

NIBLEY CITY
CACHE COUNTY, UTAH
Basic Financial Statements
with
Independent Auditor's Report
Year ended June 30, 2018

NIBLEY CITY
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YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council Members
Nibley City
Nibley, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, Utah as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, Utah, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, and other required supplementary information (budget comparison for the General Fund, and URS pension information) on pages 35-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of Nibley City's internal control over financial reporting and on our 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 our 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 Wasatch City's internal control over financial reporting and compliance.



Larson & Company, PC
Spanish Fork, Utah

October 19, 2018

Nibley City

Management's Discussion and Analysis

For the Year Ending June 30, 2018

This Management Discussion and Analysis (MD&A) of Nibley City's financial performance is designed to assist readers in understanding the City's basic financial statements the relationship of different types of statements, and the significant differences in the information they provide. The MD&A will identify changes in the City's ability to address the next and subsequent years financial needs based on currently known facts, and is best understood if read in conjunction with Nibley City's basic financial statements.

Financial highlights as of the close of FY 2018

During the year 2018 the total net position of the City increased by \$2,640,849 to a total of \$26,004,466 . The governmental net position increased by \$1,225,280 and the business-type net position increased by \$1,415,569 .

The total net position (governmental and business-type activities) of the City consist of \$ 20,362,634 in capital assets, net of related debt, \$ 3,253,126 in restricted net position and \$ 2,388,706 in unrestricted net position.

The total long-term liabilities of the City decreased by \$262,750 during the fiscal year 2018. 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.

Government-Wide Financial Statements

The government-wide financial statements are designed so that all governmental and business-type activities are reported in columns, which add to a total for the primary government. The Statement of Net Position provides bottom line results of the City's activities as a whole and presents a longer-term view of the City's finances. The Statement of Net Position and the Statement of Activities report information about Nibley City's financial position and activities in the following categories.

Governmental activities – The governmental activities of the City include general government, public safety, parks and recreation, and public works.

Business-type activities – these include the water, sewer, storm water utilities, as well as the municipal building authority.

Refer to the table of contents for the location of the Government-wide financial statements.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide detailed information that focus on the most significant funds rather than the City as a whole. Major funds are separately reported to control and manage money and to show that legal responsibilities are met for certain taxes, grants, and other designated funds. Nibley City uses the following types of 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 at the end

Nibley City

Management's Discussion and Analysis

For the Year Ending June 30, 2018

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 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 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 general 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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Refer to the table of contents for the location of the fund financial statements and notes to the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Nibley City.

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 Nibley City, assets exceeded liabilities by \$26,004,466 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (78 percent) reflects its investment in capital assets (e.g. land, buildings, machinery & equipment, and infrastructure), less depreciation and any debt used to acquire those assets that is still outstanding. Nibley 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 capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of activities.

Nibley City
Management's Discussion and Analysis
For the Year Ending June 30, 2018

Nibley City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,108,718	\$ 3,679,974	\$ 2,917,760	\$ 3,520,014	\$ 7,026,478	\$ 7,199,988
Capital assets	9,846,944	8,882,303	15,383,822	13,856,404	25,230,766	22,738,707
Deferred Outflows	172,458	164,950	66,439	63,546	238,897	228,496.00
Total assets	14,128,120	12,727,227	18,368,021	17,439,964	32,496,141	30,167,191
Other liabilities	315,906	565,993	80,026	218,927	395,932	784,920
Long-term liabilities outstanding	292,837	64,685	5,185,840	5,457,000	5,478,677	5,521,685
Deferred Inflows	650,705	453,157	48,058	13,812	698,763	466,969.00
Total liabilities	1,259,448	1,083,835	5,313,924	5,689,739	6,573,372	6,773,574
Net Position:						
Net Investment in Capital Assets	9,792,812	8,882,303	10,569,822	8,399,404	20,362,634	17,281,707
Restricted	1,564,877	1,293,928	1,688,249	422,230	3,253,126	1,716,158
Unrestricted	1,510,983	1,467,161	877,723	2,898,591	2,388,706	4,365,752
Total Net Position	\$12,868,672	\$ 11,643,392	\$ 13,135,794	\$ 11,720,225	\$26,004,466	\$ 23,363,617

A portion of Nibley City's net position (12 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the year, Nibley City is able to report positive balances in all three categories of net position.

Nibley City
Management's Discussion and Analysis
For the Year Ending June 30, 2018

Nibley City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,280,793	\$ 1,197,752	\$ 1,947,696	\$ 2,113,748	\$ 3,228,489	\$ 3,311,500
Operating grants and contribs	363,658	307,632	-	-	363,658	307,632
Capital grants and contribs	-	-	1,154,459	-	1,154,459	-
General revenues:						
Property taxes	533,983	508,314	-	-	533,983	508,314
Sales taxes	822,632	732,728	-	-	822,632	732,728
Other taxes	311,182	281,669	-	-	311,182	281,669
Gain/(Loss) on disposal	(9,400)	-	(6,116)	-	(15,516)	-
Impact fees	287,776	262,247	221,250	209,636	509,026	471,883
Unrestricted investment earnings	66,478	39,537	64,171	65,203	130,649	104,740
Other	684,226	-	114,676	-	798,902	-
Total revenues	4,341,328	3,329,879	3,496,136	2,388,587	7,837,464	5,718,466
Expenses:						
Highways and streets	389,925	366,769	-	-	389,925	366,769
Administration	427,804	443,238	-	-	427,804	443,238
Sanitation	452,389	462,774	-	-	452,389	462,774
Public Safety	255,847	236,442	-	-	255,847	236,442
Public works	297,262	233,566	-	-	297,262	233,566
Non-departmental	194,652	189,311	-	-	194,652	189,311
Planning and zoning	242,397	222,572	-	-	242,397	222,572
Judicial	76,130	70,335	-	-	76,130	70,335
Culture, parks, and recreation	481,840	340,566	-	-	481,840	340,566
Legislative	40,470	44,121	-	-	40,470	44,121
Community development	257,333	166,903	-	-	257,333	166,903
Water	-	-	806,050	931,521	806,050	931,521
Sewer	-	-	983,809	823,615	983,809	823,615
Municipal building authority	-	-	80,076	86,546	80,076	86,546
Storm water	-	-	210,632	132,852	210,632	132,852
Total expenses	3,116,048	2,776,597	2,080,567	1,974,534	5,196,615	4,751,131
Increase (decrease) in Net Position	1,225,280	553,282	1,415,569	414,053	2,640,849	967,335
Net Position - Beginning	11,643,392	11,090,110	11,720,225	11,306,172	23,363,617	22,396,282
Net Position - Ending	\$ 12,868,672	\$ 11,643,392	\$ 13,135,794	\$ 11,720,225	\$ 26,004,466	\$ 23,363,617

Financial Analysis of the Government's Funds

Governmental funds

The focus of Nibley City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Nibley 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 year.

At the end of the year, Nibley City's governmental funds reported combined ending fund balances of \$ 3,266,849 , an increase of \$ 297,832 in comparison with the prior year. Approximately 24 percent of this amount (\$ 781,878) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of Nibley City. All activities which are not required to be accounted for either by state or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund. At the end of the current year, unreserved fund balance of the general fund was \$ 781,878 . As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21 percent of total general fund revenues.

Nibley City
Management's Discussion and Analysis
For the Year Ending June 30, 2018

Taxes continue to be the largest source of revenue in the General Fund and represent 47 percent of total general fund revenues. The two largest elements of taxes are property taxes and sales taxes. Combined, they represent 81 percent of total tax revenues and 38 percent of total general fund revenues.

Proprietary funds

Nibley City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$ 877,723 .

General Fund Budgetary Highlights

During the current fiscal year the General Fund budget for revenue was \$ 3,517,250 . The actual revenue was \$ 3,553,473 . This resulted in a favorable variance of \$ 36,223 for revenue. The General Fund budget for expenditures was \$ 3,557,900 . The actual expenditures were \$ 2,863,886 . This resulted in a favorable variance of \$ 694,014 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$ 730,237 .

Capital Asset and Debt Administration

Capital assets

Nibley City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$25,312,463 (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 total increase in Nibley City's investment in capital assets for the current year was \$2,573,751 , and depreciation expense was \$1,200,043 .

Nibley City's Capital Assets
(net of depreciation)

	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Land and water rights	\$ 3,934,640	\$ 3,696,905	\$ 508,132	\$ 508,132	\$ 4,442,772	\$ 4,205,037
Buildings and improvements	1,661,433	1,025,491	14,210,171	12,864,766	15,871,604	13,890,257
Machinery and equipment	143,492	126,347	665,519	401,809	809,011	528,156
Infrastructure	4,107,379	4,033,565	-	-	4,107,379	4,033,565
Construction in progress	-	-	81,697	81,697	81,697	81,697
Total	\$ 9,846,944	\$ 8,882,308	\$ 15,465,519	\$ 13,856,404	\$ 25,312,463	\$ 22,738,712

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

Nibley City
Management's Discussion and Analysis
For the Year Ending June 30, 2018

Long-term debt

At the end of the current year, Nibley City had long term debt outstanding of \$5,298,997 . The debt represents both general obligation bonds and revenue bonds secured solely by specified revenue sources, capital leases payable, notes payable, and/or compensated absences.

Nibley City's Outstanding Debt

	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Compensated absences	\$ 51,226	\$ 64,685	\$ 34,613	\$ 40,062	\$ 85,839	\$ 104,747
Capital lease obligation	54,132	-	80,026	-	134,158	-
Revenue bonds	-	-	5,079,000	5,457,000	5,079,000	5,457,000
Total	\$ 105,358	\$ 64,685	\$ 5,193,639	\$ 5,497,062	\$ 5,298,997	\$ 5,561,747

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

Requests for Information

This financial report is designed to provide a general overview of Nibley 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 Nibley City, 455 West 3200 South, Nibley, Utah 84321.

Basic Financial Statements

The basic financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements
- Fund financial statements
 - o Governmental funds
 - o Proprietary (enterprise) funds

Nibley City
Government-wide Statement of Net Position
As of June 30, 2018

	Primary Government		Totals
	Governmental	Business-type	
	Activities	Activities	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and cash equivalents	\$ 1,731,921	\$ 1,010,363	\$ 2,742,284
Receivables, net			
Taxes	710,415	-	710,415
Accounts	53,243	219,148	272,391
Intergovernmental	48,262	-	48,262
Restricted cash	1,564,877	1,688,249	3,253,126
Capital assets (net of accumulated depreciation):			
Land and water rights (not depreciated)	3,934,640	508,132	4,442,772
Buildings and improvements	1,661,433	14,210,171	15,871,604
Equipment	143,492	665,519	809,011
Infrastructure	4,107,379	-	4,107,379
Construction in progress (not depreciated)	-	81,697	81,697
Total assets	<u>13,955,662</u>	<u>18,383,279</u>	<u>32,338,941</u>
Deferred outflows of resources - pensions	172,458	66,439	238,897
Total Assets and Deferred Outflows of Resources	<u>14,128,120</u>	<u>18,449,718</u>	<u>32,577,838</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	315,906	52,347	368,253
Accrued interest payable	-	27,679	27,679
Current portion of compensated absences	23,596	12,486	36,082
Current portion of bonds payable	-	351,000	351,000
Current portion of capital lease payable	27,066	-	27,066
Non-Current:			
Compensated absences	27,630	22,127	49,757
Bonds payable	-	4,728,000	4,728,000
Capital lease payable	27,066	-	27,066
Net pension liability	187,479	72,227	259,706
Total liabilities	<u>608,743</u>	<u>5,265,866</u>	<u>5,874,609</u>
Deferred inflows of resources - property taxes	525,963	-	525,963
Deferred inflows of resources - pensions	124,742	48,058	172,800
Total Liabilities and Deferred Inflows of Resources	<u>1,259,448</u>	<u>5,313,924</u>	<u>6,573,372</u>
NET POSITION			
Net Investment in Capital Assets	9,792,812	10,569,822	20,362,634
Restricted	1,564,877	1,688,249	3,253,126
Unrestricted	1,510,983	877,723	2,388,706
Total Net Position	<u>\$ 12,868,672</u>	<u>\$ 13,135,794</u>	<u>\$ 26,004,466</u>

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

Nibley City
Government-wide Statement of Activities
For the Year Ended June 30, 2018

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating	Capital	Governmental Activities	Business-type Activities	Total
		Grants and Contributions	Grants and Contributions			
Primary government:						
Governmental Activities:						
Highways and streets	\$ 389,925	\$ 267,992	\$ -	(121,933)	\$ -	(121,933)
Administration	427,804	-	-	(286,099)	-	(286,099)
Sanitation	452,389	-	-	(28,851)	-	(28,851)
Public safety	255,847	49,093	-	(139,135)	-	(139,135)
Public works	297,262	-	-	192,722	-	192,722
Non-departmental	194,652	-	-	(194,652)	-	(194,652)
Planning and zoning	242,397	-	-	(223,356)	-	(223,356)
Judicial	76,130	-	-	(28,981)	-	(28,981)
Culture, parks, and recreation	481,840	46,573	-	(343,510)	-	(343,510)
Legislative	40,470	-	-	(40,470)	-	(40,470)
Community development	257,333	-	-	(257,333)	-	(257,333)
Total Governmental Activities	3,116,048	1,280,793	363,658	(1,471,597)	-	(1,471,597)
Business-type Activities:						
Water fund	806,050	-	557,685	-	473,838	473,838
Sewer fund	983,809	-	358,205	-	399,909	399,909
Storm water fund	210,632	-	238,569	-	27,937	27,937
Municipal building authority	80,076	-	-	-	119,904	119,904
Total Business-type Activities	2,080,567	1,947,696	1,154,459	-	1,021,588	1,021,588
Total Primary Government	5,196,615	3,228,489	363,658.00	(1,471,597)	1,021,588	(450,009)
General revenues:						
Property tax				533,983	-	533,983
Sales tax				822,632	-	822,632
Franchise and other taxes				311,182	-	311,182
Interest income				66,478	64,171	130,649
Impact fees				287,776	221,250	509,026
Gain (loss) on sale of capital assets				(9,400)	(6,116)	(15,516)
Miscellaneous				684,226	114,676	798,902
Total general revenues and transfers				2,696,877	393,981	3,090,858
Change in net position				1,225,280	1,415,569	2,640,849
Net Position - Beginning				11,643,392	11,720,225	23,363,617
Net Position - Ending				\$ 12,868,672	\$ 13,135,794	\$ 26,004,466

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

Nibley City
Balance Sheet – Governmental Funds
As of June 30, 2018

	General Fund	Capital Project Fund	First Responder Fund (Nonmajor)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 770,500	\$ 961,262	\$ 159	\$ 1,731,921
Restricted cash	1,471,883	-	92,994	1,564,877
Receivables:				
Taxes	710,415	-	-	710,415
Accounts	53,243	-	-	53,243
Intergovernmental	48,262	-	-	48,262
Total assets	<u>3,054,303</u>	<u>961,262</u>	<u>93,153</u>	<u>4,108,718</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	274,579	41,168	159	315,906
Deferred inflows of resources	525,963	-	-	525,963
Total liabilities and deferred inflows	<u>800,542</u>	<u>41,168</u>	<u>159</u>	<u>841,869</u>
Fund balances:				
Restricted - Impact fees/Capital outlay	1,471,883	-	-	1,471,883
Restricted - First responders	-	-	92,994	92,994
Assigned - Capital outlay	-	920,094	-	920,094
Unassigned	781,878	-	-	781,878
Total fund balances	<u>2,253,761</u>	<u>920,094</u>	<u>92,994</u>	<u>3,266,849</u>
Total liabilities and fund balances	<u>\$ 3,054,303</u>	<u>\$ 961,262</u>	<u>\$ 93,153</u>	<u>\$ 4,108,718</u>

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

Nibley City
Reconciliation of Total Governmental Fund Balances to
Government-wide Net Position
As of June 30, 2018

Total fund balances - governmental fund types:	<u>\$ 3,266,849</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and net pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	9,846,944
Deferred inflows and outflows of resources, an acquisition or consumption of net position that applies to future periods, is not shown in the fund statements.	
Deferred outflows of resources relating to pensions	172,458
Deferred inflows of resources relating to pensions	(124,742)
Long-term liabilities, including bonds payable, compensated absences, and/or lease obligations are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(51,226)
Capital lease obligations	(54,132)
Net Pension Liability	<u>(187,479)</u>
Net Position of government activities	<u><u>\$ 12,868,672</u></u>

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

Nibley City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Capital Project Fund	First Responder Fund (non-major)	Total Governmental Funds
REVENUES				
Taxes				
Sales taxes	\$ 822,632	\$ -	\$ -	\$ 822,632
Property taxes	533,983	-	-	533,983
Franchise taxes	311,182	-	-	311,182
Licenses and permits	141,705	-	-	141,705
Intergovernmental revenue	288,714	40,751	34,193	363,658
Charges for services	1,004,585	-	-	1,004,585
Fines and forfeitures	336,596	-	-	336,596
Interest income	48,868	15,988	1,622	66,478
Miscellaneous	65,208	20,475	-	85,683
Total revenues	3,553,473	77,214	35,815	3,666,502
EXPENDITURES				
Current:				
Culture, parks, and recreation	293,565	-	-	293,565
Highways and streets	198,165	-	-	198,165
Administration	427,804	-	-	427,804
Sanitation	452,389	-	-	452,389
Public works	229,213	-	-	229,213
Public safety	237,936	-	17,911	255,847
Non-departmental	194,652	-	-	194,652
Planning and zoning	242,397	-	-	242,397
Judicial	76,130	-	-	76,130
Legislative	40,470	-	-	40,470
Community development	195,707	-	-	195,707
Capital outlay	275,458	486,873	-	762,331
Total expenditures	2,863,886	486,873	17,911	3,368,670
Excess revenues over (under) expenditures	689,587	(409,659)	17,904	297,832
Other financing sources (uses)				
Transfers in	30,000	301,000	-	331,000
Transfers out	(331,000)	-	-	(331,000)
Total other financing sources and uses	(301,000)	301,000	-	-
Excess of revenues and other sources over (under) expenditures and other uses	388,587	(108,659)	17,904	297,832
Fund balances - beginning of year	1,865,174	1,028,753	75,090	2,969,017
Fund balances - end of year	\$ 2,253,761	\$ 920,094	\$ 92,994	\$ 3,266,849

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

Nibley City

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Year Ended June 30, 2018

Net changes in fund balances - total governmental funds	<u>\$ 297,832</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Developer contributions of assets are also not reported in fund statements as they do not represent current resources, but rather are included with capital assets on the Statement of Net Position. This is the amount by which capital outlay and developer contributions of assets exceeded depreciation in the current period.	919,904
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(9,400)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in Compensated Absences	13,459
Pension benefits/pension expenses resulting from the implementation of GASB 68	<u>3,485</u>
Change in net position of governmental activities	<u><u>\$ 1,225,280</u></u>

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

Nibley City
Statement of Net Position – Proprietary Funds
As of June 30, 2018

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Municipal Building Authority	Storm Water Fund	
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents:					
Unrestricted	\$ 145,246	\$ 700,622	\$ 14,521	\$ 149,974	\$ 1,010,363
Restricted	282,406	1,244,750	-	161,093	1,688,249
Receivables:					
Utilities (net of allowance)	86,720	113,187	-	19,241	219,148
Total current assets	514,372	2,058,559	14,521	330,308	2,917,760
Property and Equipment:					
Land and water rights	193,008	305,124	10,000	-	508,132
Construction in Progress	-	-	-	81,697	81,697
Buildings and improvements	8,341,005	9,298,764	1,703,790	668,120	20,011,679
Accumulated depreciation	(2,088,854)	(3,224,815)	(421,492)	(66,347)	(5,801,508)
Machinery and equipment	436,944	389,908	77,854	254,941	1,159,647
Accumulated depreciation	(350,290)	(61,109)	(36,330)	(46,399)	(494,128)
Total noncurrent assets	6,531,813	6,707,872	1,333,822	892,012	15,465,519
Total assets	7,046,185	8,766,431	1,348,343	1,222,320	18,383,279
Deferred Outflows of Resources:					
Deferred outflows related to pensions	25,616	29,000	-	11,823	66,439
Total Assets and Deferred Outflows	7,071,801	8,795,431	1,348,343	1,234,143	18,449,718
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable	23,229	25,290	-	3,828	52,347
Accrued interest payable	4,008	-	23,671	-	27,679
Compensated absences - current	4,959	4,343	-	3,184	12,486
Current portion of bonds payable	86,000	246,000	19,000	-	351,000
Total current liabilities	118,196	275,633	42,671	7,012	443,512
Noncurrent liabilities:					
Net Pension Liability	27,847	31,527	-	12,853	72,227
Compensated absences	9,521	7,016	-	5,590	22,127
Bonds payable	372,000	3,651,000	705,000	-	4,728,000
Total noncurrent liabilities	409,368	3,689,543	705,000	18,443	4,822,354
Total liabilities	527,564	3,965,176	747,671	25,455	5,265,866
Deferred inflows of Resources:					
Deferred inflows related to pensions	18,528	20,978	-	8,552	48,058
Total Liabilities and Deferred Inflow:	546,092	3,986,154	747,671	34,007	5,313,924
NET POSITION					
Net Investment in Capital Assets	6,073,813	3,056,872	628,822	810,315	10,569,822
Restricted:					
Bond reserve	210,833	421,118	-	-	631,951
Impact fees	71,573	823,632	-	161,093	1,056,298
Unrestricted	169,490	507,655	(28,150)	228,728	877,723
Total Net Position	\$ 6,525,709	\$ 4,809,277	\$ 600,672	\$ 1,200,136	\$ 13,135,794

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

Nibley City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Total Business Type
	Water and Sewer	Sewer Fund	Municipal Building Authority	Storm Water Fund	
Operating revenues:					
Services	\$ 684,853	\$ 1,025,513	\$ -	\$ 199,980	\$ 1,910,346
Connection fees	37,350	-	-	-	37,350
Other operating revenues	58,149	1,235.00	49,992	5,300	114,676
Total operating revenues	780,352	1,026,748	49,992	205,280	2,062,372
Operating expenses:					
Wages and benefits	94,381	90,223	-	52,443	237,047
Current expenses	417,445	601,078	-	111,992	1,130,515
Depreciation	284,760	292,508	49,924	46,197	673,389
Total operating expenses	796,586	983,809	49,924	210,632	2,040,951
Operating income	(16,234)	42,939	68	(5,352)	21,421
Nonoperating revenues (expenses):					
Impact fee income	113,200	108,050	-	-	221,250
Interest revenue	7,572	31,305	20,052	5,242	64,171
Capital contributions	557,685	358,205	-	238,569	1,154,459
Interest expense	(9,464)	-	(30,152)	-	(39,616)
Gain on sale of capital asset	19,179	(35,295)	-	10,000	(6,116)
Total nonoperating revenues (expenses)	688,172.00	462,265	(10,100)	253,811	1,394,148
Change in net position	671,938	505,204	(10,032)	248,459	1,415,569
Total Net Position - Beginning	5,853,771	4,304,073	610,704	951,677	11,720,225
Total Net Position - Ending	\$ 6,525,709	\$ 4,809,277	\$ 600,672	\$ 1,200,136	\$ 13,135,794

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

Nibley City
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Municipal Building Authority	Storm Water Fund	
Cash Flows From Operating Activities					
Receipts from customers	\$ 774,609	\$ 1,008,091	\$ 49,992	\$ 204,939	\$ 2,037,631
Payments to suppliers	(455,068)	(580,896)	-	(108,164)	(1,144,128)
Payments to employees	(101,678)	(97,857)	-	(53,303)	(252,838)
Net cash provided (used) by operating activities	217,863	329,338	49,992	43,472	640,665
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(1,394,791)	(721,263)	-	(365,167)	(2,481,221)
Impact fee income	113,200	108,050	-	-	221,250
Capital contributions from others	557,685	358,205	-	238,569	1,154,459
Principal paid on capital debt	(84,000)	(250,000)	(44,000)	-	(378,000)
Proceeds from sale of capital assets	74,550	108,050	-	10,000	192,600
Interest paid on capital debt	(10,199)	-	(30,720)	-	(40,919)
Net cash provided (used) by capital and related financing activities	(743,555)	(396,958)	(74,720)	(116,598)	(1,331,831)
Cash Flows From Investing Activities					
Interest received	7,572	31,305	20,052	5,242	64,171
Net cash provided (used) by investing activities	7,572	31,305	20,052	5,242	64,171
Net increase (decrease) in cash and cash equivalents	(518,120)	(36,315)	(4,676)	(67,884)	(626,995)
Cash and cash equivalents, July 1	945,772	1,981,687	19,197	378,951	3,325,607
Cash and cash equivalents, June 30	\$ 427,652	\$ 1,945,372	\$ 14,521	\$ 311,067	\$ 2,698,612
Cash and cash equivalents at end of year consists of:					
Unrestricted cash	145,246	700,622	14,521	149,974	1,010,363
Restricted cash	282,406	1,244,750	-	161,093	1,688,249
	\$ 427,652	\$ 1,945,372	\$ 14,521	\$ 311,067	\$ 2,698,612
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (16,234)	\$ 42,939	\$ 68	\$ (5,352)	\$ 21,421
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization expense	284,760	292,508	49,924	46,197	673,389
Noncash change in pension/benefit expense	(519)	(583)	-	(240)	(1,342)
Decrease (increase) in accounts receivable	(5,743)	(18,657)	-	(341)	(24,741)
Increase (decrease) in accounts payable	(37,623)	20,182	-	3,828	(13,613)
Increase (decrease) in compensated absences	(6,778)	(7,051)	-	(620)	(14,449)
Total adjustments	234,097	286,399	49,924	48,824	619,244
Net cash provided (used) by operating activities	\$ 217,863	\$ 329,338	\$ 49,992	\$ 43,472	\$ 640,665

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

Notes to Financial Statements

The notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of Nibley City have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the various fund types and the results of their operations. The basic financial statements are presented for the year ended June 30, 2018.

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), highways and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the City owns and operates water and sewer utilities.

Basis of Presentation

The government-wide financial statements report information on the financial position and all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Fiduciary funds are not reported in the government-wide financial statements.

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

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 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 measureable 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 uncured, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recognized only when payment is due.

Nibley City

Notes to the Financial Statements

June 30, 2018

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 has presented the following major governmental funds:

General Fund – is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund – is used to account for fund received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by proprietary funds).

The City has presented the following major governmental funds:

Water Utility – is used to account for the activities of the City's water production, treatment, and distribution operations.

Sewer Utility – is used to account for the activities of the City's sewer treatment operations.

Storm Water Services – is used to account for the activities of the City's storm water runoff.

Municipal Building Authority – is used to account 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.

Net Position

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Net position for governmental funds can consist of the following:

Nonspendable – Any nonspendable fund balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted – Any restricted fund balance includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Nibley City

Notes to the Financial Statements

June 30, 2018

Committed – Any committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision making authority, the Nibley City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned – Any assigned fund balance includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Nibley City Council or (b) a body to which the governing body has delegated the authority to assign amounts. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund that are not classified as nonspendable, restricted, or committed.

Unassigned – The unassigned fund balance is the residual classification for the General Fund. This designation is also used in other governmental funds to report a negative fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple net position classifications, net position is depleted in the order of restricted, committed, assigned, and unassigned, as needed unless the 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% or \$10, 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 measureable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Short-term Interfund Receivables/Payables

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet.

Internal Activity in the Government-Wide Financial Statements

Any internal activity between funds is eliminated for the presentation of the government-wide financial statements.

Compensated Absences

Under terms of administrative policy, regular, full-time, and permanent employees are granted paid time off (PTO) or vacation and sick leave in varying amounts which may be accumulated and paid upon separation from City service. Vested or accumulated PTO or vacation and sick leave that is due at year-end to terminated employees is reported as an expenditure and liability of the governmental fund that will pay it. Amounts of vested or accumulated PTO or vacation and sick leave that are not due and payable at year-end are reported only in the proprietary funds and in the government-wide financial statements. No liability is recorded for non-vesting rights to personal leave.

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS’s fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose,

Nibley City

Notes to the Financial Statements

June 30, 2018

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and 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, 2017.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City reports 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) changes of assumptions in the measurement of the net pension liability/asset. These amounts are also reported on the government-wide statement of net position.

Cash and Investments

The City considers all highly liquid investments maturing within three months of date of purchase to be cash equivalents. Cash balances are invested to the extent available. Investments include obligation of the U.S. Treasury, and repurchase agreements. Cash deemed to be in excess of immediate needs, other than cash and investments held for the City by trustees, is invested in the Utah State Public Treasurer's Investment Fund or in approved corporate bonds. Investments are stated at cost, which approximates fair market value.

Budget Amendments

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at June 30, 2018, and revenues and expenses during the year then ended. The actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the period on property, plant, and equipment in the governmental funds.

Nibley City
Notes to the Financial Statements
June 30, 2018

Assets, having an original cost of \$5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property other than infrastructure using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	25-50 Years
Improvements other than buildings	7-50 Years
Machinery and equipment	5-20 Years
Infrastructure	15-40 Years

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the City funds.

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.

Note 2 – Deposits and Investments with Financial Institutions

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 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 requirement of the Act and adhering to the rules of the Utah Money Management Council. Following are discussions of the City’s exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered. The City does not have a formal deposit policy for custodial credit risk. The uninsured and uncollateralized portion of the City’s bank balances was \$162,459 on June 30, 2018.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City’s policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investments transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to

Nibley City
Notes to the Financial Statements
June 30, 2018

participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based on the participants' average daily balances. The fair value of the City's position in the pool is the same as the value of its pool shares. The PTIF has not been rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The local government's policy to limit this risk is to adhere to the rules of the Money Management Council.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an instrument. The City manages its exposure to declines in fair value by investment mainly in the PTIF and adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments maturity of investments may not exceed the period of availability of the funds to be invested.

As of June 30, 2018 the government had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
PTIF	\$5,279,227	less than 1 year

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those the Governmental Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments of \$5,279,227 are with the Utah PTIF as aforementioned and are considered Level 2 inputs.

The deposits and investments described above are included on the Statement of Net Position as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Assets:

Deposits	Deposits	\$ 265,783
Investments	Investments	5,729,227
Cash on hand	Cash on hand	400
	Total	<u>\$ 5,995,410</u>
Government - Wide		
Cash and Cash Equivalents	Unrestricted	\$ 2,742,284
Restricted Cash	Restricted	3,253,126
	Total	<u>\$ 5,995,410</u>

Nibley City
Notes to the Financial Statements
June 30, 2018

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 and 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 Utah State Auditor. If there is no increase to the certified tax rate, a final 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.

Note 4 – Capital Assets

Capital Asset activity for the year ended June 30, 2018 was as follows:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2018</u>
Governmental Assets				
Assets not Depreciated				
Land	\$ 3,696,905	\$ 237,735	\$ -	\$ 3,934,640
Assets Being Depreciated				
Building & Improvements	1,653,818	717,449	-	2,371,267
Infrastructure	9,083,758	457,333	-	9,541,091
Machinery & Equipment	817,345	88,171	(18,800.00)	886,716
Total Governmental Assets	15,251,826	1,500,688	(18,800.00)	16,733,714
Accumulated Depreciation				
Building and Improvements	(628,326)	(81,508)	-	(709,834)
Infrastructure	(5,050,193)	(383,519)	-	(5,433,712)
Machinery & Equipment	(690,998)	(61,626)	9,400.00	(743,224)
Total Accumulated Depreciation	(6,369,517)	(526,653)	9,400.00	(6,886,770)
Net Governmental Capital Assets	\$ 8,882,309			\$ 9,846,944
Business-Type Assets				
Assets not Depreciated				
Land and water rights	\$ 508,132	-	-	\$ 508,132
Construction in progress	81,697	-	-	81,697
Assets Being Depreciated				
Buildings & improvements	18,164,654	1,847,022	-	20,011,676
Machinery & Equipment	845,090	634,199	(319,641)	1,159,648
Total Business-Type Assets	19,599,573	2,481,221	(319,641)	21,761,153
Accumulated Depreciation				
Buildings & Improvements	(5,299,888)	(501,615)	-	(5,801,503)
Machinery & Equipment	(443,281)	(171,775)	120,925	(494,131)
Total Accumulated Depreciation	(5,743,169)	(673,390)	120,925	(6,295,634)
Net Business-Type Capital Assets	\$ 13,856,404			\$ 15,465,519

Nibley City
Notes to the Financial Statements
June 30, 2018

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental		Business-type	
General Government	47,855	Water	284,760
Public Safety	21,507	Sewer	292,508
Highways and Public Improvements	428,391	Storm drain	46,197
Parks and recreation	28,900	Municipal building	49,925
	<u>526,653</u>		<u>673,390</u>

Note 5 – Long-term Debt

Long-term liability transactions for the fiscal year ended June 30, 2018, were as follows:

Type of Debt	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due within one year
Governmental					
Compensated absences	<u>\$ 64,685</u>	<u>\$ -</u>	<u>\$ (13,459)</u>	<u>\$ 51,226</u>	<u>\$ 23,596</u>
Capital lease payable	<u>\$ -</u>	<u>\$ 81,200</u>	<u>\$ (27,068)</u>	<u>\$ 54,132</u>	<u>\$ 27,066</u>
Business-Type Activities:					
Compensated absences	<u>\$ 49,062</u>	<u>\$ -</u>	<u>\$ (14,449)</u>	<u>\$ 34,613</u>	<u>\$ 12,486</u>
Revenue bonds					
2010 MBA lease revenue	\$ 768,000	\$ -	\$ (44,000)	\$ 724,000	\$ 19,000
2012 water revenue	542,000	-	(84,000)	458,000	86,000
2004 sewer revenue	4,147,000	-	(250,000)	3,897,000	250,000
	<u>\$ 5,457,000</u>	<u>\$ -</u>	<u>\$ (378,000)</u>	<u>\$ 5,079,000</u>	<u>\$ 355,000</u>

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

Notes and bonds payable

2010 MBA lease revenue bonds

\$850,000 bond payable, due in various annual installments, including interest at 4%, through October 2042. The note is secured by land.

\$ 724,000

2012 water revenue bonds

\$850,000 bond payable, due in various semi-annual installments including interest at 1.75%, through July 2022. The note is secured by future water billings.

458,000

2004 sewer revenue bonds

\$7,739,000 bond payable, due in various annual installments bearing no interest, through May 2034. The note is secured by future sewer billings.

3,897,000

\$ 5,079,000

Nibley City
Notes to the Financial Statements
June 30, 2018

The following is a summary of the annual payments to maturity for the business-type revenue bonds:

Year Ending June 30	Business-type Activities Bonds Payable	
	Principal	Interest
2019	\$ 355,000	\$ 37,263
2020	368,000	34,980
2021	374,000	32,596
2022	377,000	30,111
2023	378,000	27,560
2024-2028	1,475,000	119,600
2029-2033	1,410,000	92,480
2034-2038	186,000	59,320
2039-2042	156,000	18,760
Total	<u>\$ 5,079,000</u>	<u>\$ 452,670</u>

During 2018 the city acquired equipment under a capital lease from Bancorp in the amount of \$81,200. The remaining minimum lease payments reported under governmental activities are as follows:

	Principal	Interest
2019	\$ 27,066	\$ 4,502
2020	27,066	4,502
	<u>\$ 54,132</u>	<u>\$ 9,004</u>

Accumulated depreciation on the assets under capital lease as of June 30, 2018, was \$16,240.

Note 6 – Restricted Net Position /Fund Balance Classifications

Restricted net position represents amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2018 the City's enterprise funds held \$ 631,951 restricted for future bond payments, and \$ 1,056,298 for impact fees.

Pursuant to GASB No. 54 (see Note 1, *Net Position*) the governmental fund balances are classified as follows:

Restricted fund balance - \$ 1,564,877 for future roads, parks, first responders, and other projects.

Assigned fund balance - \$ 920,094 for future capital projects.

The remaining fund balance is unassigned.

Note 7 – Retirement Plans

General information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

The **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 retirement systems.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have not previous credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code Grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained in writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Nibley City
Notes to the Financial Statements
June 30, 2018

Summary of Benefits by System

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
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.

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by state statute and specified by the Utah State Retirement 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 as of June 30, 2018 are as follows:

	Employee	Employer	Employer 401(k) Plan
Contributory System			
111-Local Government Division Tier 2	N/A	15.11%	1.58%
Noncontributory System			
15-Local Government Division Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211-Local Government	N/A	6.69%	10.00%

For fiscal year ended December 31, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 76,939	N/A
Tier 2 Public Employees System	39,264	-
Tier 2 DC Only System	6,373	N/A
Total Contributions	\$ 122,576	\$ -

Contributions reported are the URS board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Nibley City
Notes to the Financial Statements
June 30, 2018

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

At June 30, 2018, we reported a net pension asset of \$0 and net pension liability of \$259,706.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 257,524	0.0587781%	0.0583695%	0.0004086%
Tier 2 Public Employees System	-	2,182	0.0247514%	0.0221268%	0.0026246%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 259,706</u>			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018, we recognized pension expense of \$121,471.

At June 30, 2018 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,826	\$ 17,804
Changes in assumptions	95,439	6,238
Net difference between projected and actual earnings on pension plan investments	56,127	148,758
Changes in proportion and differences between contributions and proportionate share of contributions	18,799	-
Contributions subsequent to the measurement date	62,706	-
Total	<u>\$ 238,897</u>	<u>\$ 172,800</u>

\$62,706 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end. But subsequent to the measurement date of December 31, 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 December 31,	Deferred Outflows (inflows) of Resources
2018	22,371
2019	27,421
2020	(16,049)
2021	(32,283)
2022	(466)
Thereafter	2,398

Nibley City
Notes to the Financial Statements
June 30, 2018

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary Increases	3.35-9.75 percent, average, including inflation
Investment rate of return	6.95 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.

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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 investments expense and inflation) are to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flow 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 6.95 percent from 7.20 percent from the prior measurement period.

Nibley City
Notes to the Financial Statements
June 30, 2018

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:
The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 696,467	\$ 257,524	\$ (107,435)
Tier 2 Public Employees System	25,695	2,182	(15,950)
Total	\$ 722,162	\$ 259,706	\$ (123,385)

*** Pension plan fiduciary net position: Detailed information about the pension plans fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings 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.

Nibley City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- *401(k) Plan
- *457(b) Plan
- *Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contributions Savings Plan for fiscal year ended June 30, were as follows

	2018	2017	2016
401(k) Plan			
Employer Contributions	\$84,390	\$55,222	\$24,684
Employee Contributions	\$ 3,400	\$ 300	\$ 3,825
457(b) Plan			
Employer Contributions	\$0	\$26,093	\$24,410
Employee Contributions	\$0	\$0	\$0
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$52,003	\$47,469	\$24,944

Note 8 – 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 coverage for the past three years.

Note 9 – Subsequent Events

The City has evaluated subsequent events through October 19, 2018, the date the financial statements were available for issuance, for items that could have a material impact on the financial statements at June 30, 2018. There were no subsequent events to report.

Required Supplementary Information (Unaudited)

Required supplementary information includes financial information and disclosures that are required by GASB, but are not considered a part of the basic financial statement. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions – Pensions
- Notes to Required Supplementary Information

Nibley City

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and actual General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Over(Under)
REVENUES				
Taxes				
Sales taxes	\$ 635,000	\$ 635,000	\$ 822,632	\$ 187,632
Property taxes	448,000	453,000	533,983	80,983
Franchise taxes	291,400	291,400	311,182	19,782
Licenses and permits	150,000	150,000	141,705	(8,295)
Intergovernmental revenue	260,600	260,600	288,714	28,114
Charges for services	1,022,000	1,022,000	1,004,585	(17,415)
Fines and forfeitures	312,350	312,350	336,596	24,246
Interest income	40,000	40,000	48,868	8,868
Miscellaneous	357,900	352,900	65,208	(287,692)
Total revenues	3,517,250	3,517,250	3,553,473	36,223
EXPENDITURES				
Current:				
Culture, parks, and recreation	296,000	296,000	293,565	(2,435)
Highways and streets	219,800	219,800	198,165	(21,635)
Administration	479,000	479,000	427,804	(51,196)
Sanitation	469,000	469,000	452,389	(16,611)
Public works	264,000	264,000	229,213	(34,787)
Public safety	244,500	244,500	237,936	(6,564)
Non-departmental	496,000	246,000	194,652	(51,348)
Planning and zoning	242,500	242,500	242,397	(103)
Judicial	85,000	85,000	76,130	(8,870)
Legislative	52,000	52,000	40,470	(11,530)
Community development	201,100	201,100	195,707	(5,393)
Capital outlay	810,000	759,000	275,458	(483,542)
Total expenditures	3,858,900	3,557,900	2,863,886	(694,014)
Excess revenues over (under) expenditures	(341,650)	(40,650)	689,587	730,237
Other financing sources (uses)				
Beginning fund balance	341,650	341,650	-	-
Transfers in	30,000	30,000	30,000	-
Transfers out	(30,000)	(331,000)	(331,000)	-
Total other financing sources and uses	341,650	40,650	(301,000)	-
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	388,587	\$ 388,587
Fund balances - beginning of year			1,865,174	
Fund balances - end of year			\$ 2,253,761	

Nibley City
Schedule of the Proportionate Share of the Net Pension Liability
 June 30, 2018
 Last 10 fiscal Years*

As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered employee payroll
Noncontributory System					
2018	0.0587781%	\$ 257,524	\$ 428,491	60.10%	91.90%
2017	0.0583695%	\$ 374,804	\$ 450,218	83.25%	87.30%
2016	0.0555285%	314,207	405,922	77.41%	87.80%
2015	0.0494244%	214,612	363,038	59.10%	90.20%
Tier 2 Public Employees System*					
2018	0.024751%	2,182	424,465	0.90%	97.40%
2017	0.022127%	2,468	181,457	1.36%	95.10%
2016	0.031485%	(69)	203,382	-0.03%	100.20%
2015	0.035973%	(1,090)	176,450	-6.00%	103.50%

* In accordance with paragraph 81 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 past 4 years.

Nibley City
Schedule of Contributions - Pensions
 June 30, 2018
 Last 10 fiscal Years*

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System					
2016	\$ 79,330	\$ 79,330	\$ -	494,582	16.04%
2017	78,860	78,860	-	474,145	16.63%
2018	76,939	76,939	-	435,690	17.66%
Tier 2 Public Employees System*					
2016	28,838	28,838	-	216,329	13.33%
2017	32,391	32,391	-	236,683	13.69%
2018	39,264	39,264	-	259,434	15.13%
Tier 2 Public Employees DC Only System*					
2016	3,373	3,373	-	57,908	5.82%
2017	4,598	4,598	-	74,716	6.15%
2018	6,373	6,373	-	95,906	6.65%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 system were created effective July 1, 2011

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The schedule above is only for the past 3 years. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

Nibley City

Notes to Required Supplementary Information

June 30, 2018

Changes in Assumptions Related to Pensions

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption change that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had minimal impact on the Total Pension Liability (and actuarial accrued liability).

Budgetary Comparison Schedules

The budgetary comparison schedule presented in this section of the report is for the City's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Commission prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2018 all departments and funds were within budgeted appropriations.

Additional Reports

Additional Auditor's Reports

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide.



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

Honorable Mayor and
City Council Members
Nibley City
Nibley , Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, Utah, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Nibley City's basic financial statements and have issued our report thereon dated October 19, 2018.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Larson & Company

Spanish Fork, Utah

October 19, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Mayor and
City Council Members
Nibley City
Nibley, Utah

Report on Compliance with General State Compliance Requirements

We have audited Nibley City's (the City) compliance with applicable general state 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 for the year ended June 30, 2018.

General state compliance requirements were tested for the year ended June 30, 2018 in the following areas:

Budgetary Compliance	Cash Management
Fund Balance	Enterprise Fund Transfers, Reimbursements
Justice Courts	Loans, and Services
Utah Retirement Systems Compliance	Open and Public Meetings Act
Restricted Taxes and Related Revenues	Public Treasurer's Bond

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our 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 for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

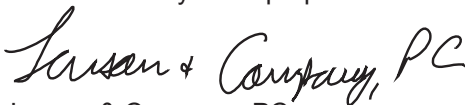
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements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

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

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

Purpose of Report

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



Larson & Company, PC
Certified Public Accountants

October 19, 2018

Nibley City , Utah

***Communication with those charged with
Governance
(Management Letter)***

JUNE 30, 2018



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nibley City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Nibley City, management of Nibley City, and other various Federal and State funding and auditing agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Larson & Company, PC".

Larson & Company, PC

Spanish Fork, Utah
October 19, 2018

SCHEDULE OF FINDINGS

Internal Control Finding(s) – Current Year

There were no Internal Control Findings noted for the period under audit.

State Compliance Finding(s) – Current Year

There were no State Compliance Findings noted for the period under audit.

Status of Internal Control Finding(s) – Prior Year

No Internal Control Findings noted in prior period

Status of State Compliance Finding(s) – Prior Year

No State Compliance Findings noted in prior period