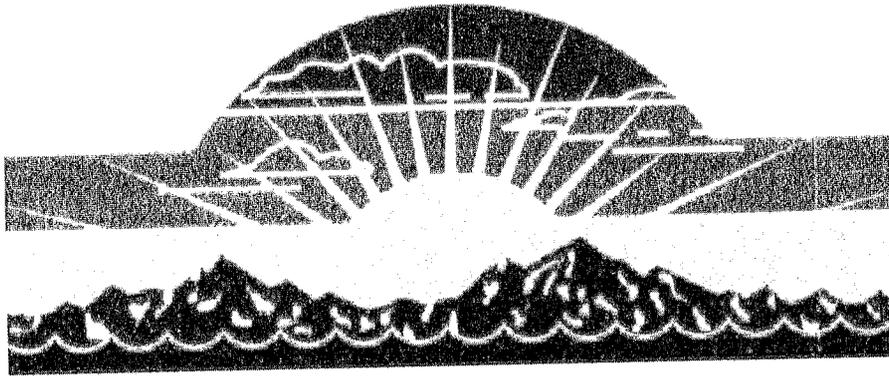


# City of Sunset, Utah Financial Report



Year Ended  
June 30, 2013

Prepared by  
Susan R. Hale, Recorder

**SUNSET CITY CORPORATION**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2013**

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Independent Auditor's Report

To the Mayor and City Council  
Sunset City, Utah

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset City (the City), 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinions**

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 33-38 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Christensen, Palmer & Ambrose P.C.*

November 20, 2013

# Sunset City, Utah

## Management's Discussion and Analysis

*for fiscal year ending June 30, 2013*

As management of Sunset City, we offer readers of our financial statements this narrative overview and analysis of Sunset City's financial performance and activities for the fiscal year ending June 30, 2013.

### FINANCIAL HIGHLIGHTS

- The City's Governmental net position has a net increase of \$123,659 due to revenues exceeding expenditures for the year.
- Revenues exceeded expenditures by \$147,954 in the general fund and revenues exceeded expenditures by \$98,272 in total governmental funds.
- Business-type activities net position increased \$114,132 due to revenues exceeding operational costs for the year. This will help the City save funds for infrastructure repairs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to Sunset City's Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information in addition to the Basic Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of Sunset City's finances in a manner similar to a private-sector business and consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the overall net position of the City. Over time, increases or decreases in the net position may serve as a useful indicator of the City's financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental-type activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Sunset City's business-type activities include water, sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to maintain control over resources that are kept separate and used for a specific activity or objective. Some funds are required by law to exist, while others are established internally to maintain control over a stated purpose. All of the City's funds are divided into three categories; Governmental funds, Proprietary funds and Agency funds. Each fund uses a different accounting approach.

**Governmental Funds** – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund information helps readers determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. The City has 15 governmental funds. They are the General, CDBG Capital Project, Fire / EMS Vehicle & Equipment Capital Project, Public Works Capital Project, Economic Development Capital Project, Class C Road, Dispatch Fee, Emergency Preparedness, Liquor Control, DARE, Youth City Council, Miscellaneous Grants, Retirement Insurance Premium, Fire Department Fund Raising and Arts funds. The last 10 are reported under the General Fund in the financial statements and are separated internally for tracking purposes.

**Proprietary Funds** – Sunset City maintains one type of proprietary fund. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water, sewer, garbage and storm water services.

**Agency Funds** – Sunset City has one agency fund. These monies are being held as a reward for information leading to the arrest and conviction of a suspect in the murder of Rachael Runyan.

### Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide and the fund financial statements.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The largest portion of Sunset City's net position, 57%, reflects investments in capital assets (land, buildings, equipment and other improvements) net of outstanding debt that was issued to purchase those assets. 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 readily liquidated to pay off the related liabilities.

Restricted net assets comprise 16% of the total net position and are to be used only by their specified activities. The remaining 27% of net position is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

#### Sunset City Net Assets as of June 30

	Governmental		Business-type		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current & Other Assets	1,380,266	1,296,398	865,648	714,617	2,245,914	2,011,015
Capital Assets	1,575,785	1,683,753	1,500,270	1,506,044	3,076,055	3,189,797
<b>Total Assets</b>	<b>2,956,051</b>	<b>2,980,151</b>	<b>2,365,918</b>	<b>2,220,661</b>	<b>5,321,969</b>	<b>5,200,812</b>
Current & Other Liabilities	278,591	289,322	72,980	41,854	351,571	331,176
Long-term Liabilities	594,584	731,612	0	0	594,584	731,612
<b>Total Liabilities</b>	<b>873,175</b>	<b>1,020,934</b>	<b>72,980</b>	<b>41,854</b>	<b>946,155</b>	<b>1,062,788</b>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	981,201	952,141	1,500,270	1,506,044	2,481,471	2,458,185
Restricted	708,907	837,963	0	0	708,907	837,963
Unrestricted	392,768	169,113	792,688	672,763	1,185,436	841,876
<b>Total Net Position</b>	<b>2,082,876</b>	<b>1,959,217</b>	<b>2,292,938</b>	<b>2,178,807</b>	<b>4,375,814</b>	<b>4,138,024</b>
Percent change from prior year	5.9%	7.5%	5.0%	6.6%	5.4%	7.0%

### Changes in Net Position

The City's combined net position increased by \$237,790 or 5.4% over the prior year. The net position of governmental activities increased \$123,659 or 5.9% while the net position of business-type activities increased by \$114,131 or 5.0%. The following chart summarizes the City's revenues and expenses relative to each other and to the prior year.

#### Sunset City

#### Changes in Net Assets as of June 30

	Governmental		Business-type		Totals		Total Percent Change '12 to '13
	Activities		Activities				
	2013	2012	2013	2012	2013	2012	
<b>Revenues</b>							
General Revenues:							
Taxes	1,319,245	1,253,172	0	0	1,319,245	1,253,172	5.1%
Other General							
Revenues	57,773	65,724	(14,200)	(7,480)	43,573	58,244	(33.7%)
Program Revenues:							
Charges for Services	721,677	715,527	1,333,264	1,325,657	2,054,941	2,041,184	0.7%
Operating Grants	168,619	168,760	0	0	168,619	168,760	0.1%
Capital Grants	17,602	12,543	0	0	17,602	12,543	28.7%
<b>Total Revenues</b>	<b>2,284,916</b>	<b>2,215,726</b>	<b>1,319,064</b>	<b>1,318,177</b>	<b>3,603,980</b>	<b>3,533,903</b>	<b>1.9%</b>

Changes in Net Position as of June 30 (continued)

	Governmental Activities		Business-type Activities		Totals		Total Percent Change '12 to '13
	2013	2012	2013	2012	2013	2012	
<b>Expenses</b>							
General Government	501,845	485,898	0	0	501,845	485,898	3.2%
Public Safety	999,129	1,055,829	0	0	999,129	1,055,829	(5.7%)
Highways & Public Works	414,711	325,171	0	0	414,711	325,171	21.6%
Parks and Recreation	147,283	160,022	0	0	147,283	160,022	(8.6%)
Community Development	68,127	5,173	0	0	68,127	5,173	92.4%
Interest on Long-term Debt	30,162	37,043	0	0	30,162	37,043	(22.8%)
Utility Operations	0	0	1,204,933	1,173,899	1,204,933	1,173,899	2.6%
<b>Total Expenses</b>	<b>2,161,257</b>	<b>2,069,136</b>	<b>1,204,933</b>	<b>1,173,899</b>	<b>3,366,190</b>	<b>3,243,035</b>	<b>3.7%</b>
<b>Change in Net Position</b>	<b>123,659</b>	<b>146,590</b>	<b>114,131</b>	<b>144,278</b>	<b>237,790</b>	<b>290,868</b>	<b>(22.3%)</b>
Net Position - Beginning	1,959,217	1,812,665	2,178,807	2,034,529	4,138,024	3,847,194	7.0%
<b>Net Position - Ending</b>	<b>2,082,876</b>	<b>1,959,255</b>	<b>2,292,938</b>	<b>2,178,807</b>	<b>4,375,814</b>	<b>4,138,062</b>	<b>5.4%</b>

**Governmental Activities**

The activities in the governmental funds resulted in an increase in net assets of \$123,659 for the year.

Table 1 shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$907,898 or 42.6% of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 55.9% of expenses.

Table 1

Activities	Total Program Expenses	Less Program Revenues	Net Program Costs	Program Revenues as a Percentage of Total Expense
General Government	501,845	496,311	(5,534)	23.3%
Public Safety	999,129	195,803	(803,326)	9.2%
Highways and Public Works	414,711	152,701	(262,010)	7.2%
Parks and Recreation	147,283	11,167	(136,116)	0.5%
Community Development	68,127	51,916	(16,211)	2.4%
<b>Totals</b>	<b>2,131,095</b>	<b>907,898</b>	<b>(1,223,197)</b>	<b>42.6%</b>

Table 2 shows by percentage the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.

Table 2

Activities	Net Program Costs	Percentage of each activity in Relation to the total of All Programs
General Government	5,534	0.5%
Public Safety	803,326	65.7%
Highways and Public Works	262,010	21.4%
Parks and Recreation	136,116	11.1%
Community Development	16,211	1.3%
<b>Totals</b>	<b>1,223,197</b>	<b>100%</b>

**Business-type Activities**

The business-type activities (water, sewer, garbage and storm sewer) are generating sufficient revenues to cover operating costs.

**CAPITAL ASSETS AND LONG-TERM DEBT**

Sunset City added \$44,604 in new capital assets in governmental activities during the fiscal year - \$3,157 in general government equipment, \$31,005 in public safety equipment, \$9,167 in highways and public works improvements/equipment and \$1,275 in parks and recreation equipment. The City added \$59,862 in new improvements and \$3,335 in new equipment capital assets in business-type activities during the fiscal year. The City's long term debt decreased by \$137,028 and there was no new borrowing.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Fund Balances**

As of June 30, 2013, Sunset City's governmental funds reported fund balances of \$1,229,068. Of this amount, \$153,569 or 12.5% is nonspendable, \$104,304 or 8.5% is restricted, \$89,650 or 7.3% is committed and \$361,522 or 29.4% is assigned for specific purposes. The remaining \$520,023 or 42.3% is unassigned and is to help, if needed, towards continuation of the City's programs.

**General Fund**

During fiscal year 2013, the fund balance in the general fund increased by \$147,954. Total revenues were up \$61,337. Tax revenue increased 5% from the previous year, the City received \$15,607 or 8.5% more in charges for services and fines and forfeitures were down \$26,859 or 5.5%. The total general fund expenditures (excluding transfers) were up \$15,831 or 0.7%.

**GENERAL FUND REVENUE SOURCES**

Taxes .....	58.3%
Licenses & Permits .....	1.4%
Intergovernmental .....	7.9%
Charges for Services .....	8.0%
Fines & Forfeitures .....	21.5%
Other Revenues .....	2.9%

**GENERAL FUND EXPENDITURES**

General Government .....	22.6%
Public Safety .....	44.9%
Highways & Public Works .....	17.9%
Parks & Recreation .....	6.5%
Community Development .....	0.2%
Debt Service .....	7.9%

**GENERAL FUNDS BUDGETARY HIGHLIGHTS**

During the fiscal year, the City amended the General Fund budget one time to increase the funds allowed for expenditures. The amendment consisted of an increase in the amount of \$3,900. The actual expenditures (excluding transfers & lease proceeds) came in \$115,785 under budget and the actual revenues came in \$76,092 over budget.

**Capital Projects Funds**

During the fiscal year, the fund balance in the Capital Projects funds decreased \$49,682. The expenditures were as follows: \$6,139 was expended on engineering to apply for a CDBG grant, \$729 was spent on rental property expenses and \$125 on economic planning. \$6,246 was earned in the Economic Development Fund from the lease of rental property, but the Fund also saw a loss of \$31,351 on the sale of property. \$10,000 was transferred into the CDBG Fund from the General Fund to save for future CDBG grant matching. \$5,000 was transferred from the Utility Fund to the Public Works Capital Projects Fund to save for future storm sewer needs.

**Enterprise Fund**

The change in net position of the enterprise fund shows an increase of \$114,131 or 5.2% from the previous year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide readers with a general overview of Sunset City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report should be addressed to:

Susan R. Hale  
City Recorder  
200 W. 1300 N.  
Sunset, UT 84015  
(801) 614-9103

## **BASIC FINANCIAL STATEMENTS**

**SUNSET CITY**  
**Statement of Net Position**  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	1,196,679	602,468	1,799,147
Accounts receivable - net	30,018	161,197	191,215
Internal balance	0	0	0
Prepaid expenses	0	101,983	101,983
Land for resale	153,569	0	153,569
Capital assets, net of depreciation:			
Land	137,491	12,500	149,991
Buildings	777,264	737,657	1,514,921
Improvements	78,726	739,998	818,724
Infrastructure	180,639		180,639
Equipment	401,665	10,115	411,780
Total capital assets	<u>1,575,785</u>	<u>1,500,270</u>	<u>3,076,055</u>
 Total assets	 <u>2,956,051</u>	 <u>2,365,918</u>	 <u>5,321,969</u>
<b>Deferred Outflows of Resources</b>			
Total deferred outflows of resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	151,198	40,311	191,509
Compensated absenses	127,393	32,669	160,062
Noncurrent liabilities:			
Due within one year	110,428		110,428
Due in more than one year	484,156		484,156
 Total liabilities	 <u>873,175</u>	 <u>72,980</u>	 <u>946,155</u>
<b>Deferred Inflows of Resources</b>			
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	981,201	1,500,270	2,481,471
Restricted for:			
Real Property	153,569		153,569
Capital projects	334,377		334,377
Class C roads	95,941		95,941
Dispatch fees	89,650		89,650
Emergency Preparedness	10,802		10,802
Liquor control	3,001		3,001
DARE	9,724		9,724
Youth city council	987		987
Miscellaneous grants	5,362		5,362
Fire Department fund raising	912		912
Arts	4,582		4,582
Unrestricted	<u>392,768</u>	<u>792,668</u>	<u>1,185,436</u>
 Total net position	 <u>2,082,876</u>	 <u>2,292,938</u>	 <u>4,375,814</u>

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

**SUNSET CITY**  
**Statement of Activities**  
June 30, 2013

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	501,845	494,033	278	2,000
Public safety	999,129	163,811	16,390	15,602
Highways and public works	414,711	750	151,951	
Parks and recreation	147,283	11,167		
Community development	68,127	51,916		
Interest on long-term debt	30,162			
Total governmental activities	2,161,257	721,677	168,619	17,602
<b>Business-type activities:</b>				
Water operational	208,698	593,598		
Sewer collection and disposal	203,799	321,297		
Garbage collection and disposal	229,216	341,618		
Storm sewer collection and disposal	6,991	46,721		
Salaries, wages and benefits	371,566			
Other operational expense	115,693	30,030		
Depreciation expense	68,970			
Total business-type activities	1,204,933	1,333,264		

**General revenues:**

Taxes  
Investment earnings  
Miscellaneous  
Transfers  
Total general revenues  
Change in net position  
Net position - beginning  
Net position - ending

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

Net (Expense) Revenue and Changes in Net Assets

Total Governmental Activities	Business-type Activities	Totals
(5,534)		(5,534)
(803,326)		(803,326)
(262,010)		(262,010)
(136,116)		(136,116)
(16,211)		(16,211)
(30,162)		(30,162)
<u>(1,253,359)</u>		<u>(1,253,359)</u>
	384,900	384,900
	117,498	117,498
	112,402	112,402
	39,730	39,730
	(371,566)	(371,566)
	(85,663)	(85,663)
	(68,970)	(68,970)
	<u>128,331</u>	<u>128,331</u>
1,319,245		1,319,245
9,794		9,794
33,779		33,779
14,200	(14,200)	0
<u>1,377,018</u>	<u>(14,200)</u>	<u>1,362,818</u>
123,659	114,131	237,790
1,959,217	2,178,807	4,138,024
<u>2,082,876</u>	<u>2,292,938</u>	<u>4,375,814</u>

**SUNSET CITY**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2013

	General	Economic Development Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	862,302	145,204	189,173	1,196,679
Receivables	30,018			30,018
Due from other funds				0
Prepaid expense				0
Land for resale		153,569		153,569
<b>Total assets</b>	<b>892,320</b>	<b>298,773</b>	<b>189,173</b>	<b>1,380,266</b>
<b>Liabilities and fund balances:</b>				
Liabilities:				
Accounts payable & accrued liability	151,198			151,198
<b>Total liabilities</b>	<b>151,198</b>	<b>0</b>	<b>0</b>	<b>151,198</b>
Fund Balances:				
Nonspendable				
Real Property		153,569		153,569
Restricted for:				
Class C roads	95,941			95,941
Liquor control	3,001			3,001
Miscellaneous grants	5,362			5,362
Committed to:				
Dispatch fees	89,650			89,650
Assigned to:				
Emergency Preparedness	10,802			10,802
DARE	9,724			9,724
Youth city council	987			987
Fire Department fund raising	912			912
Arts	4,582			4,582
Retirement Insurance Premium	138			138
Capital projects		145,204	189,173	334,377
Unassigned	520,023			520,023
<b>Total fund balances</b>	<b>741,122</b>	<b>298,773</b>	<b>189,173</b>	<b>1,229,068</b>
<b>Total liabilities and fund balances</b>	<b>892,320</b>	<b>298,773</b>	<b>189,173</b>	<b>1,380,266</b>

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

**SUNSET CITY**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2013

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

Total fund balances - governmental fund types:	1,229,068
--	-----------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

	Land	137,491		
	Buildings	1,198,334		
	Improvements	297,813		
	Infrastructure	196,358		
	Equipment	2,293,698		
	Accumulated depreciation	<u>(2,547,909)</u>		1,575,785

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

	Compensated absences	127,393		
	Noncurrent liabilities:			
	Due within one year	110,428		
	Due in more than one year	<u>484,156</u>		<u>(721,977)</u>

Net position of governmental activities	<u><u>2,082,876</u></u>
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The notes to the financial statements are an integral part of this statement.

**SUNSET CITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

For the Year Ended June 30, 2013

	General	Economic Development Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	1,319,245			1,319,245
Licenses and permits	32,420			32,420
Intergovernmental	179,332			179,332
Charges for services	182,080			182,080
Fines and forfeitures	486,931			486,931
Earnings on investments	9,794			9,794
Sale of assets	2,863			2,863
Miscellaneous revenue	51,804	6,246		58,050
Total revenues	<u>2,264,469</u>	<u>6,246</u>	<u>0</u>	<u>2,270,715</u>
<b>Expenditures:</b>				
Current:				
General government	477,818			477,818
Public safety	950,717			950,717
Highways and public works	378,007			378,007
Parks and recreation	138,646			138,646
Community development	3,337			3,337
Capital projects		64,790	6,138	70,928
Debt service:				
Principal retirement	137,028			137,028
Interest and fiscal charges	30,162			30,162
Total expenditures	<u>2,115,715</u>	<u>64,790</u>	<u>6,138</u>	<u>2,186,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>148,754</u>	<u>(58,544)</u>	<u>(6,138)</u>	<u>84,072</u>
<b>Other financial sources (uses):</b>				
Lease proceeds				
Transfers (out)	(10,000)			(10,000)
Transfers in	9,200		15,000	24,200
Total other financing sources (uses)	<u>(800)</u>	<u>0</u>	<u>15,000</u>	<u>14,200</u>
Net change in fund balances	147,954	(58,544)	8,862	98,272
<b>Fund balances - beg. of year</b>	<u>593,168</u>	<u>357,317</u>	<u>180,311</u>	<u>1,130,796</u>
<b>Fund balances - end of year</b>	<u><u>741,122</u></u>	<u><u>298,773</u></u>	<u><u>189,173</u></u>	<u><u>1,229,068</u></u>

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

**SUNSET CITY**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
June 30, 2013

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

Net change in fund balance - total governmental funds	98,272
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount in which depreciation exceeded capital outlays in the current period.

Additions to capital assets	44,604	
Deletions to capital assets	0	
Adjust. to accumulated depreciation	0	
Depreciation expense	(152,572)	(107,968)

Lease payments are accounted for in the general fund as an expenditure. Lease proceeds are accounted for as a revenue. In the statement of activities only the interest expense for the current year is included with the principal reducing the liability on the statement of net assets. Changes in compensated absences are treated as expenses in governmental statements, but are reductions or increases in the liability in the Statement of Net Position.

Lease proceeds	0	
Principal payments on leases	137,028	
(Increase) decrease in compensated absences	(3,673)	133,355

Change in net position of governmental activities	123,659
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The notes to the financial statements are an integral part of this statement.

**SUNSET CITY**  
**Statement of Net Position**  
**Proprietary Fund**  
For the Fiscal Year Ended June 30, 2013

**Assets:**

Current assets:

Cash and cash equivalents	602,468
Accounts receivable	161,197
Prepaid items	101,983
Total current assets	865,648

Capital assets:

Land	12,500
Buildings	941,422
Improvements	2,133,328
Equipment	239,659
Less accumulated depreciation	(1,826,639)
Total capital assets	1,500,270

Total assets	2,365,918
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**Liabilities:**

Current liabilities:

Accounts payable	40,311
Due to other funds	0
Total current liabilities	40,311

Noncurrent liabilities:

Compensated absences	32,669
Total noncurrent liabilities	32,669

Total liabilities	72,980
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**Net Position:**

Invested in capital assets net of related debt	1,500,270
Restricted	0
Unrestricted	792,668
Total net position	2,292,938

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

**SUNSET CITY**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2013

<b>Operating revenue:</b>	
Charges for services	1,333,265
Total operating revenues	1,333,265
 <b>Operating expenses:</b>	
Water operational	208,698
Sewer collection and disposal	203,799
Garbage collection and disposal	229,216
Storm sewer collection and disposal	6,991
Salaries, wages and benefits	371,566
Other operational expense	115,693
Depreciation expense	68,970
Total operating expenses	1,204,933
Operating income (loss)	128,332
Transfers in (out)	(14,200)
Change in net position	114,132
<b>Total net position - beginning</b>	2,178,806
<b>Total net position - ending</b>	2,292,938

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

**SUNSET CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2013

<b>Cash flows from operating activities:</b>	
Receipts from services provided	1,338,745
Payments for interfund transactions	0
Payments to suppliers	(741,732)
Payments to employees	(368,748)
Net cash provided (used) by operating activities	<u>228,265</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from (to) other funds	(14,200)
Net cash provided (used) by noncapital financing activities	<u>(14,200)</u>
<b>Cash flow from capital and related financing activities:</b>	
Capital contributions	
Acquisition of capital assets	(63,197)
Proceeds from sale of capital assets	0
Principal paid on capital debt	0
Interest paid on capital debt	0
Net cash provided (used) by capital and related activities	<u>(63,197)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>0</u>
Net increase (decrease) in cash and cash equivalents	150,868
Cash and cash equivalents - beginning	451,600
Cash and cash equivalents (deficit) - ending	<u><u>602,468</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	128,332
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	68,970
(Increase) decrease in accounts receivable	5,480
(Increase) decrease in prepaid items	(5,642)
Increase (decrease) in accounts payable	28,307
Increase (decrease) in compensated absences	2,818
Increase (decrease) in due to/from other funds	0
Total adjustments	<u>99,933</u>
Net cash provided (used) by operating activities	<u><u>228,265</u></u>

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

**SUNSET CITY**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
For the Fiscal Year Ended June 30, 2013

**Assets**

Cash and cash equivalents	59,197
Interest receivable	0
Total assets	<u>59,197</u>

**Liabilities**

Accounts payable	0
Total liabilities	<u>0</u>

**Net Position**

Held in trust for reward for those instrumental in the capture and prosecution of suspect in Rachel Runyan case	<u>59,197</u>
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The notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(1) Summary of Significant Accounting Policies**

Sunset City was incorporated September 3, 1935. The City operates under a mayor/council form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. The financial statements of Sunset City have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present Sunset City (the primary government) and organizations for which the primary government is financially accountable.

**B. Government-Wide Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole and the fund statements focus on individual funds.

**Government-Wide Financial Statements**

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate the general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(1) Summary of Significant Accounting Policies – Continued**

***Governmental Fund Types:***

The City reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special Revenue Fund – This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City does not have a special revenue fund at this time.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

***Proprietary Fund Types:***

Enterprise Fund – The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of income earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City operates its water, sewer, storm water drainage and garbage operations as an enterprise fund.

***Fiduciary Fund Types:***

Fiduciary Fund – This fund is used to account for assets held by the City, in a trustee capacity for individuals, other governmental units and/or funds.

**C. Measurement Focus and Basis of Accounting**

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

All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total position.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days in order to pay liabilities of the current period.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(1) Summary of Significant Accounting Policies – Continued**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: 1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and 2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred

**D. Budgets**

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the Sunset City Municipal Council on or before June 22<sup>nd</sup> for the following fiscal year which begins on July 1<sup>st</sup>. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at the fiscal year end.

During the year the City made one amendment to the budget. It consisted of an increase in the amount of \$3,900 in the General Funds, a decrease of \$24,065 in the Enterprise Fund and an increase of \$14,495 in the Capital Projects Funds.

**E. 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 \$500 or more. 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 cost of normal maintenance and repairs that do not add to the value of the asset are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Wells	50 years
Water distribution system	50 years
Sewer collection system	50 years
Equipment and machinery	5-10 years
Infrastructure improvements	50 years
Other improvements	10-50 years

**F. Governmental Fund Balances**

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

*Nonspendable Fund Balance* – classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Sunset has a nonspendable fund balance in the form of real property.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(1) Summary of Significant Accounting Policies – Continued**

*Restricted Fund Balance* – classified as restricted by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Sunset reports its Class C, Liquor Control and Miscellaneous Grants fund balances as restricted.

*Committed Fund Balance* – classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Sunset reports its dispatch fees fund balance as committed.

*Assigned Fund Balance* – classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Sunset reports its Emergency Preparedness, DARE, Youth City Council, Retirement Insurance Premium, Fire Department Fund Raising, Arts and Capital Projects as assigned.

*Unassigned Fund Balance* – classification is the residual classification for the General Fund. This classification represents the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

**G. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**H. Use of Estimates**

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

**I. Subsequent Events**

Management has evaluated subsequent events through November 20, 2013, the date the financial statements were available to be issued.

**(2) Deposits and Investments**

Deposits and investments for the City of Sunset are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Utah Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2013 were \$80,043, none of which were uninsured and uncollateralized.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(2) Deposits and Investments – Continued**

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories, repurchase agreements, commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations (one of which must be Moody's Investor Services of Standard 7 Poors), bankers acceptances, obligations of the U.S. Treasury and U.S. government sponsored enterprises, bonds and notes of political subdivision of the State of Utah, fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2013 the City had investments of \$1,721,621 in the PTIF funds. The PTIF does not have a quality rating. These investments have an average adjusted maturity of 74 days.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The City had no days of maturity to report.

**D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Utah Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective and Rule 17, which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

**(3) Accounts Receivable**

Accounts receivable in the enterprise fund are shown net of an allowance for doubtful accounts of \$1,705.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(4) Capital Assets**

Capital asset activity for the year ending June 30, 2013 was as follows:

<b>Governmental activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	137,491	0	0	137,491
Total capital assets not being depreciated	137,491	0	0	137,491
Capital assets being depreciated:				
Buildings	1,198,334	0	0	1,198,334
Improvements	297,813	0	0	297,813
Infrastructure	196,358	0	0	196,358
Equipment	2,249,094	44,604	0	2,293,698
Total capital assets being depreciated	3,941,599	44,604	0	3,986,203
Less accumulated depreciation for:				
Buildings	397,345	23,725	0	421,070
Improvements	209,403	9,684	0	219,087
Infrastructure	11,792	3,927	0	15,719
Equipment	1,776,797	115,236	0	1,892,033
Total accumulated depreciation	2,395,337	152,572	0	2,547,909
Total capital assets being depreciated, net	1,546,262	(107,968)	0	1,438,294
Governmental activities capital assets, net	1,683,753	(107,968)	0	1,575,785

<b>Business-type activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	12,500	0	0	12,500
Total capital assets not being depreciated	12,500	0	0	12,500
Capital assets being depreciated:				
Buildings	941,422	0	0	941,422
Improvements	2,073,466	59,682	0	2,133,328
Equipment	236,324	3,335	0	239,659
Total capital assets being depreciated	3,251,212	63,197	0	3,314,409
Less accumulated depreciation for:				
Buildings	185,096	18,669	0	203,765
Improvements	1,347,744	45,586	0	1,393,330
Equipment	224,829	4,715	0	229,544
Total accumulated depreciation	1,757,669	68,970	0	1,826,639
Total capital assets being depreciated, net	1,493,543	(5,773)	0	1,487,770
Business-type activities capital assets, net	1,506,043	(5,773)	0	1,500,270

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(4) Capital Assets - Continued**

Depreciation expense of governmental activities was charged to functions as follows:

Government activities:	
General government	26,553
Public safety	77,244
Highways and public works	39,201
Parks and recreation	9,574
Total	<u>152,572</u>

**(5) Long Term Debt**

The City has three capital leases included in general long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2013 are summarized as follows:

Year ending June 30	City Building Lease	Police Vehicle Leases	Public Works Vehicle Leases	Total
2014	96,169	12,019	14,074	122,262
2015	96,207	0	0	96,207
2016	98,498	0	0	98,498
2017	100,879	0	0	100,879
2018	103,354	0	0	103,354
2019 through 2023	105,927	0	0	105,927
Total lease payments	601,034	12,019	14,074	627,127
Less amount representing interest	31,049	889	605	32,543
Present value of minimum lease payment	569,985	11,130	13,469	594,584
Less current portion	85,829	11,130	13,469	110,428
Portion of obligations under capital leases due after one year	<u>484,156</u>	<u>0</u>	<u>0</u>	<u>484,156</u>

**Changes in Long-Term Debt:**

During the year ended June 30, 2013 the following activity occurred in liabilities reported as long term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Leases payable	731,611	0	137,028	594,583	110,428
Compensated absences	123,718	3,675	0	127,393	0
Total	<u>855,329</u>	<u>3,675</u>	<u>137,028</u>	<u>721,976</u>	<u>110,428</u>
Business-type activities:					
Compensated absences	29,851	2,818	0	32,669	0
Total	<u>29,851</u>	<u>2,818</u>	<u>0</u>	<u>32,669</u>	<u>0</u>

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(6) Contributed Capital**

The water and sewer fund receive contributions from sub-dividers for the extension of water and sewer lines when private developers construct water and sewer transmission systems at their own cost. Occasionally, the City constructs large trunk lines. When governmental grants are used to construct part of a system the government receipts are recorded as contributed capital.

**(7) Compensated Absences, Accumulated Unpaid Vacation, Sick Pay, Compensatory Time**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for the unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The liability for unused vacation and compensatory leave is recorded in the government-wide statement of net assets.

**(8) Retirement Plans**

**Plan Description**

Sunset City (City) contributes to the Local Governmental Contributory, Non-contributory and Public Safety Non-contributory, an all cost-sharing multiple-employer defined benefit pension plan that is 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 System is 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 Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling (800) 753-7361.

**Funding Policy**

In the Local Governmental Contributory System the City contributes a combined rate of 18.03% of covered salary, in the Non-contributory Retirement System the City is required to contribute 16.04% of its covered salary. The City contributes 30.45% to the Public Safety Non-contributory Tier 1 System and 19.25% to the Public Safety Contributory Tier 2 System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2013, 2012, and 2011 were as follows:

A. Local Governmental System – Contributory

<u>2013</u>	<u>2012</u>	<u>2011</u>	
78,480	152,287	163,243	Salary subject to contributions.
4,709	9,137	9,795	Employer paid for employee contributions
9,441	14,863	15,280	Employer contributions.

B. Local Governmental System – Non-contributory

<u>2013</u>	<u>2012</u>	<u>2011</u>	
410,697	409,090	358,538	Salary subject to retirement contributions.
65,876	56,331	47,937	Employer contributions.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(8) Retirement Plans - Continued**

C. Utah Public Safety Retirement System – Other Division A Contributory			
<u>2013</u>	<u>2012</u>	<u>2011</u>	
62,452	26,993	0	Salary subject to retirement contributions.
6,932	2,821	0	Employer contributions.
D. Utah Public Safety Retirement System – Other Division A Non-contributory Tier 1			
<u>2013</u>	<u>2012</u>	<u>2011</u>	
344,075	406,264	372,853	Salary subject to retirement contributions.
84,956	87,836	97,426	Employer contributions.
E. 401(K) Contributions			
<u>2013</u>	<u>2012</u>	<u>2011</u>	
23,282	23,982	21,980	Employee paid contributions.
97,740	100,832	93,923	Employer paid for employee contributions.

**(9) Risk Management**

Sunset City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At June 30, 2013 there were no outstanding claims or judgments against the City. Settlements did not exceed insurance coverage for each of the past three years.

**(10) Budgetary Accounting and Tax Calendar**

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1<sup>st</sup> of March and the 1<sup>st</sup> of May. A tentative budget is presented by the Budget Officer to the City Council by the first regularly scheduled Council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and available for inspection at the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of the public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by resolution before June 22<sup>nd</sup> and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Mayor or designated Budget Officer.

In connection with budget adoption an annual tax resolution establishing the tax rate is adopted before June 22<sup>nd</sup> and the City Recorder is to certify the tax rate to the County Auditor before June 22<sup>nd</sup>.

Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

The preceding procedures are authorized by Utah Code Sections 10-6-109 through 10-6-136.

Property Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	01/01
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-918.5 59-2-919(8)	03/01
County Treasurer to settle taxes charged and collected for previous year	59-2-1365	03/31
Budget Officer shall prepare and file with Council a tentative budget	10-6-111	1 <sup>st</sup> scheduled Council meeting in May
Tax Commission reports value of Centrally Assessed Property to counties	59-2-802	06/08
County Assessor delivers to County Auditor statement showing aggregate valuation of all taxable property	59-2-924	06/01
County Auditor sends valuation, certified tax rate and levy worksheets to each taxing district	59-2-924	06/08
Taxing district must adopt a proposed tax rate, certify the rate and levy and submit to County Auditor	59-2-912	before 06/22
County to set proposed tax rates	59-2-909	06/22
Taxing districts adopt tentative budgets and notify County of intent to exceed certified tax rate	59-2-924(5)	06/22
County Auditor to submit levy worksheets and supporting documentation to Tax Commission	59-2-913	before 06/22
Copy of final budget to State Auditor within 30 days of adoption	10-6-118	07/22 or 08/17
County Treasurer to mail tax notice	59-2-1317	11/01
County Auditor delivers assessment roll with affidavit to County Treasurer	59-2-326	11/01
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

SUNSET CITY  
Notes to Financial Statements  
June 30, 2013

**(11) Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by those grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**(12) Inter-fund Transfers**

Transfer from General Fund	(10,000)
Transfer to CDBG Capital Project Fund	10,000
Transfer from Utility Fund	(14,200)
Transfer to CDBG Capital Project Fund	5,000
Transfer to General Fund	9,200
	<u>0</u>

**(13) Departments Over Budget**

The City had two departments over budget. Court was over by \$2,050 and EMS Services was over \$2,530.

**REQUIRED SUPPLEMENTAL INFORMATION**

SUNSET CITY  
Notes to Required Supplementary Information  
June 30, 2013

**Budgeting and Budgetary Control**

As more fully explained in Note 1 of the "Notes to Financial Statements", annual budgets are prepared and adopted before June 22<sup>nd</sup> for the fiscal year commencing the following July 1<sup>st</sup> in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general, special revenue and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1<sup>st</sup>. Final budgets represent the original budget amounts plus any amendments made to the budgets during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Fiscal Year Ended June 30, 2013

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes:				
Current year property taxes	299,287	299,287	307,857	8,570
Delinquent prior years taxes	17,000	11,500	13,394	1,894
Fee in lieu	47,200	39,200	47,801	8,601
Sales tax	620,000	620,000	658,306	38,306
Franchise tax	280,000	283,000	289,588	6,588
Transient room tax	1,800	2,300	2,299	(1)
Total taxes	<u>1,265,287</u>	<u>1,255,287</u>	<u>1,319,245</u>	<u>63,958</u>
Licenses and permits:				
Business licenses	23,000	23,000	26,969	3,969
Building permits	3,050	4,240	4,326	86
Building plan check fees	0	1,125	1,125	0
Total licenses and permits	<u>26,050</u>	<u>28,365</u>	<u>32,420</u>	<u>4,055</u>
Intergovernmental:				
Class "C" road allotment	144,000	148,000	151,951	3,951
State liquor allotment	9,500	9,775	9,779	4
Fire and EMS grants	5,000	8,410	10,622	2,212
Police grants	0	4,980	4,980	0
Public works grants	2,000	2,000	2,000	0
Total intergovernmental	<u>160,500</u>	<u>173,165</u>	<u>179,332</u>	<u>6,167</u>
Charges for services:				
Special public safety fees	120,900	162,050	163,811	1,761
Recreation fees	9,080	8,380	10,877	2,497
Miscellaneous service fees	9,150	7,205	7,392	187
Total charges for services	<u>139,130</u>	<u>177,635</u>	<u>182,080</u>	<u>4,445</u>
Fines and forfeitures	<u>490,000</u>	<u>490,000</u>	<u>486,931</u>	<u>(3,069)</u>
Other revenues:				
Earnings on investments	6,600	9,300	9,794	494
Sales of assets	1,000	2,800	2,863	63
Miscellaneous revenues	55,900	51,825	51,804	(21)
Total other revenues	<u>63,500</u>	<u>63,925</u>	<u>64,461</u>	<u>536</u>
Total revenues	<u>2,144,467</u>	<u>2,188,377</u>	<u>2,264,469</u>	<u>76,092</u>

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and changes in Fund Balances**  
**Budget and Actual - General Fund - (Continued)**  
Fiscal Year Ended June 30, 2013

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Expenditures:</b>				
<u>General Government</u>				
Legislative:				
Salaries and benefits	15,935	15,935	15,934	1
Materials, supplies and services	7,900	8,950	5,867	3,083
Capital outlay	0	0	0	0
	<u>23,835</u>	<u>24,885</u>	<u>21,801</u>	<u>3,084</u>
Judicial:				
Salaries and benefits	136,340	129,465	133,723	(4,258)
Materials, supplies and services	28,320	29,945	27,738	2,207
Capital outlay	7,095	5,860	5,859	1
	<u>171,755</u>	<u>165,270</u>	<u>167,320</u>	<u>(2,050)</u>
Administrative:				
Salaries and benefits	114,445	118,010	119,174	(1,164)
Materials, supplies and services	27,760	27,435	23,734	3,701
Capital outlay	850	850	825	25
	<u>143,055</u>	<u>146,295</u>	<u>143,733</u>	<u>2,562</u>
Non-departmental:				
Materials, supplies and services	158,590	135,565	128,776	6,789
City shops, buildings and grounds:				
Salaries and benefits	6,230	6,500	6,183	317
Materials, supplies and services	9,400	9,500	8,159	1,341
Capital outlay	3,000	3,000	1,846	1,154
	<u>18,630</u>	<u>19,000</u>	<u>16,188</u>	<u>2,812</u>
Total general government	<u>515,865</u>	<u>491,015</u>	<u>477,818</u>	<u>13,197</u>
<u>Public Safety</u>				
Police services:				
Salaries and benefits	729,072	675,150	642,134	33,016
Materials, supplies and services	114,195	120,750	112,772	7,978
Capital outlay	0	0	0	0
	<u>843,267</u>	<u>795,900</u>	<u>754,906</u>	<u>40,994</u>
Fire department:				
Salaries and benefits	52,050	64,375	63,687	688
Materials, supplies and services	39,010	41,910	37,190	4,720
Capital outlay	12,820	12,820	10,069	2,751
	<u>103,880</u>	<u>119,105</u>	<u>110,946</u>	<u>8,159</u>
EMS Services				
Salaries and benefits	47,280	47,135	48,619	(1,484)
Materials, supplies and services	32,620	34,450	36,007	(1,557)
Capital outlay	750	750	239	511
	<u>80,650</u>	<u>82,335</u>	<u>84,865</u>	<u>(2,530)</u>
Total public safety	<u>1,027,797</u>	<u>997,340</u>	<u>950,717</u>	<u>46,623</u>

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and changes in Fund Balances**  
**Budget and Actual - General Fund - (Continued)**  
Fiscal Year Ended June 30, 2013

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Expenditures - (continued):</b>				
<u>Highways and Public Works</u>				
Streets and highways:				
Salaries and benefits	162,995	166,115	165,839	276
Materials, supplies and services	125,150	126,320	115,918	10,402
Capital outlay	132,500	114,500	96,250	18,250
	<u>420,645</u>	<u>406,935</u>	<u>378,007</u>	<u>28,928</u>
Total highways and public works	<u>420,645</u>	<u>406,935</u>	<u>378,007</u>	<u>28,928</u>
<u>Parks and Recreation</u>				
Parks Department:				
Salaries and benefits	79,070	78,270	81,997	(3,727)
Materials, supplies and services	12,150	12,150	8,809	3,341
Capital outlay	12,500	12,500	4,748	7,752
	<u>103,720</u>	<u>102,920</u>	<u>95,554</u>	<u>7,366</u>
Recreation:				
Salaries and benefits	30,355	38,595	26,233	12,362
Materials, supplies and services	22,125	22,650	16,859	5,791
Capital outlay	0	0	0	0
	<u>52,480</u>	<u>61,245</u>	<u>43,092</u>	<u>18,153</u>
Total parks and recreation	<u>156,200</u>	<u>164,165</u>	<u>138,646</u>	<u>25,519</u>
<u>Community Development</u>				
Building and zoning:				
Materials, supplies and services	9,500	4,850	3,337	1,513
Total community development	<u>9,500</u>	<u>4,850</u>	<u>3,337</u>	<u>1,513</u>
<u>Debt Service</u>				
Capital lease payments	153,615	167,195	167,190	5
Total debt service	<u>153,615</u>	<u>167,195</u>	<u>167,190</u>	<u>5</u>
Total expenditures	<u>2,283,622</u>	<u>2,231,500</u>	<u>2,115,715</u>	<u>115,785</u>
Excess (deficiency) of revenue over expenditures	(139,155)	(43,123)	148,754	191,877
<u>Other financing sources (uses):</u>				
Lease proceeds	0	0	0	0
Transfers (out)	(20,000)	(10,000)	(10,000)	0
Transfers in	8,500	9,200	9,200	0
Total other financing sources (uses)	<u>(11,500)</u>	<u>(800)</u>	<u>(800)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(150,655)	(43,923)	147,954	191,877
<b>Fund balance - beginning of year</b>	593,168	593,168	593,168	0
<b>Fund balance - end of year</b>	<u>442,513</u>	<u>549,245</u>	<u>741,122</u>	<u>191,877</u>

## **OTHER INFORMATION**

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and changes in Fund Balances**  
**Budget and Actual - Economic Development Capital Project Fund**  
Fiscal Year Ended June 30, 2013

	Economic Development Capital Project Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property lease revenue	8,100	6,245	6,246	1
Sales of assets	0	31,350	0	(31,350)
<b>Total revenue</b>	<b>8,100</b>	<b>37,595</b>	<b>6,246</b>	<b>(31,349)</b>
<b>Expenditures:</b>				
Rental property expenses	3,000	3,000	730	2,270
Improvements	0	0	125	(125)
Loss on sale of land	0	0	63,935	(63,935)
<b>Total expenditures</b>	<b>3,000</b>	<b>3,000</b>	<b>64,790</b>	<b>(61,790)</b>
Excess (deficiency) of revenue over expenditures	5,100	34,595	(58,544)	(93,139)
<u>Other financing sources (uses):</u>				
Transfers in (out)	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	5,100	34,595	(58,544)	(93,139)
<b>Fund balance - beginning of year</b>	<b>357,317</b>	<b>357,317</b>	<b>357,317</b>	<b>0</b>
<b>Fund balance - end of year</b>	<b>362,417</b>	<b>391,912</b>	<b>298,773</b>	<b>(93,139)</b>



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*

To the Mayor and City Council  
Sunset City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Sunset City's basic financial statements, and have issued our report thereon dated November 20, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sunset City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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.

*Christensen, Palmer & Ambrose P. C.*

November 20, 2013



Independent Auditor's Report on Compliance and on  
Internal Controls Over Compliance in Accordance With the  
State of Utah Legal Compliance Audit Guide

To the Mayor and City Council  
Sunset City, Utah

**REPORT ON COMPLIANCE**

We have audited Sunset City's compliance with the general 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 Sunset City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Conflicts of Interest
- Nepotism
- B & C Roads

Sunset 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State 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 that 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, Sunset City complied, in all material respects, with the general compliance requirements identified above 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 schedule of findings and recommendations.

## 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 on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control 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.

### ***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 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.

*Christensen, Palmer & Ambrose P.C.*

November 20, 2013

SUNSET CITY

Schedule of Findings and Recommendations

For the Year Ended June 30, 2013

**PROGRAM: BUDGETARY COMPLIANCE**

FINDING: The City had two departments whose expenditures exceeded appropriations in the final budget.

RECOMMENDATION: The City should monitor its expenditures so as to stay within budget appropriations or modify its budget if necessary.

CITY'S REPLY: The City will monitor this more closely in the future.

**PROGRAM: FUND BALANCE**

FINDING: The fund balance of the City's general fund exceeds 25% of estimated revenues.

RECOMMENDATION: The City should take steps to reduce the fund balance of the general fund.

CITY'S REPLY: The City will appropriate the excess amount in the current year.