

NIBLEY CITY

Financial Statements

For the Year Ended June 30, 2016

TABLE OF CONTENTS

	Page Number
<u>Financial Section:</u>	
Independent Auditor's Report	2
Management's Discussion and Analysis	4
<u>Basic Financial Statements:</u>	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Notes to Financial Statements	20
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule – General Fund	44

(continued)

(continued)

TABLE OF CONTENTS

	Page Number
Schedule of the Proportionate Share of the Net Pension Liability	45
Schedule of Contributors	46
<u>Governmental Audit Report:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
<u>State Compliance Report:</u>	
Report in Accordance with the <i>State Compliance Audit Guide</i>	51

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Nibley City
Nibley, Utah

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, Utah (the City) as of and for the year ended June 30, 2016, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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 Nibley City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pensions schedules 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated November 14, 2016 on my consideration of Nibley's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nibley's internal control over financial reporting and compliance.

MATTHEW REGEN, CPA, PC



November 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nibley City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- During the year 2016 the total net position of the City increased by \$1,560,898 to a total of \$22,042,300. The governmental net position increased by \$1,046,258 and the business-type net position increased by \$514,640.
- The total net position (government and business-type activities) of the City consist of \$16,416,436 in capital assets, net of related debt, \$2,041,835 in restricted net position and \$3,584,029 in unrestricted net position.
- The total long-term liabilities of the City decreased by \$343,000 during the fiscal year 2016. Regular principal payments were made on existing bonds and notes.

REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net position* presents information on all of the City's position and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, there will also be a need to consider other non-financial 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, and public works. The business-type activities of the City include the water, sewer, storm water utilities and municipal building authority. The government-wide financial statements can be found on pages 11 and 12 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The City has several non-major funds.

- **Proprietary funds** - The City maintains four proprietary funds, all enterprise funds, to account for its Water, Sewer, Storm Water Utilities, and the Municipal Building Authority operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water, Sewer, Storm Water Utilities, and the Municipal Building Authority all meet the criteria for major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$22,042,300.

By far, the largest portion of the City's net position (74 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of Activities:

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 3,397,132	2,393,952	2,072,629	3,563,731	4,016,339	3,649,107
Capital assets	<u>8,741,411</u>	<u>8,352,031</u>	<u>7,237,561</u>	<u>13,483,025</u>	<u>12,865,996</u>	<u>12,205,319</u>
Total assets	12,138,543	10,745,983	9,310,190	17,046,756	16,882,335	15,852,426
Deferred outflows—Pensions	119,619	41,897	31,648	67,843	17,090	12,910
Current liabilities	648,061	321,207	221,803	506,054	489,663	361,013
Noncurrent liabilities	<u>224,331</u>	<u>152,434</u>	<u>189,598</u>	<u>5,553,876</u>	<u>5,871,178</u>	<u>6,528,338</u>
Total liabilities	872,392	473,641	411,401	6,059,930	6,360,841	6,889,351
Deferred inflows – Property taxes	363,764	342,240	329,380	-	-	-
Deferred inflows - Pensions	<u>24,476</u>	<u>20,727</u>	<u>-</u>	<u>9,899</u>	<u>8,455</u>	<u>-</u>
Total deferred inflows	388,240	362,967	329,380	9,899	8,455	-
Invested in capital assets, net of debt	8,741,411	8,352,031	7,182,340	7,675,025	6,714,996	5,450,028
Restricted	1,562,125	1,008,924	992,897	479,710	479,710	268,877
Unrestricted	<u>693,994</u>	<u>590,317</u>	<u>425,820</u>	<u>2,890,035</u>	<u>3,335,425</u>	<u>3,259,080</u>
Total net position, as restated	\$ <u>10,997,530</u>	<u>9,951,272</u>	<u>8,601,057</u>	<u>11,044,770</u>	<u>10,530,130</u>	<u>8,977,985</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,152,609	1,098,837	1,026,512	1,870,934	1,875,933	2,013,619
Operating grants	401,541	235,316	495,883	-	-	-
Capital grants	745,368	1,169,217	130,000	-	1,066,588	-
General revenues:						
Property taxes	419,995	400,505	421,025	-	-	-
Sales and use taxes	666,805	621,517	572,917	-	-	-
Franchise taxes	279,628	236,477	228,920	-	-	-
Other revenues	<u>400,749</u>	<u>345,471</u>	<u>30,750</u>	<u>340,832</u>	<u>253,425</u>	<u>-</u>
Total revenues	4,066,695	4,107,340	2,906,007	2,211,766	3,195,946	2,013,619
Expenses:						
General government	1,252,693	1,062,509	977,982	-	-	-
Public safety	222,818	239,069	219,396	-	-	-
Streets and public impr.	825,018	832,188	716,342	-	-	-
Sanitation	336,297	370,965	341,903	-	-	-
Parks and recreation	383,611	252,394	258,912	-	-	-
Water utility	-	-	-	662,920	728,542	635,600
Sewer utility	-	-	-	852,745	718,877	702,767
Storm water	-	-	-	100,052	116,813	102,430
Municipal Bldg. Auth.	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,409</u>	<u>79,569</u>	<u>79,704</u>
Total expenses	<u>3,020,437</u>	<u>2,757,125</u>	<u>2,514,535</u>	<u>1,697,126</u>	<u>1,643,801</u>	<u>1,520,501</u>
Change in net position	1,046,258	1,350,215	391,472	514,640	1,552,145	493,118
Net position – beginning	<u>9,951,272</u>	<u>8,601,057</u>	<u>8,209,585</u>	<u>10,530,130</u>	<u>8,977,985</u>	<u>8,484,867</u>
Net position – ending	<u>\$ 10,997,530</u>	<u>9,951,272</u>	<u>8,601,057</u>	<u>11,044,770</u>	<u>10,530,130</u>	<u>8,977,985</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$2,431,920, an increase of \$646,917 from the prior year. Of this total amount \$824,795 constitutes unassigned fund balance, which is available to meet the future financial needs of the City. The remainder of the fund balance is either restricted for future capital outlays or has assigned by the Council for capital projects. The General Fund is the chief

operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 37 percent of total general fund revenues. The two largest elements of taxes are property taxes and sales taxes. Combined, they represent 80 percent of total tax revenues and 30 percent of total general fund revenues.

The City maintains enterprise funds to account for the business-type activities of the City, namely the water, sewer, storm water utilities and the municipal building authority. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenue was \$2,680,740. The actual revenue was \$3,307,333. This resulted in a favorable variance of \$626,593 for revenue. The General Fund budget for expenditures was \$2,879,630. The actual expenditures were \$2,519,351. This resulted in a favorable variance of \$360,279 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$986,872.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$22,224,436 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the City's investment in capital assets for the current fiscal year was \$2,080,387 and depreciation expense was \$1,009,022.

Major capital assets purchased during the fiscal year included the following:

- Machinery and equipment
- Road improvements
- Water system improvements
- Computer equipment

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – On June 30, 2016, the City had total debt outstanding of \$5,808,000 which consists of \$5,808,000 in revenue bonds used to improve the water and sewer systems.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this financial report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Nibley City, 455 West 3200 South, Nibley, Utah, 84321.

BASIC FINANCIAL STATEMENTS

NIBLEY CITY
STATEMENT OF NET POSITION
JUNE 30, 2016

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 1,812,003	2,771,776	4,583,779
Receivables, net			
Taxes	509,030	-	509,030
Accounts	50,439	159,972	210,411
Intergovernmental	55,851	-	55,851
Net pension asset	37	32	69
Fixed assets, net	8,741,411	13,483,025	22,224,436
Restricted cash and cash equivalents	969,772	631,951	1,601,723
	<u>12,138,543</u>	<u>17,046,756</u>	<u>29,185,299</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows - Pensions	119,619	67,843	187,462
<u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued expenses	648,061	162,054	810,115
Other liabilities:			
Due within one year	-	344,000	344,000
Due within more than one year	-	5,464,000	5,464,000
Net pension liability	224,331	89,876	314,207
	<u>872,392</u>	<u>6,059,930</u>	<u>6,932,322</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows - Property taxes	363,764	-	363,764
Deferred inflows - Pensions	24,476	9,899	34,375
	<u>388,240</u>	<u>9,899</u>	<u>398,139</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	8,741,411	7,675,025	16,416,436
Restricted:			
Highways and streets	969,772	-	969,772
Debt services	-	479,710	479,710
Non-major funds	58,800	-	58,800
Capital projects	533,553	-	533,553
Unrestricted	693,994	2,890,035	3,584,029
	<u>10,997,530</u>	<u>11,044,770</u>	<u>22,042,300</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental:							
Highways and streets	\$ 825,018	-	386,326	745,368	306,676	-	306,676
Administration	444,712	193,105	-	-	(251,607)	-	(251,607)
Sanitation	336,297	373,771	-	-	37,474	-	37,474
Public safety	222,818	62,022	9,365	-	(151,431)	-	(151,431)
Public works	238,351	380,000	-	-	141,649	-	141,649
Non-departmental	145,413	-	-	-	(145,413)	-	(145,413)
Planning and zoning	173,806	24,681	-	-	(149,125)	-	(149,125)
Judicial	72,963	61,978	-	-	(10,985)	-	(10,985)
Culture, parks and recreation	383,611	57,052	5,850	-	(320,709)	-	(320,709)
Legislative	39,584	-	-	-	(39,584)	-	(39,584)
Community development	137,864	-	-	-	(137,864)	-	(137,864)
Total governmental activities	<u>3,020,437</u>	<u>1,152,609</u>	<u>401,541</u>	<u>745,368</u>	<u>(720,919)</u>	<u>-</u>	<u>(720,919)</u>
Business-type activities:							
Sewer fund	852,745	918,081	-	-	-	65,336	65,336
Water fund	662,920	707,646	-	-	-	44,726	44,726
Storm water fund	100,052	202,207	-	-	-	102,155	102,155
Municipal building authority fund	81,409	43,000	-	-	-	(38,409)	(38,409)
Total business-type activities	<u>1,697,126</u>	<u>1,870,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,808</u>	<u>173,808</u>
Total primary government	<u>\$ 4,717,563</u>	<u>3,023,543</u>	<u>401,541</u>	<u>-</u>	<u>(720,919)</u>	<u>173,808</u>	<u>(547,111)</u>
General revenues:							
Taxes:							
Sales and use tax					\$ 666,805	-	666,805
Property tax					419,995	-	419,995
Franchise and other taxes					279,628	-	279,628
Total taxes					<u>1,366,428</u>	<u>-</u>	<u>1,366,428</u>
Impact fees					381,735	312,711	694,446
Interest income					19,014	28,121	47,135
Total general revenues					<u>1,767,177</u>	<u>340,832</u>	<u>2,108,009</u>
Change in net position					<u>1,046,258</u>	<u>514,640</u>	<u>1,560,898</u>
Net position at beginning of year					<u>9,951,272</u>	<u>10,530,130</u>	<u>20,481,402</u>
Net position - ending					<u>\$ 10,997,530</u>	<u>11,044,770</u>	<u>22,042,300</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2016

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 1,098,957	651,100	61,946	1,812,003
Receivables, net				
Taxes	509,030	-	-	509,030
Accounts	50,439	-	-	50,439
Intergovernmental	55,851	-	-	55,851
Restricted cash and cash equivalents	<u>969,772</u>	<u>-</u>	<u>-</u>	<u>969,772</u>
Total assets	<u>2,684,049</u>	<u>651,100</u>	<u>61,946</u>	<u>3,397,095</u>
 <u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>				
Liabilities:				
Accounts payable and accrued liabilities	525,718	72,547	3,146	601,411
Deferred inflows of resources	<u>363,764</u>	<u>-</u>	<u>-</u>	<u>363,764</u>
Total liabilities & deferred inflows	<u>889,482</u>	<u>72,547</u>	<u>3,146</u>	<u>965,175</u>
Fund balance:				
Restricted - Impact fees/Capital outlay	969,772	-	-	969,772
Restricted - First responders	-	-	58,800	58,800
Assigned - Capital outlay	-	578,553	-	578,553
Unassigned	<u>824,795</u>	<u>-</u>	<u>-</u>	<u>824,795</u>
Total fund balance	<u>1,794,567</u>	<u>578,553</u>	<u>58,800</u>	<u>2,431,920</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,684,049</u>	<u>651,100</u>	<u>61,946</u>	<u>3,397,095</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balance for governmental funds \$ 2,431,920

Net position is different because:

The net pension asset & liability, deferred outflows and inflows of resources related to pensions are not reported in the funds.

Deferred outflows of resources - pensions	\$	119,619	
Deferred inflows of resources - pensions		(24,476)	
Net pension asset		37	
Net pension liability		<u>(224,331)</u>	(129,151)

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

Land	\$	3,505,399	
Improvements other than buildings		1,300,104	
Machinery & equipment		812,935	
Roads & infrastructure		9,029,570	
Accumulated depreciation		<u>(5,906,597)</u>	8,741,411

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	<u>(46,650)</u>
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Net position of governmental activities \$ 10,997,530

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Sales taxes	\$ 666,805	-	-	666,805
Property taxes	419,995	-	-	419,995
Telecom and franchise taxes	279,628	-	-	279,628
Miscellaneous revenues	420,488	-	-	420,488
Charges for services	858,773	-	-	858,773
Intergovernmental	392,176	-	9,365	401,541
Licenses and permits	193,105	-	-	193,105
Fines	61,978	-	-	61,978
Interest earnings	14,385	4,240	389	19,014
	<u>3,307,333</u>	<u>4,240</u>	<u>9,754</u>	<u>3,321,327</u>
Total revenues				
Expenditures:				
Current:				
Culture, parks and recreation	203,839	134,553	-	338,392
Highways and streets	578,914	-	-	578,914
Administration	398,006	-	-	398,006
Sanitation	336,297	-	-	336,297
Public works	238,351	-	-	238,351
Public safety	194,314	-	20,506	214,820
Non-departmental	145,413	-	-	145,413
Planning and zoning	173,806	-	-	173,806
Judicial	72,963	-	-	72,963
Legislative	39,584	-	-	39,584
Community development	137,864	-	-	137,864
	<u>2,519,351</u>	<u>134,553</u>	<u>20,506</u>	<u>2,674,410</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>787,982</u>	<u>(130,313)</u>	<u>(10,752)</u>	<u>646,917</u>
Other financing sources (uses):				
Transfers in	-	85,000	20,000	105,000
Transfers out	<u>(105,000)</u>	<u>-</u>	<u>-</u>	<u>(105,000)</u>
Total other financing sources (uses)	<u>(105,000)</u>	<u>85,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	<u>682,982</u>	<u>(45,313)</u>	<u>9,248</u>	<u>646,917</u>
Fund balance - beginning of year, as restated	<u>1,111,585</u>	<u>623,866</u>	<u>49,552</u>	<u>1,785,003</u>
Fund balance - end of year	<u>\$ 1,794,567</u>	<u>578,553</u>	<u>58,800</u>	<u>2,431,920</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balance - Total governmental funds	\$	646,917
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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 as depreciation expense.

This is the amount by which depreciation expense of \$487,542 of exceeded capital outlays of \$134,554 in the current year.		(352,988)
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The net effect of transactions involving net pension liability and deferred outflows and inflows of resources related to pensions, are not recorded in the governmental funds, but are reported in the Statement of Activities.

Deferred outflows - pensions	\$	41,897	
Deferred inflows - pensions		(20,727)	
Change in pension expense		11,092	32,262

Developer contributions of infrastructure not recorded in the governmental funds.		711,445
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The liability for compensated absences is not recorded in the governmental funds, but is reported in the Statement of Net Position. This is the current year change in liability, reported as an expense in the State of Activities.

		8,622
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Change in net position of governmental activities	\$	1,046,258
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The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
JUNE 30, 2016

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Municipal Building Authority</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Business- type Activities</u>
Pooled cash and cash equivalents	\$ 837,406	1,561,898	-	372,472	2,771,776
Receivables, net	53,800	88,207	-	17,965	159,972
Fixed assets, net	5,185,474	6,431,234	1,433,672	432,645	13,483,025
Net pension asset	67	(46)	-	11	32
Restricted cash and cash equivalents:					
Revenue bond covenants	210,833	34,167	-	-	245,000
System development	-	257,967	-	-	257,967
Repair reserve	-	128,984	-	-	128,984
Total assets	6,287,580	8,502,411	1,433,672	823,093	17,046,756
<u>Deferred Outflows of Resources</u>					
Deferred outflows - Pensions	29,094	26,368	-	12,381	67,843
<u>Liabilities</u>					
Accounts payable and accrued liabilities	14,820	64,716	24,808	57,710	162,054
Non-current liabilities:					
Due within one year	81,000	245,000	18,000	-	344,000
Due in more than one year	544,000	4,152,000	768,000	-	5,464,000
Net pension liability	45,337	27,422	-	17,117	89,876
Total liabilities	685,157	4,489,138	810,808	74,827	6,059,930
<u>Deferred Inflows of Resources</u>					
Deferred inflows - Pensions	5,270	2,715	-	1,914	9,899
<u>Net Position</u>					
Investments in capital assets, net of related debt	4,560,474	2,034,234	647,672	432,645	7,675,025
Restricted:					
Bond reserve	210,833	268,877	-	-	479,710
Unrestricted	854,940	1,733,815	(24,808)	326,088	2,890,035
Total net position	\$ 5,626,247	4,036,926	622,864	758,733	11,044,770

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
Operating revenues:					
Services	\$ 654,624	883,125	-	174,033	1,711,782
Connection fees	52,900	-	-	-	52,900
Other operating revenues	122	34,956	43,000	28,174	106,252
Total operating revenues	<u>707,646</u>	<u>918,081</u>	<u>43,000</u>	<u>202,207</u>	<u>1,870,934</u>
Operating expenses:					
Current expenses	339,254	479,927	-	32,536	851,717
Depreciation	202,287	233,188	50,835	11,418	497,728
Wages and benefits	109,579	139,630	-	56,098	305,307
Total operating expense	<u>651,120</u>	<u>852,745</u>	<u>50,835</u>	<u>100,052</u>	<u>1,654,752</u>
Operating income (loss)	56,526	65,336	(7,835)	102,155	216,182
Non-operating income (expense):					
Impact fee income	156,391	156,320	-	-	312,711
Interest income	9,508	10,816	6,120	1,677	28,121
Capital contributions	-	-	-	-	-
Interest expense	(11,800)	-	(30,574)	-	(42,374)
Total non-operating income (expense)	<u>154,099</u>	<u>167,136</u>	<u>(24,454)</u>	<u>1,677</u>	<u>298,458</u>
Change in net position	210,625	232,472	(32,289)	103,832	514,640
Net position - beginning of year, as restated	<u>5,415,622</u>	<u>3,804,454</u>	<u>655,153</u>	<u>654,901</u>	<u>10,530,130</u>
Net position - end of year	<u>\$ 5,626,247</u>	<u>4,036,926</u>	<u>622,864</u>	<u>758,733</u>	<u>11,044,770</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
<u>Cash flows from operating activities:</u>					
Receipts from customers and users	\$ 785,686	919,026	43,000	200,041	1,947,753
Payments to employees	(109,579)	(139,630)	-	(56,098)	(305,307)
Payments to suppliers	(366,567)	(479,597)	(1,546)	10,236	(837,474)
Net cash provided by operating activities	<u>309,540</u>	<u>299,799</u>	<u>41,454</u>	<u>154,179</u>	<u>804,972</u>
<u>Cash flows from capital and related financing activities:</u>					
Purchase of capital assets	(1,005,313)	(71,046)	-	(59,543)	(1,135,902)
Impact fee income	156,391	156,320	-	-	312,711
Principal payments on bonds	(81,000)	(245,000)	(17,000)	-	(601,000)
Interest payments on bonds	(11,800)	-	(30,574)	-	(42,374)
Net cash provided (used) in capital and related financing activities	<u>(941,722)</u>	<u>(159,726)</u>	<u>(47,574)</u>	<u>(59,543)</u>	<u>(1,466,565)</u>
<u>Cash flows from investing activities:</u>					
Interest Income	9,508	10,816	6,120	1,677	28,121
Net cash provided by investing activities	<u>9,508</u>	<u>10,816</u>	<u>6,120</u>	<u>1,677</u>	<u>28,121</u>
Net increase(decrease) in cash and cash equivalents	(622,674)	150,889	-	96,313	(375,472)
Cash and cash equivalents at beginning of year	<u>1,670,913</u>	<u>1,832,127</u>	<u>-</u>	<u>276,159</u>	<u>3,779,199</u>
Cash and cash equivalents at end of year	<u>\$ 1,048,239</u>	<u>1,983,016</u>	<u>-</u>	<u>372,472</u>	<u>3,403,727</u>
Cash and cash equivalents at end of year Consists of:					
Unrestricted cash	\$ 837,406	1,561,898	50,835	372,472	2,822,611
Restricted cash	210,833	421,118	-	-	631,951
	<u>\$ 1,048,239</u>	<u>1,983,016</u>	<u>50,835</u>	<u>372,472</u>	<u>3,454,562</u>
<u>Cash flows from non-capital financing activities</u>					
Contributions of capital assets from developers	\$ -	-	-	-	-
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 56,526	65,336	(7,835)	102,155	216,182
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	202,287	233,188	50,835	11,418	497,728
Change in assets and liabilities:					
Increase in accounts receivable	78,040	945	-	(2,133)	76,852
Increase in accounts payable	(27,313)	330	(1,546)	42,739	14,210
Total adjustments	<u>253,014</u>	<u>234,463</u>	<u>49,289</u>	<u>52,024</u>	<u>588,790</u>
Net cash provided by operating activities	<u>\$ 309,540</u>	<u>299,799</u>	<u>41,454</u>	<u>154,179</u>	<u>804,972</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Nibley City (the City) was incorporated under the laws of the state of Utah. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the City owns and operates water and sewer utilities.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly 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: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement 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 recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. The City applies expenses for restricted resources first when both restricted and unrestricted net position are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Project Fund is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the city.

The City reports the following major proprietary funds:

- The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.
- The Sewer Utility accounts for the activities of the City's sewer treatment operations.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

- The Storm Water Services account for the activities of the City’s storm water runoff.
- The Municipal Building Authority accounts for the activities of some of the City’s real estate.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of three 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the City’s operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	25 to 50 years
Water system and equipment	7 to 50 years
Machinery and equipment	3 to 20 years
Infrastructure	15 to 40 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds and notes payable.

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same as in the fund statements as in the government-wide statements.

Equity Classifications: Government-wide Financial Statements

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net position – Consists of net position with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity Classifications: Fund Financial Statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

- b. Restricted fund balances – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council, likewise, formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City Council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the General Fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

Property Taxes

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% for \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted position) with original maturities of three months or less to be cash equivalents.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one of these items that qualify for reporting in this category. Deferred outflows of resources related to pensions - includes a) net difference between projected and actual earnings on pension plan investments and b) City contributions subsequent to the measurement date of December 31, 2015.

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 or periods and will not be recognized as an inflow of resources (revenue) until that time. The City reported two of these items. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. Deferred inflows of resources related to pensions - includes a) differences between expected and actual experience and b)

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

changes of assumptions in the measurement of the net pension liability/asset. These amounts also are reported on the government-wide statement of net position.

Subsequent Events

The Company has evaluated all subsequent events through November 14, 2016, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

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

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. The City does not have a formal deposit policy for custodial credit risk. The uninsured and uncollateralized portion of the City's bank balances was \$604,930 on June 30, 2016.

Investments

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standards & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in money market mutual fund as defined by the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 2 – Deposits and Investments (continued)

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act established by the Money Management Council which oversees the activities of the state treasurer and the PTIF, and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administrations fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The City’s investments on June 30, 2016, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$6,071,026</u>	<u>\$6,071,026</u>	Unrated

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the Act as previously discussed.

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 a formal investment policy for custodial credit risk in regard to the custody of the City’s investments.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 – Deposits and Investments (continued)

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

Note 3 – Legal Compliance – Budgets

On or before the first scheduled City council meeting in May, all agencies of the City submit requests for appropriation to the City’s financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2016 as follows:

Governmental Funds:

Taxes:	
Property taxes	\$ 368,280
Sales tax	120,618
Franchise taxes	3,014
Total taxes receivable	<u>491,912</u>
Accounts:	
Garbage/Recycle	43,673
911 fees/Other	6,765
Total accounts receivable	<u>50,438</u>
Due from other governments:	
Class “C” roads – State of Utah	55,851
Total receivables – Governmental Funds	<u>\$ 598,201</u>

Water Fund:

Accounts, net of allowance for bad debt	\$ <u>53,800</u>
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Sewer Fund:

Accounts, net of allowance for bad debt	\$ <u><u>88,207</u></u>
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NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2016, are as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,264,952	240,447	-	3,505,399
Total capital assets not being depreciated	<u>3,264,952</u>	<u>240,447</u>	<u>-</u>	<u>3,505,399</u>
Capital assets being depreciated:				
Roads & infrastructure	8,393,095	636,475	-	9,029,570
Other improvements	1,300,104	-	-	1,300,104
Equipment	812,935	-	-	812,935
Total capital assets being depreciated	<u>10,506,134</u>	<u>636,475</u>	<u>-</u>	<u>11,142,609</u>
Accumulated depreciation for:				
Other improvements	(389,706)	(59,702)	-	(449,408)
Roads & infrastructure	(4,457,805)	(361,724)	-	(4,819,529)
Equipment	(571,544)	(66,116)	-	(637,660)
Total accumulated depreciation	<u>(5,419,055)</u>	<u>(487,542)</u>	<u>-</u>	<u>(5,906,597)</u>
Total capital assets being depreciated, net	<u>5,087,079</u>	<u>148,933</u>	<u>-</u>	<u>5,236,012</u>
Total governmental activities Capital assets, net	<u>\$ 8,352,031</u>	<u>389,380</u>	<u>-</u>	<u>8,741,411</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5 – Capital Assets (continued)

Depreciation expense was charged to functions of the City as follows:

General government	\$ 68,128
Public safety	16,827
Streets and public improvements	436,801
Parks and recreation	<u>62,269</u>
Total depreciation expense	<u>\$ 584,025</u>

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ 508,133	-	-	508,133
Total capital assets not being depreciated	<u>508,133</u>	-	-	<u>508,133</u>
Capital assets being depreciated:				
Buildings	1,685,565	-	-	1,685,565
Improvements	14,617,897	1,203,465	-	15,821,362
Systems and equipment	<u>657,020</u>	-	-	<u>657,020</u>
Total capital assets being depreciated	<u>16,858,812</u>	<u>1,254,300</u>	-	<u>18,163,947</u>
Accumulated depreciation for:				
Buildings	(276,850)	(42,139)	-	(318,989)
Improvements	(4,127,024)	(400,348)	-	(4,527,372)
Systems and equipment	<u>(263,701)</u>	<u>(78,993)</u>	-	<u>(342,694)</u>
Total accumulated depreciation	<u>(4,667,575)</u>	<u>(521,480)</u>	-	<u>(5,189,055)</u>
Total capital assets being depreciated, net	<u>12,191,237</u>	<u>963,359</u>	-	<u>12,974,892</u>
Total business-type activities capital assets, net	<u>\$ 12,699,370</u>	<u>963,359</u>	-	<u>13,483,025</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 – Long-term Debt

Long-term liability transactions for business-type activities for the fiscal year ended June 30, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
Impact Bonds	\$ 803,000	-	(17,000)	786,000	18,000
Water Bonds	706,000	-	(81,000)	625,000	81,000
State of Utah Bonds	\$ 4,642,000	-	(245,000)	4,397,000	245,000
 Total business-type long-term liabilities	 \$ 6,151,000	 -	 (343,000)	 5,808,000	 344,000

Business-type Activities

Long-term debt for business-type activities consists of the following:

Notes and bonds payable

\$850,000 Bond payable, due in various annual installments, including interest at 4.00%, through October 2042. The note is secured by land.	\$ 786,000
\$850,000 Bond payable, due in various semi-annual installments, including interest at 1.75%, through July 2042. The note is secured by future water billings.	625,000
\$7,739,000 Bond payable, due in various annual installments, bearing no interest, due through May 2034. The note is secured by water bonds.	<u>4,397,000</u>
Total	<u>\$ 5,808,000</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 – Long-term Debt (continued)

The following is a summary of the annual payments to maturity:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	344,000	41,660	385,660
2018	347,000	39,488	386,488
2019	351,000	37,271	386,271
2020	353,000	34,980	387,980
2021	319,000	32,596	351,596
2022-2026	1,207,000	132,391	1,339,391
2027-2031	1,041,000	104,000	1,145,000
2032-2036	1,072,000	73,360	1,145,360
2037-2041	722,000	36,040	758,040
2042-2044	51,000	2,040	53,040
Totals	\$ <u>5,808,000</u>	<u>533,826</u>	<u>6,351,826</u>

Note 7 – Restricted Net Position/ Fund Balance Classifications

Restricted net position represent amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2016 the City’s enterprise funds held \$479,710 restricted for future bond payments.

Pursuant to GASB No. 54 (see Note 1, *Equity Classifications: Fund Financial Statements*) the governmental fund balances are classified as follows:

Restricted fund balance – \$1,028,572 for future roads, parks and other projects.

Assigned fund balance – \$578,553 for future capital projects.

The remaining fund balance is unassigned.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – Retirement Plans

General Information about the Pension Plan:

Plan description

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

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- The Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employee retirement system.

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

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – Retirement Plans (continued)

Benefits provided

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

System	Final Average Salary	eligible for benefits	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 8 – Retirement Plans (continued)

Contributions

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

Contribution rates are as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
<i>Contributory System</i>			
111 - Local Governmental Division Tier 2	N/A	N/A	16.67%
<i>Noncontributory System</i>			
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – Retirement Plans (continued)

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

At June 30, 2016, the City reported a net pension asset of \$69 and a net pension liability of \$314,207.

	Proportionate Share	Net Pension Assets	Net Pension Liability
Noncontributory System	0.0555285%	-	\$ 314,207
Tier 2 Public Employees System	0.3148530%	\$ 69	\$ -
Total net pension asset/liability		\$ 69	\$ 314,207

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$88,247.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – Retirement Plans (continued)

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	\$ 16,489
Change in assumptions	-	\$ 17,885
Net difference between projected and actual earnings on pension plan investments	\$ 107,890	-
Changes in proportion and differences between contributions proportionate share on contributions.	-	-
Contributions subsequent to the measurement date	\$ 56,633	-
	<hr/>	<hr/>
Total	<u>\$ 187,462</u>	<u>\$ 34,374</u>

\$56,633 was reported as deferred outflows of resources related to pensions results from contributions made by the City prior to its fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2016	\$ 23,081
2017	\$ 23,081
2018	\$ 23,390
2019	\$ 27,991
2020	(199)
Thereafter	(891)
	<hr/>
	<u>\$ 96,453</u>

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

Note 8 – Retirement Plans (continued)

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.75 percent
- Salary increases: 3.5 — 10.5 percent, average, including inflation
- Investment rate of return: 7.5 percent, net of pension plan investment expense, including inflation

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

Retired Member Mortality - Class of Member

Educators	Public Safety and Firefighters	Local Government Public Employees
Men EDUM (90%)	Men RP 2000mWC (100%)	Men RP 2000mWC (100%)
Women EDUF (100%)	Women EDUF (120%)	Women EDUF (120%)

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

RP 2000m WC = RP 2000 combined mortality table for males with white collar adjustments multiplied by given percentage.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – Retirement Plans (continued)

Asset Class	Expected Return Arithmetic Basis		
	Target Asset allocation	Real return arithmetic basis	Long-term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

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

Discount rate

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

Sensitivity of Proportionate Share of the Net Pension Asset/Liability to Change in Discount Rate

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of Net Pension Liability	\$ 676,493	\$ 314,138	\$ 12,619

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – Retirement Plans (continued)

Pension plan fiduciary net position

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

Defined Contribution Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Note 9 – 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 and natural disasters. The City participates in the Utah Local Government Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

Note 10 – Change in Accounting Principle

In 2015, the City adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment to GASB Statement No. 68*. The new standards require the City to recognize a liability in its government-wide financial statements for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plans as administered by Utah Retirement Systems)-the collective net pension liability. The City is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. City contributions to the pension plans subsequent to the measurement date (December 31) of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 10 – Change in Accounting Principle (continued)

The governmental fund financial statements of the City are not affected by these new standards. Pension expenditures in the governmental funds continue to be recognized equal to the total of a) amounts paid by the City to the pension plans and b) the change between the beginning and ending balances of amount of contributions currently payable to the pensions.

The notes to the basic financial statements now include additional information about the defined benefit pension plans. Also, the City will be presenting in required supplementary information 10-year schedules containing a) the net pension liability and certain related ratios and b) information about statutorily required contributions, contributions to the pension plans, and related ratios. Because this is the first year such information is available, only one year of required supplementary information is presented with these financial statements; information for additional years will be presented in future reports as it becomes available.

SUPPLEMENTARY INFORMATION

NIBLEY CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Sales tax	\$ 550,000	550,000	666,805	116,805
Miscellaneous revenues	442,700	442,700	434,873	(7,827)
Property tax	392,240	392,240	419,995	27,755
Charges for services	418,000	418,000	858,773	440,773
Intergovernmental	410,300	410,300	392,176	(18,124)
Franchise and other taxes	237,500	237,500	279,628	42,128
Licenses and permits	168,000	168,000	193,105	25,105
Fines and forfeitures	62,000	62,000	61,978	(22)
Total revenues	<u>2,680,740</u>	<u>2,680,740</u>	<u>3,307,333</u>	<u>626,593</u>
Expenditures:				
Culture, parks and recreation	270,190	270,190	203,839	66,351
Highways and streets	680,065	680,065	578,914	101,151
Administrative	439,600	439,600	398,006	41,594
Sanitation	361,000	361,000	336,297	24,703
Public works	250,020	250,020	238,351	11,669
Public safety	224,950	224,950	194,314	30,636
Non-departmental	190,540	190,540	145,413	45,127
Planning and zoning	191,565	191,565	173,806	17,759
Judicial	79,900	79,900	72,963	6,937
Legislative	53,900	53,900	39,584	14,316
Community development	137,900	137,900	137,864	36
Total expenditures	<u>2,879,630</u>	<u>2,879,630</u>	<u>2,519,351</u>	<u>360,279</u>
Excess (deficiency) of revenues over expenditures	<u>(198,890)</u>	<u>(198,890)</u>	<u>787,982</u>	<u>986,872</u>
Other financing sources (uses) :				
Beginning fund balance	168,890	168,890	-	(168,890)
Transfers out	-	-	(105,000)	(105,000)
Transfers in	30,000	30,000	-	(30,000)
Total other financing sources	<u>198,890</u>	<u>198,890</u>	<u>(105,000)</u>	<u>(303,890)</u>
Excess (deficiency) of revenue and other financing sources over expenditures \$	<u>-</u>	<u>-</u>	<u>682,982</u>	<u>682,982</u>
Fund balance - beginning of year, as restated			<u>1,111,585</u>	
Fund balance - end of year			<u>\$ 1,794,567</u>	

See Independent Auditor's Report.

NIBLEY CITY
 SCHEDULE OF THE PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2016

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
Proportion of the net pension liability (asset)	0.0555285%	0.0314853%
Proportionate share of the net pension liability (asset)	\$314,207	(\$69)
Covered-employee payroll	\$405,922	\$203,382
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.41%	-0.03%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.8%	100.2%

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

NIBLEY CITY
 SCHEDULE OF CONTRIBUTIONS
 JUNE 30, 2016

	System	Employees System
Contractually required contribution	\$79,330	\$28,838
Contributions in relations to the contractually required contribution	\$79,330	\$28,838
Contribution deficiency (excess)	-	-
Covered employee payroll	\$494,582	\$216,329
Contributions as a percentage of covered-employee payroll**	16.04%	13.33%

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

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

GOVERNMENTAL AUDIT REPORT

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 Honorable Mayor and City Council
Nibley City
Nibley, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, business-type activities, and each major fund of Nibley City (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Nibley's basic financial statements and have issued my report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

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

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or 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.

MATTHEW REGEN, CPA, PC



November 14, 2016

STATE COMPLIANCE REPORT

Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* on:

- Compliance with General State Compliance Requirements
- Compliance For Each Major State Program
- Internal Control Over Compliance

To the Honorable Mayor and City Council
Nibley City
Nibley, Utah

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

I have audited the Nibley City's (the City) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers
Open and Public Meetings Act

The City received state funding from the following programs classified as major programs for the year ended June 30, 2016:

B&C Road Funds (Department of Transportation)

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on the City or 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 I considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, Nibley City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2016.

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 my audit of compliance, I considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, I 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a

deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses or significant deficiencies.

Purpose of Report

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

MATTHEW REGEN, CPA, PC

A handwritten signature in blue ink that reads "Matthew Regen, CPA, PC". The signature is written in a cursive style.

November 14, 2016