

NIBLEY CITY

Financial Statements

For the Year Ended June 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, Utah (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. My opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pensions schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated November 28, 2015 on my consideration of Nibley's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nibley's internal control over financial reporting and compliance.

MATTHEW REGEN, CPA, PC



November 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nibley City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- During the year 2015, the City adopted Governmental Accounting Standards Board Statement No. 68 and No. 71. The implementation of these standards resulted in a restatement of beginning governmental activities and business-type activities net position. After the effects of the restatement, the total net position of the City increased by \$2,902,361 to a total of \$20,481,403. The governmental net position increased by \$1,350,215 and the business-type net position increased by \$1,552,145.
- The total net position (government and business-type activities) of the City consist of \$15,067,027 in capital assets, net of related debt, \$1,488,635 in restricted net position and \$3,925,741 in unrestricted net position.
- The total long-term liabilities of the City decreased by \$601,000 during the fiscal year 2015. Regular principal payments were made on existing bonds and notes.

REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net position* presents information on all of the City's position and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes

and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, and public works. The business-type activities of the City include the water, sewer and storm water utilities. The government-wide financial statements can be found on pages 11 and 12 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$20,481,403.

By far, the largest portion of the City's net position (74 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 2,393,952	2,072,629	4,016,339	3,649,107
Capital assets	<u>8,352,031</u>	<u>7,237,561</u>	<u>12,865,996</u>	<u>12,205,319</u>
Total assets	10,745,983	9,310,190	16,882,335	15,852,426
Deferred outflows—Pensions	41,897	31,648	17,090	12,910
Current liabilities	321,207	221,803	489,663	361,013
Noncurrent liabilities	<u>152,434</u>	<u>189,598</u>	<u>5,871,178</u>	<u>6,528,338</u>
Total liabilities	473,641	411,401	6,360,841	6,889,351
Deferred inflows – Property taxes	342,240	329,380	-	-
Deferred inflows - Pensions	<u>20,727</u>	<u>-</u>	<u>8,455</u>	<u>-</u>
Total deferred inflows	362,967	329,380	8,455	-
Invested in capital assets, net of debt	8,352,031	7,182,340	6,714,996	5,450,028
Restricted	1,008,924	992,897	479,710	268,877
Unrestricted	<u>590,317</u>	<u>425,820</u>	<u>3,335,425</u>	<u>3,259,080</u>
Total net position, as restated	\$ <u><u>9,951,272</u></u>	<u><u>8,601,057</u></u>	<u><u>10,530,130</u></u>	<u><u>8,977,985</u></u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:				
Program revenues:				
Charges for services	\$ 1,098,837	1,026,512	1,875,933	2,013,619
Operating grants	235,316	495,883	-	-
Capital grants	1,169,217	130,000	1,066,588	-
General revenues:				
Property taxes	400,505	421,025	-	-
Sales and use taxes	621,517	572,917	-	-
Franchise taxes	236,477	228,920	-	-
Other revenues	345,471	30,750	253,425	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4,107,340	2,906,007	3,195,946	2,013,619
Expenses:				
General government	1,062,509	977,982	-	-
Public safety	239,069	219,396	-	-
Streets and public improvements	832,188	716,342	-	-
Sanitation	370,965	341,903	-	-
Parks and recreation	252,394	258,912	-	-
Water utility	-	-	728,542	635,600
Sewer utility	-	-	718,877	702,767
Storm water	-	-	116,813	102,430
Municipal Building Authority	-	-	79,569	79,704
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,757,125	2,514,535	1,643,801	1,520,501
Change in net position	1,350,215	391,472	1,552,145	493,118
Net position – beginning, as restated	<hr/>	<hr/>	<hr/>	<hr/>
Net position – ending	\$ 9,951,272	8,601,057	10,530,130	8,977,985

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$1,785,003, an increase of \$265,236 from the prior year. Of this total amount \$776,078 constitutes unassigned fund balance, which is available to meet the future financial needs of the City. The remainder of the fund balance is either restricted for future capital outlays or has assigned by the Council for capital projects.

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

Taxes continue to be the largest source of revenue in the General Fund and represent 41 percent of total general fund revenues. The two largest elements of taxes are property taxes and sales taxes. Combined, they represent 81 percent of total tax revenues and 33 percent of total general fund revenues.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenue was \$2,774,691. The actual revenue was \$2,921,150. This resulted in a favorable variance of \$146,459 for revenue. The General Fund budget for expenditures was \$2,903,660. The actual expenditures were \$2,177,597. This resulted in a favorable variance of \$726,063 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$872,522.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$21,218,027 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the City's investment in capital assets for the current fiscal year was \$590,746 and depreciation expense was \$1,049,287.

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

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

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

Long-term debt – On June 30, 2015, the City had total debt outstanding of \$6,151,000 which consists of \$6,151,000 in revenue bonds used to improve the water and sewer systems.

During the year 2015, the City adopted Governmental Accounting Standards Board Statement No. 68 and No. 71, which require the City to record its share of any asset or unfunded liability associated with participation in a defined benefit plan. Based on actuarial calculations, the City recorded a governmental activities net pension liability of \$152,434 and a business-type activities net pension liability of \$62,178 at June 30, 2015.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

NIBLEY CITY
STATEMENT OF NET POSITION
JUNE 30, 2015

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 1,489,847	3,147,248	4,637,095
Receivables, net			
Taxes	476,461	-	476,461
Accounts	46,915	236,824	283,739
Intergovernmental	44,448	-	44,448
Net pension asset	774	316	1,090
Fixed assets, net	8,352,031	12,865,996	21,218,027
Restricted cash and cash equivalents	335,507	631,951	967,458
	<u>10,745,983</u>	<u>16,882,335</u>	<u>27,628,318</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows - Pensions	41,897	17,090	58,987
<u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued expenses	321,207	147,663	468,870
Other liabilities:			
Due within one year	-	342,000	342,000
Due within more than one year	-	5,809,000	5,809,000
Net pension liability	152,434	62,178	214,612
	<u>473,641</u>	<u>6,360,841</u>	<u>6,834,482</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows - Property taxes	342,240	-	342,240
Deferred inflows - Pensions	20,727	8,455	29,182
	<u>362,967</u>	<u>8,455</u>	<u>371,422</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	8,352,031	6,714,996	15,067,027
Restricted:			
Highways and streets	335,507	-	335,507
Debt services	-	479,710	479,710
Non-major funds	49,552	-	49,552
Capital projects	623,866	-	623,866
Unrestricted	590,317	3,335,424	3,925,741
	<u>9,951,272</u>	<u>10,530,130</u>	<u>20,481,403</u>

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

NIBLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
Highways and streets	\$ 832,188	-	217,378	1,169,217	554,407	-	554,407
Administration	375,838	195,309	-	-	(180,529)	-	(180,529)
Sanitation	370,965	356,763	-	-	(14,202)	-	(14,202)
Public safety	239,069	59,808	13,818	-	(165,443)	-	(165,443)
Public works	201,166	379,420	-	-	178,254	-	178,254
Non-departmental	134,329	-	-	-	(134,329)	-	(134,329)
Planning and zoning	141,218	10,502	-	-	(130,716)	-	(130,716)
Shop	66,323	-	-	-	(66,323)	-	(66,323)
Judicial	66,830	58,912	-	-	(7,918)	-	(7,918)
Culture, parks and recreation	252,394	33,658	4,120	-	(214,616)	-	(214,616)
Legislative	41,512	-	-	-	(41,512)	-	(41,512)
Community development	35,293	4,465	-	-	(30,828)	-	(30,828)
Total governmental activities	<u>2,757,125</u>	<u>1,098,837</u>	<u>235,316</u>	<u>1,169,217</u>	<u>(253,755)</u>	<u>-</u>	<u>(253,755)</u>
Business-type activities:							
Sewer fund	718,877	874,363	-	334,948	-	490,434	490,434
Water fund	728,542	718,615	-	575,683	-	565,756	565,756
Storm water fund	116,813	238,264	-	155,957	-	277,408	277,408
Municipal building authority fund	79,569	44,691	-	-	-	(34,878)	(34,878)
Total business-type activities	<u>1,643,801</u>	<u>1,875,933</u>	<u>-</u>	<u>1,066,588</u>	<u>-</u>	<u>1,298,720</u>	<u>1,298,720</u>
Total primary government	\$ <u>4,400,926</u>	<u>2,974,770</u>	<u>235,316</u>	<u>1,066,588</u>	<u>(253,755)</u>	<u>1,298,720</u>	<u>1,044,965</u>
General revenues:							
Taxes:							
Sales and use tax					\$ 621,517	-	621,517
Property tax					400,505	-	400,505
Franchise and other taxes					236,477	-	236,477
Total taxes					<u>1,258,499</u>	<u>-</u>	<u>1,258,499</u>
Impact fees					338,289	253,425	591,714
Interest income					<u>7,182</u>	<u>-</u>	<u>7,182</u>
Total general revenues					<u>1,603,970</u>	<u>253,425</u>	<u>1,857,395</u>
Change in net position					<u>1,350,215</u>	<u>1,552,145</u>	<u>2,902,361</u>
Net position at beginning of year, as previously reported					8,759,007	9,015,923	17,774,930
Prior period adjustment					<u>(157,950)</u>	<u>(37,938)</u>	<u>(195,888)</u>
Net position at beginning of year, as restated					<u>8,601,057</u>	<u>8,977,985</u>	<u>17,579,042</u>
Net position - ending					\$ <u>9,951,272</u>	<u>10,530,130</u>	<u>20,481,403</u>

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

NIBLEY CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2015

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 814,906	623,866	51,075	1,489,847
Receivables, net				
Taxes	476,461	-	-	476,461
Accounts	46,915	-	-	46,915
Intergovernmental	44,448	-	-	44,448
Restricted cash and cash equivalents	<u>335,507</u>	<u>-</u>	<u>-</u>	<u>335,507</u>
Total assets	<u>1,718,237</u>	<u>623,866</u>	<u>51,075</u>	<u>2,393,178</u>
 <u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>				
Liabilities:				
Accounts payable and accrued liabilities	264,412	-	1,523	265,935
Deferred inflows of resources	<u>342,240</u>	<u>-</u>	<u>-</u>	<u>342,240</u>
Total liabilities & deferred inflows	<u>606,652</u>	<u>-</u>	<u>1,523</u>	<u>608,175</u>
Fund balance:				
Restricted - Impact fees/Capital outlay	335,507	-	-	335,507
Restricted - First responders	-	-	49,552	49,552
Assigned - Capital outlay	-	623,866	-	623,866
Unassigned	<u>776,078</u>	<u>-</u>	<u>-</u>	<u>776,078</u>
Total fund balance	<u>1,111,585</u>	<u>623,866</u>	<u>49,552</u>	<u>1,785,003</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,718,237</u>	<u>623,866</u>	<u>51,075</u>	<u>2,393,178</u>

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

NIBLEY CITY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance for governmental funds \$ 1,785,003

Net position is different because:

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

Deferred outflows of resources - pensions	\$	41,897	
Deferred inflows of resources - pensions		(20,727)	
Net pension asset		774	
Net pension liability		<u>(152,434)</u>	(130,490)

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

Land	\$	3,264,952	
Improvements other than buildings		1,300,104	
Machinery & equipment		812,935	
Roads & infrastructure		8,393,095	
Accumulated depreciation		<u>(5,419,055)</u>	8,352,031

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

Compensated absences	<u>(55,272)</u>
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Net position of governmental activities \$ 9,951,272

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

NIBLEY CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Sales taxes	\$ 621,517	-	-	621,517
Property taxes	400,505	-	-	400,505
Telecom and franchise taxes	236,477	-	-	236,477
Miscellaneous revenues	456,510	-	-	456,510
Charges for services	747,815	-	-	747,815
Intergovernmental	220,459	-	13,818	234,277
Licenses and permits	174,928	-	-	174,928
Fines	58,912	-	-	58,912
Interest earnings	4,027	2,982	173	7,182
Total revenues	<u>2,921,150</u>	<u>2,982</u>	<u>13,991</u>	<u>2,938,123</u>
Expenditures:				
Current:				
Culture, parks and recreation	214,914	470,084	-	684,998
Highways and streets	395,387	-	-	395,387
Administration	312,624	-	-	312,624
Sanitation	370,965	-	-	370,965
Public works	201,166	-	-	201,166
Public safety	197,036	-	25,206	222,242
Non-departmental	134,329	-	-	134,329
Planning and zoning	141,218	-	-	141,218
Shop	66,323	-	-	66,323
Judicial	66,830	-	-	66,830
Legislative	41,512	-	-	41,512
Community development	35,293	-	-	35,293
Total expenditures	<u>2,177,597</u>	<u>470,084</u>	<u>25,206</u>	<u>2,672,887</u>
Excess (deficiency) of revenues over expenditures	<u>743,553</u>	<u>(467,102)</u>	<u>(11,215)</u>	<u>265,236</u>
Other financing sources (uses):				
Transfers in	-	400,000	20,000	420,000
Transfers out	(420,000)	-	-	(420,000)
Total other financing sources (uses)	<u>(420,000)</u>	<u>400,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	<u>323,553</u>	<u>(67,102)</u>	<u>8,785</u>	<u>265,236</u>
Fund balance beg. of year, as previously reported	859,563	689,584	43,831	1,592,978
Prior period adjustment	(71,531)	1,384	(3,064)	(73,211)
Fund balance - beginning of year, as restated	<u>788,032</u>	<u>690,968</u>	<u>40,767</u>	<u>1,519,767</u>
Fund balance - end of year	<u>\$ 1,111,585</u>	<u>623,866</u>	<u>49,552</u>	<u>1,785,003</u>

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

NIBLEY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balance - Total governmental funds	\$	265,236
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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense of \$584,025 of exceeded capital outlays of \$499,787 in the current year.		(84,238)
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The net effect of transactions involving net pension liability and deferred outflows and inflows of resources related to pensions, are not recorded in the governmental funds, but are reported in the Statement of Activities.

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

Developer contributions of infrastructure not recorded in the governmental funds.		1,169,217
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The liability for compensated absences is not recorded in the governmental funds, but is reported in the Statement of Net Position. This is the current year change in liability, reported as an expense in the State of Activities.

		(32,262)
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Change in net position of governmental activities	\$	1,350,215
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The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
JUNE 30, 2015

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Municipal Building Authority</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Business- type Activities</u>
Pooled cash and cash equivalents	\$ 1,460,080	1,411,009	-	276,159	3,147,248
Receivables, net	131,840	89,152	-	15,832	236,824
Fixed assets, net	4,390,670	6,602,685	1,484,507	388,134	12,865,996
Net pension asset	176	78	-	62	316
Restricted cash and cash equivalents:					
Revenue bond covenants	210,833	34,167	-	-	245,000
System development	-	257,967	-	-	257,967
Repair reserve	-	128,984	-	-	128,984
Total assets	<u>6,193,599</u>	<u>8,524,042</u>	<u>1,484,507</u>	<u>680,187</u>	<u>16,882,335</u>
<u>Deferred Outflows of Resources</u>					
Deferred outflows - Pensions	<u>9,526</u>	<u>4,214</u>	<u>-</u>	<u>3,350</u>	<u>17,090</u>
<u>Liabilities</u>					
Accounts payable and accrued liabilities	42,133	64,386	26,354	14,791	147,663
Non-current liabilities:					
Due within one year	81,000	245,000	16,000	-	342,000
Due in more than one year	625,000	4,397,000	787,000	-	5,809,000
Net pension liability	<u>34,658</u>	<u>15,332</u>	<u>-</u>	<u>12,188</u>	<u>62,178</u>
Total liabilities	<u>782,790</u>	<u>4,721,718</u>	<u>829,354</u>	<u>26,979</u>	<u>6,360,841</u>
<u>Deferred Inflows of Resources</u>					
Deferred inflows - Pensions	<u>4,713</u>	<u>2,085</u>	<u>-</u>	<u>1,657</u>	<u>8,455</u>
<u>Net Position</u>					
Investments in capital assets, net of related debt	3,684,670	1,960,685	681,507	388,134	6,714,996
Restricted:					
Bond reserve	210,833	268,877	-	-	479,710
Unrestricted	<u>1,520,119</u>	<u>1,574,892</u>	<u>(26,354)</u>	<u>266,767</u>	<u>3,335,424</u>
Total net position	<u>\$ 5,415,622</u>	<u>3,804,454</u>	<u>655,153</u>	<u>654,901</u>	<u>10,530,130</u>

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

NIBLEY CITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
Operating revenues:					
Services	\$ 561,836	865,156	-	206,447	1,633,439
Connection fees	40,444	-	-	-	40,444
Other operating revenues	<u>116,335</u>	<u>9,207</u>	<u>44,691</u>	<u>31,817</u>	<u>202,050</u>
Total operating revenues	<u>718,615</u>	<u>874,363</u>	<u>44,691</u>	<u>238,264</u>	<u>1,875,933</u>
Operating expenses:					
Current expenses	393,597	426,868	10	54,286	874,761
Depreciation	181,964	223,270	46,294	13,734	465,262
Wages and benefits	<u>140,548</u>	<u>68,739</u>	<u>-</u>	<u>48,793</u>	<u>258,080</u>
Total operating expense	<u>716,109</u>	<u>718,877</u>	<u>46,304</u>	<u>116,813</u>	<u>1,598,103</u>
Operating income (loss)	2,506	155,486	(1,613)	121,451	277,830
Non-operating income (expense):					
Impact fee income	126,751	126,674	-	-	253,425
Capital contributions	575,683	334,948	-	155,957	1,066,588
Interest expense	<u>(12,433)</u>	<u>-</u>	<u>(33,265)</u>	<u>-</u>	<u>(45,698)</u>
Total non-operating income (expense)	<u>690,001</u>	<u>461,622</u>	<u>(33,265)</u>	<u>155,957</u>	<u>1,274,315</u>
Change in net position	692,507	617,108	(34,878)	277,408	1,552,145
Net position at beginning of year, as previously reported	4,736,826	3,202,693	686,282	390,122	9,015,923
Prior period adjustment	<u>(13,711)</u>	<u>(15,347)</u>	<u>3,749</u>	<u>(12,629)</u>	<u>(37,938)</u>
Net position - beginning of year, as restated	<u>4,723,115</u>	<u>3,187,346</u>	<u>690,031</u>	<u>377,493</u>	<u>8,977,985</u>
Net position - end of year	<u>\$ 5,415,622</u>	<u>3,804,454</u>	<u>655,153</u>	<u>654,901</u>	<u>10,530,130</u>

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

NIBLEY CITY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
<u>Cash flows from operating activities:</u>					
Receipts from customers and users	\$ 704,239	869,447	44,691	234,640	1,853,017
Payments to employees	(140,548)	(68,739)	-	(48,793)	(258,080)
Payments to suppliers	(376,146)	(363,788)	(10)	(44,890)	(784,834)
Net cash provided by operating activities	<u>187,545</u>	<u>436,920</u>	<u>44,681</u>	<u>140,957</u>	<u>810,103</u>
<u>Cash flows from capital and related financing activities:</u>					
Purchase of capital assets	(13,000)	(54,119)	-	(26,735)	(93,854)
Impact fee income	126,751	126,674	-	-	253,425
Principal payments on bonds	(80,000)	(505,000)	(12,251)	-	(601,000)
Interest payments on bonds	(12,433)	-	(33,265)	-	(45,698)
Net cash provided (used) in capital and related financing activities	<u>21,318</u>	<u>(432,445)</u>	<u>(45,516)</u>	<u>(26,735)</u>	<u>(487,127)</u>
<u>Cash flows from investing activities:</u>					
Net cash provided by investing activities	-	-	-	-	-
Net increase(decrease) in cash and cash equivalents	208,863	4,475	(835)	114,222	326,725
Cash and cash equivalents at beginning of year	<u>1,462,050</u>	<u>1,827,652</u>	<u>835</u>	<u>161,937</u>	<u>3,452,474</u>
Cash and cash equivalents at end of year	<u>\$ 1,670,913</u>	<u>1,832,127</u>	<u>-</u>	<u>276,159</u>	<u>3,779,199</u>
Cash and cash equivalents at end of year Consists of:					
Unrestricted cash	\$ 1,460,080	1,411,009	-	276,159	3,147,248
Restricted cash	210,833	421,118	-	-	631,951
	<u>\$ 1,670,913</u>	<u>1,832,127</u>	<u>-</u>	<u>276,159</u>	<u>3,779,199</u>
<u>Cash flows from non-capital financing activities</u>					
Contributions of capital assets from developers	\$ 575,683	334,948	-	155,957	1,066,588
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ <u>2,506</u>	<u>155,486</u>	<u>(1,613)</u>	<u>121,451</u>	<u>277,830</u>
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	181,964	223,270	46,294	13,734	465,262
Change in assets and liabilities:					
Increase in accounts receivable	(14,376)	(4,916)	-	(3,624)	(22,916)
Increase in accounts payable	17,451	63,080	-	9,396	89,927
Total adjustments	<u>185,039</u>	<u>281,434</u>	<u>46,294</u>	<u>19,506</u>	<u>532,273</u>
Net cash provided by operating activities	<u>\$ 187,545</u>	<u>436,920</u>	<u>44,681</u>	<u>140,957</u>	<u>810,103</u>

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

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

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Long-term Debt

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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

Equity Classifications: Government-wide Financial Statements

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

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

Equity Classifications: Fund Financial Statements

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

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balances – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Property Taxes

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

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

Budgets

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one of these items that qualify for reporting in this category. Deferred outflows of resources related to pensions - includes a) net difference between projected and actual earnings on pension plan investments and b) City contributions subsequent to the measurement date of December 31, 2014.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period or periods and will not be recognized as an inflow of resources (revenue) until that time. The City reported two of these items. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. Deferred inflows of resources related to pensions - includes a) differences between expected and actual experience and b) changes of assumptions in the measurement of the net pension liability/asset. These amounts also are reported on the government-wide statement of net position.

Subsequent Events

The Company has evaluated all subsequent events through November 28, 2015, the date the financial statements were available to be issued.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 – Deposits and Investments

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

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. The uninsured and uncollateralized portion of the City's bank balances was \$352,852 on June 30, 2015.

Investments

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

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

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

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

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 2 – Deposits and Investments (continued)

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

The City’s investments on June 30, 2015, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$4,484,260</u>	<u>\$4,484,260</u>	Unrated

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

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk in regard to the custody of the City’s investments.

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

Note 3 – Legal Compliance – Budgets

On or before the first scheduled City council meeting in May, all agencies of the City submit requests for appropriation to the City’s financial officer so that a budget may be prepared. The

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 3 – Legal Compliance – Budgets (continued)

budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

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

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

Note 4 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2015 as follows:

<u>Governmental Funds:</u>	
Taxes:	
Property taxes	\$ 355,114
Sales tax	110,410
Franchise taxes	10,937
Total taxes receivable	476,461
Accounts:	
Garbage/Recycle	43,127
911 fees/Other	3,788
Total accounts receivable	46,915
Due from other governments:	
Class “C” roads – State of Utah	44,448
Total receivables – Governmental Funds	\$ 567,824
 <u>Water Fund:</u>	
Accounts, net of allowance for bad debt	\$ 131,840
<u>Sewer Fund:</u>	
Accounts, net of allowance for bad debt	\$ 89,152
<u>Storm Water Fund:</u>	
Accounts, net of allowance for bad debt	\$ 15,832

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2015, are as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,860,736	404,216	-	3,264,952
Total capital assets not being depreciated	<u>2,860,736</u>	<u>404,216</u>	<u>-</u>	<u>3,264,952</u>
Capital assets being depreciated:				
Roads & infrastructure	7,496,576	896,519	-	8,393,095
Other improvements	934,085	366,019	-	1,300,104
Equipment	808,021	4,914	-	812,935
Total capital assets being depreciated	<u>9,238,682</u>	<u>1,267,452</u>	<u>-</u>	<u>10,506,134</u>
Accumulated depreciation for:				
Other improvements	(320,922)	(68,784)	-	(389,706)
Roads & infrastructure	(3,991,522)	(466,283)	-	(4,457,805)
Equipment	(522,586)	(48,958)	-	(571,544)
Total accumulated depreciation	<u>(4,835,030)</u>	<u>(584,025)</u>	<u>-</u>	<u>(5,419,055)</u>
Total capital assets being depreciated, net	<u>4,403,652</u>	<u>683,427</u>	<u>-</u>	<u>5,087,079</u>
Total governmental activities Capital assets, net	<u>\$ 7,264,388</u>	<u>1,087,643</u>	<u>-</u>	<u>8,352,031</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 – Capital Assets (continued)

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

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

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ 495,133	13,000	-	508,133
Total capital assets not being depreciated	<u>495,133</u>	<u>13,000</u>	<u>-</u>	<u>508,133</u>
Capital assets being depreciated:				
Buildings	1,685,565	-	-	1,685,565
Improvements	13,559,982	903,812	-	14,463,794
Systems and equipment	<u>732,930</u>	<u>-</u>	<u>(97,585)</u>	<u>635,345</u>
Total capital assets being depreciated	<u>15,978,477</u>	<u>903,812</u>	<u>(97,585)</u>	<u>16,784,704</u>
Accumulated depreciation for:				
Buildings	(234,711)	(42,139)	-	(276,850)
Improvements	(3,529,598)	(367,131)	-	(3,896,729)
Systems and equipment	<u>(266,536)</u>	<u>(55,992)</u>	<u>69,266</u>	<u>(253,262)</u>
Total accumulated depreciation	<u>(4,030,845)</u>	<u>(465,262)</u>	<u>69,266</u>	<u>(4,426,841)</u>
Total capital assets being depreciated, net	<u>11,947,632</u>	<u>438,550</u>	<u>(28,319)</u>	<u>12,357,863</u>
Total business-type activities capital assets, net	<u>\$ 12,442,765</u>	<u>451,550</u>	<u>(28,319)</u>	<u>12,865,996</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 – Long-term Debt

Long-term liability transactions for business-type activities for the fiscal year ended June 30, 2015, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
Impact Bonds	\$ 819,000	-	(16,000)	803,000	17,000
Water Bonds	786,000	-	(80,000)	706,000	80,000
State of Utah Bonds	\$ 5,147,000	-	(505,000)	4,642,000	245,000
 Total business-type long-term liabilities	 \$ <u>6,752,000</u>	 <u>-</u>	 <u>(601,000)</u>	 <u>6,151,000</u>	 <u>342,000</u>

Business-type Activities

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

Notes and bonds payable

\$850,000 Bond payable, due in various annual installments, including interest at 4.00%, through October 2042. The note is secured by land.	\$ 803,000
\$850,000 Bond payable, due in various semi-annual installments, including interest at 1.75%, through July 2042. The note is secured by future water billings.	706,000
\$7,739,000 Bond payable, due in various annual installments, bearing no interest, due through May 2034. The note is secured by water bonds.	<u>4,642,000</u>
Total	<u>\$ 6,151,000</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 – Long-term Debt (continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 343,000	43,766	386,766
2017	345,000	41,660	386,660
2018	347,000	39,488	386,488
2019	349,000	37,271	386,271
2020	351,000	34,972	385,972
2021-2025	1,505,000	151,088	1,656,088
2026-2030	1,155,000	114,600	1,269,600
2031-2035	1,184,000	86,360	1,270,360
2036-2040	410,000	34,852	444,852
2041-2044	162,000	5,880	167,880
Totals	\$ <u>6,151,000</u>	<u>589,937</u>	<u>6,740,937</u>

Note 7 – Restricted Net Position/ Fund Balance Classifications

Restricted net position represent amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2015 the City’s enterprise funds held \$479,710 restricted for future bond payments.

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

Restricted fund balance – \$385,059 for future roads, parks and other projects.

Assigned fund balance – \$623,866 for future capital projects.

The remaining fund balance is unassigned.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 — Retirement Plans

General Information about the Pension Plan:

Plan description

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

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

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

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

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 8 - Retirement Plans (continued)

Benefits provided

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

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

* with actuarial reductions

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

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 8 - Retirement Plans (continued)

Contributions

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

Contribution rates are as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.83%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (continued)

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

At June 30, 2015, the City reported a net pension asset of \$1,090 and a net pension liability of \$214,612

	Proportionate Share	Net Pension Assets	Net Pension Liability
Noncontributory System	0.0494244%	-	\$ 214,612
Noncontributory System	0.0359734%	\$ 1,090	\$ -
Total net pension asset/liability		\$ 1,090	\$ 214,612

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, the City recognized pension expense of \$62,241.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (continued)

At December 31, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	\$ 7,857
Change in assumptions	-	\$ 21,324
Net difference between projected and actual earnings on pension plan investments	\$ 5,000	-
Changes in proportion and differences between contributions proportionate share on contributions.	-	-
Contributions subsequent to the measurement date	<u>\$ 53,987</u>	<u>-</u>
Total	<u><u>\$ 58,987</u></u>	<u><u>\$ 29,181</u></u>

\$53,987 was reported as deferred outflows of resources related to pensions results from contributions made by the City prior to its fiscal year end, but subsequent to the measurement date of December 31, 2014. 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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2015	\$ (5,816)
2016	\$ (5,816)
2017	\$ (5,816)
2018	\$ (5,541)
2019	(191)
Thereafter	<u>(1,001)</u>
	<u><u>\$ (24,181)</u></u>

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 8 - Retirement Plans (continued)

Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Retired Member Mortality - Class of Member

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

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

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

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (continued)

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

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

Discount rate

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of Net Pension Liability	\$ 522,956	\$ 213,522	\$ (43,580)

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (continued)

Pension plan fiduciary net position

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

Defined Contribution Plans

The City also participates in the Utah Retirement Systems' Defined Contribution Savings Plan under section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. During the year ended December 31, 2014 employees contributed \$805 and the City contributed \$26,875 to the Plan.

Note 9 – Prior Period Adjustment

Revenues for the General Fund and the First Responder Fund were overstated for the year ended June 30, 2014. Consequently, prior year ending net position and fund balance were overstated by this same amount. Net position and fund balance were decreased to correct the effects of this oversight. Revenues for the Capital Projects Fund and the Water Utility were understated for the year ended June 30, 2014. Consequently, prior year ending net position and fund balance were understated by this same amount. Net position and fund balance were increased to correct the effects of this oversight.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 10 - Risk Management

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

Note 11 – Change in Accounting Principle

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

The effect of the change on the City's governmental activities was an increase in the net pension liability of \$189,598, an increase in the deferred outflows of resources of \$31,648 and a decrease in net position of \$157,950. The effect of the change on the City's business-type activities was an increase in the net pension liability of \$77,338, an increase in the deferred outflows of resources of \$12,910 and a decrease in net position of \$64,428.

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 11 – Change in Accounting Principle (continued)

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

REQUIRED SUPPLEMENTARY INFORMATION

NIBLEY CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Sales tax	\$ 550,000	550,000	621,517	71,517
Miscellaneous revenues	368,161	368,161	460,537	92,376
Property tax	359,380	359,380	400,505	41,125
Charges for services	408,750	408,750	747,815	339,065
Intergovernmental	627,900	627,900	220,459	(407,441)
Franchise and other taxes	267,500	267,500	236,477	(31,023)
Licenses and permits	128,000	128,000	174,928	46,928
Fines and forfeitures	65,000	65,000	58,912	(6,088)
	<u>2,774,691</u>	<u>2,774,691</u>	<u>2,921,150</u>	<u>146,459</u>
Expenditures:				
Culture, parks and recreation	279,620	279,620	214,914	64,706
Highways and streets	819,775	819,775	395,387	424,388
Administrative	386,700	386,700	312,624	74,076
Sanitation	371,000	371,000	370,965	35
Public works	235,020	235,020	201,166	33,854
Public safety	222,085	222,085	197,036	25,049
Non-departmental	190,540	190,540	134,329	56,211
Planning and zoning	144,720	144,720	141,218	3,502
Shop expenses	97,000	97,000	66,323	30,677
Judicial	71,700	71,700	66,830	4,870
Legislative	48,900	48,900	41,512	7,388
Community development	36,600	36,600	35,293	1,307
	<u>2,903,660</u>	<u>2,903,660</u>	<u>2,177,597</u>	<u>726,063</u>
Excess (deficiency) of revenues over expenditures	<u>(128,969)</u>	<u>(128,969)</u>	<u>743,553</u>	<u>872,522</u>
Other financing sources (uses) :				
Beginning fund balance	98,969	98,969	-	(98,969)
Transfers out	-	-	(420,000)	(420,000)
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources	<u>128,969</u>	<u>128,969</u>	<u>(420,000)</u>	<u>(548,969)</u>
Excess (deficiency) of revenue and other financing sources over expenditures \$	<u>-</u>	<u>-</u>	<u>323,553</u>	<u>323,553</u>
Fund balance - beginning of year, as previously reported			859,563	
Prior period adjustment			<u>(71,531)</u>	
Fund balance - beginning of year, as restated			<u>788,032</u>	
Fund balance - end of year			<u>\$ 1,111,585</u>	

See Independent Auditor's Report.

NIBLEY CITY
 SCHEDULE OF THE PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2015

	Noncontributory System	Employees System
Proportion of the net pension liability (asset)	0.0494244%	0.0359734%
Proportionate share of the net pension liability	\$ 214,612	\$ (1,090)
Covered employee payroll	\$ 363,038	\$ 176,450
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.10%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	90.20%	103.50%

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

See Independent Auditor's Report.

NIBLEY CITY
 SCHEDULE OF CONTRIBUTIONS
 JUNE 30, 2015

	System	Employees System
Contractually required contribution	\$ 77,681	\$ 14,842
Contributions in relation to the contractually required contribution	\$ (77,681)	\$ (14,842)
Contribution deficiency (excess)	-	-
Covered employee payroll	\$ 363,038	\$ 176,450
Contributions as a percentage of covered-employee payroll**	21.40%	8.41%

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

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

See Independent Auditor's Report.

GOVERNMENTAL AUDIT REPORT

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, business-type activities, and each major fund of Nibley City (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Nibley's basic financial statements and have issued my report thereon dated November 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

MATTHEW REGEN, CPA, PC

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

November 28, 2015

STATE COMPLIANCE REPORT

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

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

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

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

I have audited the Nibley City's (the City) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

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

The City received state funding from the following programs classified as major programs for the year ended June 30, 2015:

B&C Road Funds (Department of Transportation)

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, Nibley City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings and responses. My opinion on compliance is not modified with respect to this matter.

Nibley's response to the noncompliance finding identified in my audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

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

purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, I do not express an opinion of the effectiveness of the City's internal control over compliance.

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

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

Purpose of Report

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

MATTHEW REGEN, CPA, PC



November 28, 2015

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

Finding 15-1

Criteria: Utah statutes limit the amount of unrestricted general fund balance to 25% of the total revenue of the general fund for the fiscal year under audit.

Condition: The City accumulated more unrestricted general fund balance than allowed by statute.

Effect: On June 30, 2015 the amount of unrestricted general fund balance is more than allowed by Utah statute.

Cause: The City's officials did not receive accurate and timely financial reports showing the unrestricted general fund balance during the year. Therefore, they were unaware that they had accumulated more than the allowed amount.

Recommendation by auditor: The City should provide accurate and timely financial reports to its officials throughout the year. Officials should increase City expenditures or transfer unrestricted general fund balance to the capital projects fund to ensure that the accumulated balance is within State guidelines.

Response from Management/Corrective Action Plan: The City will closely monitor the fund balance of the general fund and will make expenditures or transfers, in accordance with budgetary guidelines, to ensure that its fund balance is in compliance with Utah statutes.