

NIBLEY CITY

Financial Statements

For the Year Ended June 30, 2017

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, 2017, 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, 2017, 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 9, 2017 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 9, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- During the year 2017 the total net position of the City increased by \$967,335 to a total of \$23,363,617. The governmental net position increased by \$553,282 and the business-type net position increased by \$414,053.
- The total net position (government and business-type activities) of the City consist of \$17,281,707 in capital assets, net of related debt, \$1,716,158 in restricted net position and \$4,365,752 in unrestricted net position.
- The total long-term liabilities of the City decreased by \$351,000 during the fiscal year 2017. 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, including the First Responder Fund.

- **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 \$23,363,617.

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,679,974	3,397,132	2,393,952	3,520,014	3,563,731	4,016,339
Capital assets	<u>8,882,303</u>	<u>8,833,991</u>	<u>8,352,031</u>	<u>13,856,404</u>	<u>13,744,427</u>	<u>12,865,996</u>
Total assets	12,562,277	12,231,123	10,745,983	17,376,418	17,308,158	16,882,335
Deferred outflows—Pensions	164,950	119,619	41,897	63,546	67,843	17,090
Current liabilities	358,329	648,061	321,207	491,004	506,054	489,663
Noncurrent liabilities	<u>272,349</u>	<u>224,331</u>	<u>152,434</u>	<u>5,214,923</u>	<u>5,553,876</u>	<u>5,871,178</u>
Total liabilities	630,678	872,392	473,641	5,705,927	6,059,930	6,360,841
Deferred inflows – Property taxes	417,308	363,764	342,240	-	-	-
Deferred inflows - Pensions	<u>35,849</u>	<u>24,476</u>	<u>20,727</u>	<u>13,812</u>	<u>9,899</u>	<u>8,455</u>
Total deferred inflows	453,157	388,240	362,967	13,812	9,899	8,455
Invested in capital assets, net of debt	8,882,303	8,833,991	8,352,031	8,399,404	7,936,427	6,714,996
Restricted	1,293,928	1,562,125	1,008,924	422,230	479,710	479,710
Unrestricted	<u>1,467,161</u>	<u>693,994</u>	<u>590,317</u>	<u>2,898,591</u>	<u>2,890,035</u>	<u>3,335,425</u>
Total net position	\$ <u><u>11,643,392</u></u>	<u><u>11,090,110</u></u>	<u><u>9,951,272</u></u>	<u><u>11,720,225</u></u>	<u><u>11,306,172</u></u>	<u><u>10,530,130</u></u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,197,752	1,152,609	1,098,837	2,113,748	1,870,934	1,875,933
Operating grants	307,632	401,541	235,316	-	-	-
Capital grants	-	745,368	1,169,217	-	-	1,066,588
General revenues:						
Property taxes	508,314	419,995	400,505	-	-	-
Sales and use taxes	732,728	666,805	621,517	-	-	-
Franchise taxes	281,669	279,628	236,477	-	-	-
Other revenues	<u>301,784</u>	<u>400,749</u>	<u>345,471</u>	<u>274,839</u>	<u>602,234</u>	<u>253,425</u>
Total revenues	3,329,879	4,066,695	4,107,340	2,388,587	2,473,168	3,195,946
Expenses:						
General government	1,136,480	1,252,693	1,062,509	-	-	-
Public safety	236,442	222,818	239,069	-	-	-
Streets and public impr.	600,335	825,018	832,188	-	-	-
Sanitation	462,774	336,297	370,965	-	-	-
Parks and recreation	340,566	383,611	252,394	-	-	-
Water utility	-	-	-	823,615	662,920	728,542
Sewer utility	-	-	-	931,521	852,745	718,877
Storm water	-	-	-	132,852	100,052	116,813
Municipal Bldg. Auth.	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,546</u>	<u>81,409</u>	<u>79,569</u>
Total expenses	<u>2,776,597</u>	<u>3,020,437</u>	<u>2,757,125</u>	<u>1,974,534</u>	<u>1,697,126</u>	<u>1,643,801</u>
Change in net position	553,282	1,138,838	1,350,215	414,053	776,042	1,552,145
Net position – beginning	<u>11,090,110</u>	<u>9,951,272</u>	<u>8,601,057</u>	<u>11,306,172</u>	<u>10,530,130</u>	<u>8,977,985</u>
Net position – ending	<u>\$ 11,643,392</u>	<u>11,090,110</u>	<u>9,951,272</u>	<u>11,720,225</u>	<u>11,306,172</u>	<u>10,530,130</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 \$2,969,017, an increase of \$376,717 from the prior year. Of this total amount \$691,301 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 41 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 33 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 \$3,024,415. The actual revenue was \$3,277,456. This resulted in a favorable variance of \$253,041 for revenue. The General Fund budget for expenditures was \$3,039,415. The actual expenditures were \$2,705,977. This resulted in a favorable variance of \$333,438 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$586,479.

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, 2017, amounts to \$22,738,707 (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 \$1,075,461 and depreciation expense was \$966,167.

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, 2017, the City had total debt outstanding of \$5,457,000 which consists of \$5,457,000 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, 2017

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 1,868,832	2,693,656	4,562,488
Receivables, net			
Taxes	580,263	-	580,263
Accounts	61,991	194,407	256,398
Intergovernmental	65,045	-	65,045
Fixed assets, net	8,882,303	13,856,404	22,738,707
Restricted cash and cash equivalents	<u>1,103,843</u>	<u>631,951</u>	<u>1,735,794</u>
Total assets	<u>12,562,277</u>	<u>17,376,418</u>	<u>29,938,695</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows - Pensions	<u>164,950</u>	<u>63,546</u>	<u>228,496</u>
<u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued expenses	358,329	144,004	502,333
Other liabilities:			
Due within one year	-	347,000	347,000
Due within more than one year	-	5,110,000	5,110,000
Net pension liability	<u>272,349</u>	<u>104,923</u>	<u>377,272</u>
Total liabilities	<u>630,678</u>	<u>5,705,927</u>	<u>6,336,605</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows - Property taxes	417,308	-	417,308
Deferred inflows - Pensions	<u>35,849</u>	<u>13,812</u>	<u>49,661</u>
Total deferred inflows	<u>453,157</u>	<u>13,812</u>	<u>466,969</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	8,882,303	8,399,404	17,281,707
Restricted:			
Highways and streets	190,085	-	190,085
Debt services	-	422,230	422,230
Non-major funds	75,090	-	75,090
Capital projects	1,028,753	-	1,028,753
Unrestricted	<u>1,467,161</u>	<u>2,898,591</u>	<u>4,365,752</u>
Total net position	<u>\$ 11,643,392</u>	<u>11,720,225</u>	<u>23,363,617</u>

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

NIBLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 366,769	-	263,256	-	(103,513)	-	(103,513)
Administration	443,238	169,042	-	-	(274,196)	-	(274,196)
Sanitation	462,774	400,845	-	-	(61,929)	-	(61,929)
Public safety	236,442	64,838	10,035	-	(161,569)	-	(161,569)
Public works	233,566	436,869	-	-	203,303	-	203,303
Non-departmental	189,311	-	-	-	(189,311)	-	(189,311)
Planning and zoning	222,572	10,412	-	-	(212,160)	-	(212,160)
Judicial	70,335	64,712	-	-	(5,623)	-	(5,623)
Culture, parks and recreation	340,566	51,034	34,341	-	(255,191)	-	(255,191)
Legislative	44,121	-	-	-	(44,121)	-	(44,121)
Community development	166,903	-	-	-	(166,903)	-	(166,903)
Total governmental activities	<u>2,776,597</u>	<u>1,197,752</u>	<u>307,632</u>	<u>-</u>	<u>(1,271,213)</u>	<u>-</u>	<u>(1,271,213)</u>
Business-type activities:							
Sewer fund	931,521	977,102	-	-	-	45,581	45,581
Water fund	823,615	829,002	-	-	-	5,387	5,387
Storm water fund	132,852	264,644	-	-	-	131,792	131,792
Municipal building authority fund	86,546	43,000	-	-	-	(43,546)	(43,546)
Total business-type activities	<u>1,974,534</u>	<u>2,113,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,214</u>	<u>139,214</u>
Total primary government	<u>\$ 4,751,131</u>	<u>3,311,500</u>	<u>307,632</u>	<u>-</u>	<u>(1,271,213)</u>	<u>139,214</u>	<u>(1,131,999)</u>
General revenues:							
Taxes:							
Sales and use tax				\$ 732,728	-		732,728
Property tax				508,314	-		508,314
Franchise and other taxes				281,669	-		281,669
Total taxes				<u>1,522,711</u>	<u>-</u>		<u>1,522,711</u>
Impact fees				262,247	209,636		471,883
Interest income				39,537	65,203		104,740
Total general revenues				<u>1,824,495</u>	<u>274,839</u>		<u>2,099,334</u>
Change in net position					553,282	414,053	967,335
Net position at beginning of year					11,090,110	11,306,172	22,396,282
Net position - ending					<u>\$ 11,643,392</u>	<u>11,720,225</u>	<u>23,363,617</u>

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

NIBLEY CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2017

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>First Responder Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 1,790,283	78,549	-	1,868,832
Receivables, net				
Taxes	580,263	-	-	580,263
Accounts	61,991	-	-	61,991
Intergovernmental	65,045	-	-	65,045
Restricted cash and cash equivalents	<u>-</u>	<u>1,028,753</u>	<u>75,090</u>	<u>1,103,843</u>
Total assets	<u>2,497,582</u>	<u>1,107,302</u>	<u>75,090</u>	<u>3,679,974</u>
 <u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>				
Liabilities:				
Accounts payable and accrued liabilities	215,100	78,549	-	293,649
Deferred inflows of resources	<u>417,308</u>	<u>-</u>	<u>-</u>	<u>417,308</u>
Total liabilities & deferred inflows	<u>632,408</u>	<u>78,549</u>	<u>-</u>	<u>710,957</u>
 Fund balance:				
Restricted - Impact fees/Capital outlay	1,173,873	-	-	1,173,873
Restricted - First responders	-	-	75,090	75,090
Assigned - Capital outlay	-	1,028,753	-	1,028,753
Unassigned	<u>691,301</u>	<u>-</u>	<u>-</u>	<u>691,301</u>
Total fund balance	<u>1,865,174</u>	<u>1,028,753</u>	<u>75,090</u>	<u>2,969,017</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,497,582</u>	<u>1,107,302</u>	<u>75,090</u>	<u>3,679,974</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, 2017

Total fund balance for governmental funds \$ 2,969,017

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	\$ 164,950	
Deferred inflows of resources - pensions	(35,849)	
Net pension liability	<u>(272,349)</u>	(143,248)

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

Land	\$ 3,696,905	
Improvements other than buildings	1,653,818	
Machinery & equipment	817,343	
Roads & infrastructure	9,083,755	
Accumulated depreciation	<u>(6,369,518)</u>	8,882,303

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

Compensated absences		<u>(64,680)</u>
----------------------	--	-----------------

Net position of governmental activities \$ 11,643,392

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

NIBLEY CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	First Responder Fund	Total Governmental Funds
Revenues:				
Taxes:				
Sales taxes	\$ 732,728	-	-	732,728
Property taxes	508,314	-	-	508,314
Telecom and franchise taxes	281,669	-	-	281,669
Miscellaneous revenues	18,985	-	-	18,985
Charges for services	954,729	-	-	954,729
Intergovernmental	265,860	31,737	10,035	307,632
Licenses and permits	421,573	-	-	421,573
Fines	64,712	-	-	64,712
Interest earnings	28,886	9,891	760	39,537
Total revenues	<u>3,277,456</u>	<u>41,628</u>	<u>10,795</u>	<u>3,329,879</u>
Expenditures:				
Current:				
Culture, parks and recreation	324,200	228,659	-	552,859
Highways and streets	385,310	-	-	385,310
Administration	405,796	-	-	405,796
Sanitation	462,774	-	-	462,774
Public works	233,566	-	-	233,566
Public safety	201,089	-	18,526	219,615
Non-departmental	189,311	-	-	189,311
Planning and zoning	222,572	-	-	222,572
Judicial	70,335	-	-	70,335
Legislative	44,121	-	-	44,121
Community development	166,903	-	-	166,903
Total expenditures	<u>2,705,977</u>	<u>228,659</u>	<u>18,526</u>	<u>2,953,162</u>
Excess (deficiency) of revenues over expenditures	<u>571,479</u>	<u>(187,031)</u>	<u>(7,731)</u>	<u>376,717</u>
Other financing sources (uses):				
Transfers in	-	386,058	24,022	410,080
Transfers out	(410,080)	-	-	(410,080)
Total other financing sources (uses)	<u>(410,080)</u>	<u>386,058</u>	<u>24,022</u>	<u>-</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	<u>161,399</u>	<u>199,027</u>	<u>16,291</u>	<u>376,717</u>
Fund balance - beginning of year	<u>1,703,775</u>	<u>829,726</u>	<u>58,799</u>	<u>2,592,300</u>
Fund balance - end of year	<u>\$ 1,865,174</u>	<u>1,028,753</u>	<u>75,090</u>	<u>2,969,017</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, 2017

Net change in fund balance - Total governmental funds \$ 376,717

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 capital outlays of \$588,617 exceeded depreciation expense of \$412,052 in the current year.

176,565

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	\$	45,331	
Deferred inflows - pensions		(79,135)	
Change in pension expense		15,774	(18,030)

Developer contributions of infrastructure not recorded in the governmental funds.

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.

18,030

Change in net position of governmental activities \$ 553,282

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

NIBLEY CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
JUNE 30, 2017

<u>Assets</u>	Water Fund	Sewer Fund	Municipal Building Authority	Storm Water Fund	Total Business- type Activities
Pooled cash and cash equivalents	\$ 734,939	1,560,569	19,197	378,951	2,693,656
Receivables, net	80,977	94,530	-	18,900	194,407
Fixed assets, net	5,477,153	6,422,464	1,383,746	573,041	13,856,404
Restricted cash and cash equivalents:					
Revenue bond covenants	210,833	-	-	-	210,833
System development	-	-	-	-	-
Repair reserve	-	421,118	-	-	421,118
Total assets	<u>6,503,902</u>	<u>8,498,681</u>	<u>1,402,943</u>	<u>970,892</u>	<u>17,376,418</u>
<u>Deferred Outflows of Resources</u>					
Deferred outflows - Pensions	<u>24,500</u>	<u>27,738</u>	<u>-</u>	<u>11,308</u>	<u>63,546</u>
<u>Liabilities</u>					
Accounts payable and accrued liabilities	86,853	23,518	24,239	9,394	144,004
Non-current liabilities:					
Due within one year	84,000	245,000	18,000	-	347,000
Due in more than one year	458,000	3,902,000	750,000	-	5,110,000
Net pension liability	<u>40,453</u>	<u>45,799</u>	<u>-</u>	<u>18,671</u>	<u>104,923</u>
Total liabilities	<u>669,306</u>	<u>4,216,317</u>	<u>792,239</u>	<u>28,065</u>	<u>5,705,927</u>
<u>Deferred Inflows of Resources</u>					
Deferred inflows - Pensions	<u>5,325</u>	<u>6,029</u>	<u>-</u>	<u>2,458</u>	<u>13,812</u>
<u>Net Position</u>					
Investments in capital assets, net of related debt	4,935,153	2,275,464	615,746	573,041	8,399,404
Restricted:					
Bond reserve	210,833	211,397	-	-	422,230
Unrestricted	<u>707,785</u>	<u>1,817,212</u>	<u>(5,042)</u>	<u>378,636</u>	<u>2,898,591</u>
Total net position	<u>\$ 5,853,771</u>	<u>4,304,073</u>	<u>610,704</u>	<u>951,677</u>	<u>11,720,225</u>

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, 2017

	Water Fund	Sewer Fund	Municipal Building Authority	Storm Water Fund	Total Business- type Activities
Operating revenues:					
Services	\$ 710,067	954,933	-	188,842	1,853,842
Connection fees	26,850	-	-	-	26,850
Other operating revenues	30,897	-	43,000	3,200	77,097
Total operating revenues	<u>767,814</u>	<u>954,933</u>	<u>43,000</u>	<u>192,042</u>	<u>1,957,789</u>
Operating expenses:					
Current expenses	456,499	561,689	6,277	53,652	1,078,117
Depreciation	240,365	247,247	49,926	16,577	554,115
Wages and benefits	112,968	122,585	-	62,623	298,176
Total operating expense	<u>809,832</u>	<u>931,521</u>	<u>56,203</u>	<u>132,852</u>	<u>1,930,408</u>
Operating income (loss)	(42,018)	23,412	(13,203)	59,190	27,381
Non-operating income (expense):					
Impact fee income	109,591	100,045	-	-	209,636
Interest income	9,693	19,841	31,386	4,283	65,203
Capital contributions	61,188	22,169	-	72,602	155,959
Interest expense	(13,783)	-	(30,343)	-	(44,126)
Total non-operating income (expense)	<u>166,689</u>	<u>142,055</u>	<u>1,043</u>	<u>76,885</u>	<u>386,672</u>
Change in net position	124,671	165,467	(12,160)	136,075	414,053
Net position - beginning of year	<u>5,729,100</u>	<u>4,138,606</u>	<u>622,864</u>	<u>815,602</u>	<u>11,306,172</u>
Net position - end of year	<u>\$ 5,853,771</u>	<u>4,304,073</u>	<u>610,704</u>	<u>951,677</u>	<u>11,720,225</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, 2017

	Water Fund	Sewer Fund	Municipal Building Authority	Storm Water Fund	Total Business- type Activities
<u>Cash flows from operating activities:</u>					
Receipts from customers and users	\$ 740,637	948,610	43,000	191,107	1,923,354
Payments to employees	(112,968)	(122,585)	-	(62,623)	(298,176)
Payments to suppliers	(384,466)	(602,887)	(6,846)	(101,968)	(1,096,167)
Net cash provided by operating activities	<u>243,203</u>	<u>223,138</u>	<u>36,154</u>	<u>26,516</u>	<u>529,011</u>
<u>Cash flows from capital and related financing activities:</u>					
Purchase of capital assets	(368,171)	(94,353)	-	(24,320)	(486,844)
Impact fee income	109,591	100,045	-	-	209,636
Principal payments on bonds	(83,000)	(250,000)	(18,000)	-	(351,000)
Interest payments on bonds	(13,783)	-	(30,343)	-	(44,126)
Net cash used in capital and related financing activities	<u>(355,363)</u>	<u>(244,308)</u>	<u>(48,343)</u>	<u>(24,320)</u>	<u>(672,334)</u>
<u>Cash flows from investing activities:</u>					
Interest Income	9,693	19,841	31,386	4,283	65,203
Net cash provided by investing activities	<u>9,693</u>	<u>19,841</u>	<u>31,386</u>	<u>4,283</u>	<u>65,203</u>
Net increase(decrease)in cash and cash equivalents	(102,467)	(1,329)	19,197	6,479	(78,120)
Cash and cash equivalents at beginning 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	<u>\$ 945,772</u>	<u>1,981,687</u>	<u>19,197</u>	<u>378,951</u>	<u>3,325,607</u>
Cash and cash equivalents at end of year Consists of:					
Unrestricted cash	\$ 734,939	1,560,569	19,197	378,951	2,693,656
Restricted cash	210,833	421,118	-	-	631,951
	<u>\$ 945,772</u>	<u>1,981,687</u>	<u>19,197</u>	<u>378,951</u>	<u>3,325,607</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)	\$ (42,018)	23,412	(13,203)	59,190	27,381
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	240,365	247,247	49,926	16,577	554,115
Change in assets and liabilities:					
Increase in accounts receivable	(27,177)	(6,323)	-	(935)	(34,435)
Increase (decrease) in accounts payable	72,033	(41,198)	(569)	(48,316)	(18,050)
Total adjustments	<u>285,221</u>	<u>199,726</u>	<u>49,357</u>	<u>(32,674)</u>	<u>501,630</u>
Net cash provided by operating activities	<u>\$ 243,203</u>	<u>223,138</u>	<u>36,154</u>	<u>26,516</u>	<u>529,011</u>

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2016.

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, 2017

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 9, 2017, 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 \$141,847 on June 30, 2017.

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, 2017

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, 2017, 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>\$5,998,824</u>	<u>\$5,998,824</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, 2017

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, 2017

Note 4 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2017 as follows:

Governmental Funds:

Taxes:

Property taxes	\$ 427,442
Sales tax	138,242
Franchise taxes	14,580
Total taxes receivable	<u>580,264</u>

Accounts:

Garbage/Recycle	48,353
911 fees/Other	13,637
Total accounts receivable	<u>61,990</u>

Due from other governments:

Class “C” roads – State of Utah	65,045
Total receivables – Governmental Funds	<u>\$ 707,299</u>

Water Fund:

Accounts, net of allowance for bad debt	\$ <u>80,977</u>
---	------------------

Sewer Fund:

Accounts, net of allowance for bad debt	\$ <u>94,530</u>
---	------------------

Storm Water Fund:

Accounts, net of allowance for bad debt	\$ <u>18,900</u>
---	------------------

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2017, are as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,505,399	191,506	-	3,696,905
Total capital assets not being depreciated	<u>3,505,399</u>	<u>191,506</u>	<u>-</u>	<u>3,696,905</u>
Capital assets being depreciated:				
Roads & infrastructure	9,044,770	38,988	-	9,083,758
Other improvements	1,300,104	353,713	-	1,653,817
Equipment	812,935	4,410	-	817,345
Total capital assets being depreciated	<u>11,157,809</u>	<u>397,111</u>	<u>-</u>	<u>11,554,920</u>
Accumulated depreciation for:				
Other improvements	(575,856)	(52,470)	-	(628,326)
Roads & infrastructure	(4,692,081)	(358,112)	-	(5,050,193)
Equipment	(689,528)	(1,470)	-	(690,998)
Total accumulated depreciation	<u>(5,957,465)</u>	<u>(412,052)</u>	<u>-</u>	<u>(6,369,517)</u>
Total capital assets being depreciated, net	<u>5,200,344</u>	<u>(14,941)</u>	<u>-</u>	<u>5,185,403</u>
Total governmental activities Capital assets, net	<u>\$ 8,705,743</u>	<u>176,565</u>	<u>-</u>	<u>8,882,308</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Capital Assets (continued)

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

General government	\$ 37,442
Public safety	16,827
Streets and public improvements	335,172
Parks and recreation	22,611
Total depreciation expense	<u>\$ 412,052</u>

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</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>-</u>	<u>-</u>	<u>508,133</u>
Capital assets being depreciated:				
Buildings	1,685,565	-	-	1,685,565
Improvements	15,821,362	486,844	-	16,308,206
Systems and equipment	657,020	-	-	657,020
Total capital assets being depreciated	<u>18,163,947</u>	<u>486,844</u>	<u>-</u>	<u>18,650,791</u>
Accumulated depreciation for:				
Buildings	(318,989)	(46,742)	-	(365,731)
Improvements	(4,086,722)	(412,773)	-	(4,499,495)
Systems and equipment	(342,694)	(94,600)	-	(437,294)
Total accumulated depreciation	<u>(4,748,405)</u>	<u>(554,115)</u>	<u>-</u>	<u>(5,302,520)</u>
Total capital assets being depreciated, net	<u>13,415,542</u>	<u>(67,271)</u>	<u>-</u>	<u>13,348,271</u>
Total business-type activities capital assets, net	<u>\$ 13,923,675</u>	<u>(67,271)</u>	<u>-</u>	<u>13,856,404</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Long-term Debt

Long-term liability transactions for business-type activities for the fiscal year ended June 30, 2017, 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	\$ 786,000	-	(18,000)	768,000	18,000
Water Bonds	625,000	-	(83,000)	542,000	84,000
State of Utah Bonds	\$ 4,397,000	-	(250,000)	4,147,000	245,000
 Total business-type long-term liabilities	 \$ 5,808,000	 -	 (351,000)	 5,457,000	 347,000

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.	\$ 768,000
\$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.	542,000
\$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>4,147,000</u>
Total	<u>\$ 5,457,000</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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>
2018	\$ 347,000	\$ 39,488	\$ 386,488
2019	351,000	37,271	388,271
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	1,035,000	104,000	1,139,000
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>\$ 5,457,000</u>	<u>\$ 492,166</u>	<u>\$ 5,949,166</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, 2017 the City’s enterprise funds held \$422,230 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 – \$1,248,963 for future roads, parks and other projects.

Assigned fund balance – \$1,028,753 for future capital projects.

The remaining fund balance is unassigned.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017

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
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.91%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Retirement Plans (continued)

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

At June 30, 2017, the City reported a net pension asset of \$0 and a net pension liability of \$377,272.

	Proportionate Share	Net Pension Assets	Net Pension Liability
	<u> </u>	<u> </u>	<u> </u>
Noncontributory System	0.0555285%	\$ -	\$ 374,804
Tier 2 Public Employees System	0.3148530%	<u>\$ -</u>	<u>\$ 2,468</u>
Total net pension asset/liability		<u><u>\$ -</u></u>	<u><u>\$ 377,272</u></u>

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, the City recognized pension expense of \$152,995.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Retirement Plans (continued)

At June 30, 2017, 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	\$ 8,141	\$ 12,247
Change in assumptions	\$ 52,222	\$ 12,424
Net difference between projected and actual earnings on pension plan investments	\$ 84,229	\$ 24,990
Changes in proportion and differences between contributions proportionate share on contributions.	\$ 26,368	\$ -
Contributions subsequent to the measurement date	<u>\$ 57,537</u>	<u>\$ -</u>
Total	<u>\$ 228,497</u>	<u>\$ 49,661</u>

\$57,537 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, 2016. 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 <u>June 30,</u>	Deferred Outflows (Inflows) of Resources
2017	\$ 38,066
2018	\$ 38,390
2019	\$ 43,360
2020	\$ 720
2021	\$ 65
Thereafter	<u>\$ 700</u>
	<u>\$ 121,301</u>

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

Note 8 – Retirement Plans (continued)

Actuarial assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.60 percent
- Salary increases: 3.35 — 10.35 percent, average, including inflation
- Investment rate of return: 7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

Retired Member Mortality - Class of Member

<u>Educators</u>	<u>Public Safety and Firefighters</u>	<u>Local Government Public Employees</u>
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, 2016, 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, 2017

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			2.60%
Expected arithmetic nominal return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60% and a real return of 4.60% that is net of investment expense.

Discount rate

The discount rate used to measure the total pension liability was 7.20 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Retirement Plans (continued)

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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
Noncontributory System	\$ 776,345	\$ 374,804	\$ 39,739
Tier 2 Public Employees System	\$ 16,800	\$ 2,468	\$ (8,435)
Total	\$ 793,145	\$ 377,272	\$ 31,304

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.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

NIBLEY CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Sales tax	\$ 590,000	590,000	732,728	142,728
Miscellaneous revenues	63,000	63,000	47,871	(15,129)
Property tax	458,621	458,621	508,314	49,693
Charges for services	1,043,194	1,043,194	954,729	(88,465)
Intergovernmental	212,100	212,100	265,860	53,760
Franchise and other taxes	238,000	238,000	281,669	43,669
Licenses and permits	357,500	357,500	421,573	64,073
Fines and forfeitures	62,000	62,000	64,712	2,712
	<u>3,024,415</u>	<u>3,024,415</u>	<u>3,277,456</u>	<u>253,041</u>
Total revenues				
Expenditures:				
Culture, parks and recreation	553,643	553,643	324,200	229,443
Highways and streets	410,775	410,775	385,310	25,465
Administrative	432,700	432,700	405,796	26,904
Sanitation	466,000	466,000	462,774	3,226
Public works	233,800	233,800	233,566	234
Public safety	225,172	225,172	201,089	24,083
Non-departmental	204,500	204,500	189,311	15,189
Planning and zoning	222,700	222,700	222,572	128
Judicial	71,200	71,200	70,335	865
Legislative	50,200	50,200	44,121	6,079
Community development	168,725	168,725	166,903	1,822
	<u>3,039,415</u>	<u>3,039,415</u>	<u>2,705,977</u>	<u>333,438</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>571,479</u>	<u>586,479</u>
Other financing sources (uses) :				
Beginning fund balance	365,000	365,000	-	-
Transfers out	(350,000)	(350,000)	(410,080)	(60,080)
Transfers in	-	-	-	-
	<u>15,000</u>	<u>15,000</u>	<u>(410,080)</u>	<u>(60,080)</u>
Total other financing sources				
Excess (deficiency) of revenue and other financing sources over expenditures \$	<u>-</u>	<u>-</u>	<u>161,399</u>	<u>526,399</u>
Fund balance - beginning of year			<u>1,703,775</u>	
Fund balance - end of year			<u>\$ 1,865,174</u>	

See Independent Auditor's Report.

NIBLEY CITY
 SCHEDULE OF THE PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2017

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
Proportion of the net pension liability (asset)	0.0583695%	0.0221268%
Proportionate share of the net pension liability (asset)	\$374,804	\$2,468
Covered-employee payroll	\$450,218	\$181,457
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.25%	1.36%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.3%	95.1%

*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, 2017

	System	Employees System
Contractually required contribution	\$78,860	\$32,391
Contributions in relations to the contractually required contribution	\$78,860	\$32,391
Contribution deficiency (excess)	-	-
Covered employee payroll	\$474,145	\$236,683
Contributions as a percentage of covered-employee payroll**	16.63%	13.69%

*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, 2017, and the related notes to the financial statements, which collectively comprise Nibley's basic financial statements and have issued my report thereon dated November 9, 2017.

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

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

November 9, 2017

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, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 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, 2017:

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, 2017.

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 9, 2017