



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2013**

SALEM CITY CORPORATION
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INTRODUCTORY SECTION

September 26, 2013

Salem City Council
Salem, Utah

Council:

It is with great pleasure that the financial statements for the City of Salem for the year ended June 30, 2013, are presented.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2013, in accordance with these requirements.

This report consists of management's representations concerning the finances of the City of Salem. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Salem's financial statements have been audited by Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Salem for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Salem's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity (the City) includes all funds of the primary government (i.e., the City of Salem as legally defined).

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Randy A. Brailsford
City of Salem

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Salem City Corporation
Salem, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Salem, Utah, as of and for the year ended June 30, 2013, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salem, Utah, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6-12 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 opinions on the financial statements that collectively comprise the City of Salem, Utah's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

ALLRED JACKSON

September 26, 2013

SALEM CITY CORPORATION
Management's Discussion and Analysis

June 30, 2013

As management of Salem City, we offer readers of Salem City's financial statements this narrative overview and analysis of the financial activities of Salem City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The total net position of Salem City was \$43,284,763. Of this amount, \$39,071,114 consists of capital assets, net of any related debt and \$976,589 of restricted net position. As a result, the City has \$818,310 of unrestricted governmental net position and \$2,418,750 of unrestricted business-type net position.
- The City operated its governmental activities as planned.

REPORTING THE CITY AS A WHOLE

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

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

- The statement of net position presents information on all of Salem City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Salem City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Salem City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 14 & 15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

- **Governmental Funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the way money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary Funds** – Salem City maintains two types of proprietary funds.
 - **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. Salem City uses enterprise funds to account for its Water, Sewer, Electric, Pressurized Irrigation and Solid Waste.
 - **Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service funds consist of a Motor Pool Fund and a Data Processing Fund.
- **Fiduciary Funds**- Salem City maintains one type of fiduciary fund. Trust funds are used to account for assets held by the City as trustee for individuals. The City has one trust fund for the Cemetery Perpetual Care. This a trust fund used to account for monies received for the perpetual care of cemetery lots.

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

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 Salem City, assets exceed liabilities by \$43,284,763.

The largest portion of Salem City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related 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.

The following table summarizes the City's net position as of June 30, 2013:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Current and other assets	\$ 2,710,180	\$ 2,410,369	\$ 3,425,548	\$ 3,051,535
Capital assets	13,847,003	14,294,574	38,420,685	38,570,626
Total assets	<u>16,557,183</u>	<u>16,704,943</u>	<u>41,846,233</u>	<u>41,622,161</u>
Long-term debt outstanding	2,927,102	3,161,939	10,231,280	10,328,390
Other liabilities	654,083	709,699	618,377	558,486
Deferred inflow of resources	687,811	682,810	-	-
Total liabilities and deferred inflow of resources	<u>4,268,996</u>	<u>4,554,448</u>	<u>10,849,657</u>	<u>10,886,876</u>
Net position:				
Net investment in capital assets	10,881,709	11,187,905	28,189,405	28,242,236
Restricted	588,168	417,228	388,421	324,184
Unrestricted	818,310	545,362	2,418,750	2,168,865
Total net position	<u>\$ 12,288,187</u>	<u>\$ 12,150,495</u>	<u>\$ 30,996,576</u>	<u>\$ 30,735,285</u>

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

Business-type activities increased Salem City's net position by \$261,291 and governmental activities increased net position by \$137,692. The elements of these increases for the fiscal year ended June 30, 2013 are as follows:

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Revenues:				
Program revenues:				
Charges for services	\$ 1,161,323	\$ 865,318	\$ 5,567,433	\$ 5,184,802
Operating grants & contributions	329,634	305,013	-	-
Capital grants & contributions	641,277	396,328	853,050	368,613
General revenues:				
Property taxes	660,575	657,965	-	-
Other taxes	1,118,066	1,027,028	-	-
Investment income	7,895	6,161	1,478	2,751
Other revenues	983	5,650	-	-
Total revenues	<u>3,919,753</u>	<u>3,263,463</u>	<u>6,421,961</u>	<u>5,556,166</u>
Expenses:				
General government	615,925	431,202	-	-
Public safety	1,336,385	1,191,451	-	-
Highways/public improvements	1,040,014	1,047,225	-	-
Parks & recreation	1,105,609	1,107,859	-	-
Interest on long term debt	111,148	122,366	-	-
Water	-	-	786,541	708,383
Sewer	-	-	650,674	651,852
Electric	-	-	3,187,514	3,029,977
Pressurized Irrigation	-	-	825,818	786,562
Waste	-	-	314,103	314,556
Total expenses	<u>4,209,081</u>	<u>3,900,103</u>	<u>5,764,650</u>	<u>5,491,330</u>
Change in net position	(289,328)	(636,640)	657,311	64,836
Transfers	<u>427,020</u>	<u>400,122</u>	<u>(396,020)</u>	<u>(400,122)</u>
Net change in net position	137,692	(236,518)	261,291	(335,286)
Net position beginning of year	12,150,495	12,387,013	30,735,285	31,070,571
Net position end of year	<u>\$ 12,288,187</u>	<u>\$ 12,150,495</u>	<u>\$ 30,996,576</u>	<u>\$ 30,735,285</u>

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

FINANCIAL ANALYSIS OF GOVERNMENT'S 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.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,448,352. Of this total amount \$595,088 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$595,088 while total fund balance reached \$1,263,957. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The fund balance represents 36% of total general fund expenditures. For state compliance purposes, the general fund unreserved fund balance was 19% at the end of the year.

The city maintains enterprise funds to account for the business-type activities of the city. The information is found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water, sewer, electrical, pressurized irrigation and solid waste at the end of the year amounted to \$2,474,790. Revenues and expenditures for normal operation remained fairly stable with some increases in both areas.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund's original budget was amended from an original budget expenses total of \$3,327,747 to a final budget of \$3,941,874, an increase of \$614,127. Major changes are summarized as follows:

• General Government	\$ 175,131
• Public safety	30,651
• Highways and public works	253,690
• Parks	151,986
• Debt service	2,669
Total	<u>\$ 614,127</u>

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

Capital Asset and Debt Administration

Salem City's investment in capital assets for its governmental and proprietary fund activities as of June 30, 2013 amounts to \$52,267,688 (net of accumulated depreciation). The investments in capital assets include land, buildings, improvements, machinery and equipment, and infrastructure. There was a total decrease in the City's investment in fixed assets for the current year of \$597,512.

Major capital asset events during the current fiscal year including improvements to new subdivisions are as follows:

- Building \$ 127,684
- Road, sidewalk and park improvements 262,544
- Sewer line improvements 497,085
- Water line improvements 142,818

Salem City's Capital Assets as of June 30, 2013

	Governmental Activities	Business-type Activities	Total
Land	\$ 369,909	\$ 1,038,703	\$ 1,408,612
Buildings	3,452,527	1,609,007	5,061,534
Improvements	2,286,444	40,315,736	42,602,180
Equipment	2,116,439	549,965	2,666,404
Infrastructure	20,937,215	1,311,204	22,248,419
Water Rights	-	1,064,920	1,064,920
Construction in Progress	-	645,573	645,573
Accumulated depreciation	(15,315,531)	(8,114,423)	(23,429,954)
Total assets	\$ 13,847,003	\$ 38,420,685	\$ 52,267,688

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

Long Term Debt

At the end of the current fiscal year, the city had total bonded debt outstanding of \$10,175,603. Of this amount \$880,000 comprises debt backed by the full faith and credit of the government and \$9,295,603 is debt that is secured by specific revenue sources (i.e., revenue bonds).

During the current fiscal year the City's total bonded debt decreased by \$507,000.

Salem City's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ -	\$ 880,000	\$ 880,000
Revenue Bonds	2,846,000	6,449,603	9,295,603
Total Bonds	<u>\$ 2,846,000</u>	<u>\$ 7,329,603</u>	<u>\$ 10,175,603</u>

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The General Fund budget for the fiscal year-ending June 30, 2013 reflects an increase of 16% in expenditures over the final fiscal year ending June 30, 2013.

REQUESTS FOR INFORMATION

This final report is designed to provide a general overview of Salem City's finances for all those with an interest in the City's financials. Questions concerning any information provided in this report or request for additional information should be addressed to: Salem City, Finance Director, and P.O. Box 901, Salem, Utah, 84653.

BASIC FINANCIAL STATEMENTS

SALEM CITY CORPORATION
Statement of Net Position

June 30, 2013

	Governmental Activities	Business-type Activities	Memorandum Totals	
			2013	2012
ASSETS				
Cash and cash equivalents	\$ 1,257,589	\$ 1,676,065	\$ 2,933,654	\$ 2,346,433
Cash - restricted	642,800	388,421	1,031,221	798,314
Receivables - net	809,791	453,848	1,263,639	1,269,937
Inventories	-	174,805	174,805	156,971
Equity in joint venture	-	732,409	732,409	646,241
Other assets	-	-	-	244,008
Capital assets				
Land	369,909	1,038,703	1,408,612	1,408,612
Buildings	3,452,527	1,609,007	5,061,534	4,841,622
Improvements	2,286,444	40,315,736	42,602,180	41,650,290
Equipment	2,116,439	549,965	2,666,404	2,669,921
Infrastructure	20,937,215	1,311,204	22,248,419	22,248,419
Water rights	-	1,064,920	1,064,920	1,050,479
Construction in progress	-	645,573	645,573	645,573
Accumulated depreciation	(15,315,531)	(8,114,423)	(23,429,954)	(21,649,716)
Total assets	<u>16,557,183</u>	<u>41,846,233</u>	<u>58,403,416</u>	<u>58,327,104</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable and accrued liabilities	661,691	471,826	1,133,517	1,119,004
Bond interest payable	38,192	100,751	138,943	149,181
Loans payable	-	182,583	182,583	55,579
Bonds and capital leases payable - current	206,534	381,879	588,413	600,745
Internal balances	(45,800)	45,800	-	-
Loans payable - noncurrent	-	2,650,813	2,650,813	2,508,857
Bonds and capital leases payable - noncurrent	2,720,568	7,016,005	9,736,573	10,325,148
Total liabilities	<u>3,581,185</u>	<u>10,849,657</u>	<u>14,430,842</u>	<u>14,758,514</u>
Deferred inflows of resources	687,811	-	687,811	682,810
Total liabilities and deferred inflows of resources	<u>4,268,996</u>	<u>10,849,657</u>	<u>15,118,653</u>	<u>15,441,324</u>
NET POSITION				
Net investment in capital assets	10,881,709	28,189,405	39,071,114	39,430,141
Restricted for debt and capital improvements	588,168	388,421	976,589	741,412
Unrestricted	818,310	2,418,750	3,237,060	2,714,227
Total net position	<u>\$ 12,288,187</u>	<u>\$ 30,996,576</u>	<u>\$ 43,284,763</u>	<u>\$ 42,885,780</u>

See Accompanying Notes to Financial Statements

SALEM CITY CORPORATION
Statement of Activities

For the Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Memorandum Totals	
							2013	2012
Governmental activities:								
General government	\$ 615,925	\$ 631,702	\$ 21,331	\$ 47,370	\$ 84,478	\$ -	\$ 84,478	\$ 131,039
Public safety	1,336,385	187,472	31,173	201,859	(915,881)	-	(915,881)	(819,818)
Highways and public works	1,040,014	884	275,311	228,118	(535,701)	-	(535,701)	(785,363)
Parks and recreation	1,105,609	341,265	1,819	163,930	(598,595)	-	(598,595)	(736,936)
Interest on long-term debt	111,148	-	-	-	(111,148)	-	(111,148)	(122,366)
Total governmental activities	<u>4,209,081</u>	<u>1,161,323</u>	<u>329,634</u>	<u>641,277</u>	<u>(2,076,847)</u>	<u>-</u>	<u>(2,076,847)</u>	<u>(2,333,444)</u>
Business-type activities:								
Water Utility	786,541	777,230	-	152,367	-	143,056	143,056	118,935
Sewer Utility	650,674	536,682	-	179,210	-	65,218	65,218	(23,146)
Electric Utility	3,187,514	3,380,831	-	320,608	-	513,925	513,925	115,839
Pressurized Irrigation	825,818	537,920	-	200,865	-	(87,033)	(87,033)	(163,018)
Waste Utility	314,103	334,770	-	-	-	20,667	20,667	13,475
Total business-type activities	<u>\$ 5,764,650</u>	<u>\$ 5,567,433</u>	<u>\$ -</u>	<u>\$ 853,050</u>	<u>-</u>	<u>655,833</u>	<u>655,833</u>	<u>62,085</u>
General Revenues:								
Property taxes					660,575	-	660,575	657,965
General sales and use tax					814,493	-	814,493	744,124
Franchise tax					303,573	-	303,573	282,904
Unrestricted investment earnings					7,895	1,478	9,373	8,912
Sale of Capital Assets					983	-	983	5,650
Transfers					427,020	(396,020)	31,000	-
Total general revenues and transfers					<u>2,214,539</u>	<u>(394,542)</u>	<u>1,819,997</u>	<u>1,699,555</u>
Change in net position					137,692	261,291	398,983	(571,804)
Net position - beginning					12,150,495	30,735,285	42,885,780	43,457,584
Net position - ending					<u>\$ 12,288,187</u>	<u>\$ 30,996,576</u>	<u>\$ 43,284,763</u>	<u>\$ 42,885,780</u>

See Accompanying Notes to Financial Statements

SALEM CITY CORPORATION
Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects Fund	Other Governmental Funds	Memorandum Totals	
				2013	2012
ASSETS					
Cash & cash equivalents	\$ 1,073,194	\$ 115,971	\$ 68,424	\$ 1,257,589	\$ 1,030,294
Restricted cash	642,800	-	-	642,800	474,130
Receivables (net):					
Property tax	698,124	-	-	698,124	700,809
Other, net	111,667	-	-	111,667	107,221
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 2,525,785</u>	<u>\$ 115,971</u>	<u>\$ 68,424</u>	<u>\$ 2,710,180</u>	<u>\$ 2,312,454</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued liabilities	\$ 574,017	\$ -	\$ -	\$ 574,017	\$ 610,031
Due to other funds	-	-	-	-	-
Total liabilities	<u>574,017</u>	<u>-</u>	<u>-</u>	<u>574,017</u>	<u>610,031</u>
Deferred inflows of resources	<u>687,811</u>	<u>-</u>	<u>-</u>	<u>687,811</u>	<u>682,810</u>
Total liabilities and deferred inflows of resources	<u>1,261,828</u>	<u>-</u>	<u>-</u>	<u>1,261,828</u>	<u>1,292,841</u>
Fund balance:					
Restricted for:					
Roads and recreational activities	521,369	-	-	521,369	352,699
Perpetual Care Fund	-	-	66,799	66,799	64,529
Committed for:					
Road Projects	-	-	-	-	89,832
Assigned for:					
Library	1,000	-	-	1,000	1,000
Capital Projects	146,500	115,971	-	262,471	137,933
Municipal building authority	-	-	1,625	1,625	21
Unassigned for:					
General Fund	595,088	-	-	595,088	373,599
Special Revenue Funds	-	-	-	-	-
Total fund balances	<u>1,263,957</u>	<u>115,971</u>	<u>68,424</u>	<u>1,448,352</u>	<u>1,019,613</u>
Total liabilities, deferred inflow of Resources and fund balances	<u>\$ 2,525,785</u>	<u>\$ 115,971</u>	<u>\$ 68,424</u>	<u>\$ 2,710,180</u>	<u>\$ 2,312,454</u>

See Accompanying Notes to Financial Statements

SALEM CITY CORPORATION
Balance Sheet Reconciliation to
Statement of Net Position

June 30, 2013

Total fund balances for governmental funds	\$ 1,448,352
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Consolidation of Internal Service Funds	45,800
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,847,003
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,052,968)</u>
Net position of governmental activities	<u><u>\$ 12,288,187</u></u>

SALEM CITY CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2013

	General	Capital Projects Fund	Non-Major Governmental Funds	Memorandum Totals	
				2013	2012
Revenues:					
Taxes	\$ 1,778,641	\$ -	\$ -	\$ 1,778,641	\$ 1,684,993
Licenses and permits	338,236	-	-	338,236	172,823
Intergovernmental	328,937	-	66,313	395,250	369,530
Charges for services	973,536	-	-	973,536	739,115
Investment earnings	7,468	-	427	7,895	6,161
Fines and forfeitures	31,791	-	-	31,791	30,595
Miscellaneous revenues	114,023	47,370	-	161,393	199,482
Total revenues	<u>3,572,632</u>	<u>47,370</u>	<u>66,740</u>	<u>3,686,742</u>	<u>3,202,699</u>
Expenditures:					
Current:					
General government	532,210	-	-	532,210	427,640
Public safety	1,218,942	-	-	1,218,942	1,123,972
Highways and public works	459,521	-	-	459,521	274,917
Parks and recreation	1,057,380	-	-	1,057,380	1,022,504
Tax increment distributions	-	-	-	-	-
Capital outlay	-	140,352	-	140,352	79,372
Debt service:					
Principal Retirement	121,000	-	41,000	162,000	155,000
Interest and fiscal charges	93,735	-	21,866	115,601	122,366
Total expenditures	<u>3,482,788</u>	<u>140,352</u>	<u>62,866</u>	<u>3,686,006</u>	<u>3,205,771</u>
Excess (deficiency) of revenues over expenditures	<u>89,844</u>	<u>(92,982)</u>	<u>3,874</u>	<u>736</u>	<u>(3,072)</u>
Other financing sources (uses):					
Transfers in	371,000	71,020	-	442,020	429,584
Transfers out	(15,000)	-	-	(15,000)	(29,462)
Sale of assets	983	-	-	983	5,650
Total other financing sources (uses)	<u>356,983</u>	<u>71,020</u>	<u>-</u>	<u>428,003</u>	<u>405,772</u>
Net change in fund balance	446,827	(21,962)	3,874	428,739	402,700
Fund balances - beginning of year	817,130	137,933	64,550	1,019,613	616,913
Fund balances - end of year	<u>\$ 1,263,957</u>	<u>\$ 115,971</u>	<u>\$ 68,424</u>	<u>\$ 1,448,352</u>	<u>\$ 1,019,613</u>

See Accompanying Notes To Financial Statements

SALEM CITY CORPORATION
Statement of Changes
Reconciliation to Statement of Activities

For the Year Ended June 30, 2013

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

Net change in fund balances-total governmental funds	\$ 428,739
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(447,571)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position	-
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items	243,707
Internal service funds are used by management to charge the cost of the motor pool and data processing to individual funds. The net asset decrease of the internal service funds are reposted with governmental.	10,732
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(97,915)</u>
Change in net position of governmental activities	<u><u>\$ 137,692</u></u>

SALEM CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund

For the Year Ended June 30, 2013

	Budget Amounts		General Fund	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
Revenues:				
Taxes	\$ 1,717,439	\$ 1,772,026	\$ 1,778,641	\$ 6,615
Licenses and permits	153,170	236,720	338,236	101,516
Intergovernmental	347,730	464,310	328,937	(135,373)
Charges for services	467,126	573,226	973,536	400,310
Fines and forfeitures	32,500	31,000	31,791	791
Miscellaneous revenues	223,782	289,070	121,491	(167,579)
Total revenues	<u>2,941,747</u>	<u>3,366,352</u>	<u>3,572,632</u>	<u>206,280</u>
Expenditures:				
Current:				
General government	490,135	665,266	532,210	133,056
Public safety	1,251,623	1,282,274	1,218,942	63,332
Highways and public works	412,928	666,618	459,521	207,097
Parks and recreation	959,730	1,111,716	1,057,380	54,336
Debt Service	213,331	216,000	214,735	1,265
Total expenditures	<u>3,327,747</u>	<u>3,941,874</u>	<u>3,482,788</u>	<u>459,086</u>
Excess of expenditures over revenues	<u>(386,000)</u>	<u>(575,522)</u>	<u>89,844</u>	<u>665,366</u>
Other financing sources (uses):				
Sale of Assets	15,000	1,000	983	(17)
Transfers in	371,000	574,522	371,000	(203,522)
Transfers out	-	-	(15,000)	(15,000)
Net Change in fund balance	-	-	446,827	446,827
Fund balance - beginning of year	<u>817,130</u>	<u>817,130</u>	<u>817,130</u>	<u>-</u>
Fund balance - end of year	<u>\$ 817,130</u>	<u>\$ 817,130</u>	<u>\$ 1,263,957</u>	<u>\$ 446,827</u>

See Accompanying Notes To Financial Statements

SALEM CITY CORPORATION
Statement of Net Position
Proprietary Funds

June 30, 2013

	Business-Type Activities - Enterprise				Non-Major Enterprise Fund	Total	Governmental Activities Internal Services Fund
	Water Utility Fund	Sewer Fund	Electric Utility Fund	Pressurized Irrigation	Waste Utility		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 583,087	\$ 467,381	\$ 288,091	\$ 192,603	\$ 144,903	\$ 1,676,065	\$ -
Accounts receivable, net	71,241	48,289	254,633	49,315	30,370	453,848	-
Inventories	22,416	-	152,389	-	-	174,805	-
Due from other funds	10,240	-	-	-	-	10,240	-
Total current assets	<u>686,984</u>	<u>515,670</u>	<u>695,113</u>	<u>241,918</u>	<u>175,273</u>	<u>2,314,958</u>	<u>-</u>
Noncurrent assets							
Restricted cash and cash equivalents	18,875	79,470	-	290,076	-	388,421	-
Land, equipment, buildings, and improvements	10,481,972	11,574,265	9,719,194	13,671,757	23,000	45,470,188	1,296,587
Less accumulated depreciation	(2,682,916)	(2,965,235)	(1,646,951)	(806,384)	(12,937)	(8,114,423)	(1,151,807)
Water rights and stock	736,078	-	-	328,842	-	1,064,920	-
Equity in joint venture	-	555,904	-	-	176,505	732,409	-
Total noncurrent assets	<u>8,554,009</u>	<u>9,244,404</u>	<u>8,072,243</u>	<u>13,484,291</u>	<u>186,568</u>	<u>39,541,515</u>	<u>144,780</u>
Total assets	<u>9,240,993</u>	<u>9,760,074</u>	<u>8,767,356</u>	<u>13,726,209</u>	<u>361,841</u>	<u>41,856,473</u>	<u>144,780</u>
LIABILITIES							
Current liabilities:							
Accounts payable	17,265	8,215	428,204	107,913	10,980	572,577	19,421
Due to other funds	-	-	-	-	-	-	10,240
Loans payable	33,983	65,925	82,675	-	-	182,583	-
Bonds and capital leases	300,000	13,986	21,893	46,000	-	381,879	39,534
Total current liabilities	<u>351,248</u>	<u>88,126</u>	<u>532,772</u>	<u>153,913</u>	<u>10,980</u>	<u>1,137,039</u>	<u>69,195</u>
Noncurrent liabilities:							
Loans payable	488,245	1,358,367	804,201	-	-	2,650,813	-
Bonds and capital leases	598,875	-	46,388	6,370,742	-	7,016,005	41,568
Total long-term liabilities	<u>1,087,120</u>	<u>1,358,367</u>	<u>850,589</u>	<u>6,370,742</u>	<u>-</u>	<u>9,666,818</u>	<u>41,568</u>
Total liabilities	<u>1,438,368</u>	<u>1,446,493</u>	<u>1,383,361</u>	<u>6,524,655</u>	<u>10,980</u>	<u>10,803,857</u>	<u>110,763</u>
NET POSITION							
Net investment in capital assets	7,114,031	7,170,752	7,117,086	6,777,473	10,063	28,189,405	63,678
Restricted for debt and other activities	18,875	79,470	-	290,076	-	388,421	-
Unrestricted	669,719	1,063,359	266,909	134,005	340,798	2,474,790	(29,661)
Total net position	<u>\$ 7,802,625</u>	<u>\$ 8,313,581</u>	<u>\$ 7,383,995</u>	<u>\$ 7,201,554</u>	<u>\$ 350,861</u>	<u>\$ 31,052,616</u>	<u>\$ 34,017</u>
Adjustment to reflect the consolidation of internal services funds activities related to enterprise fund						(56,040)	
Net position from business-type activities						<u>\$ 30,996,576</u>	

See Accompanying Notes To Financial Statements

SALEM CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise				Non-Major	Total	Governmental Internal Service Fund
	Water Utility Fund	Sewer Fund	Electric Utility Fund	Pressurized Irrigation	Enterprise Fund Waste Utility Fund		
Operating revenues:							
Charges for services	\$ 759,822	\$ 535,667	\$ 3,336,797	\$ 533,394	\$ 328,670	\$ 5,494,350	\$ 378,381
Fees and miscellaneous	17,408	1,015	44,034	4,526	6,100	73,083	2,513
Total operating revenues	<u>777,230</u>	<u>536,682</u>	<u>3,380,831</u>	<u>537,920</u>	<u>334,770</u>	<u>5,567,433</u>	<u>380,894</u>
Operating expenses:							
Purchased power	-	-	2,168,677	-	-	2,168,677	-
Salaries and wages	80,081	65,700	326,180	64,436	13,604	550,001	-
Employee benefits	44,065	36,333	132,720	36,916	1,259	251,293	12,139
Contractual services	61,434	83,486	33,599	104,358	222,805	505,682	201,146
Supplies and materials	48,559	44,878	136,245	13,073	16,405	259,160	53,539
Administrative services	162,540	147,204	183,600	149,964	59,952	703,260	-
Utilities and telephone	51,732	39,620	-	16,420	-	107,772	-
Depreciation and amortization	295,911	231,417	205,650	331,294	575	1,064,847	87,452
Total operating expenses	<u>744,322</u>	<u>648,638</u>	<u>3,186,671</u>	<u>716,461</u>	<u>314,600</u>	<u>5,610,692</u>	<u>354,276</u>
Operating income (loss)	<u>32,908</u>	<u>(111,956)</u>	<u>194,160</u>	<u>(178,541)</u>	<u>20,170</u>	<u>(43,259)</u>	<u>26,618</u>
Non-operating revenue (expense):							
Interest revenue	151	263	-	1,064	-	1,478	-
Impact fees	124,547	143,240	282,296	189,734	-	739,817	-
Increase (decrease) equity in joint venture	-	-	-	-	497	497	-
Loss on sale of asset	-	-	-	-	-	-	-
Interest expense and fiscal charges	(41,090)	(375)	-	(109,080)	-	(150,545)	(4,559)
Total non-operating revenue (expense)	<u>83,608</u>	<u>143,128</u>	<u>282,296</u>	<u>81,718</u>	<u>497</u>	<u>591,247</u>	<u>(4,559)</u>
Net income before contributions & transfers	116,516	31,172	476,456	(96,823)	20,667	547,988	22,059
Transfers in (out)	(41,004)	(22,504)	(305,004)	(10,004)	(17,504)	(396,020)	(31,000)
Developers contributions	27,820	35,970	38,312	11,131	-	113,233	-
Change in net position	<u>103,332</u>	<u>44,638</u>	<u>209,764</u>	<u>(95,696)</u>	<u>3,163</u>	<u>265,201</u>	<u>(8,941)</u>
Net position - beginning	<u>7,699,293</u>	<u>8,268,943</u>	<u>7,174,231</u>	<u>7,297,250</u>	<u>347,698</u>	<u>30,787,415</u>	<u>42,958</u>
Net position - ending	<u>\$ 7,802,625</u>	<u>\$ 8,313,581</u>	<u>\$ 7,383,995</u>	<u>\$ 7,201,554</u>	<u>\$ 350,861</u>	<u>\$ 31,052,616</u>	<u>\$ 34,017</u>
Adjustment to reflect the consolidation of internal services funds activities related to enterprise fund						(3,910)	
Change in net position of business-type activities						<u>\$ 261,291</u>	

See Accompanying Notes To Financial Statements

SALEM CITY CORPORATION
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise				Non-Major	Total	Governmental Internal-Service Fund
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation	Enterprise Fund Waste Utility Fund		
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 774,350	\$ 537,253	\$ 3,372,157	\$ 539,973	\$ 335,641	\$ 5,559,374	\$ 380,894
Payments to suppliers	(223,742)	(205,751)	(2,395,235)	(163,012)	(250,579)	(3,238,319)	(272,498)
Payments to general fund for services	(162,540)	(147,204)	(183,600)	(149,964)	(59,952)	(703,260)	-
Payments to employees	(80,081)	(65,700)	(326,180)	(64,436)	(13,604)	(550,001)	-
Net cash provided by operating activities	<u>307,987</u>	<u>118,598</u>	<u>467,142</u>	<u>162,561</u>	<u>11,506</u>	<u>1,067,794</u>	<u>108,396</u>
Cash Flows From Noncapital Financing Activities							
Interfund Activity	(41,004)	(22,504)	(305,004)	(10,004)	(17,504)	(396,020)	(31,000)
Net cash provided (used) by noncapital financing activ.	<u>(41,004)</u>	<u>(22,504)</u>	<u>(305,004)</u>	<u>(10,004)</u>	<u>(17,504)</u>	<u>(396,020)</u>	<u>(31,000)</u>
Cash Flows From Capital and Related Financing Activities							
Impact Fees	124,547	143,240	282,296	189,734	-	739,817	-
Purchase of equity in joint venture	-	(85,671)	-	-	-	(85,671)	-
Purchases of capital assets	(129,439)	(22,000)	(43,026)	-	-	(194,465)	-
Principle paid on debt	(323,983)	(84,925)	(113,317)	(36,000)	-	(558,225)	(72,837)
Interest paid on capital debt	(41,090)	(375)	-	(109,080)	-	(150,545)	(4,559)
Net cash provided (used) in capital and financing act.	<u>(369,965)</u>	<u>(49,731)</u>	<u>125,953</u>	<u>44,654</u>	<u>-</u>	<u>(249,089)</u>	<u>(77,396)</u>
Cash Flows From Investing Activities							
Interest and dividends received	151	263	-	1,064	-	1,478	-
Net cash provided by investing activities	<u>151</u>	<u>263</u>	<u>-</u>	<u>1,064</u>	<u>-</u>	<u>1,478</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(102,831)	46,626	288,091	198,275	(5,998)	424,163	-
Cash and equivalents at beginning of year	704,793	500,225	-	284,404	150,901	1,640,323	-
Cash and equivalents at end of year	<u>\$ 601,962</u>	<u>\$ 546,851</u>	<u>\$ 288,091</u>	<u>\$ 482,679</u>	<u>\$ 144,903</u>	<u>\$ 2,064,486</u>	<u>\$ -</u>
Shown in the Statement of Net Position as:							
Cash and cash equivalents	\$ 583,087	\$ 467,381	\$ 288,091	\$ 192,603	\$ 144,903	\$ 1,676,065	\$ -
Restricted cash equivalents at end of year	18,875	79,470	-	290,076	-	388,421	-
	<u>\$ 601,962</u>	<u>\$ 546,851</u>	<u>\$ 288,091</u>	<u>\$ 482,679</u>	<u>\$ 144,903</u>	<u>\$ 2,064,486</u>	<u>\$ -</u>

(continued)

SALEM CITY CORPORATION
Statement of Cash Flows
Proprietary Funds

Continued

	Business-Type Activities - Enterprise				Non-Major Enterprise Fund	Total	Governmental Internal-Service Fund
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation	Waste Utility Fund		
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 32,908	\$ (111,956)	\$ 194,160	\$ (178,541)	\$ 20,170	\$ (43,259)	\$ 26,618
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and Amortization Expense	295,911	231,417	205,650	331,294	575	1,064,847	87,452
(Increase) decrease in accounts receivable	2,880	(571)	8,674	(2,053)	(871)	8,059	-
(Increase) decrease in inventory	(1,891)	-	(15,943)	-	-	(17,834)	-
(Increase) decrease in due from other funds	9,986	-	-	-	-	9,986	-
Increase (decrease) in accounts payable	(31,807)	(292)	77,765	11,861	(8,368)	49,159	1,148
Increase (decrease) in due to other funds	-	-	(3,164)	-	-	(3,164)	(6,822)
Total adjustments	<u>275,079</u>	<u>230,554</u>	<u>272,982</u>	<u>341,102</u>	<u>(8,664)</u>	<u>1,111,053</u>	<u>81,778</u>
Net cash provided by operating activities:	<u>\$ 307,987</u>	<u>\$ 118,598</u>	<u>\$ 467,142</u>	<u>\$ 162,561</u>	<u>\$ 11,506</u>	<u>\$ 1,067,794</u>	<u>\$ 108,396</u>
 Supplementary information							
Non-cash items from capital and related financing activities include contributions by developers	<u>\$ 27,820</u>	<u>\$ 35,970</u>	<u>\$ 38,312</u>	<u>\$ 11,131</u>	<u>\$ -</u>	<u>\$ 113,233</u>	<u>\$ -</u>
Non-cash purchase of assets through debt	<u>\$ -</u>	<u>\$ 461,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,115</u>	<u>\$ -</u>

See Accompanying Notes To Financial Statements

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salem City Corporation (the City) 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.

A. Reporting Entity

Salem City Corporation was incorporated under laws of the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the Mayor and a City Council. They are assisted by a Finance Director who is currently responsible for the financial matters of the City, including money management, accounts payable, financial statements, and accounts receivable.

The City provides the following services as mandated by law: Public Safety, Judicial Services, Highways and Streets, Sanitation, Parks, Cemetery, Water, Sewer, Electric, Waste Removal, Storm Drain, Public Improvements, Planning and Zoning, and General Administrative Services

Blended Component Units

The Municipal Building Authority was created by the City during fiscal year 2002 and is governed by the City's Mayor and Council. 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 with the City and will be retired through lease payments from the City. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a blended component unit.

The Municipal Building Authority is considered a blended component unit since the governing board is the same governing board of the City.

The Redevelopment Agency was created by the City during fiscal year 2009 and is governed by the City's Mayor and Council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit.

The Municipal Building Authority and Redevelopment Agency are presented as special revenue funds in the financial statements.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statements of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effects of interfund activities have been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting and Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

C. Measurement Focus, Basis of Accounting and Presentation - *Continued*

The government reports the following major governmental funds:

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.

The *capital projects fund* is used to account for the construction of community projects.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water operations.

The *sewer fund* accounts for the activities of the City's sewer operations.

The *electric fund* accounts for the activities in the City's electric operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statement. Exceptions to this general rule are payments to the general fund by the various enterprise funds for providing administrative services for such funds. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations.

Additionally, the government reports the following fund types:

Special Revenue Funds:

Municipal Building Authority accounts for the activities of the municipal building authority.

Redevelopment Agency accounts for the activities of the Redevelopment Agency.

Permanent Fund:

Perpetual Care accounts for the perpetual care of the cemetery.

Internal Service Funds:

Motor Pool Fund accounts for the activities of the motor pool.

Data Processing Fund accounts for the activities of the data processing services.

Proprietary Funds:

Waste Utility accounts for the activities of the waste removal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and investments

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

Investments consist of amounts deposited with Utah Public Treasurers' Investment Fund, treasury bills of the U.S. Government, and money market funds. Investments are stated at fair value, which approximates cost.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds".

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services.

Restricted resources rather than unrestricted resources are used first to fund related appropriations.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. The infrastructure assets consist of the estimated value of the City's streets and roads at July 1, 2003, plus the costs of additions since that date.

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

D. Assets, Liabilities, and Net Position or Equity - *Continued*

5. Capital assets – *Continued*

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	25-50
Improvements other than buildings	20-50
Infrastructure	20
Machinery and equipment	5-10

6. Compensated Absences

Employees may accumulate vacation and sick leave. Those with accumulated leave hours may be compensated.

7. Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on all business personal property on January 1st and real estate and improvement taxes are levied on January 1st and are payable by November 30th. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by unearned revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22nd each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

D. Assets, Liabilities, and Net Position or Equity – *Continued*

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Issuance costs are expensed in the year incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. Net Position/Fund Balances

In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally constrained due to state or federal laws, or externally imposed conditions by grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unassigned are residual balances in the General Fund.

10. Use of Estimates

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

11. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts also are reported on the government-wide of net position.

Continued

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position.

This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of these assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the city as a whole.

Cost of capital assets	\$29,162,534
Accumulated depreciation	<u>(15,315,531)</u>
Net adjustment to increase <i>fund balance - total governmental funds to arrive at net position - governmental activities</i>)	<u>\$13,847,003</u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements. All liabilities (both current and long-term) are reported in the statement of net position.

Bonds, notes, and capital leases payable	\$2,927,102
Bond interest payable	38,192
Other long-term payables	<u>87,674</u>
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u>\$3,052,968</u>

Continued

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – *Continued*

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

Capital outlay	\$ 185,795
Depreciation expense	(861,484)
Capital contribution by developers	<u>228,118</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>(447,571)</u>

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

Change in long-term debt	
Principal paid on bonds, notes, and capital leases	\$234,837
Accrued interest change	4,453
Compensated absence change	<u>4,417</u>
Total debt retired	<u>\$243,707</u>

3. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

Continued

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2013, the City's custodial credit risks for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2013</u>
Regular Checking Now Account	Insured	\$ 263,276
Public Checking Analyze	Insured	\$ 596,662

B. Investments

The City's investments are managed through participation in the State Public Treasurer's Investment Fund. As of June 30, 2013, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurer's Investment Fund	62 days average	\$3,229,100

Investments - Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk

Investments - Credit Risk - The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

B. Investments - *Continued*

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The PTIF is unrated.

Investments - Custodial Credit Risk - For an investment, custodial credit risk 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 or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

5. RECEIVABLES

Receivables as of yearend for the government's individual major fund and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Pressurized Irrigation</u>	<u>Nonmajor Utility Solid Waste</u>	<u>Total</u>
Receivables:							
Accounts	\$ 54,896	\$ 75,981	\$ 52,002	\$ 275,639	\$ 52,638	\$ 32,387	\$ 543,543
Property Tax	698,124	-	-	-	-	-	698,124
Intergovernmental	60,929	-	-	-	-	-	60,929
Allowance	(4,158)	(4,740)	(3,713)	(21,006)	(3,323)	(2,017)	(38,957)
	<u>\$ 809,791</u>	<u>\$ 71,241</u>	<u>\$ 48,289</u>	<u>\$ 254,633</u>	<u>\$ 49,315</u>	<u>\$ 30,370</u>	<u>\$ 1,263,639</u>

Continued

6. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Internal Service Fund	\$10,240

Interfund Transfers:

	Transfer Out					Total
	General	Capital	Nonmajor Governmental	Business Type	Motor Pool	
Transfer in:						
General	\$ -	\$ -	\$ -	\$ 371,000	\$ -	\$ 371,000
Construction	15,000	-	-	25,020	31,000	71,020
Nonmajor Govtl.	-	-	-	-	-	-
Business Type	-	-	-	-	-	-
Total Transfer Out	\$ 15,000	\$ -	\$ -	\$ 396,020	\$ 31,000	\$ 442,020

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS

Primary Governmental Governmental Activity	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 369,909	\$ -	\$ -	\$ 369,909
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>369,909</u>	<u>-</u>	<u>-</u>	<u>369,909</u>
Capital assets being depreciated:				
Buildings	3,324,843	127,684	-	3,452,527
Improvements	2,023,900	262,544	-	2,286,444
Machinery and equipment	2,092,754	23,685	-	2,116,439
Infrastructure	<u>20,937,215</u>	<u>-</u>	<u>-</u>	<u>20,937,215</u>
Total capital assets being depreciated	28,378,712	413,913	-	28,792,625
Less accumulated depreciation	<u>(14,454,047)</u>	<u>(861,484)</u>	<u>-</u>	<u>(15,315,531)</u>
Total capital assets, being depreciated, net	<u>13,924,665</u>	<u>(447,571)</u>	<u>-</u>	<u>13,477,094</u>
Governmental activities capital assets, net	<u>\$ 14,294,574</u>	<u>\$ (447,571)</u>	<u>\$ -</u>	<u>\$ 13,847,003</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,038,703	\$ -	\$ -	\$ 1,038,703
Construction in progress	645,573	-	-	645,573
Water rights and stock	<u>1,050,479</u>	<u>14,441</u>	<u>-</u>	<u>1,064,920</u>
Total capital assets not being depreciated	<u>2,734,755</u>	<u>14,441</u>	<u>-</u>	<u>2,749,196</u>
Capital assets being depreciated:				
Buildings	1,609,007	-	-	1,609,007
Improvements	39,626,390	689,346	-	40,315,736
Machinery and equipment	484,939	65,026	-	549,965
Infrastructure	<u>1,311,204</u>	<u>-</u>	<u>-</u>	<u>1,311,204</u>
Total capital assets being depreciated	<u>43,031,540</u>	<u>754,372</u>	<u>-</u>	<u>43,785,912</u>
Less accumulated depreciation	<u>(7,195,669)</u>	<u>(918,754)</u>	<u>-</u>	<u>(8,114,423)</u>
Total capital assets, being depreciated, net	<u>35,835,871</u>	<u>(164,382)</u>	<u>-</u>	<u>35,671,489</u>
Business-type activities capital assets, net	<u>\$ 38,570,626</u>	<u>\$ (149,941)</u>	<u>\$ -</u>	<u>\$ 38,420,685</u>

Continued

7. CAPITAL ASSETS- *continued*

Depreciation has been charged to the departments as follows:

General government	\$ 69,876
Public safety	128,460
Highway and public works	580,493
Parks and recreation	<u>82,655</u>
 Total depreciation	 <u>\$ 861,484</u>

8. LEASE COMMITMENTS

The City during the fiscal year 2011 executed a new lease for a mini boom truck in the amount of \$109,628 payable in annual installments for 5 years. \$ 68,281

The City during the fiscal year 2007 executed a new lease for a jet truck in the amount of \$286,510 payable in annual installments for 8 years. 81,102

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery & Equipment	\$396,138
Accumulated Amortization	<u>(293,452)</u>
Total	<u>\$102,686</u>

Amortization of capital assets purchased under capital leases is included in depreciation.

The City has acquired fixed assets financed with capital leases. The related lease agreements contain fiscal funding clauses that allow cancellation of the leases if future funding of the leases are not budgeted by the City Council.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

8. LEASE COMMITMENTS - *Continued*

The following is the present value of future minimum capital lease payments under these leases as of June 30, 2013:

<u>Fiscal Year</u>	<u>Governmental Amount</u>	<u>Business-type Amount</u>	<u>Total Amount</u>
2014	\$ 43,277	\$ 24,563	\$ 67,840
2015	43,515	24,563	68,078
2016	-	24,563	24,563
Total Minimum lease payments	86,792	73,689	160,481
Less amounts representing interest	(5,690)	(5,408)	(11,098)
Present value of minimum lease payments	<u>\$ 81,102</u>	<u>\$ 68,281</u>	<u>\$ 149,383</u>

At June 30, 2013 the City's capital leases payable balance consisted of the following:

	<u>Capital Leases Payable Governmental</u>	<u>Capital Leases Payable Business-type</u>	<u>Capital Leases Payable All Fund Types</u>
Capital Leases Payable	\$ 81,102	\$ 68,281	\$ 149,383
Current Portion Capital Lease Payable	(39,534)	(21,893)	(61,427)
Long Term Capital Leases Payable	<u>\$ 41,568</u>	<u>\$ 46,388</u>	<u>\$ 87,956</u>

9. LONG-TERM DEBT

Bonds and notes payable at June 30, 2013, are comprised of the following:

Revenue Bonds

Sewer Revenue Bond-Series 1994:

\$322,500 Sewer revenue bond due in annual principal and interest payments through October 2013 - with an interest rate of 2% 13,986

Water Revenue Bond-Series 1996:

\$300,000 Water revenue bond due in annual principal payments through January 2017 - There is no interest on this bond 18,875

Secondary Water Revenue Bond-Series 2007:

\$7,500,000 Secondary water revenue bond due in annual principal and interest payments through September 2037 - with an interest rate of 1.70% 6,416,742

Excise Tax Revenue Bond-Series 2008:

\$3,500,000 Excise tax revenue bond due in annual principal and semi-annual interest payments through September 1, 2027 - with an interest rate of 3.95% 2,846,000

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT - Continued

Revenue Bonds

<u>Fiscal Year</u>	<u>Governmental</u>		<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 167,000	\$ 109,118	\$ 74,986	\$ 108,818
2015	177,000	102,324	60,875	107,576
2016	184,000	95,195	69,000	106,454
2017	190,000	87,809	81,000	105,128
2018	198,000	80,146	94,000	103,585
2019-2023	968,000	281,042	920,000	477,593
2024-2028	962,000	98,038	1,453,000	373,540
2029-2033	-	-	2,085,000	221,679
2034-2038	-	-	1,611,742	36,298
Total	<u>\$ 2,846,000</u>	<u>\$ 853,672</u>	<u>\$ 6,449,603</u>	<u>\$ 1,640,671</u>

General Obligation Bond

General Obligation Refunding Water Bonds-Series 2004:

\$2,735,000 General Obligation refunding bond with annual principal and semi-annual interest payments through March 2016 - with a varying interest rate 2.00-4.00%.

\$ 880,000

General Obligation Bonds

<u>Fiscal Year</u>	<u>Water Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 285,000	\$ 28,678
2015	290,000	19,784
2016	305,000	12,200
Total	<u>\$ 880,000</u>	<u>\$ 60,662</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT - Continued

Notes Payable

During 2006, the City acquired a note for \$1,800,000 from a developer to be used for an electric substation. This interest free note is paid back to the developer based on a percentage of electric impact fees collected by the City.	886,876
During 2010, the City acquired a note for \$525,575 from a developer to be used for water system improvements. This interest free note is paid back to the developer based on a percentage of water impact fees collected by the City.	486,472
During 2010, the City acquired a note for \$1,065,326 from a developer to be used for sewer system improvements. This interest free note is paid back to the developer based on a percentage of sewer impact fees collected by the City.	978,321
During 2011, the City acquired a note for \$99,070 from a developer to be used for water system improvements. This interest free note is paid back to the developer based on a percentage of water impact fees collected by the City.	35,756
During 2013, the City acquired a note for \$358,128 from a developer to be used for sewer system improvements. This interest free note is paid back to the developer based on a percentage of sewer impact fees collected by the City.	346,910
During 2013, the City acquired a note for \$102,987 from a developer to be used for sewer system improvements. This interest free note is paid back to the developer based on a percentage of sewer impact fees collected by the City.	99,061

Fiscal Year	Notes Payable			
	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ -	\$ 182,583	\$ -
2015	-	-	182,583	-
2016	-	-	181,112	-
2017	-	-	170,174	-
2018	-	-	170,174	-
2019-2023	-	-	850,870	-
2024-2028	-	-	497,621	-
2029-2033	-	-	400,196	-
2034-2038	-	-	198,083	-
Total	\$ -	\$ -	\$ 2,833,396	\$ -

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT - Continued

The future annual requirements for all outstanding bond and note obligations as of June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>All Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 709,569	\$ 246,614	\$ 956,183
2015	710,458	229,684	940,142
2016	739,112	213,849	952,961
2017	441,174	192,937	634,111
2018	462,174	183,731	645,905
2019-2023	2,738,870	758,635	3,497,505
2024-2028	2,912,621	471,578	3,384,199
2029-2033	2,485,196	221,679	2,706,875
2034-2038	1,809,825	36,298	1,846,123
Total	<u>\$ 13,008,999</u>	<u>\$ 2,555,005</u>	<u>\$ 15,564,004</u>

Summary of changes in long-term debt is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due in One Year</u>
Governmental Activities					
Bonds Payable:					
Excise tax bonds	\$ 3,008,000	\$ -	\$ 162,000	\$ 2,846,000	\$ 167,000
Note Payable	-	-	-	-	-
Capital Leases	153,939	-	72,837	81,102	39,534
Compensated absences	92,091	-	4,417	87,674	-
Gov't Activities Long-Term Debt	<u>\$ 3,254,030</u>	<u>\$ -</u>	<u>\$ 239,254</u>	<u>\$ 3,014,776</u>	<u>\$ 206,534</u>
Business Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 6,519,603	\$ -	\$ 70,000	\$ 6,449,603	\$ 74,986
General Obligation Bonds	1,155,000	-	275,000	880,000	285,000
Capital Leases	89,351	-	21,070	68,281	21,893
Notes Payable	2,564,436	461,115	192,155	2,833,396	182,583
Business-type Activities Long-Term Debt	<u>\$ 10,328,390</u>	<u>\$ 461,115</u>	<u>\$ 558,225</u>	<u>\$ 10,231,280</u>	<u>\$ 564,462</u>

Continued

10. RETIREMENT PLANS

Local Governmental - Cost Sharing

Plan Description. Salem City Corporation contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System for employers with Social Security coverage, Firefighters Retirement System which are for employers without Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage and Firefighters Retirement System which are for employers without Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Salem City Corporation is required to contribute to the Local Government Noncontributory Retirement System a percentage (below) of the Plan members' annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage noncontributory division members are required to contribute a percentage (below) of their salary (all or part may be paid by the employer for the employee). The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The contribution rates and amounts are listed as follows:

	2012-2013 Rates	2012-2013 Employer Contribution	2011-2012 Employer Contribution	2010-2011 Employer Contribution
Contributory System - Local Governmental Division Tier 2	12.74%	\$ 1,324	\$ 258	\$ -
Noncontributory System - Local Governmental Division Tier 1	16.04%	185,587	188,154	166,837
Public Safety System - Other Division A Contributory Tier 2	21.94%	3,407	1,583	-
Public Safety System - Other Division A Noncontributory Tier 1	33.65%	105,629	110,307	101,394
401k Plan		46,739	51,660	48,037

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. The City also has purchased a workers' compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. JOINT VENTURES

South Utah Valley Solid Waste City

Salem City joined in a joint venture with several other municipalities to create the South Utah Valley Solid Waste City (the City). The City was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the City's sanitation service revenue comes from these governmental entities.

Additional information is as follows:

a. Participants and their percentage shares:

Spanish Fork City Corporation	11.75%
Provo City Corporation	69.75%
Springville City Corporation	15.00%
Mapleton City Corporation	2.00%
Salem City Corporation	1.50%
Goshen Town (Landfill participant only)	<u>0.00%</u>
	100.00%

b. The City is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member City appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.

c. The City's Board of Directors governs the operations of the City through management employed by the Board. Since the City is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.

d. Salem contributes annually for its percentage share of ownership for debt service as well as membership revenues. Salem recognizes its percentage of net income (loss) of the joint venture on an annual basis which can be seen as equity in a joint venture. Salem recognized \$10,497 of income in the current year leaving an investment balance of \$176,505 as of June 30, 2013.

e. Audited financial statement for South Utah Valley Solid Waste City are available at the City's office.

Continued

12. JOINT VENTURES - *Continued*

South Utah Valley Municipal Water Association

Salem City is member of South Utah Valley Municipal Water Association, a separate legal entity and political subdivision of the State of Utah, which was formed pursuant to the provision of the inter-local cooperation act. The association consists of 10 municipalities and was formed to plan, finance, acquire, construct, improve, operate, or maintain projects for the water and waste water treatment facility.

Salem City has invested \$555,904 toward the purchases of the wastewater treatment property. This payment is shown as equity in a joint venture.

The complete financial statements for South Utah Valley Municipal Water Association may be obtained from the manager of finance at 40 South Main, Spanish Fork, and Utah 84660.

13. RESTRICTED FUND BALANCES

The City had the following restricted cash balances as of June 30, 2013:

	<u>General</u>	<u>Perpetual Care</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Pressurized Irrigation</u>
Impact fees, unexpended	\$ 315,684	\$ -	\$ -	\$ 65,484	\$ -	\$ 31,789
B&C roads	195,537	-	-	-	-	-
Park donations	8,496	-	-	-	-	-
Liquor allotment	1,652	-	-	-	-	-
Perpetual care	-	66,799	-	-	-	-
Debt sinking and reserves	-	-	18,875	13,986	-	258,287
Total	<u>\$ 521,369</u>	<u>\$ 66,799</u>	<u>\$ 18,875</u>	<u>\$ 79,470</u>	<u>\$ -</u>	<u>\$ 290,076</u>

Continued

14. SEGMENT INFORMATION FOR INTERNAL SERVICE FUNDS

The City maintains Internal Service Funds which provide motor pool and data processing services. Selected unaudited information for these funds for the year ended June 30, 2013 is as follows:

	Motor Pool	Data Processing	Total
Operating Revenues	\$ 380,894	\$ -	\$ 380,894
Depreciation and Amortization	(87,452)	-	(87,452)
Other Operating Expenses	(266,824)	-	(266,824)
Operating Income (Loss)	26,618	-	26,618
Non-Operating Revenue (Expense)	(4,559)	-	(4,559)
Transfers out	(31,000)	-	(31,000)
Net Increase (Decrease) in Retained Earnings	\$ (8,941)	\$ -	\$ (8,941)
Total Assets	\$ 144,780	\$ -	\$ 144,780
Total Liabilities	116,366	(5,603)	110,763
Total Fund Equity	28,414	5,603	34,017

15. REDEVELOPEMENT AGENCY

The Redevelopment agency of Salem City is established to further public purposes in the redevelopment of certain City areas. For the year ended June 30, 2013 no activity occurred in the City's Redevelopment Agency.

16. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 26, 2013, the date the financial statements were available to be issued.

17. IMPLEMENTATION OF GASB STATEMENT NO. 63 AND 65

In fiscal year 2012-2013, the City implemented GASB Statement No. 63, Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. As a result, the City has deleted the unamortized bond issuance costs for both governmental activities at the government-wide level and the fund level. In addition, there are numerous terminology changes throughout the financial section of this report. The classification changes do not require a prior period adjustment.

SUPPLEMENTAL INFORMATION

SALEM CITY CORPORATION
Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2013

	Special Revenue Funds		Permanent Fund	Memorandum Totals	
	Redevelopment Agency	Municipal Building Authority	Perpetual Care	2013	2012
ASSETS					
Cash & cash equivalents	\$ -	\$ 1,625	\$ 66,799	\$ 68,424	\$ 64,550
Due from other funds	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 1,625</u>	<u>\$ 66,799</u>	<u>\$ 68,424</u>	<u>\$ 64,550</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Restricted for perpetual care	-	-	66,799	66,799	64,529
Assigned: Municipal build. auth	-	1,625	-	1,625	21
Unassigned	-	-	-	-	-
Total fund balance	<u>-</u>	<u>1,625</u>	<u>66,799</u>	<u>68,424</u>	<u>64,550</u>
Total liabilities & fund balance	<u>\$ -</u>	<u>\$ 1,625</u>	<u>\$ 66,799</u>	<u>\$ 68,424</u>	<u>\$ 64,550</u>

SALEM CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Funds		Permanent Fund	Memorandum Totals	
	Redevelopment Agency	Municipal Building Authority	Perpetual Care	2013	2012
Revenues:					
Intergovernmental	\$ -	\$ 64,470	\$ 1,843	\$ 66,313	\$ 65,960
Investment earnings	-	-	427	427	394
Total revenues	-	64,470	2,270	66,740	66,354
Expenditures:					
Current:					
Tax increment distributions	-	-	-	-	-
Debt Service:					
Principal retirement	-	41,000	-	41,000	39,000
Interest and fiscal charges	-	21,866	-	21,866	25,569
Total	-	62,866	-	62,866	64,569
Excess of revenues over expenditures	-	1,604	2,270	3,874	1,785
Other financing sources (uses):					
Transfers in (out)	-	-	-	-	20
Net change in fund balances	-	1,604	2,270	3,874	1,805
Fund balances - beginning of year	-	21	64,529	64,550	62,745
Fund balances - end of year	\$ -	\$ 1,625	\$ 66,799	\$ 68,424	\$ 64,550

OTHER REPORTS



**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 City Council
Salem City
Salem, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Salem, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Salem, Utah's basic financial statements and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Salem, Utah'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 City of Salem, Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Salem, Utah's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying management letter as finding 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Salem, Utah's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

City of Salem, Utah's Response to Findings

City of Salem, Utah's response to the finding identified in our audit is described in the accompanying management letter. City of Salem, Utah's response was 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.

ALLRED JACKSON

North Logan, UT
September 26, 2013



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

Honorable Mayor and City Council
Salem City
Salem, Utah

REPORT ON COMPLIANCE

We have audited the City of Salem, Utah the (City)'s compliance with general and major State program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact fees
- Utah Retirement Systems
- Transfers from Utility Enterprise Funds
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal 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 could have a material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, the City of Salem, Utah, complied in all material respect, with the general compliance requirements identified above and the compliance requirements that applicable to each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in the accompanying management letter dated September 26, 2013 as items 2013-2.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

We did note a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in the accompanying letter to management as finding 2013-2.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying letter to management. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ALLRED JACKSON

Logan, UT
September 26, 2013

MANAGEMENT LETTER



Honorable Mayor and City Council
Salem City
Salem, Utah

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Salem, Utah as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered City of Salem, Utah's internal control over financial reporting (internal control) as a basis for designing 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 of Salem, Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salem, Utah'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 discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 consider the following deficiencies in City of Salem, Utah's internal control to be significant deficiencies:

CURRENT YEAR FINDINGS

Finding 2013-1: *Accrual basis journal entries (significant deficiency)*

The City does not book accrual basis journal entries during the year. This caused many adjustments during the audit process that needed to be booked.

Recommendation:

Implement a process to review monthly and annual financial statements and adjust amounts to properly account for debt payments, fixed asset additions and deletions, accounts payable, inventory, and investments, as applicable.

Management response:

Management agrees with the auditors recommendations, will work with the auditors in striving to post year end journal entries and work towards implementing a process to review on a monthly and year end basis the financial statements for those adjustments.

Finding 2013-2: *District Court (State Compliance)*

A few citations processed through Salem City were incorrectly dismissed by the prosecutor's office rather than being submitted to and dismissed through the court system by the presiding judge.

Recommendation:

The Court must follow all rules and regulations established by the State of Utah. The City has since improved their procedures regarding dismissal of citations.

Management response:

There were some citations that were declined to prosecute before they went to court by the prosecuting attorney. Since then we have been instructed by the court that a citation needs to have a motion to dismiss and signed by the judge in order to be dismissed. Since we found out about this procedure we have implemented this process.

PRIOR YEAR FINDINGS

Finding 2012-1: *Accrual basis journal entries (significant deficiency)*

The City does not book accrual basis journal entries during the year. This caused many adjustments during the audit process that needed to be booked.

Recommendation:

Implement a process to review monthly and annual financial statements and adjust amounts to properly account for debt payments, fixed asset additions and deletions, accounts payable, inventory, and investments, as applicable.

Management response:

Management agrees with the auditors recommendations, will work with the auditors in striving to post year end journal entries and work towards implementing a process to review on a monthly and year end basis the financial statements for those adjustments.

Status:

See current year finding.

Finding 2012-2: *Budgetary compliance (state compliance)*

Utah State law requires that municipalities not incur expenditures in excess of amounts budgeted. We noted that the Sewer Fund, Electric Utility Fund, Waste Utility Fund and Pressurized Irrigation Fund expenses exceeded the amount budgeted.

Recommendation:

Monitor expenses throughout the year and compare them to the budgeted amounts. If adjustments are needed, revise the budget prior to incurring the additional expenses.

Management response:

Management agrees with recommendations and will amend budget as needed to account for additional expenses and revenues.

Status:

All funds were within the state requirements regarding budgeted expenses.

Finding 2012-3: *Property tax (state compliance)*

Budgeted revenue column in the TC-693 Tax Rate Summary should match the amounts of the City's adopted budget. The City's adopted budget was approximately \$22,000 higher than the Tax Rate Summary.

Recommendation:

Review the adopted budget to ensure that the amount of the budgeted tax revenues match the TC-693 Tax Rate Summary.

Management response:

Management agrees with the recommendations and will ensure that the amount of the budgeted tax revenues match the TC-693 Tax Rate Summary for the adopted budget.

Status:

This is no longer a state compliance item.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely appreciate the opportunity to provide services to Salem City and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.

Very truly yours,

ALLRED JACKSON



Diana Cannell, CPA
September 26, 2013