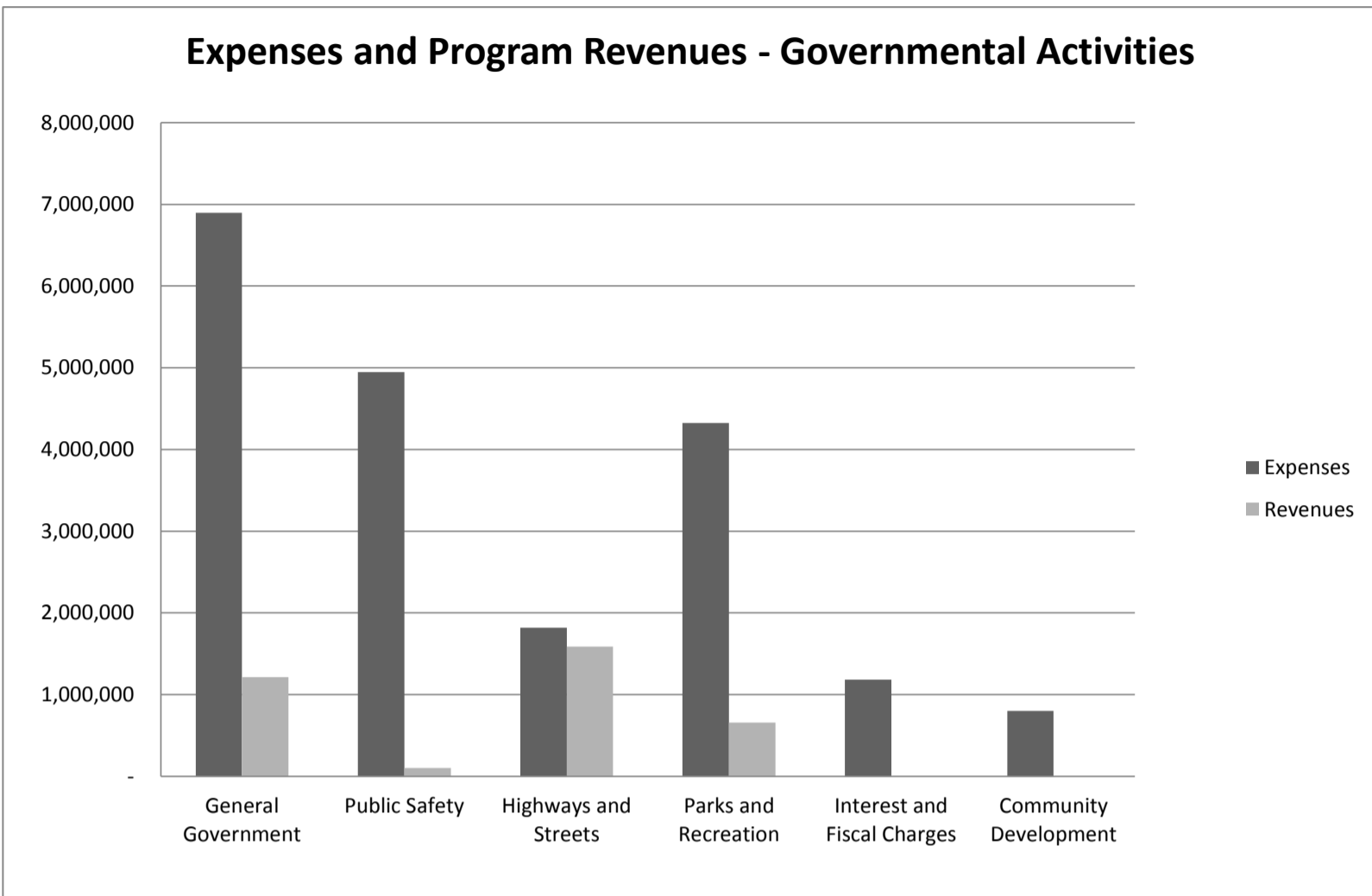
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

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

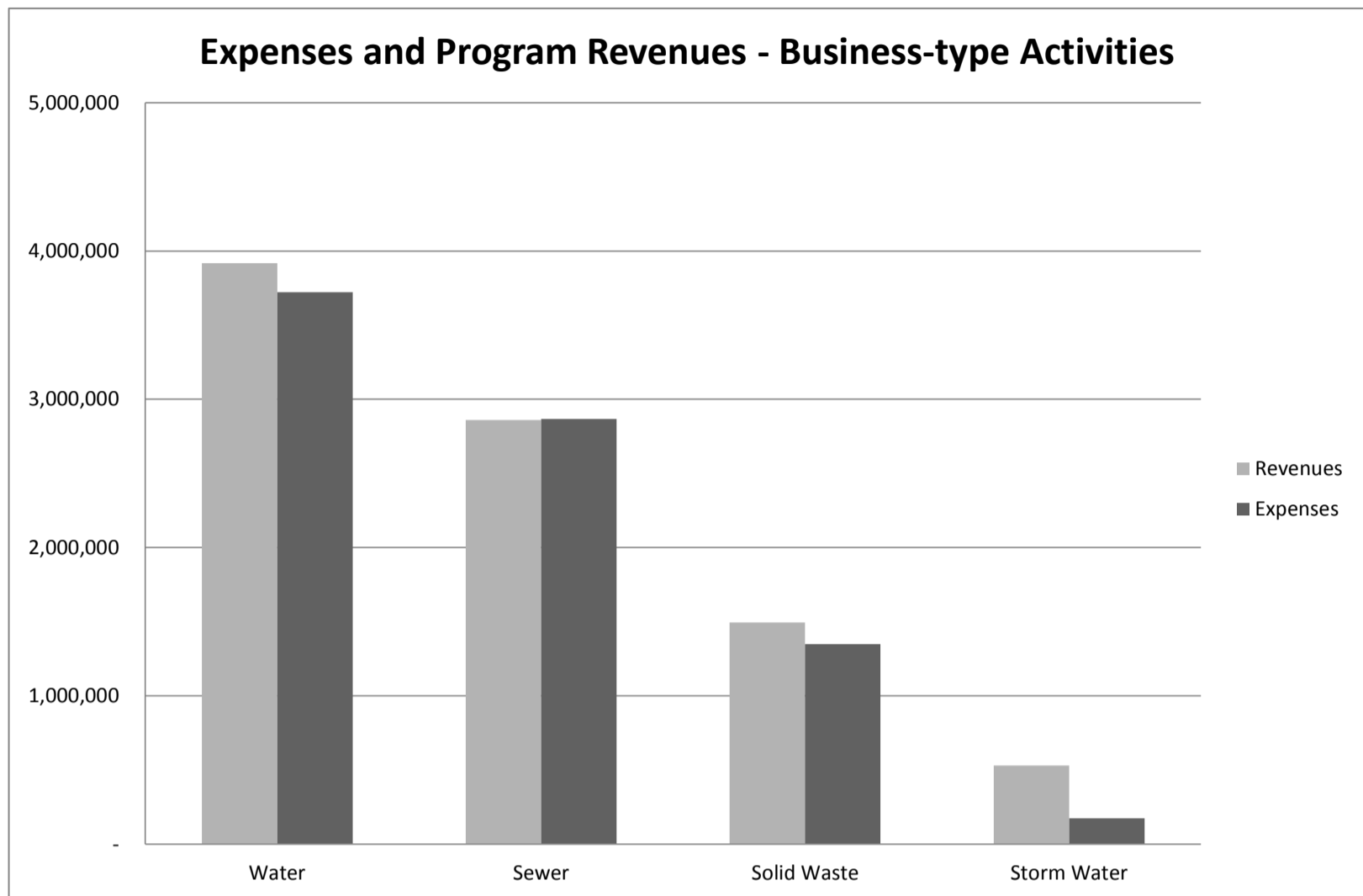
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 (As restated)	2015	2014 (As restated)	2015	2014 (As restated)
Expenses:						
General government	6,897,962	7,124,823	-	-	6,897,962	7,124,823
Public safety	4,945,530	4,664,065	-	-	4,945,530	4,664,065
Highways and streets	1,818,009	2,691,071	-	-	1,818,009	2,691,071
Parks and recreation	4,322,958	4,358,183	-	-	4,322,958	4,358,183
Community development	799,000	810,576	-	-	799,000	810,576
Interest on debt	1,183,096	901,901	-	-	1,183,096	901,901
Water	-	-	3,721,726	3,501,693	3,721,726	3,501,693
Sewer	-	-	2,867,897	2,929,978	2,867,897	2,929,978
Solid waste	-	-	1,349,500	1,346,326	1,349,500	1,346,326
Storm water	-	-	173,532	173,813	173,532	173,813
Total expenses	19,966,555	20,550,619	8,112,655	7,951,810	28,079,210	28,502,429
Contributed net assets	197,227	40,120	-	-	197,227	40,120
Increase (decrease) in net position	(3,312,152)	(934,722)	8,850,637	1,685,376	5,538,485	750,654
Net position - beginning	86,976,804	84,054,341	98,126,047	71,198,678	185,102,851	155,253,019
Prior period adjustment (note 19)	-	3,857,185	-	25,241,993	-	29,099,178
Net position - ending	\$ 83,664,652	\$ 86,976,804	\$106,976,684	\$ 98,126,047	\$ 190,641,336	\$ 185,102,851



**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**



**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**



Key Principal Highlights:

- ◆ Charges for services increased by \$98,713 over the prior year.
- ◆ Operating grants and contributions decreased by \$2,481,188 over the prior year.
- ◆ Capital grants and contributions increased by \$69,657 due mainly to a decrease in contributions received from developers.
- ◆ Property taxes increased by \$306,883 due to a increase in the certified tax rate and the assessment and collection of property taxes.

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

Financial Analysis of the Government's Funds

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Governmental funds

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

As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$16,540,686, an decrease of \$3,852,290 from the prior year. A balance of \$11,176,811 (67.57%) is available for spending at the government's discretion; however, \$8,140,326 has been assigned by the City's Budget Officer for subsequent years' capital expenditures and other uses, leaving an unassigned amount of \$3,036,485. The remaining \$5,363,875 of fund balance is not available for new spending because it is non-spendable in form (prepaid expenses in the amount of \$40,227) or legally restricted by parties outside the financial reporting entity for 1) public safety expenditures of \$1,092,485, 2) park development of \$909,118, 3) recreation and arts programs of \$1,080,166, 4) debt service of \$1,088,708 and 5) road construction, maintenance and preservation of \$1,153,171.

The General Fund is the major operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund, and negative fund balance of the Code Enforcement Fund was \$3,036,485. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$15,559,052 (19.52% or 71 calendar days). The fund balance of the City's General Fund decreased \$421,902 during the current fiscal year. This represents a 11.46% change in fund balance. The decrease consisted of 1) a 3.32% decrease in revenues of \$465,209 offset by a 23.07% increase in expenditures of \$2,916,954, primarily related to the principal and interest payment made to Tooele Associates in 2015, 2) a \$24,548 increase in proceeds from the sale of capital assets, 3) an increase of \$1,721,820 in transfers in from the capital projects fund to pay the required debt service payment on the Tooele Associates lawsuit, and 4) the \$854,690 increase in closing out last year's fund balance.

Proprietary funds

Unrestricted net position of the Water, Sewer, and Garbage Utility funds (all Major) at the end of the year were (\$74,193), \$1,441,512 and \$1,780,773, respectively. The increase in total net position was \$7,698,920, \$628,929, and \$153,694 for these same funds, respectively, after the effect of any special items. The significant increase in net position for the Water Fund is the result of a prior period adjustment to record additional water rights identified during 2015 to the water fund in the amount of \$32,329,512, as well as the recognition of revenue associated with the settlement of the Tooele Associates liability in the amount of \$6,768,750 as described above. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original revenues budget of \$13,468,284 to a final budget of \$13,481,505, an increase of \$13,221. These increases can be briefly summarized as follows:

- \$20,000 decrease interfund charges
- \$31,136 increase in intergovernmental revenues and charges for services from other City funds.

The General Fund's original budget was also amended for increased expenses in the amount of \$29,632 as well as \$1,750,000 for transfers in from the capital projects fund relating to the debt payment made on the Tooele Associates Settlement required during 2015.

Capital Assets and Debt Administration

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$174,768,223. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, automobiles and trucks, office furniture and equipment, and infrastructure, offset by applicable amounts of long-term debt. The total increase in the City's net investment in capital assets for governmental and business-type activities for the current year was a result of purchases of fixed assets exceeding accumulated depreciation in the amount of in the amount of \$326,414 as well as the result of a prior period adjustment to increase the water rights as described above in the amount of 32,329,512.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Capital Assets (continued)

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

- ◆ Improvements other than buildings additions of \$4,260,651.
- ◆ Machinery and equipment additions of \$141,499.
- ◆ Automobile and truck purchases of \$219,146, and deletions of fully depreciated assets of \$182,816.
- ◆ Office furniture and equipment additions of \$18,265.
- ◆ Infrastructure additions of \$2,780,671 from acquisitions and contributions.
- ◆ Depreciation of infrastructure assets of \$4,164,406.

Tooele City Corporation's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 (As restated)	2015	2014 (As restated)	2015	2014 (As restated)
Investment in water stock	\$ -	\$ -	\$ 93,184	\$ 93,184	\$ 93,184	\$ 93,184
Land	6,508,605	6,508,605	3,579,749	3,579,749	10,088,354	10,088,354
Infrastructure	80,186,218	82,176,217	4,681,833	4,075,569	84,868,051	86,251,786
Buildings	9,042,580	9,403,534	3,060,551	3,207,509	12,103,131	12,611,043
Construction in progress	-	-	4,918,587	4,878,836	4,918,587	4,878,836
Equipment under capital lease, net	43,400	86,800	-	-	43,400	86,800
Improvements other than buildings	6,686,628	6,842,601	53,422,905	50,868,842	60,109,533	57,711,443
Machinery and equipment	326,932	391,813	325,343	284,625	652,275	676,438
Automobiles and trucks	1,180,102	1,234,380	122,179	141,633	1,302,281	1,376,013
Office furniture and equipment	79,833	138,385	-	-	79,833	138,385
Water rights	-	-	37,475,332	37,475,332	37,475,332	37,475,332
Total	\$ 104,054,298	\$ 106,782,335	\$107,679,663	\$104,605,279	\$ 211,733,961	\$ 211,387,614

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

Long-term debt

At the end of the current year, the City had total debt outstanding of \$46,315,347. The debt consists of the following:

Tooele City Corporation's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 (As restated)	2015	2014 (As restated)	2015	2014 (As restated)
Revenue bonds payable	\$ 18,429,000	\$ 19,552,000	\$ 11,934,000	\$ 13,187,000	\$ 30,363,000	\$ 32,739,000
Net OPEB obligations	1,160,317	1,018,048	51,275	44,988	1,211,592	1,063,036
Note payable	-	-	-	-	-	-
Obligations under capital leases	46,845	92,778	-	-	46,845	92,778
Grantsville legal Settlement	2,022,720	2,087,220	-	-	2,022,720	2,087,220
Tooele associates legal settlement	12,209,577	13,949,452	-	6,768,750	12,209,577	20,718,202
Compensated absences	462,371	470,936	63,973	63,309	526,344	534,245
Deferred amounts:						
Unamortized bond premiums	508,710	540,776	-	-	508,710	540,776
Loss on defeasance	(376,872)	(410,125)	(196,569)	(227,693)	(573,441)	(637,818)
Total	\$ 34,462,668	\$ 37,301,085	\$ 11,852,679	\$ 19,836,354	\$ 46,315,347	\$ 57,137,439

State statutes limit the amount of debt a City may issue to 4 percent of its total taxable property within its jurisdiction. The City may incur a larger indebtedness for the purpose of supplying the City with water, sewer, or electricity when such public works are owned and controlled by the City. The current debt limitation for Tooele City Corporation is \$78,413,495 for all general obligation bonds. As of June 30, 2015 and 2014 the City recorded a loss of defeasance of bonds in the amount of \$573,441 and \$637,818, respectively, which is recorded as a deferred outflow of resources in the accompanying statement of net position.

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Economic Factors and Next Year's Budgets and Rates

- ◆ Economic activity in the region has seen considerable improvement compared to prior years, which is consistent with other regions within the state. The City has seen growth in new home construction, existing home sales and commercial and retail sales.
- ◆ The 2016 budget was projected with an estimated growth in sales tax based off the outlook of a recovering economy, and the proportionate share of distribution that the City receives based on population.
- ◆ The 2016 budget includes payments towards the legal settlement with Tooele Associates, which has a debt payment schedule through 2023.

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

Requests for Information

This financial report is designed to provide a general overview of Tooele City Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Tooele City Finance Director, 90 North Main Street, P.O. Box 89, Tooele, Utah, 84074-0089.

BASIC FINANCIAL STATEMENTS

TOOELE CITY CORPORATION
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 10,751,678	\$ 10,367,497	\$ 21,119,175
Receivables:			
Accounts, net	12,075	837,534	849,609
Assessments	63,632	-	63,632
Taxes	5,148,439	-	5,148,439
Loans receivable	6,124	-	6,124
Intergovernmental	359,140	-	359,140
Other	28,365	-	28,365
Prepaid expenses	40,227	83,143	123,370
Restricted assets:			
Cash and cash equivalents	5,702,661	1,413,753	7,116,414
Noncurrent assets:			
Net pension asset	12,314	539	12,853
Capital assets not being depreciated	6,508,605	46,066,852	52,575,457
Capital assets being depreciated, net	<u>97,545,693</u>	<u>61,612,811</u>	<u>159,158,504</u>
Total assets	<u>126,178,953</u>	<u>120,382,129</u>	<u>246,561,082</u>
Deferred outflows of resources:			
Deferred charge on bond refunding	376,872	196,569	573,441
Deferred outflows related to pensions	<u>611,949</u>	<u>66,846</u>	<u>678,795</u>
Total deferred outflows of resources	<u>988,821</u>	<u>263,415</u>	<u>1,252,236</u>
Liabilities:			
Accounts payable	1,012,406	755,563	1,767,969
Accrued liabilities	310,307	28,317	338,624
Accrued interest payable	158,983	175,200	334,183
Unearned revenue	-	87,966	87,966
Customer deposits	-	217,916	217,916
Long-term liabilities:			
Net pension liability	2,707,411	302,919	3,010,330
Due or payable within one year	2,686,465	1,291,000	3,977,465
Due or payable after one year	<u>32,153,075</u>	<u>10,758,248</u>	<u>42,911,323</u>
Total liabilities	<u>39,028,647</u>	<u>13,617,129</u>	<u>52,645,776</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	4,000,894	-	4,000,894
Deferred inflows related to pensions	<u>473,581</u>	<u>51,731</u>	<u>525,312</u>
Total deferred inflows of resources	<u>4,474,475</u>	<u>51,731</u>	<u>4,526,206</u>
Net position:			
Net investment in capital assets	85,614,674	95,942,232	181,556,906
Restricted for:			
Public safety	1,092,485	-	1,092,485
Park development	909,118	-	909,118
Recreation and arts	1,080,166	-	1,080,166
Debt service	1,088,708	1,413,753	2,502,461
Roads	1,153,171	-	1,153,171
Impact fees	-	3,837,234	3,837,234
Unrestricted	<u>(7,273,670)</u>	<u>5,783,465</u>	<u>(1,490,205)</u>
Total net position	<u>\$ 83,664,652</u>	<u>\$ 106,976,684</u>	<u>\$ 190,641,336</u>

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

TOOELE CITY CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 6,897,962	\$ 912,025	\$ 293,428	\$ 7,929	\$ (5,684,580)	\$ -	\$ (5,684,580)
Public safety	4,945,530	101,893	-	-	(4,843,637)	-	(4,843,637)
Highways and streets	1,818,009	-	1,587,102	-	(230,907)	-	(230,907)
Parks and recreation	4,322,958	657,001	-	-	(3,665,957)	-	(3,665,957)
Community development	799,000	-	-	-	(799,000)	-	(799,000)
Interest and fiscal charges	1,183,096	-	-	-	(1,183,096)	-	(1,183,096)
Total governmental activities	<u>19,966,555</u>	<u>1,670,919</u>	<u>1,880,530</u>	<u>7,929</u>	<u>(16,407,177)</u>	<u>-</u>	<u>(16,407,177)</u>
Business-type activities:							
Water	3,721,726	3,813,576	-	105,083	-	196,933	196,933
Sewer	2,867,897	2,808,123	-	52,688	-	(7,086)	(7,086)
Solid waste	1,349,500	1,495,197	-	-	-	145,697	145,697
Storm water	173,532	463,226	-	66,672	-	356,366	356,366
Total business-type activities	<u>8,112,655</u>	<u>8,580,122</u>	<u>-</u>	<u>224,443</u>	<u>-</u>	<u>691,910</u>	<u>691,910</u>
Total primary government	<u>\$ 28,079,210</u>	<u>\$ 10,251,041</u>	<u>\$ 1,880,530</u>	<u>\$ 232,372</u>	<u>(16,407,177)</u>	<u>691,910</u>	<u>(15,715,267)</u>
General revenue:							
Taxes:							
Property taxes					4,792,620	-	4,792,620
Sales taxes					4,999,906	-	4,999,906
Franchise taxes					1,835,681	-	1,835,681
Other taxes					394,556	-	394,556
Earnings on investments					77,122	63,899	141,021
Impact fees, net					350,970	1,213,796	1,564,766
Investment income					910	-	910
Gain on sale of capital assets					24,548	2,189	26,737
Gain on sale / transfer of water rights					-	6,877,812	6,877,812
Miscellaneous					421,485	1,031	422,516
Total general revenues and special items					<u>12,897,798</u>	<u>8,158,727</u>	<u>21,056,525</u>
Contributed net assets					<u>197,227</u>	<u>-</u>	<u>197,227</u>
Change in net position					<u>(3,312,152)</u>	<u>8,850,637</u>	<u>5,538,485</u>
Net position, beginning					<u>83,119,619</u>	<u>72,884,054</u>	<u>156,003,673</u>
Prior period adjustment (see note 19)					<u>3,857,185</u>	<u>25,241,993</u>	<u>29,099,178</u>
Net position, ending					<u>\$ 83,664,652</u>	<u>\$ 106,976,684</u>	<u>\$ 190,641,336</u>

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

TOOELE CITY CORPORATION
Balance Sheet - Governmental Funds
June 30, 2015

	General Fund	Depot Redevelopment Agency	Class "C" Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,357,162	\$ 2,708,166	\$ -	\$ 5,438,302	\$ 10,503,630
Receivables:					
Accounts	6,175	-	-	5,900	12,075
Assessments	-	-	-	63,632	63,632
Taxes	3,588,439	1,400,000	-	160,000	5,148,439
Loans receivable	-	-	-	6,124	6,124
Intergovernmental receivable	55,238	-	303,902	-	359,140
Other	28,365	-	-	-	28,365
Prepaid expenses	40,227	-	-	-	40,227
Due from other funds	150,000	-	-	-	150,000
Restricted cash and investments	144,293	411,399	2,137,520	3,009,449	5,702,661
Total assets	\$ 6,369,899	\$ 4,519,565	\$ 2,441,422	\$ 8,683,407	\$ 22,014,293
Liabilities:					
Accounts payable	\$ 361,976	\$ 2,655	\$ 640,416	\$ 7,359	\$ 1,012,406
Accrued liabilities	307,656	2,651	-	-	310,307
Due to other funds	-	-	-	150,000	150,000
Total liabilities	669,632	5,306	640,416	157,359	1,472,713
Deferred inflows of resources:					
Unavailable revenue - property taxes	2,440,894	1,400,000	-	160,000	4,000,894
Total deferred inflows of resources	2,440,894	1,400,000	-	160,000	4,000,894
Fund balances:					
Nonspendable					
Prepaid expenses	40,227	-	-	-	40,227
Restricted					
Public safety	-	-	-	1,092,485	1,092,485
Park development	-	-	-	909,118	909,118
Recreation and arts	-	-	-	1,080,166	1,080,166
Debt service	165,121	50,631	647,835	225,121	1,088,708
Roads	-	-	1,153,171	-	1,153,171
Assigned					
Capital projects	-	-	-	4,072,151	4,072,151
Redevelopment agency projects	-	3,063,628	-	249,410	3,313,038
Debt service fund	-	-	-	755,137	755,137
Unassigned	3,054,025	-	-	(17,540)	3,036,485
Total fund balances	3,259,373	3,114,259	1,801,006	8,366,048	16,540,686
Total liabilities, deferred inflows of resources and fund balances	\$ 6,369,899	\$ 4,519,565	\$ 2,441,422	\$ 8,683,407	\$ 22,014,293

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

TOOELE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2015

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

Total Fund Balances - Governmental Funds	\$ 16,540,686
Capital assets used in governmental activities are not financial resources and therefore are not reported in the individual funds.	104,054,298
The net pension asset resulting from pension assets exceeding pension liabilities is not an available resource and, therefore, is not reported in the funds.	12,314
Deferred outflows of resources coming from deferred charges on refunding of long-term debt are amortized to expense over the life of the outstanding debt in the statement of activities.	376,872
Deferred outflows of resources associated with the net pension liability and asset is not an available resource and, therefore, is not reported in the funds.	611,949
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net position.	248,048
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(158,983)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. All liabilities net of premiums are reported in the statement of net position. Those liabilities consist of:	
General obligation bonds, net of unamortized deferrals of premiums and discounts	(18,937,710)
Obligations under capital leases	(46,845)
Grantsville legal settlement liability	(2,022,720)
Tooele Associates legal settlement liability	(12,209,577)
Net pension liability	(2,707,411)
Compensated absences payable	(462,371)
Net OPEB obligations	(1,160,317)
Deferred inflows of resources associated with the net pension liability is not due and payable in the current period and therefore are not recorded in the funds.	(473,581)
Total Net Position - Government Activities	\$ <u>83,664,652</u>

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Depot Redevelopment Agency	Class "C" Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 10,115,375	\$ 1,397,649	\$ -	\$ 509,739	\$ 12,022,763
Licenses and permits	281,159	-	-	8,166	289,325
Intergovernmental and grant revenue	288,428	-	1,587,102	5,000	1,880,530
Charges for services	2,510,849	-	-	-	2,510,849
Fines and forfeitures	78,736	-	-	-	78,736
Interest income	14,141	13,192	10,566	39,223	77,122
Impact fees	-	-	-	411,201	411,201
Interfund charges	205,500	-	-	-	205,500
Miscellaneous revenues	35,637	-	-	17,787	53,424
Rental income	321	-	-	563,248	563,569
Total revenues	<u>13,530,146</u>	<u>1,410,841</u>	<u>1,597,668</u>	<u>1,554,364</u>	<u>18,093,019</u>
EXPENDITURES:					
General government	3,460,849	712,475	-	266,090	4,439,414
Public safety	4,609,732	-	-	25,710	4,635,442
Highways and streets	1,438,729	-	316,112	-	1,754,841
Parks and recreation	3,944,523	-	-	-	3,944,523
Community development	-	799,000	-	-	799,000
Capital outlay:					
Capital projects	5,000	-	1,861,006	303,651	2,169,657
Debt service:					
Principal - bonds & notes	1,739,875	64,500	-	1,123,000	2,927,375
Principal - capital lease	-	-	-	45,933	45,933
Interest	360,344	51,675	-	782,401	1,194,420
Trustee fees	-	-	-	6,950	6,950
Total expenditures	<u>15,559,052</u>	<u>1,627,650</u>	<u>2,177,118</u>	<u>2,553,735</u>	<u>21,917,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,028,906)</u>	<u>(216,809)</u>	<u>(579,450)</u>	<u>(999,371)</u>	<u>(3,824,536)</u>
Other financing sources (uses) including transfers:					
Operating transfers in	1,721,820	-	-	1,904,276	3,626,096
Operating transfers (out)	(144,293)	(411,399)	(647,835)	(2,422,569)	(3,626,096)
Private contributions	4,929	3,000	-	-	7,929
Proceeds from sale of equipment	24,548	-	-	-	24,548
Refunded impact fees	-	-	-	(60,231)	(60,231)
Total other financing sources (uses) including transfers:	<u>1,607,004</u>	<u>(408,399)</u>	<u>(647,835)</u>	<u>(578,524)</u>	<u>(27,754)</u>
Net change in fund balances	(421,902)	(625,208)	(1,227,285)	(1,577,895)	(3,852,290)
Fund balances, beginning of year	<u>3,681,275</u>	<u>3,739,467</u>	<u>3,028,291</u>	<u>9,943,943</u>	<u>20,392,976</u>
Fund balances, end of year	<u>\$ 3,259,373</u>	<u>\$ 3,114,259</u>	<u>\$ 1,801,006</u>	<u>\$ 8,366,048</u>	<u>\$ 16,540,686</u>

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

TOOELE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

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

Net Change in Fund Balances - Total Governmental Funds \$ (3,852,290)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. This is the amount by which depreciation exceeded capital outlays in the current period. (2,664,825)

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

Accrued interest on bonds	12,511
Principal retirement - bonds	1,123,000
Principal retirement - Tooele Associated lawsuit	1,739,875
Principal retirement - Grantsville note	64,500
Principal retirement - capital lease obligations	45,933
Amortization of bond premiums	32,066
Amortization of bond refunding	(33,253)

The net revenue of certain activates of internal service funds is reported within the governmental activities (801)

In the statement of activities, certain operating expenses - compensated absences of unpaid vacation time - are recorded as the benefits are earned during the year. In the governmental funds, these obligations are recorded when they mature (when they are paid). The compensated absences obligation increased during the year. 8,565

In the statement of activities, the current year's pension contributions from January to June are removed from pension expense and shown on the statement of net position as deferred outflows of resources - pensions. The Governmental Funds do not adjust pension contribution expense. 354,836

The annual other postemployment benefit (OPEB) cost is the amount that is recognized as an expense in the statement of activities whereas in the governmental funds only the amounts paid are recorded as an expenditure. Payments were less than actuarially required amounts during the year. (142,269)

Change in Net Position of Governmental Activities \$ (3,312,152)

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Taxes	\$ 10,242,000	\$ 10,242,000	\$ 10,115,375	\$ (126,625)
Licenses and permits	216,000	216,000	281,159	65,159
Intergovernmental revenues	198,950	210,086	288,428	78,342
Charges for services	2,458,354	2,478,354	2,510,849	32,495
Fines and forfeitures	82,500	82,500	78,736	(3,764)
Interest income	15,000	15,000	14,141	(859)
Interfund charges	245,480	225,480	205,500	(19,980)
Miscellaneous revenues	9,000	11,085	35,637	24,552
Rental income	1,000	1,000	321	(679)
Total revenues	<u>13,468,284</u>	<u>13,481,505</u>	<u>13,530,146</u>	<u>48,641</u>
Expenditures:				
General government	3,583,891	3,553,891	3,460,849	93,042
Public safety	4,693,800	4,632,894	4,609,732	23,162
Highways and streets	1,690,676	1,747,376	1,438,729	308,647
Parks and recreation	4,217,533	4,281,371	3,944,523	336,848
Capital outlay	-	-	5,000	(5,000)
Principal payment on long-term debt	1,739,875	1,739,875	1,739,875	-
Interest on debt	360,125	360,125	360,344	(219)
Total expenditures	<u>16,285,900</u>	<u>16,315,532</u>	<u>15,559,052</u>	<u>756,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,817,616)</u>	<u>(2,834,027)</u>	<u>(2,028,906)</u>	<u>805,121</u>
Other financing sources (uses) including transfers:				
Operating transfers in	-	1,750,000	1,721,820	(28,180)
Operating transfers (out)	(144,293)	(144,293)	(144,293)	-
Private contributions	-	2,675	4,929	2,254
Proceeds on sale of assets	5,000	12,645	24,548	11,903
Total other financing sources (uses) including transfers:	<u>(139,293)</u>	<u>1,621,027</u>	<u>1,607,004</u>	<u>(14,023)</u>
Net change in fund balance	(2,956,909)	(1,213,000)	(421,902)	791,098
Fund balance, beginning of year	<u>3,681,275</u>	<u>3,681,275</u>	<u>3,681,275</u>	<u>-</u>
Fund balance, end of year	<u>\$ 724,366</u>	<u>\$ 2,468,275</u>	<u>\$ 3,259,373</u>	<u>\$ 791,098</u>

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Depot Redevelopment Agency - Special Revenue Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,397,649	\$ (102,351)
Interest income	<u>17,500</u>	<u>17,500</u>	<u>13,192</u>	<u>(4,308)</u>
Total revenues	<u>1,517,500</u>	<u>1,517,500</u>	<u>1,410,841</u>	<u>(106,659)</u>
Expenditures:				
General government	515,499	740,499	712,475	28,024
Community development	950,000	925,000	799,000	126,000
Debt payment	<u>116,750</u>	<u>116,750</u>	<u>116,175</u>	<u>575</u>
Total expenditures	<u>1,582,249</u>	<u>1,782,249</u>	<u>1,627,650</u>	<u>154,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(64,749)</u>	<u>(264,749)</u>	<u>(216,809)</u>	<u>47,940</u>
Other financing sources (uses) including transfers:				
Operating transfers out	(411,399)	(411,399)	(411,399)	-
Private contributions	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Total other financing sources (uses) including transfers:	<u>(411,399)</u>	<u>(411,399)</u>	<u>(408,399)</u>	<u>3,000</u>
Net change in fund balance	(476,148)	(676,148)	(625,208)	50,940
Fund balance, beginning of year	<u>3,739,467</u>	<u>3,739,467</u>	<u>3,739,467</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,263,319</u>	<u>\$ 3,063,319</u>	<u>\$ 3,114,259</u>	<u>\$ 50,940</u>

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Class "C" Road Fund - Special Revenue Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental revenues	\$ 1,600,000	\$ 1,600,000	\$ 1,587,102	\$ (12,898)
Interest income	<u>5,000</u>	<u>5,000</u>	<u>10,566</u>	<u>5,566</u>
Total revenues	<u>1,605,000</u>	<u>1,605,000</u>	<u>1,597,668</u>	<u>(7,332)</u>
Expenditures:				
Highways and streets	1,000,000	1,000,000	316,112	683,888
Capital outlay	<u>2,079,350</u>	<u>2,079,350</u>	<u>1,861,006</u>	<u>218,344</u>
Total expenditures	<u>3,079,350</u>	<u>3,079,350</u>	<u>2,177,118</u>	<u>902,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,474,350)</u>	<u>(1,474,350)</u>	<u>(579,450)</u>	<u>894,900</u>
Other financing sources (uses) including transfers:				
Operating transfers out	<u>(647,835)</u>	<u>(647,835)</u>	<u>(647,835)</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>(647,835)</u>	<u>(647,835)</u>	<u>(647,835)</u>	<u>-</u>
Net change in fund balance	(2,122,185)	(2,122,185)	(1,227,285)	894,900
Fund balance, beginning of year	<u>3,028,291</u>	<u>3,028,291</u>	<u>3,028,291</u>	<u>-</u>
Fund balance, end of year	<u>\$ 906,106</u>	<u>\$ 906,106</u>	<u>\$ 1,801,006</u>	<u>\$ 894,900</u>

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

TOOELE CITY CORPORATION
Statement of Net Position - Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
				Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Water	Sewer	Garbage Utility			
Assets:						
Current assets:						
Cash and cash equivalents	\$ 3,663,229	\$ 2,398,546	\$ 1,719,339	\$ 2,586,383	\$ 10,367,497	\$ 248,048
Accounts receivable, net of allowance	324,083	300,118	164,343	48,990	837,534	-
Prepaid expenses	40,397	42,746	-	-	83,143	-
Restricted cash and cash equivalents	354,467	1,059,286	-	-	1,413,753	-
Total current assets	<u>4,382,176</u>	<u>3,800,696</u>	<u>1,883,682</u>	<u>2,635,373</u>	<u>12,701,927</u>	<u>248,048</u>
Noncurrent assets:						
Net pension asset	285	254	-	-	539	-
Capital assets:						
Investment in water stock	93,184	-	-	-	93,184	-
Land	2,998,182	301,500	-	280,067	3,579,749	-
Water rights	37,475,332	-	-	-	37,475,332	-
Infrastructure	-	-	-	5,128,158	5,128,158	-
Construction in progress	2,011,101	2,907,486	-	-	4,918,587	-
Buildings	3,505,868	2,724,514	-	-	6,230,382	-
Improvements other than buildings	43,127,378	39,200,124	-	-	82,327,502	-
Office furniture & fixtures	25,481	49,120	-	-	74,601	65,525
Machinery and equipment	2,604,068	348,289	-	-	2,952,357	80,640
Autos and trucks	402,244	509,516	23,000	-	934,760	149,249
Accumulated depreciation	<u>(19,603,152)</u>	<u>(15,982,405)</u>	<u>(3,067)</u>	<u>(446,325)</u>	<u>(36,034,949)</u>	<u>(127,357)</u>
Net capital assets	<u>72,639,686</u>	<u>30,058,144</u>	<u>19,933</u>	<u>4,961,900</u>	<u>107,679,663</u>	<u>168,057</u>
Total noncurrent assets	<u>72,639,971</u>	<u>30,058,398</u>	<u>19,933</u>	<u>4,961,900</u>	<u>107,680,202</u>	<u>168,057</u>
Total assets	<u>77,022,147</u>	<u>33,859,094</u>	<u>1,903,615</u>	<u>7,597,273</u>	<u>120,382,129</u>	<u>416,105</u>
Deferred outflows of resources:						
Deferred charge on bond refunding	133,244	63,325	-	-	196,569	-
Deferred outflows of resources related to pensions	35,389	31,457	-	-	66,846	-
Total deferred outflows of resources	<u>168,633</u>	<u>94,782</u>	<u>-</u>	<u>-</u>	<u>263,415</u>	<u>-</u>
Liabilities:						
Current liabilities:						
Accounts payable	582,681	69,973	102,909	-	755,563	-
Accrued liabilities	14,655	13,662	-	-	28,317	-
Accrued interest	36,588	138,612	-	-	175,200	-
Liability for compensated absences	31,800	32,173	-	-	63,973	-
Unearned revenue	87,966	-	-	-	87,966	-
Customer deposits	217,916	-	-	-	217,916	-
Revenue bonds payable - current	366,000	925,000	-	-	1,291,000	-
Total current liabilities	<u>1,337,606</u>	<u>1,179,420</u>	<u>102,909</u>	<u>-</u>	<u>2,619,935</u>	<u>-</u>
Noncurrent liabilities:						
Net pension liability	160,369	142,550	-	-	302,919	-
Net OPEB obligation	26,477	24,798	-	-	51,275	-
Revenue bonds payable - long-term	4,355,000	6,288,000	-	-	10,643,000	-
Total noncurrent liabilities	<u>4,541,846</u>	<u>6,455,348</u>	<u>-</u>	<u>-</u>	<u>10,997,194</u>	<u>-</u>
Total liabilities	<u>5,879,452</u>	<u>7,634,768</u>	<u>102,909</u>	<u>-</u>	<u>13,617,129</u>	<u>-</u>
Deferred inflows of resources:						
Deferred inflows of resources related to pensions	27,387	24,344	-	-	51,731	-
Net position:						
Net investment in capital assets	68,051,930	22,908,469	19,933	4,961,900	95,942,232	168,057
Unrestricted	(74,193)	1,441,512	1,780,773	2,635,373	5,783,465	248,048
Restricted for:						
Impact fees	2,951,737	885,497	-	-	3,837,234	-
Debt service	354,467	1,059,286	-	-	1,413,753	-
Total net position	<u>\$ 71,283,941</u>	<u>\$ 26,294,764</u>	<u>\$ 1,800,706</u>	<u>\$ 7,597,273</u>	<u>\$ 106,976,684</u>	<u>\$ 416,105</u>

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

TOOELE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
						Activities
	Water	Sewer	Garbage Utility	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services	\$ 3,722,028	\$ 2,807,733	\$ 1,495,197	\$ 463,226	\$ 8,488,184	\$ 61,501
Connection fees	91,548	390	-	-	91,938	-
Miscellaneous	1,031	-	-	-	1,031	-
Total operating revenues	<u>3,814,607</u>	<u>2,808,123</u>	<u>1,495,197</u>	<u>463,226</u>	<u>8,581,153</u>	<u>61,501</u>
Operating expenses:						
Personal services	545,045	498,969	493,520	-	1,537,534	-
Contracted services	439,861	231,000	732,568	25,000	1,428,429	-
Operations and maintenance	1,386,354	602,811	107,340	-	2,096,505	-
Utilities	9,692	265,954	-	-	275,646	-
Administration	38,625	32,360	13,005	32,359	116,349	-
Depreciation	1,138,957	1,009,069	3,067	116,173	2,267,266	63,212
Total operating expenses	<u>3,558,534</u>	<u>2,640,163</u>	<u>1,349,500</u>	<u>173,532</u>	<u>7,721,729</u>	<u>63,212</u>
Operating income	<u>256,073</u>	<u>167,960</u>	<u>145,697</u>	<u>289,694</u>	<u>859,424</u>	<u>(1,711)</u>
Non-operating revenues (expenses):						
Interest income	28,333	14,841	7,997	12,728	63,899	910
Interest expense and fiscal charges	(163,192)	(227,734)	-	-	(390,926)	-
Gain from sale of capital assets	1,540	649	-	-	2,189	-
Sale / transfer of water rights	6,877,812	-	-	-	6,877,812	-
Impact fees	743,271	470,525	-	-	1,213,796	-
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	-
Total non-operating revenues (expenses)	<u>7,337,764</u>	<u>408,281</u>	<u>7,997</u>	<u>12,728</u>	<u>7,766,770</u>	<u>910</u>
Contributed from developers	105,083	52,688	-	66,672	224,443	-
Change in net position	<u>7,698,920</u>	<u>628,929</u>	<u>153,694</u>	<u>369,094</u>	<u>8,850,637</u>	<u>(801)</u>
Net position - beginning of year	38,193,020	25,815,843	1,647,012	7,228,179	72,884,054	416,906
Prior period adjustment (see note 19)	25,392,001	(150,008)	-	-	25,241,993	-
Net position - end of year	<u>\$ 71,283,941</u>	<u>\$ 26,294,764</u>	<u>\$ 1,800,706</u>	<u>\$ 7,597,273</u>	<u>\$ 106,976,684</u>	<u>\$ 416,105</u>

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

TOOELE CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Garbage Utility	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal
						Service Funds
Cash flows provided by operating activities:						
Receipts from customers and users	\$ 3,993,225	\$ 2,899,914	\$ 1,490,889	\$ 467,526	\$ 8,851,554	\$ 61,501
Receipts of miscellaneous income	1,031	-	-	-	1,031	-
Payments to employees	(558,478)	(510,753)	(493,520)	-	(1,562,751)	-
Payments to contractors	(39,861)	(21,000)	(654,068)	-	(714,929)	-
Payments for operations and maintenance	(898,208)	(677,132)	(79,691)	(87,043)	(1,742,074)	-
Payment for interfund services provided	(400,000)	(210,000)	(100,000)	(25,000)	(735,000)	-
Payments for utilities	(9,692)	(265,954)	-	-	(275,646)	-
Net cash provided by operating activities	<u>2,088,017</u>	<u>1,215,075</u>	<u>163,610</u>	<u>355,483</u>	<u>3,822,185</u>	<u>61,501</u>
Cash flows provided (used) by noncapital financing activities:						
Transfers in	-	150,000	-	-	150,000	-
Transfers out	(150,000)	-	-	-	(150,000)	-
Net cash provided (used) by noncapital financing activities	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows used by capital and related financing activities:						
Payments for purchase of capital assets	(4,437,856)	-	(23,000)	(655,765)	(5,116,621)	-
Proceeds from sale of capital assets	1,540	649	-	-	2,189	-
Proceeds from sale / transfer of water rights	6,877,812	-	-	-	6,877,812	-
Transfer of water shares to Tooele Associates	(6,768,750)	-	-	-	(6,768,750)	-
Deferred defeasance costs	12,590	18,534	-	-	31,124	-
Payments of bond principal	(355,000)	(898,000)	-	-	(1,253,000)	-
Interest paid on bonds	(165,943)	(238,634)	-	-	(404,577)	-
Impact fees collected	743,271	470,525	-	-	1,213,796	-
Net cash used by capital and related financing activities	<u>(4,092,336)</u>	<u>(646,926)</u>	<u>(23,000)</u>	<u>(655,765)</u>	<u>(5,418,027)</u>	<u>-</u>
Cash flows provided by investing activities:						
Interest received on investments	27,747	14,841	7,997	12,728	63,313	910
Net cash provided by investing activities	<u>27,747</u>	<u>14,841</u>	<u>7,997</u>	<u>12,728</u>	<u>63,313</u>	<u>910</u>
Net increase (decrease) in cash and cash equivalents	(2,126,572)	732,990	148,607	(287,554)	(1,532,529)	62,411
Cash and cash equivalents - beginning of year	<u>6,144,268</u>	<u>2,724,842</u>	<u>1,570,732</u>	<u>2,873,937</u>	<u>13,313,779</u>	<u>185,637</u>
Cash and cash equivalents - end of year	<u>\$ 4,017,696</u>	<u>\$ 3,457,832</u>	<u>\$ 1,719,339</u>	<u>\$ 2,586,383</u>	<u>\$ 11,781,250</u>	<u>\$ 248,048</u>

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

TOOELE CITY CORPORATION
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental</u>
						<u>Activities</u>
	<u>Water</u>	<u>Sewer</u>	<u>Garbage Utility</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash flows provided (used) by operating activities:						
Operating income	\$ 256,073	\$ 167,960	\$ 145,697	\$ 289,694	\$ 859,424	\$ (1,711)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	1,138,957	1,009,069	3,067	116,173	2,267,266	63,212
(Increase) decrease in assets:						
Accounts receivable	185,268	91,791	8,697	4,300	290,056	-
Prepaid expenses	(40,397)	(42,746)	-	-	(83,143)	-
Inventory	-	-	27,649	-	27,649	-
Increase (decrease) in liabilities:						
Accounts payable	562,439	(1,456)	(21,500)	(54,684)	484,799	-
Accrued liabilities	3,304	3,001	-	-	6,305	-
Liability for compensated absences	1,425	(760)	-	-	665	-
OPEB obligation	3,246	3,041	-	-	6,287	-
Deferred revenue	(8,059)	-	-	-	(8,059)	-
Customer deposits	2,440	-	-	-	2,440	-
Net pension asset	(285)	(254)	-	-	(539)	-
Deferred outflows of resources related to pensions	(5,603)	(4,981)	-	-	(10,584)	-
Deferred inflows of resources related to pensions	27,387	(33,934)	-	-	(6,547)	-
Net pension liability	(38,178)	24,344	-	-	(13,834)	-
Net cash provided by operating activities	<u>\$ 2,088,017</u>	<u>\$ 1,215,075</u>	<u>\$ 163,610</u>	<u>\$ 355,483</u>	<u>\$ 3,822,185</u>	<u>\$ 61,501</u>
Represented on the balance sheet as:						
Cash - unrestricted	\$ 3,663,229	\$ 2,398,546	\$ 1,719,339	\$ 2,586,383	\$ 10,367,497	\$ 248,048
Cash - restricted	354,467	1,059,286	-	-	1,413,753	-
	<u>\$ 4,017,696</u>	<u>\$ 3,457,832</u>	<u>\$ 1,719,339</u>	<u>\$ 2,586,383</u>	<u>\$ 11,781,250</u>	<u>\$ 248,048</u>
Supplemental schedule of non-cash financing and investing activities:						
Contributed capital assets from developers	<u>\$ 105,083</u>	<u>\$ 52,688</u>	<u>\$ -</u>	<u>\$ 66,672</u>	<u>\$ 224,443</u>	<u>\$ -</u>

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

TOOELE CITY CORPORATION
Statement of Net Position - Fiduciary Funds
June 30, 2015

	Pension Trust	Agency Fund
Assets:		
Cash and cash equivalents	\$ 587,824	\$ 300,124
Total assets	\$ 587,824	\$ 300,124
 Liabilities:		
Accounts payable	\$ -	\$ 671
Other liabilities	-	299,453
Total liabilities	-	\$ 300,124
 Net Position:		
Held in trust for fire department pension and other purposes	\$ 587,824	

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

TOOELE CITY CORPORATION
Statement of Changes in Net Position - Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Pension Trust
Additions	
Contributions:	
Employer	\$ 73,809
Investment earnings:	
Interest income	3,036
Total additions	76,845
Deductions:	
Benefits	24,925
Administrative expenses	1,500
Total deductions	26,425
Change in net position	50,420
Net position, beginning of year	537,404
Net position, end of year	\$ 587,824

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

TOOELE CITY CORPORATION

Notes to Financial Statements

1. THE REPORTING ENTITY

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

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

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, or there is a potential for that organization to provide specific financial benefits or to impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent on the City.

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

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

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

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

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

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

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

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

Government Fund Financial Statements

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

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

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following funds:

(1) Governmental Fund Type

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

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

(2) Proprietary Fund Type

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

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

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

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

(3) Fiduciary Fund Type

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

Use of Restricted Funds

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual

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

Budgetary Procedures and Budgetary Accounting

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

Cash and Cash Equivalents

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

Restricted Cash

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

Inventories

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

Investment Valuation and Income Recognition

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

Interfund Transactions

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

Capital Assets

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

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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

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

Deferred Outflows/Inflows of Resources

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

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

Long-Term Obligations

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

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

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated unpaid vacation pay of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay, which does not vest, is recorded as an expense in all funds when leave is taken.

Use of Estimates

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and Other Significant Revenues

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

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

Property tax revenues are recognized when they become measurable and available. Available includes those property taxes collected from the taxpayers by the County Treasurer by June 30 of each year. Amounts that are measurable but not available are recorded as deferred revenue. An accrual was made for property taxes receivable and an offsetting deferred revenue amount were recorded at June 30, 2015. Property taxes become an enforceable lien on January 1 but are not due until November 30.

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

Fund equity

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

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

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

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

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

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

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

Change in Accounting Principles

Certain reclassifications have been made to the previously issued financial statements. Assets, liabilities and net position remained unchanged as a result of these reclassifications.

Pensions

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

Comparative Data

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent to year end and prior to the issuance of the financials, the City issued a new bond and refunded an existing bonds. Details to the bond issuance and refunding are as follows:

Current Bonds Refunded			
During the Fiscal Year Ended	Balance at June	New Bonds Issued	Bond
June 30, 2016	30, 2015	Subsequent to Year End	Proceeds
Governmental Bonds			
2008 Franchise Tax Revenue Bonds	\$ 4,360,000	2015 Franchise Tax Revenue Refunding Bond	\$ 4,508,000
2005 Lease Revenue Refunding Bonds	4,615,000	2015 Sales Tax Revenue Refunding Bond	4,778,000

In addition, the City issued new bonds during 2015. On October 16, 2015, the City issued the 2015 Taxable Franchise Tax Revenue Bond through the RDA and received proceeds in the amount of \$5,084,000. The bond requires principal and interest payments through November 1, 2035.

The City evaluated all events or transactions that occurred after June 30, 2015 through December 30, 2015, the date these financials were available to be issued. During this period, the City did not have any material recognizable subsequent events.

3. DEPOSITS AND INVESTMENTS

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

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

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

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

Custodial credit risk - deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. At June 30, 2015, \$1,000,000 of the City's bank balances of \$29,123,537 was insured and collateralized.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2015, \$791,650 of the City's \$1,041,650 high yield savings investments were exposed to custodial credit risk because they were uninsured and uncollateralized.

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

3. DEPOSITS AND INVESTMENTS (continued)

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

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

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses (net of administration fees) of the PTIF are allocated based upon the City's' average daily balances. As of June 30, 2015, the fair value per share factor for investments in the PTIF was 1.00496043. This resulted in a fair value adjustment decrease for the current year of \$36,909.

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

Following are the City's cash on hand, on deposit, and investments at June 30, 2015:

Cash on hand and on deposit:	Fair Value	Carrying Amount	Credit Rating (1)	Weighted Average Years to Maturity (2)
Cash on hand	\$ 3,092	\$ 3,092	N/A	N/A
Cash on deposit	3,946,677	3,946,677	N/A	N/A
High yield savings account	1,041,650	1,041,650	N/A	N/A
Utah State Treasurer's investment pool accounts	<u>24,132,118</u>	<u>24,169,027</u>	N/A	N/A
Total cash on hand and deposit	<u>\$ 29,123,537</u>	<u>\$ 29,160,446</u>		

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

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

4. INTANGIBLE ASSETS

The Water Fund maintains intangible assets consisting of water stocks. These intangible assets are stated at cost and are included in property and equipment of the City, consistent with GASB 51. As of June 30, 2015, the costs of these water stocks were as follows:

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

5. RESTRICTED ASSETS

As of June 30, 2015, certain of the City's cash and cash equivalents are restricted for the following purposes:

Fund and Purpose	Restricted Amount
General Fund:	
Debt Service payments	\$ 144,293
Depot Redevelopment Agency Fund:	
Debt Service payments	411,399
Road C Maintenance Fund:	
Construction and other uses	2,137,520
Water Fund:	
Funds held by trustee for debt service	354,467
Sewer Fund:	
Funds held by trustee for debt service	1,059,286
Other Nonmajor Funds:	
Construction, debt service and other uses	3,009,449
Pension and Agency Fund's	
Held in trust for fire department and others	887,948
Total restricted cash and cash equivalents	\$ 8,004,362

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The City estimates allowances for doubtful accounts for proprietary funds based off management experience and historical collection rates. The allowance for doubtful accounts at June 30, 2015 is as follows:

Funds	Allowance
Water fund - major enterprise fund	\$ 47,787
Sewer fund - major enterprise fund	21,206
Garbage Utility Fund - major enterprise fund	10,750
Nonmajor enterprise funds	2,416
	\$ 82,159

7. INTERFUND PAYABLES AND RECEIVABLES

Due To/From other funds - Cash overdrafts:

Funds which have overdrawn their share of pooled cash show a due to other funds on the balance sheet for the amount of the overdraft. Funds which management selected because of their strong cash position show an offsetting due from other funds on the balance sheet.

Funds which had overdrawn their share of pooled cash and the offsetting funds as of June 30, 2015 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 130,000
General Fund	Code Enforcement Fund	20,000
	Total	\$ 150,000

The terms of the repayment of the cash overdraft amounts are discussed in Note 20 - Commitments and Contingencies.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	<u>Balance at June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,508,605	\$ -	\$ -	\$ 6,508,605
Total capital assets not being depreciated	<u>6,508,605</u>	<u>-</u>	<u>-</u>	<u>6,508,605</u>
Capital assets being depreciated:				
Buildings	16,041,658	-	-	16,041,658
Improvements other than buildings	11,137,384	63,121	-	11,200,505
Office furniture and equipment	1,288,398	18,265	-	1,306,663
Machinery and equipment	2,579,899	31,118	-	2,611,017
Automobiles and trucks	4,714,550	196,146	(161,879)	4,748,817
Infrastructure	<u>93,952,775</u>	<u>2,058,234</u>	<u>-</u>	<u>96,011,009</u>
Total capital assets being depreciated	<u>129,714,664</u>	<u>2,366,884</u>	<u>(161,879)</u>	<u>131,919,669</u>
Less accumulated depreciation for:				
Buildings	(6,638,124)	(360,954)	-	(6,999,078)
Improvements other than buildings	(4,294,783)	(219,094)	-	(4,513,877)
Office furniture and equipment	(1,063,213)	(120,217)	-	(1,183,430)
Machinery and equipment	(2,188,086)	(95,999)	-	(2,284,085)
Automobiles and trucks	(3,480,170)	(250,424)	161,879	(3,568,715)
Infrastructure	<u>(11,776,558)</u>	<u>(4,048,233)</u>	<u>-</u>	<u>(15,824,791)</u>
Total accumulated depreciation	<u>(29,440,934)</u>	<u>(5,094,921)</u>	<u>161,879</u>	<u>(34,373,976)</u>
Total capital assets being depreciated, net	<u>100,273,730</u>	<u>(2,728,037)</u>	<u>-</u>	<u>97,545,693</u>
Governmental activities capital assets, net	<u>\$ 106,782,335</u>	<u>\$ (2,728,037)</u>	<u>\$ -</u>	<u>\$ 104,054,298</u>

For the year ended June 30, 2015, depreciation expense was charged to functions of the City as follows:

Governmental Activities:

General government	\$ 4,406,442
Public safety	246,875
Highways and streets	63,168
Parks and recreation	<u>378,436</u>
Total depreciation expense, governmental activities	<u>\$ 5,094,921</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

8. CAPITAL ASSETS (continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2015:

	<u>Balance at June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
	(as restated)			
Business-type Activities				
Capital assets not being depreciated:				
Investment in water stock	\$ 93,184	\$ -	\$ -	\$ 93,184
Land	3,579,749	-	-	3,579,749
Water rights	37,475,332	-	-	37,475,332
Construction in progress	<u>4,630,286</u>	<u>288,301</u>	<u>-</u>	<u>4,918,587</u>
Total capital assets not being depreciated	<u>45,778,551</u>	<u>288,301</u>	<u>-</u>	<u>46,066,852</u>
Capital assets, being depreciated:				
Buildings	6,230,382	-	-	6,230,382
Improvements other than buildings	78,129,972	4,197,530	-	82,327,502
Office furniture & fixtures	74,601	-	-	74,601
Machinery and equipment	2,841,976	110,381	-	2,952,357
Automobiles and trucks	932,697	23,000	(20,937)	934,760
Infrastructure	<u>4,405,721</u>	<u>722,437</u>	<u>-</u>	<u>5,128,158</u>
Total capital assets being depreciated	<u>92,615,349</u>	<u>5,053,348</u>	<u>(20,937)</u>	<u>97,647,760</u>
Less accumulated depreciation for:				
Buildings	(3,022,873)	(146,958)	-	(3,169,831)
Improvements other than buildings	(27,012,580)	(1,892,017)	-	(28,904,597)
Office furniture & fixtures	(74,601)	-	-	(74,601)
Machinery and equipment	(2,557,351)	(69,663)	-	(2,627,014)
Automobiles and trucks	(791,063)	(42,455)	20,937	(812,581)
Infrastructure	<u>(330,152)</u>	<u>(116,173)</u>	<u>-</u>	<u>(446,325)</u>
Total accumulated depreciation	<u>(33,788,620)</u>	<u>(2,267,266)</u>	<u>20,937</u>	<u>(36,034,949)</u>
Total capital assets being depreciated, net	<u>58,826,729</u>	<u>2,786,082</u>	<u>-</u>	<u>61,612,811</u>
Business-type activities, net	<u>\$ 104,605,280</u>	<u>\$ 3,074,383</u>	<u>\$ -</u>	<u>\$ 107,679,663</u>

As explained in Note 19, the City has restated the prior year financial information to include additional water rights identified by management during the current year. The purpose of the water rights is to provide water resources for land development in the future as those parcels of land are developed.

For the year ended June 30, 2015, depreciation expense was charged to business-type activities of the City as follows:

Business-type Activities:

Water fund	\$ 1,138,957
Sewer fund	1,009,069
Garbage utility fund	3,067
Storm water fund	<u>116,173</u>
Total depreciation expense, business-type activities	<u>\$ 2,267,266</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT

The following is a summary of transactions affecting long-term liabilities for the year ended June 30, 2015:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Reductions & Deletions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
Revenue bonds payable	\$ 19,552,000	\$ -	\$ (1,123,000)	\$ 18,429,000	\$ 1,217,000
Net OPEB obligations	1,018,048	142,269	-	1,160,317	-
Obligations under capital leases	92,778	-	(45,933)	46,845	46,845
Grantsville legal settlement	2,087,220	-	(64,500)	2,022,720	66,000
Tooele Associates legal settlement	13,949,452	-	(1,739,875)	12,209,577	1,356,620
Compensated absences	470,936	-	(8,565)	462,371	-
Deferred amounts:					
Unamortized bond premiums	540,776	-	(32,066)	508,710	-
Loss on defeasance	(410,125)	-	33,253	(376,872)	-
Total governmental long-term liabilities	<u>\$ 37,301,085</u>	<u>\$ 142,269</u>	<u>\$ (2,980,686)</u>	<u>\$ 34,462,668</u>	<u>\$ 2,686,465</u>

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Reductions & Deletions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
(as restated)					
Business-type Activities:					
Revenue bonds payable	\$ 13,187,000	\$ -	\$ (1,253,000)	\$ 11,934,000	\$ 1,291,000
Net OPEB obligations	44,988	6,287	-	51,275	-
Compensated absences	63,309	664	-	63,973	-
Tooele Associates legal settlement	6,768,750	-	(6,768,750)	-	-
Deferred amounts:					
Loss on defeasance	(227,693)	-	31,124	(196,569)	-
Total business-type long-term liabilities	<u>\$ 19,836,354</u>	<u>\$ 6,951</u>	<u>\$ (7,990,626)</u>	<u>\$ 11,852,679</u>	<u>\$ 1,291,000</u>

Government-type Activities:	Current Outstanding Balances
Description of Bond Issue	
On January 5, 2012, the City issued \$9,400,000 in Sales Tax Refunding Bonds (Series 2012) at interest rates from 2.00% to 5.00% with a final maturity date of October 1, 2031. Principal payments are due annually with interest payments due on April 1 and October 1 of each year. The bonds were issued to partially advance refund the 2002 Sales Tax Revenue Bonds and to pay the costs of issuing the Series 2012 bonds. The total principal and interest remaining on the defeased bonds was \$4,595,000. The 2012 bonds maturing before October 1, 2022 are not subject to redemption at the option of the City. The 2012 bonds maturing on or after October 1, 2022 are subject to optional redemption in whole or in part on or after October 1, 2021 at the option of the City at a redemption price equal to 100% of the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest up to the date of redemption. The Series 2012 Bonds maturing on October 1, 2031 are subject to mandatory sinking fund redemption at a price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption. This advance refunding was undertaken to reduce total debt service payments by approximately \$336,403 over a 15 year period, and resulted in an overall economic gain of \$296,864. The deferred loss of \$509,884 is being amortized over what would have been the remaining life of the Series 2002 Sales Tax Revenue Bonds.	8,645,000
In September 2005, Tooele City issued Lease Revenue Refunding Bonds Series 2005 in the amount of \$7,460,000 with original interest rates of 3.50% - 4.50%. The bonds mature on December 1, 2024, with principal payments due annually on December 1, and interest payments due on June 1 and December 1 of each year.	4,615,000
In October 2005, Tooele City issued Sales Tax Revenue Bonds Series 2005 in the amount of \$1,730,000 with original interest rates of 3.80%. The bonds mature on October 1, 2020, with principal payments due annually on October 1, and interest payments due on April 1 and October 1 of each year.	809,000
In November 2008, Tooele City issued Franchise Tax Revenue Bonds Series 2008 in the amount of \$5,550,000 with original interest rates of 4.00% - 5.00%. The bonds mature on November 1, 2028, with principal payments due annually on November 1, and interest payments due on May 1 and November 1 of each year.	4,360,000
Total governmental activities - bonds	<u>\$ 18,429,000</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

Description of Grantsville Legal Settlement	Current Outstanding Balances
<p>During 2001, the City was served a complaint from two neighboring cities regarding the acquisition of closed portions of the Tooele Army Depot by the Redevelopment Agency of Tooele City. The complaint alleged that military closure and properties are to benefit the entire community, not just Tooele City. Tooele City responded that its actions were entirely lawful, consistent with military closure law, and did in fact benefit the entire community through economic development and job creation. The lawsuit was settled as of the fiscal year ended June 30, 2011. Terms of the settlement included the Redevelopment Agency paying \$100,000 to the neighboring cities as well as agreeing to pay a significant portion of the debt service (principal and interest) on a 25 year, \$2,500,000 bond for the City of Grantsville to be used in the construction of a library building. The original liability due from the Redevelopment Agency totaled \$2,150,000. The settlement agreement requires the Redevelopment Agency to additionally pay interest in the amount of 2.5% per annum on the liability. The annual payments due from the settlement agreement began on October 1, 2013 and continue through October 1, 2037. These payments are included in "administrative costs of the agency" in note 17.</p>	\$ 2,022,720
Total governmental activities - Grantsville Legal Settlement	\$ 2,022,720

Description of Tooele Associates Legal Settlement	Current Outstanding Balances
<p>On June 5, 2002, Tooele Associates ("Plaintiff") filed a Complaint for Declaratory Judgment, Temporary Restraining Order, and Preliminary Injunction with the Tooele Third District Court. The temporary restraining order was denied. Tooele City filed a Counterclaim, and Plaintiff amended its Complaint to include a broad range of claims. In August 2012, the Court of Appeals reinstated the verdict and remanded for entry of judgment. Judgment was entered against Tooele City on November 9, 2013, in the amount of \$20,718,202, including interest at 2.15% per annum. The first installment payment is due August 7, 2014 with annual payments thereafter on July 31st through 2023. The first payment also includes a payment of initial water certificates in the amount of \$6,768,750. This amount has been allocated to the water fund as of June 30, 2014 and during 2015, the City conveyed these water certificates to the plaintiff, satisfying this portion of the debt in full. As of June 30, 2015, the total remaining amount of the judgment has been accrued in the governmental activities in the amount of \$12,209,577.</p>	\$ 12,209,577
Total governmental activities - Tooele Associates Legal Settlement	\$ 12,209,577

Business-type Activities:

Description of Bond Issue	Current Outstanding Balances
<p>On September 30, 2011, the City issued \$5,680,000 in Sewer Revenue Refunding Bonds (Series 2011) at an interest rate of 2.50% with a final maturity date of February 1, 2019. Principal payments are due annually with interest payments due on February 1 and August 1 of each year. The bonds were issued to partially advance refund the 1997 Sewer Revenue Bonds Series 1997B and the Tooele City Sewer Bonds Series 2001A as well as to pay the costs of issuing the Series 2011 bonds. The total principal and interest remaining on the defeased bonds was \$6,094,175. The 2011 bonds maturing before February 1, 2018 are not subject to redemption at the option of the City. The Series 2011 bonds maturing on or after February 1, 2018 are subject to optional redemption, in whole, on or after February 1, 2017 at the option of the City at a redemption price equal to 100% of the principal amount of the Series 2011 Bonds to be redeemed plus accrued interest up to the date of redemption. This refunding was undertaken to reduce total debt service payments over 7 years by \$442,508 and resulted in an estimated economic gain of \$420,324. The City recorded a deferred loss of \$137,461 that is being amortized over what would have been the remaining life of the Series 1997B and Series 2001A Sewer Revenue Bonds.</p>	\$ 2,937,000
<p>On October 5, 2011, the City issued \$5,753,000 in Water Revenue Refunding Bonds (Series 2011) at an interest rate of 3.10% with a final maturity date of April 1, 2026. Principal payments are due annually with interest payments due on April 1 and October 1 of each year. The bonds were issued to partially advance refund the 2006 Water Revenue Refunding Bonds and to pay the costs of issuing the Series 2011 bonds. The total principal and interest remaining to on the defeased bonds was \$6,278,952. The 2011 bonds maturing before October 1, 2020 are not subject to redemption at the option of the City. The 2011 bonds maturing between October 1, 2020 and September 30, 2021 are subject to optional redemption at 102% of par. The 2011 bonds maturing Between October 1, 2021 and September 30, 2022 are subject to optional redemption at 101% of par. Commencing October 1, 2022, the Bonds will be subject to redemption at par. This refunding was undertaken to reduce total debt service payments over 15 years by \$623,664 and resulted in an estimated economic gain of \$512,824. The City recorded a deferred loss of 183,604 that is being amortized over the remaining life of the Series 2011 Water Revenue Bonds.</p>	4,721,000

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

9. LONG-TERM DEBT (continued)

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

	4,276,000
Total business-type activities - bonds	\$ 11,934,000

The debt service requirements on bonds and long-term debt at June 30, 2015 are as follows:

Year Ending June 30,	Governmental Activities - Bonds		Business-type Activities - Bonds		Governmental Activities - Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,217,000	\$ 728,440	\$ 1,291,000	\$ 399,181	\$ -	\$ -
2017	1,262,000	682,925	1,322,000	364,197	-	-
2018	1,312,000	635,835	1,365,000	328,247	-	-
2019	1,362,000	586,170	1,000,000	291,145	-	-
2020	1,412,000	535,543	556,000	261,996	-	-
2021-2025	7,323,000	1,811,182	3,074,000	1,005,780	-	-
2026-2030	3,855,000	518,953	1,497,000	558,308	-	-
2031-2035	686,000	34,625	1,247,000	304,245	-	-
2036-2040	-	-	582,000	39,600	-	-
Total debt	18,429,000	\$ 5,533,673	11,934,000	\$ 3,552,699	\$ -	\$ -
Unamortized premiums	508,710		-			
Loss on defeasance	(376,872)		(196,569)			
Total	\$ 18,560,838		\$ 11,737,431			

Year Ending June 30,	Governmental Activities - Grantsville Legal Settlement		Governmental Activities - Legal Liability	
	Principal	Interest	Principal	Interest
2016	\$ 66,000	\$ 50,575	\$ 1,356,620	\$ 257,472
2017	68,000	48,925	1,356,620	233,978
2018	70,000	47,225	1,356,620	204,171
2019	71,000	45,475	1,356,620	175,004
2020	73,000	43,700	1,356,620	145,837
2021-2025	394,000	190,175	5,426,477	291,993
2026-2030	445,000	138,475	-	-
2031-2035	503,000	80,025	-	-
2036-2040	332,720	16,800	-	-
Total debt	\$ 2,022,720	\$ 661,375	\$ 12,209,577	\$ 1,308,455

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

10. PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liability for the defeased bonds are not included in the financial statements of the reporting entity. At June 30, 2015, bonding totaling \$24,884,000 from the City are considered defeased. The deferred charge on refunding reported in the government-wide statement of net position and proprietary funds under deferred outflows of resources results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. As of June 30, 2015, the City had deferred outflows of resources in the amount of \$573,441.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

11. CAPITAL LEASES

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met. The capital lease will continue through June 2016. The following is a schedule by year of future minimum lease payments as of June 30, 2015.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2016	\$ 49,507
Total minimum lease payments	49,507
Less amounts representing interest	(2,662)
Present value of net minimum lease payments	46,845
Less current portion of capital lease obligations	(46,845)
Capital lease obligations net current portion	<u>\$ -</u>

Equipment and related accumulated depreciation under capital leases are included under capital assets in the Governmental Activities and as of June 30, 2015, are as follows:

Equipment under capital lease	\$ 217,000
Less accumulated depreciation	(173,600)
Equipment under capital lease, net	<u>\$ 43,400</u>

12. DEFERRED INFLOW OF RESOURCES-UNAVAILABLE PROPERTY TAXES

Property taxes in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable on November 30. Since the property tax to be levied on October 1, 2015 is not expected to be received within 60 days after the year ended June 30, 2015, the City records unearned revenues of the estimated amount of the total property tax.

13. INTERFUND TRANSFERS

Interfund transfers are used to move revenues from the fund required to collect them to the fund required to expend them in accordance with statute and budgetary authorization. Additionally, interfund transfers are used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015 are as follows:

	<u>Transfers out</u>				<u>Transfers In</u>
	<u>General Fund</u>	<u>Depot</u>		<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	
		<u>Agency Fund</u>	<u>Road C</u> <u>Maintenance Fund</u>		
General Fund	\$ -	\$ -	\$ -	\$ 1,721,820	\$ 1,721,820
Nonmajor Governmental Fund	-	-	-	-	-
Debt Service Fund	<u>274,293</u>	<u>411,399</u>	<u>647,835</u>	<u>700,749</u>	<u>2,034,276</u>
Total Transfers out	<u>\$ 274,293</u>	<u>\$ 411,399</u>	<u>\$ 647,835</u>	<u>\$ 2,422,569</u>	<u>\$ 3,756,096</u>

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLANS

General Information About the Pension Plan

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

- Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System); are multiple employer, cost sharing, public employees, retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) are multiple employer, cost sharing, public employees, retirement systems.

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

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

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

Summary of Benefits by System

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% Depending on the Employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLAN (continued)

Contribution rates are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System:			
11-Local Government Division Tier 1	N/A	6.00%	14.460%
111-Local Government Division Tier 2	N/A	N/A	14.940%
Noncontributory System:			
15-Local Government Division Tier 1	N/A	N/A	18.470%
Public Safety System:			
43-Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122-Other Division A Contributory Tier 2	N/A	N/A	22.550%

Contribution amounts are as follows:

<u>For the Fiscal Years ended June 30,</u>	<u>Employee Paid Contributions</u>	<u>Employer Paid for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division Tier 1 and Tier 2					
2015	\$ -	\$ 4,960	\$ 59,518	\$ 64,478	\$ 657,267
2014	-	6,379	44,004	50,383	457,914
2013	-	8,765	28,345	37,110	271,918
Noncontributory System:					
Local Governmental Division Tier 1					
2015	\$ -	-	\$ 645,688	645,688	\$ 3,399,139
2014	-	-	620,471	620,471	3,607,152
2013	-	-	588,969	588,969	3,775,827
Public Safety System					
Other Division A Contributory Tier 2					
2015	\$ -	-	\$ 31,180	31,180	\$ 288,714
2014	-	-	20,458	20,458	185,638
2013	-	-	10,209	10,209	91,975
Other Division A Noncontributory Tier 1					
2015	\$ -	-	491,457	491,457	\$ 1,436,266
2014	-	-	466,112	466,112	1,489,801
2013	-	-	406,670	406,670	1,407,076

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

At June 30, 2015, the City reported a net pension asset of \$12,853 and a net pension liability of \$3,010,331. These balances are broken out by system as follows:

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.3969544%	\$ -	\$ 1,723,669
Contributory System	0.2018151%	-	58,212
Public Safety System	0.9768338%	-	1,228,450
Tier 2 Public Employees System	0.1046091%	3,170	-
Tier 2 Public Safety and Firefighter System	0.6545410%	9,683	-
Total Net Pension Asset/Liability		<u>\$ 12,853</u>	<u>\$ 3,010,331</u>

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLAN (continued)

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

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

For the year ended December 31, 2014, we recognized pension expense of \$838,766. At June 30, 2015, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 316	\$ 187,197
Changes in assumptions	-	338,115
Net difference between projected and actual earnings on pension plan investments	71,684	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	606,794	-
Total	\$ 678,794	\$ 525,312

\$606,794 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$ (131,407)
2016	(124,289)
2017	(121,382)
2018	(72,413)
2019	(582)
Thereafter	(3,243)

Actuarial Assumptions

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

Inflation	2.75 Percent
Salary Increases	3.50 - 10.50 percent, average, including inflation
Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLAN (continued)

Actuarial Assumptions (continued)

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

Retired Member Mortality:

Class of Member

Educators:

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters:

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees:

Men RP 2000mWC (100%)

Women EDUF (120%)

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

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

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

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

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected Arithmetic Nominal Return		7.98%

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

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

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

14. RETIREMENT PLAN (continued)

Actuarial Assumptions (continued)

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension Liability	\$ 7,444,966	\$ 2,997,478	\$ 668,142

Pension Plan Fiduciary Net Position:

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

Payables to the Pension Plan:

At June 30, 2015 the City had \$353,793 in its accrued liabilities balance payable to the Systems for pay periods falling within fiscal year 2015.

15. EMPLOYEE BENEFIT PLANS

The City offers a non-contributory pension plan for volunteer firefighters. Originally, the Plan was funded by the City and administered by a third party. During 2000, the City assumed administration of the Plan as a non-qualified pension trust. Every two years, an independent actuary calculates the annual contribution requirement to keep the fund actuarially sound. Benefits are paid at retirement after age sixty-five, at \$5 per month per year of service for life, and are subject to a vesting schedule. Pension contributions for the years ended June 30, 2015, 2014, and 2013 were \$76,112, \$73,809 and \$73,809, respectively.

The City provides 401(k) plans for all eligible employees. Employees are enrolled in one of two plans: (1) Tooele City Employees' 401(k) Plan managed by John Hancock; or, (2) Utah State Retirement System 401(k) Plan. The Tooele City Employees' 401(k) Plan is available to full-time employees who are 18 or older and have completed six months of continuous employment. Employees become fully vested in the Plan at the conclusion of four years of employment. Employees enrolled in the Tooele City Employees' 401(k) Plan prior to June 30, 2011 were permitted to remain in that plan. Employees enrolling in a 401(k) plan on or after July 1, 2011 may elect to enroll in the Utah Retirement 401(k) Plan. Vesting is immediate in the Utah Retirement 401(k) Plan. Employees may voluntarily contribute to their 401(k) Plan in an amount not to exceed limitations established by the Internal Revenue Service. The City may make contributions at the discretion of the City Council. The City made no discretionary contributions to the 401(k) plans for the years ended June 30, 2015, 2014 and 2013.

In 2014 the City council approved an equalization benefit calculation for part-time elected officials who would be members of the Tier 2 retirement plan. Under the Tier 2 plan, part-time elected officials are not eligible for retirement. To eliminate this inequity among part-time elected officials, the City makes the equivalent contribution to a URS 401k account for these elected officials equal to what is paid on behalf of other part-time elected officials in the Tier 1 plan. Contributions made for the years ended June 30, 2015 and 2014 were \$6,119 and \$5,391, respectively.

Total employer contributions to the Tooele City Employees' 401(k) Plan for the years ending June 30, 2015, 2014, and 2013 were \$85,884, \$81,348 and \$77,038, respectively. Salaries subject to contributions were \$490,469, \$479,515 and \$474,591, respectively, for the same years. These contributions represent post-retired rehire contributions and URS pension exemption contributions, which are made in lieu of URS pension premiums as permitted by law.

The City provides a Defined Contribution System Traditional IRA Plan for all eligible employees. Employee contributions to the plan for the years ending June 30, 2015, 2014 and 2013 were \$3,171, \$2,087 and \$1,490, respectively.

The City provides a Defined Contribution System Roth IRA Plan for all eligible employees. Employee contributions to the plan for the years ending June 30, 2015, 2014 and 2013 were \$19,714, \$19,718 and \$19,681, respectively.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

16. OTHER POSTEMPLOYMENT BENEFITS

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

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

The City's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the City's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2015, the City's annual OPEB cost (expense) was \$148,556. The following table shows the components of the City's net annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Three-year trend information is as follows:

<u>For the fiscal years ended June 30,</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 209,000	\$ 278,731	\$ 290,843
Net OPEB obligation amortization adjustment to the ARC	<u>275</u>	<u>219</u>	<u>164</u>
Annual OPEB cost	209,275	278,950	291,007
Contributions made	<u>(60,719)</u>	<u>(62,626)</u>	<u>(78,853)</u>
Increase in net OPEB obligation	148,556	216,324	212,154
Net OPEB obligation beginning of year	<u>1,063,036</u>	<u>846,712</u>	<u>634,558</u>
Net OPEB obligation end of year	<u>\$ 1,211,592</u>	<u>\$ 1,063,036</u>	<u>\$ 846,712</u>

The funded status of the plan as of July 1, 2014, the date of the latest actuarial valuation, is as follows:

<u>As of July 1,</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial accrued liability (AAL)	\$ 1,935,169	\$ 2,361,364	\$ 2,545,799
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,935,169</u>	<u>\$ 2,361,364</u>	<u>\$ 2,545,799</u>
Funded ration (actuarial value of plan assets/AAL)	0%	0%	0%
Annual covered payroll (active plan members)	\$ 5,757,269	\$ 5,891,199	\$ 5,719,611
UAAL as percentage of annual covered payroll	33.61%	40.08%	44.51%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of an occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, present the results of OPEB valuations as of June 30, 2015 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% unfunded discount rate and an annual healthcare costs trend rate of 6.75% initially, reduced by decrements of .25% for the following 8 years. Covered payroll included a 3.0% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its obligations. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over an open thirty year period.

17. REDEVELOPMENT AGENCIES

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

- A. The collections of tax increment revenue by Redevelopment Agencies as of June 30, 2015 are as follows:

Project Area	Amount
Depot	\$ 1,397,649
Industrial Park	65,171
Downtown	86,301
Total	\$ 1,549,121

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

Project Area	Acquisition of Property	Site Improvement or Preparation Costs	Installation of Public Utilities or Other Public Improvements	Administrative Costs of the Agency
Depot	\$ 150,000	\$ 650,000	\$ -	\$ 827,650
Industrial Park	-	-	-	65,220
Downtown	-	-	-	-
Total	\$ 150,000	\$ 650,000	\$ -	\$ 892,870

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

18. LITIGATION AND SPECIAL ITEMS

Tooele City has leased a City-owned agricultural property located near Vernon, Utah, to a private sod farmer, "Plaintiff" since approximately 1991, pursuant to a lease entitled Vernon Ranch Management Agreement and Grazing Lease ("Agreement"). On November 20, 2012, Tooele City, through outside legal counsel, provided written notice that the Agreement had terminated under its terms on December 31, 2007. On January 18, 2013, Tooele City, through counsel, provided written notice of no-cause termination of the Agreement, as an alternative termination to the November 20, 2012 notice of expiration. On May 8, 2013 Tooele City filed a complaint (1) seeking a Declaratory judgment regarding the termination of the Agreement and (2) for Unlawful Detainer. The Plaintiff filed a counterclaim seeking damages under the Agreement for value of Plaintiff's sod crop. Tooele City negotiated with Plaintiff an agreement for Plaintiff's full and complete exit from the Tooele City property, to be accomplished no later than December 10, 2013. Discovery is complete. A trial in this matter was scheduled for September and October 2015 and a mediation attempt in September 2015 resulted in a potential settlement in which the Plaintiff agreed to acquire the property for \$3.4 million and to pay for an irrigation water supply. It appears, however, the Plaintiff may not close on the transaction, and that the matter will be set for trial in early 2016. At trial, the court will determine what damages, if any, are owned by either party. The above-referenced exit agreement allowed the Plaintiff to mitigate its damages by harvesting all the sod for which the Plaintiff could claim damages, and by removing all of the Plaintiff's irrigation equipment. Detailed photographic evidence prepared by Tooele City shows that little, if any, harvestable sod remained on the property. During several pre-trial dispositive motions, the court reduced the value of the Plaintiff's claims from more than \$3 million to less than \$300,000. The Plaintiff has promised to appeal the rulings in those pre-trial motions. The financial statements do not reflect any adjustments pending the outcome of this litigation.

In November 2015, attorneys for an individual filed a Notice of Claim against Tooele City under the Utah Governmental Immunity Act. The Claim seeks an undisclosed amount for defamation of character, making false statements, infliction of emotional distress, and other sundry torts. The Claimant refused an early settlement offer of \$12,500. The matter is being defended by outside counsel appointed by the City's insurer. The City's insurance deductible is \$15,000. The financial statements do not reflect any adjustments pending the outcome of this litigation.

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

19. RECLASSIFICATIONS AND ADJUSTMENTS

In fiscal year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the City has established the following at the government-wide and proprietary fund financial statement level to account for its defined benefit plans with the Utah State Retirement System: net pension asset, deferred outflows of resources related to pensions, net pension liability, and deferred inflows of resources related to pensions. The net effect of this accounting required a prior period adjustment reducing net position to governmental activities by \$2,911,565 and business-type activities by \$318,769.

During the current year, the City determined a portion of the payment due to Tooele Associates related to the water rights due to the Plaintiff were to be paid out of the Water Fund. Previously, the entire amount of long-term debt had been held in the governmental activities. As a result, the City recorded a prior period adjustment to move the portion of the liability due to be settled in water rights from the governmental activities to the water fund and business-type activities in the amount of \$6,768,750. During 2015, this amount was paid to the Plaintiff in the form of water rights. In addition, during 2015, the City identified certain water rights that had not been recorded during the prior years as part of the GASB 34 implementation. The city identified approximately 8,400 additional water rights during this evaluation and as a result recorded an increase to ending net position and water rights asset in the amount of \$32,329,512 in the Water Fund.

Related to the valuation of the \$32,329,512 water right adjustment described above, the City obtained the historical record for the purchases of the water rights that were available and assigned the historical cost specifically to those rights. For the remaining amount of water rights that did not have historical record of a purchase price, in accordance with GASB 34, management has estimated the historical value on a per acre-foot of water rights. This City has worked with their engineer and attorney to determine the value that would be applied for water rights without a readily determinable historical value. As of July 1, 2014, the value management has estimated as the historical amount and assigned per acre-foot of water rights without a historical value was \$3,750.

During the current year the Capital Projects Fund did not meet the criteria to be classified as a major governmental fund. The Capital Projects Fund's beginning fund balance of \$6,170,986 as of July 1, 2014 has been reclassified from a major to a nonmajor governmental fund.

TOOELE CITY CORPORATION
Notes to Financial Statements (continued)

19. RECLASSIFICATIONS AND ADJUSTMENTS (continued)

A summary of the restatement is as follows:

	<u>Government Wide Financial</u> <u>Statements</u>		<u>Governmental Funds</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Other Major</u> <u>Funds</u>	<u>Non Major</u> <u>Funds</u>
Net position/fund balances as originally stated July 1, 2014	\$ 83,119,619	\$ 72,884,054	\$ 16,620,019	\$ 3,772,957
Implementation of GASB 68	(2,911,565)	(318,769)	-	-
Liability moved from Governmental Activities to Water Fund	6,768,750	(6,768,750)	-	-
Water rights	-	32,329,512	-	-
Adjustment from Major to Nonmajor Fund	-	-	(6,170,986)	6,170,986
Net restatement	<u>3,857,185</u>	<u>25,241,993</u>	<u>(6,170,986)</u>	<u>6,170,986</u>
Net position/fund balances as restated - July 1, 2014	<u>\$ 86,976,804</u>	<u>\$ 98,126,047</u>	<u>\$ 10,449,033</u>	<u>\$ 9,943,943</u>

	<u>Proprietary Funds</u>	
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>
Net position as originally stated July 1, 2014	\$ 38,193,020	\$ 25,815,843
Implementation of GASB 68	(168,761)	(150,008)
Liability moved from Governmental Activities to Water Fund	(6,768,750)	-
Water rights	32,329,512	-
Net restatement	<u>25,392,001</u>	<u>(150,008)</u>
Net position as restated - July 1, 2014	<u>\$ 63,585,021</u>	<u>\$ 25,665,835</u>

20. NEGATIVE UNRESTRICTED NET POSITION

Due to the settlement with Tooele Associates described in Note 9, unrestricted net position reported in the government wide statement of net position was negative as of June 30, 2015. Without this settlement liability, unrestricted net assets would have been \$10,719,372. During 2015, the City made cash payments in the amount of \$1,739,875 and transferred water rights certificates to Tooele Associates in the amount of \$6,768,750, as required by the settlement agreement.

21. COMMITMENTS AND CONTINGENCIES

As of June 30, 2015, it was determined that negative cash balances being carried by nonmajor governmental funds in the amount of \$150,000 are recoverable under the current operating agreements.

REQUIRED SUPPLEMENTARY INFORMATION

TOOELE CITY CORPORATION
Schedule of the Proportionate Share of the Net Pension Liability - Last Ten Fiscal Years*
Required Supplementary Information
For the Year Ended June 30, 2015

	<u>Noncontributory System</u>	<u>Contributory Retirement System</u>	<u>Public Safety System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Proportion of the net pension liability	0.3969544%	0.2018151%	0.9768338%	0.1046091%	0.6545410%
Proportionate share of the net pension liability (asset)	\$ 1,723,669	\$ 58,212	\$ 1,228,450	\$ (3,170)	\$ (9,683)
Covered employee payroll	\$ 3,436,676	\$ 107,899	\$ 1,461,239	\$ 513,414	\$ 270,535
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.2%	54.0%	84.1%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	94.0%	90.5%	103.5%	120.5%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.

TOOELE CITY CORPORATION
Schedule of Contributions - Last Ten Fiscal Years*
Required Supplementary Information
For the Year Ended June 30, 2015

	<u>Noncontributory System</u>	<u>Contributory Retirement System</u>	<u>Public Safety System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Contractually required contribution	\$ 623,901	\$ 14,975	\$ 481,144	\$ 43,159	\$ 29,493
Contributions in relation to the contractually required contributions	<u>(623,901)</u>	<u>(14,975)</u>	<u>(481,144)</u>	<u>(43,159)</u>	<u>(29,493)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,436,676	\$ 107,899	\$ 1,461,239	\$ 513,414	\$ 270,535
Contributions as a percentage of covered- employee payroll **	18.15%	13.88%	32.93%	8.41%	10.90%

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10- years of information. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.

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

TOOELE CITY CORPORATION
Postemployment Benefit Plan - Schedule of Funding Progress
Required Supplementary Information
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 2,054,272	\$ 2,054,272	0.0%	\$ 5,080,125	40.44%
7/1/2010	\$ -	\$ 2,145,342	\$ 2,145,342	0.0%	\$ 4,846,496	44.27%
7/1/2011	\$ -	\$ 2,328,810	\$ 2,328,810	0.0%	\$ 5,204,545	44.75%
7/1/2012	\$ -	\$ 2,545,799	\$ 2,545,799	0.0%	\$ 5,719,611	44.51%
7/1/2013	\$ -	\$ 2,361,364	\$ 2,361,364	0.0%	\$ 5,891,199	40.08%
7/1/2014	\$ -	\$ 1,935,169	\$ 1,935,169	0.0%	\$ 5,757,269	33.61%

TOOELE CITY CORPORATION
Notes to Required Supplementary Information
For the Year Ended June 30, 2015
With a Measurement Date of December 31, 2014

OTHER INFORMATION THAT IS NOT REQUIRED AS PART OF RSI

The actuarially determined contribution rates are calculated as of January 1 and become effective on July 1 of the following year, which is 18 months after the valuation date. The Utah Retirement Systems' Board certifies the contribution rates that employers are contractually required to contribute to the Retirement System. According to Section 49-11-301(5) of the Utah Code, if the funded ratio of the plan is less than 110 percent, then the Board is permitted to maintain the prior year's contribution rate if the actuarially determined contribution is lower. The Board has historically followed this policy.

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31, 2014.

Defined Contribution System

	Employee Paid Contributions	Employer Paid Contributions *
401(k) Plan	\$ 35,428	\$ 36,390
457 Plan	-	-
Roth IRA Plan	19,675	-
Traditional IRA Plan	2,745	-
HRA Plan	-	-

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

SUPPLEMENTAL INFORMATION

TOOELE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds					Capital Projects Funds				Totals
	Par Tax Fund	Code Enforcement Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Capital Projects Fund	Public Safety Capital Projects Fund	
Assets										
Cash and cash equivalents	\$ -	\$ 2,480	\$ -	\$ 187,629	\$ 55,657	\$ 885,137	\$ 227,909	\$ 4,079,490	\$ -	\$ 5,438,302
Receivables:										
Accounts	5,900	-	-	-	-	-	-	-	-	5,900
Assessments	63,632	-	-	-	-	-	-	-	-	63,632
Taxes	-	-	-	70,000	90,000	-	-	-	-	160,000
Loans receivable	-	-	-	-	6,124	-	-	-	-	6,124
Restricted cash and cash equivalents	1,010,634	-	87,621	-	87,500	-	731,209	-	1,092,485	3,009,449
Total assets	<u>\$ 1,080,166</u>	<u>\$ 2,480</u>	<u>\$ 87,621</u>	<u>\$ 257,629</u>	<u>\$ 239,281</u>	<u>\$ 885,137</u>	<u>\$ 959,118</u>	<u>\$ 4,079,490</u>	<u>\$ 1,092,485</u>	<u>\$ 8,683,407</u>
Liabilities:										
Accounts payable	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,339	\$ -	\$ 7,359
Due to other funds	-	20,000	-	-	-	130,000	-	-	-	150,000
Total liabilities	<u>-</u>	<u>20,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>7,339</u>	<u>-</u>	<u>157,359</u>
Deferred inflows of resources:										
Unavailable revenue - property taxes	-	-	-	70,000	90,000	-	-	-	-	160,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,000</u>
Fund balances:										
Restricted										
Public safety	-	-	-	-	-	-	-	-	1,092,485	1,092,485
Park development	-	-	-	-	-	-	909,118	-	-	909,118
Recreation and arts	1,080,166	-	-	-	-	-	-	-	-	1,080,166
Debt service	-	-	87,621	-	87,500	-	50,000	-	-	225,121
Roads	-	-	-	-	-	-	-	-	-	-
Assigned										
Capital projects	-	-	-	-	-	-	-	4,072,151	-	4,072,151
Redevelopment agency projects	-	-	-	187,629	61,781	-	-	-	-	249,410
Debt service	-	-	-	-	-	755,137	-	-	-	755,137
Unassigned	-	(17,540)	-	-	-	-	-	-	-	(17,540)
Total fund balances	<u>1,080,166</u>	<u>(17,540)</u>	<u>87,621</u>	<u>187,629</u>	<u>149,281</u>	<u>755,137</u>	<u>959,118</u>	<u>4,072,151</u>	<u>1,092,485</u>	<u>8,366,048</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,080,166</u>	<u>\$ 2,480</u>	<u>\$ 87,621</u>	<u>\$ 257,629</u>	<u>\$ 239,281</u>	<u>\$ 885,137</u>	<u>\$ 959,118</u>	<u>\$ 4,079,490</u>	<u>\$ 1,092,485</u>	<u>\$ 8,683,407</u>

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds					Capital Project Funds				Totals
	Par Tax Fund	Code Enforcement Fund	Municipal Building Authority	Industrial Park Redevelopment Agency	Downtown Redevelopment Agency	Debt Service Fund	Park Improvements Fund	Capital Projects Fund	Public Safety Capital Projects Fund	
Revenues:										
Taxes	\$ 358,267	\$ -	\$ -	\$ 65,171	\$ 86,301	\$ -	\$ -	\$ -	\$ -	\$ 509,739
Licenses and permits	-	8,166	-	-	-	-	-	-	-	8,166
Intergovernmental revenues	-	-	-	-	-	-	-	5,000	-	5,000
Interest income	4,202	4	647	859	805	2,274	3,891	21,397	5,144	39,223
Impact fees	-	-	-	-	-	-	334,249	-	76,952	411,201
Miscellaneous revenue	17,787	-	-	-	-	-	-	-	-	17,787
Rental income	-	-	563,248	-	-	-	-	-	-	563,248
Total revenues	<u>380,256</u>	<u>8,170</u>	<u>563,895</u>	<u>66,030</u>	<u>87,106</u>	<u>2,274</u>	<u>338,140</u>	<u>26,397</u>	<u>82,096</u>	<u>1,554,364</u>
Expenditures:										
General government	153,517	-	-	65,220	-	-	-	45,753	1,600	266,090
Public safety	-	25,710	-	-	-	-	-	-	-	25,710
Capital outlay	-	-	-	-	-	-	-	303,651	-	303,651
Debt service:										
Principal - bonds & notes	-	-	-	-	-	1,123,000	-	-	-	1,123,000
Principal - capital lease	-	-	-	-	-	-	-	45,933	-	45,933
Interest	-	-	-	-	-	774,326	-	8,075	-	782,401
Trustee fees	-	-	-	-	-	6,950	-	-	-	6,950
Total expenditures	<u>153,517</u>	<u>25,710</u>	<u>-</u>	<u>65,220</u>	<u>-</u>	<u>1,904,276</u>	<u>-</u>	<u>403,412</u>	<u>1,600</u>	<u>2,553,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,739</u>	<u>(17,540)</u>	<u>563,895</u>	<u>810</u>	<u>87,106</u>	<u>(1,902,002)</u>	<u>338,140</u>	<u>(377,015)</u>	<u>80,496</u>	<u>(999,371)</u>
Other financing sources (uses) including transfers:										
Operating transfers in	-	-	-	-	-	1,904,276	-	-	-	1,904,276
Operating transfers (out)	-	-	(563,249)	-	(87,500)	-	(50,000)	(1,721,820)	-	(2,422,569)
Refunded impact fees	-	-	-	-	-	-	(60,231)	-	-	(60,231)
Total other financing sources (uses) including transfers:	<u>-</u>	<u>-</u>	<u>(563,249)</u>	<u>-</u>	<u>(87,500)</u>	<u>1,904,276</u>	<u>(110,231)</u>	<u>(1,721,820)</u>	<u>-</u>	<u>(578,524)</u>
Net change in fund balances	226,739	(17,540)	646	810	(394)	2,274	227,909	(2,098,835)	80,496	(1,577,895)
Fund balances, beginning of year	853,427	-	86,975	186,819	149,675	752,863	731,209	6,170,986	1,011,989	9,943,943
Fund balances, end of year	<u>\$ 1,080,166</u>	<u>\$ (17,540)</u>	<u>\$ 87,621</u>	<u>\$ 187,629</u>	<u>\$ 149,281</u>	<u>\$ 755,137</u>	<u>\$ 959,118</u>	<u>\$ 4,072,151</u>	<u>\$ 1,092,485</u>	<u>\$ 8,366,048</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	<u>Par Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 350,000	\$ 358,267	\$ 8,267
Interest income	2,500	4,202	1,702
Miscellaneous revenues	20,000	17,787	(2,213)
Total Revenues	<u>372,500</u>	<u>380,256</u>	<u>7,756</u>
Expenditures:			
General government	<u>385,700</u>	<u>153,517</u>	<u>232,183</u>
Total expenditures	<u>385,700</u>	<u>153,517</u>	<u>232,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,200)</u>	<u>226,739</u>	<u>239,939</u>
Net change in fund balance	(13,200)	226,739	239,939
Fund balance, beginning of year	<u>853,427</u>	<u>853,427</u>	<u>-</u>
Fund balance, end of year	<u>\$ 840,227</u>	<u>\$ 1,080,166</u>	<u>\$ 239,939</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	<u>Code Enforcement Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Licenses and permits	\$ 30,000	\$ 8,166	\$ (21,834)
Interest income	-	4	4
Total Revenues	<u>30,000</u>	<u>8,170</u>	<u>(21,830)</u>
Expenditures:			
Public safety	<u>24,375</u>	<u>25,710</u>	<u>(1,335)</u>
Total expenditures	<u>24,375</u>	<u>25,710</u>	<u>(1,335)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,625</u>	<u>(17,540)</u>	<u>(23,165)</u>
Net change in fund balance	5,625	(17,540)	(23,165)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,625</u>	<u>\$ (17,540)</u>	<u>\$ (23,165)</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Municipal Building Authority		
	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Interest income	\$ 600	\$ 646	\$ 46
Rental income	563,249	563,249	-
Total Revenues	563,849	563,895	46
Excess (deficiency) of revenues over (under) expenditures	563,849	563,895	46
Other financing sources (uses) including transfers:			
Operating transfers (out)	(563,249)	(563,249)	-
including transfers:	(563,249)	(563,249)	-
Net change in fund balance	600	646	46
Fund balance, beginning of year	86,975	86,975	-
Fund balance, end of year	\$ 87,575	\$ 87,621	\$ 46

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	<u>Industrial Park Redevelopment Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 68,000	\$ 65,171	\$ (2,829)
Interest income	400	859	459
Total Revenues	<u>68,400</u>	<u>66,030</u>	<u>(2,370)</u>
Expenditures:			
General government	<u>68,400</u>	<u>65,220</u>	<u>3,180</u>
Total expenditures	<u>68,400</u>	<u>65,220</u>	<u>3,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>810</u>	<u>810</u>
Net change in fund balance	-	810	810
Fund balance, beginning of year	<u>186,819</u>	<u>186,819</u>	<u>-</u>
Fund balance, end of year	<u>\$ 186,819</u>	<u>\$ 187,629</u>	<u>\$ 810</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Downtown Redevelopment Agency		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 85,000	\$ 86,301	\$ 1,301
Interest income	2,500	805	(1,695)
Total revenues	87,500	87,106	(394)
Excess (deficiency) of revenues over (under) expenditures	87,500	87,106	(394)
Other financing sources (uses) including transfers:			
Operating transfers (out)	(87,500)	(87,500)	-
Total other financing sources (uses) including transfers:	(87,500)	(87,500)	-
Net change in fund balance	-	(394)	(394)
Fund balance, beginning of year	149,675	149,675	-
Fund balance, end of year	\$ 149,675	\$ 149,281	\$ (394)

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Debt Service Fund
For the Fiscal Year Ended June 30, 2015

	<u>Debt Service</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ -	\$ 2,274	\$ 2,274
Total revenues	<u>-</u>	<u>2,274</u>	<u>2,274</u>
Expenditures:			
Principal retirement	1,123,000	1,123,000	-
Interest on long-term debt	774,326	774,326	-
Trustee fees	6,950	6,950	-
Total expenditures	<u>1,904,276</u>	<u>1,904,276</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,904,276)</u>	<u>(1,902,002)</u>	<u>2,274</u>
Other financing sources (uses) including transfers:			
Operating transfers in	<u>1,904,276</u>	<u>1,904,276</u>	<u>-</u>
Total other financing sources (uses) including transfers:	<u>1,904,276</u>	<u>1,904,276</u>	<u>-</u>
Net change in fund balance	-	2,274	2,274
Fund balance - beginning of year	<u>752,863</u>	<u>752,863</u>	<u>-</u>
Fund balance - end of year	<u>\$ 752,863</u>	<u>\$ 755,137</u>	<u>\$ 2,274</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2015

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental revenue	\$ -	\$ 5,000	\$ 5,000
Interest income	25,000	21,397	(3,603)
Total revenues	<u>25,000</u>	<u>26,397</u>	<u>1,397</u>
Expenditures:			
General government	250,000	45,753	204,247
Capital projects			
Capital outlay	550,000	303,651	246,349
Debt service:			
Principal - capital lease	60,000	45,933	14,067
Interest	-	8,075	(8,075)
Total expenditures	<u>860,000</u>	<u>403,412</u>	<u>456,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(835,000)</u>	<u>(377,015)</u>	<u>457,985</u>
Other financing sources (uses) including transfers:			
Operating transfers out	(1,750,000)	(1,721,820)	28,180
Total other financing sources (uses) including transfers:	<u>(1,750,000)</u>	<u>(1,721,820)</u>	<u>28,180</u>
Net change in fund balance	(2,585,000)	(2,098,835)	486,165
Fund balance - beginning of year	<u>6,170,986</u>	<u>6,170,986</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,585,986</u>	<u>\$ 4,072,151</u>	<u>\$ 486,165</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2015

	<u>Park Improvements Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 4,000	\$ 3,891	\$ (109)
Impact fees	<u>150,000</u>	<u>334,249</u>	<u>184,249</u>
Total revenues	<u>154,000</u>	<u>338,140</u>	<u>184,140</u>
 Expenditures:			
General government	5,000	-	5,000
Capital projects			
Capital outlay	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total expenditures	<u>305,000</u>	<u>-</u>	<u>305,000</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(151,000)</u>	<u>338,140</u>	<u>489,140</u>
 Other financing sources (uses) including transfers:			
Operating transfers out	(50,000)	(50,000)	-
Refunded impact fees	<u>-</u>	<u>(60,231)</u>	<u>(60,231)</u>
Total other financing sources (uses) including transfers:	<u>(50,000)</u>	<u>(110,231)</u>	<u>(60,231)</u>
 Net change in fund balance	(201,000)	227,909	428,909
 Fund balance - beginning of year	<u>731,209</u>	<u>731,209</u>	<u>-</u>
 Fund balance - end of year	<u>\$ 530,209</u>	<u>\$ 959,118</u>	<u>\$ 428,909</u>

TOOELE CITY CORPORATION
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2015

	<u>Public Safety Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 7,000	\$ 5,144	\$ (1,856)
Impact fees	<u>27,030</u>	<u>76,952</u>	<u>49,922</u>
Total revenues	<u>34,030</u>	<u>82,096</u>	<u>48,066</u>
Expenditures:			
General government	20,000	1,600	18,400
Capital projects			
Capital outlay	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Total expenditures	<u>770,000</u>	<u>1,600</u>	<u>768,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(735,970)</u>	<u>80,496</u>	<u>816,466</u>
Net change in fund balance	(735,970)	80,496	816,466
Fund balance - beginning of year	<u>1,011,989</u>	<u>1,011,989</u>	<u>-</u>
Fund balance - end of year	<u>\$ 276,019</u>	<u>\$ 1,092,485</u>	<u>\$ 816,466</u>

TOOELE CITY CORPORATION
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2015

	Storm Water
Assets:	
Cash and cash equivalents	\$ 2,586,383
Receivables:	
Accounts - net of allowance	48,990
Total current assets	2,635,373
 Noncurrent assets	
Land	280,067
Infrastructure - storm drainage	5,128,158
Accumulated depreciation	(446,325)
Total noncurrent assets	4,961,900
Total assets	\$ 7,597,273
 Net position:	
Net investment in capital assets	\$ 4,961,900
Unrestricted	2,635,373
Total net position	\$ 7,597,273

TOOELE CITY CORPORATION
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Storm Water
Operating revenues:	
Utility sales	\$ 463,226
Total operating revenues	463,226
Operating expenditures:	
Personal services	-
Contracted services	25,000
Operations and maintenance	-
Utilities	-
Administration	32,359
Depreciation	116,173
Total operating expenses	173,532
Operating income	289,694
Non-operating revenues (expenses):	
Interest income	12,728
Total non-operating revenues (expenses)	12,728
Contributed from developers	66,672
Change in net position	369,094
Net position - beginning of year	7,228,179
Net position - end of year	\$ 7,597,273

TOOELE CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Storm Water</u>
Cash flows provided by operating activities:	
Receipts from customers and users	\$ 467,526
Payments for operations and maintenance	(87,043)
Payment for interfund services provided	<u>(25,000)</u>
Net cash provided by operating activities	<u>355,483</u>
Cash flows used by capital and related financing activities:	
Purchase of capital assets	<u>(655,765)</u>
Net cash used by capital and related financing activities	<u>(655,765)</u>
Cash flows provided by investing activities:	
Interest earned	<u>12,728</u>
Net cash provided by investing activities	<u>12,728</u>
Net increase in cash and cash equivalents	(287,554)
Cash and cash equivalents - beginning of year	<u>2,873,937</u>
Cash and cash equivalents - end of year	<u>\$ 2,586,383</u>
Cash flows provided by operating activities:	
Operating income	\$ 289,694
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	116,173
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	4,300
Increase (decrease) in liabilities:	
Accounts payable	<u>(54,684)</u>
Net cash provided by operating activities	<u>\$ 355,483</u>
Represented on the balance sheet as:	
Cash - unrestricted	\$ 2,586,383
Cash - restricted	<u>-</u>
	<u>\$ 2,586,383</u>

TOOELE CITY CORPORATION
Combining Statement of Changes in Assets and Liabilities - Agency Fund
June 30, 2015

	<u>Balance at Beginning of the Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of of the Year</u>
<u>Agency Fund</u>				
Assets:				
Cash and cash equivalents	\$ 468,050	\$ 204,440	\$ (372,366)	\$ 300,124
Total assets	<u>\$ 468,050</u>	<u>\$ 204,440</u>	<u>\$ (372,366)</u>	<u>\$ 300,124</u>
Liabilities:				
Accounts payable	\$ 106,148	\$ 245,281	\$ (350,758)	\$ 671
Refunds payable and others	<u>361,902</u>	<u>207,267</u>	<u>(269,716)</u>	<u>299,453</u>
Total liabilities	<u>\$ 468,050</u>	<u>\$ 452,548</u>	<u>\$ (620,474)</u>	<u>\$ 300,124</u>



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

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

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

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2015-1 described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2015-2 and 2015-3.

Tooele City Corporation's Response to Findings

Tooele City Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Tooele City Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

WSRP, LLC

Salt Lake City, Utah
December 30, 2015



INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
THE STATE COMPLIANCE AUDIT GUIDE ON:
COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS, AND
INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance with General State Compliance Requirements and for Each Major State Program

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

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement System
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Tax Levy Revenue Recognition
- Restricted Taxes
- Cash Management
- Impact Fees
- Government Records Access Management Act (GRAMA)

Tooele City Corporation did not have any state funding classified as a major program during the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements and Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and responses as items 2015-2 and 2015-3. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

WSRP, LLC

Salt Lake City, Utah
December 30, 2015

TOOELE CITY CORPORATION
SCHEDULE OF STATE EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2015

<u>Grant Name</u>	<u>Award/Contract # (if applicable)</u>	<u>Year of Last Audit</u>	<u>Expenditures</u>
STATE OF UTAH HB 377			
Tooele Applied Technology College Appropriation		2014	\$ 1,195,362
Subtotal			<u>1,195,362</u>
UTAH DEPARTMENT OF TRANSPORTATION			
B&C Road Funds		2014	220,912
Subtotal			<u>220,912</u>
DEPARTMENT OF HERITAGE AND ARTS, UTAH			
STATE LIBRARY DIVISION			
State Library and USL Grant	USL 14-0093		2,098
State Library Contract CLEF Grant	USL 14-0050		9,038
Subtotal			<u>11,136</u>
UTAH STATE TAX COMMISSION			
Alcohol Control Funds			38,723
Subtotal			<u>38,723</u>
UTAH GOVERNOR'S OFFICE			
Commission on Criminal & Juvenile Justice Grant	14F15		62,502
Subtotal			<u>62,502</u>
TOTAL GRANT, CONTRACT AND LOAN FUND EXPENDITURES			<u>\$ 1,528,635</u>

**TOOELE CITY CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2015**

FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS

MATERIAL WEAKNESS

2015-1 WATER RIGHTS AND PRIOR PERIOD ADJUSTMENT

Finding

The City had certain water rights that had not been recorded at the time GASB 34 was implemented. During 2015, the City identified the water rights that had not been recorded and assigned the historical value and estimated historical value to those amounts resulting in an adjustment in the prior period. In addition, there was a prior period adjustment to move a portion of the Tooele Associates settlement amount due from the governmental activities to the proprietary and business-type activities for water rights certificates that were transferred during 2015 as part of the settlement agreement. The transfer of those water rights certificates was identified and recorded during the audit resulting in an adjustment in the current period.

Recommendation

We recommend management maintain up-to-date listings of water rights and agree those totals to the general ledger each reporting period.

Response - Tooele City Corporation

We concur with the auditor's recommendation and have recorded all prior and current year audit journal entries related to the water rights recorded. In addition we will maintain up-to-date listings of water rights and agree those to the general ledger.

STATE/LEGAL COMPLIANCE FINDINGS

2015-2 ENTERPRISE FUND TRANSFERS, REIMBURSEMENTS, LOANS, AND SERVICE REQUIREMENTS

Finding

GASB Codification 1800.102 requires a determination of services provided by an enterprise fund to the general fund or other funds have been quantified or estimated and that the rates used are the same as those charged to other customers of the fund. The City currently estimates the allocations for services provided by the general fund using a past study that is not current. The City has a plan to place meters on City department buildings that will allow the same charge to be applied to City as that what is charged to the customers of the funds.

Recommendation

The City should continue to work on this plan to place meters on all City department buildings to assure compliance with this requirement.

Response - Tooele City Corporation

We will continue to work on placing meters on all department buildings and also work to remain in compliance with this requirement.

2015-3 WRITTEN MINUTES OF OPEN MEETINGS - PUBLIC RECORDS - RECORDS OF MEETINGS

Finding

Utah State Code 52-4-203 states within three business days after approving written minutes, the City is required to post those minutes to the Utah Public Notice Website.

Recommendation

We recommend the City implement a control to assure the minutes are posted to the Utah Public Notice Website within three days of approval.

Response - Tooele City Corporation

We concur with this recommendation and will implement a control to make sure the minutes are posted to the Utah Public Notice Website as required by the Utah State Code.

There were no findings as of June 30, 2014