

NIBLEY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2010

WIGGINS
CERTIFIED
PUBLIC
ACCOUNTANTS **& CO. P.C.**

NIBLEY CITY CORPORATION

FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council Members
Nibley City Corporation
Nibley City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Nibley City Corporation, Utah (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Nibley City Corporation as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nibley City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The General Fund includes governmental activities such as administration, fire and first responder services, police protection, roads, parks, sanitation, planning and zoning, etc. The Enterprise Funds comprise utilities of water, sewer and storm drain. Also included is the financial information for the Municipal Building Authority of Nibley City. While the national economy had continuing problems, Nibley City, while affected, was not seriously impacted. Because of a budgeting philosophy, adhered to by City Councils for a decade now, that anticipates revenues very conservatively and only minimally plans the expenditure of development related revenues into base budgets, Nibley City has been able to continue its financial affairs without the hue and cry that affected other entities in the nation and in Utah. Specifically, sales tax and building permit revenues exceeded budgeted estimates because of conservative estimates. The City's not using development related revenues as part of the base budgets allows surpluses at year end that have been applied to capital projects such as the rebuilding of 3200 South road and new park construction. The major revenue sources of property tax, franchise taxes and building permits all came in at levels exceeding expectations--not because of a good economy, but because of modest expectations. As a consequence, basic government services were adequately funded and Nibley City business continued on a nearly normal course. The City did not have to furlough employees, or make other drastic changes. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: Nibley City Corporation 625 West 3200 South, Nibley, Utah 84321.

Financial Highlights

The total net assets of Nibley City Corporation increased by \$1,621,201, totaling \$15,337,252. The governmental activities' net assets increased by \$1,128,275 and the business-type activities' net assets increased by \$492,926.

The total net assets of Nibley City Corporation is \$15,337,252, and is made up of \$10,675,494 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$4,661,758. Of this amount, \$1,489,890 is unrestricted. The remaining \$3,171,868 is restricted for such items as debt service reserves, capital projects, highway and streets, parks and impact fees.

Total long-term liabilities of the City decreased by \$301,843. The long-term debt the City has incurred is for water system improvements in the Water Fund and the construction of new sewer system improvements, recorded in the Sewer Fund, along with a note for park land and compensated absences. The total outstanding long-term debt of the City at June 30, 2010, was \$7,061,350.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Nibley City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

A summary of the net assets of the City is as follows:

Governmental Activities:

| | 2010 | 2009 | Total Changes |
|---|---------------------|---------------------|---------------------|
| Current and other assets | \$ 1,288,433 | \$ 923,121 | \$ 365,312 |
| Capital assets | 7,600,617 | 6,842,957 | 757,660 |
| Total assets | <u>8,889,050</u> | <u>7,766,078</u> | <u>1,122,972</u> |
| Current and other liabilities | 462,126 | 411,002 | 51,124 |
| Long-term liabilities | 25,484 | 81,909 | (56,425) |
| Total liabilities | <u>487,610</u> | <u>492,911</u> | <u>(5,301)</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 7,575,617 | 6,767,957 | 807,660 |
| Restricted | 446,491 | 201,961 | 244,530 |
| Unrestricted | 379,332 | 303,249 | 76,083 |
| Total net assets | <u>\$ 8,401,440</u> | <u>\$ 7,273,167</u> | <u>\$ 1,128,273</u> |

Business-type activities:

| | 2010 | 2009 | Total Changes |
|---|---------------------|---------------------|-------------------|
| Current and other assets | \$ 3,859,572 | \$ 3,466,797 | \$ 392,775 |
| Capital assets | 10,105,396 | 10,259,520 | (154,124) |
| Total assets | <u>13,964,968</u> | <u>13,726,317</u> | <u>238,651</u> |
| Current and other liabilities | 282,767 | 275,645 | 7,122 |
| Long-term liabilities | 6,746,389 | 7,007,787 | (261,398) |
| Total liabilities | <u>7,029,156</u> | <u>7,283,432</u> | <u>(254,276)</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 3,099,877 | 2,980,714 | 119,163 |
| Restricted | 2,725,377 | 2,484,080 | 241,297 |
| Unrestricted | 1,110,558 | 978,091 | 132,467 |
| Total net assets | <u>\$ 6,935,812</u> | <u>\$ 6,442,885</u> | <u>\$ 492,927</u> |

The City's total net assets increased by \$1,621,201 as summarized below:

Governmental Activities:

| | 2010 | 2009 | Total Changes |
|----------------------------------|------------------|------------------|------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 1,104,452 | \$ 849,383 | \$ 255,069 |
| Operating grants and | 179,776 | 160,512 | 19,264 |
| Capital grants and contributions | 150,000 | 100,000 | 50,000 |
| General revenues: | | | |
| Property taxes | 344,780 | 336,018 | 8,762 |
| Sales taxes | 1,023,561 | 389,270 | 634,291 |
| Restaurant taxes | 6,576 | - | 6,576 |
| Telecom & Franchise taxes | 197,894 | 197,454 | 440 |
| Unrestricted investment earnings | 4,296 | 41,837 | (37,541) |
| Gain on sale of fixed assets | - | - | - |
| Transfers | 85,000 | - | 85,000 |
| Total revenues | <u>3,096,335</u> | <u>2,074,474</u> | <u>1,021,861</u> |

Fund Financial Analysis

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

At June 30, 2010, the City's governmental funds (General, Special Revenue & Capital Projects) reported combined fund balances of \$851,307. This represents an increase of \$339,190 during fiscal year 2010 due mainly to decreases in park land purchases & improvements and street reconstruction and improvements.

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 statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 60% of total General Fund revenues. The largest element of taxes is sales tax, representing 59% of total tax revenue and 36% of total General Fund revenues.

As stated earlier, the City maintains several Enterprise Funds to account for its business-type activities. 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 fund statements provide much more detail. See pages 16-19 of the financial report for this information.

Budgetary Highlights

During the year, the budgets of each fund were established and then amended to account for increases in revenue and expenses. Primarily the revenue changes were to bring revenues for taxes and intergovernmental grants into line with the year end revenue projections. Expenses were changed to account for personnel cost increases, repairs and maintenance decreases and construction projects.

Capital Asset and Debt Administration

The City's investment in capital assets for all activities at June 30, 2010, amounted to \$23,636,320. Accumulated depreciation on capital assets was \$5,930,307. Net capital assets amounted to \$17,706,013 at June 30, 2010. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2010 was \$1,348,340. Depreciation expense for 2010 was \$744,804, with \$433,025 recorded in governmental activities and \$311,779 recorded in business-type activities.

Major capital asset increases during 2010 are as follows:

Rebuilding of 3200 south road

An eighteen inch water distribution line, 13,000 feet in length, from the city's reservoirs is presently under construction. Projected at about \$700,000, it should be finished in fiscal year 2011.

Ongoing park construction. The City's practice of doing much of its own construction saves a considerable amount and stretches the budget for new parks.

A new 2 million gallon water reservoir for the storage of water to supply continued city growth is also under construction.

NIBLEY CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 614,739 | \$ 533,826 | \$ 1,148,565 |
| Investments | 191,885 | 500,000 | 691,885 |
| Receivables | | | |
| Taxes | 321,994 | - | 321,994 |
| Accounts | 26,523 | 86,088 | 112,611 |
| Intergovernmental | 33,654 | - | 33,654 |
| Interest | 2,280 | 14,281 | 16,561 |
| Restricted cash and cash equivalents | 97,358 | 475,377 | 572,735 |
| Restricted investments | | 2,250,000 | 2,250,000 |
| Capital assets (net of accumulated depreciation) | | | |
| Land and easements | 2,324,512 | 377,072 | 2,701,584 |
| Water shares | - | 54,905 | 54,905 |
| Buildings | - | 193,675 | 193,675 |
| Improvements | 397,871 | 8,679,848 | 9,077,719 |
| Infrastructure | 4,199,923 | - | 4,199,923 |
| Machinery and equipment | 303,671 | 147,181 | 450,852 |
| Construction in progress | 374,640 | 652,715 | 1,027,355 |
| Total Assets | 8,889,050 | 13,964,968 | 22,854,018 |
| LIABILITIES | | | |
| Accounts payable | 16,729 | 16,374 | 33,103 |
| Accrued liabilities | 75,382 | - | 75,382 |
| Contracts and deposits payable | 33,281 | - | 33,281 |
| Accrued interest payable | - | 1,916 | 1,916 |
| Deferred revenue | 311,734 | - | 311,734 |
| Noncurrent liabilities - due within one year | 25,000 | 264,477 | 289,477 |
| Noncurrent liabilities - due in more than one year | 25,484 | 6,746,389 | 6,771,873 |
| Total Liabilities | 487,610 | 7,029,156 | 7,516,766 |
| NET ASSETS | | | |
| Investment in capital assets, net of debt | 7,575,617 | 3,099,877 | 10,675,494 |
| Restricted for: | | | |
| Highways and streets | 8,142 | - | 8,142 |
| Culture, parks and recreation | 89,216 | - | 89,216 |
| System development | - | 2,463,129 | 2,463,129 |
| Debt service | - | 262,248 | 262,248 |
| Special revenues | 17,672 | - | 17,672 |
| Capital projects | 331,461 | - | 331,461 |
| Unrestricted | 379,332 | 1,110,558 | 1,489,890 |
| Total Net Assets | \$ 8,401,440 | \$ 6,935,812 | \$ 15,337,252 |

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

NIBLEY CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | Major Governmental Funds | | Other Non-major Governmental Funds | Total Governmental Funds |
|--------------------------------------|--------------------------|--------------------------|--|--------------------------------|
| | General | Capital Projects Fund | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 449,397 | \$ 147,692 | \$ 17,650 | \$ 614,739 |
| Investments | - | 191,885 | - | 191,885 |
| Receivables: | | | | |
| Taxes | 321,994 | - | - | 321,994 |
| Accounts | 26,501 | - | 22 | 26,523 |
| Intergovernmental | 33,654 | - | - | 33,654 |
| Interest | 2,280 | - | - | 2,280 |
| Restricted cash and cash equivalents | 97,358 | - | - | 97,358 |
| Total assets | <u>\$ 931,184</u> | <u>\$ 339,577</u> | <u>\$ 17,672</u> | <u>\$ 1,288,433</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 8,613 | \$ 8,116 | \$ - | \$ 16,729 |
| Accrued payroll liabilities | 75,382 | - | - | 75,382 |
| Contracts and deposits payable | 33,281 | - | - | 33,281 |
| Deferred revenue | 311,734 | - | - | 311,734 |
| Total liabilities | <u>429,010</u> | <u>8,116</u> | <u>-</u> | <u>437,126</u> |
| Fund balances | | | | |
| Reserved for Class C Roads | - | - | - | - |
| Reserved-impact fees | 97,358 | - | - | 97,358 |
| Unreserved: | | | | |
| Undesignated | 404,816 | 331,461 | 17,672 | 753,949 |
| Total fund balances | <u>502,174</u> | <u>331,461</u> | <u>17,672</u> | <u>851,307</u> |
| Total liabilities and fund balances | <u>\$ 931,184</u> | <u>\$ 339,577</u> | <u>\$ 17,672</u> | <u>\$ 1,288,433</u> |

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

NIBLEY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | Major Governmental Funds | | Other Non-major Governmental Funds | Total Governmental Funds |
|--|--------------------------|--------------------------|--|--------------------------------|
| | General | Capital Projects Fund | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 344,780 | \$ - | \$ - | \$ 344,780 |
| Sales | 365,317 | 658,244 | - | 1,023,561 |
| Restaurant tax grant | 6,576 | 150,000 | - | 156,576 |
| Telecom and Franchise tax | 197,894 | - | - | 197,894 |
| Licenses and permits | 129,769 | - | - | 129,769 |
| Intergovernmental | 162,964 | - | 16,812 | 179,776 |
| Charges for services | 546,730 | - | 516 | 547,246 |
| Fines | 78,629 | - | - | 78,629 |
| Miscellaneous | 20,061 | - | 4,458 | 24,519 |
| Contributions | - | 188,947 | - | 188,947 |
| Investment earnings | 3,889 | - | 407 | 4,296 |
| Total revenues | <u>1,856,609</u> | <u>997,191</u> | <u>22,193</u> | <u>2,875,993</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Legislative | 38,671 | - | - | 38,671 |
| Judicial | 42,227 | - | - | 42,227 |
| Administration | 277,583 | - | - | 277,583 |
| Legal | 15,604 | - | - | 15,604 |
| Elections | 1,829 | - | - | 1,829 |
| Public works | 91,017 | - | - | 91,017 |
| Non-departmental | 74,987 | 5,591 | - | 80,578 |
| Public safety | 134,372 | - | 18,974 | 153,346 |
| Highways and streets | 172,191 | 771,082 | 82,058 | 1,025,331 |
| Sanitation | 289,862 | - | - | 289,862 |
| Shop | 85,978 | - | - | 85,978 |
| Planning and zoning | 84,296 | - | - | 84,296 |
| Culture, parks and recreation | 256,942 | 232,875 | - | 489,817 |
| Community development | 25,756 | - | - | 25,756 |
| Debt Service | 55,250 | - | - | 55,250 |
| Total expenditures | <u>1,646,565</u> | <u>1,009,548</u> | <u>101,032</u> | <u>2,757,145</u> |
| Excess (deficiency) of revenues over (under) expenditures | 210,044 | (12,357) | (78,839) | 118,848 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 258,100 | - | 258,100 |
| Transfers out | (173,100) | - | - | (173,100) |
| Proceeds from issuance of note payable | - | - | - | - |
| Impact fees | 135,342 | - | - | 135,342 |
| Total other financing sources and uses | <u>(37,758)</u> | <u>258,100</u> | <u>-</u> | <u>220,342</u> |
| Net change in fund balances | 172,286 | 245,743 | (78,839) | 339,190 |
| Fund balances - beginning | 329,888 | 85,718 | 96,511 | 512,117 |
| Fund balances - ending | <u>\$ 502,174</u> | <u>\$ 331,461</u> | <u>\$ 17,672</u> | <u>\$ 851,307</u> |

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

NIBLEY CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 315,000 | \$ 325,000 | \$ 344,780 | \$ 19,780 |
| Sales | 324,000 | 368,500 | 365,317 | (3,183) |
| Franchise | 191,000 | 190,275 | 197,894 | 7,619 |
| Restaurant | 4,000 | 6,576 | 6,576 | - |
| Licenses and permits | 71,500 | 117,000 | 129,769 | 12,769 |
| Intergovernmental | 124,200 | 154,781 | 162,964 | 8,183 |
| Charges for services | 496,000 | 537,500 | 546,730 | 9,230 |
| Fines | 60,000 | 76,000 | 78,629 | 2,629 |
| Investment earnings | 12,000 | 17,500 | 3,889 | (13,611) |
| Miscellaneous | 9,040 | 16,266 | 20,061 | 3,795 |
| Total revenues | <u>1,606,740</u> | <u>1,809,398</u> | <u>1,856,609</u> | <u>47,211</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative | 32,500 | 33,700 | 38,671 | (4,971) |
| Judicial | 42,400 | 42,645 | 42,227 | 418 |
| Administration | 320,080 | 307,680 | 277,583 | 30,097 |
| Legal | 17,000 | 16,000 | 15,604 | 396 |
| Elections | 3,000 | 2,000 | 1,829 | 171 |
| Public works | 99,800 | 99,614 | 91,017 | 8,597 |
| Non-departmental | 86,400 | 86,400 | 74,987 | 11,413 |
| Public safety | 149,160 | 139,884 | 134,372 | 5,512 |
| Highways and streets | 126,000 | 174,300 | 172,191 | 2,109 |
| Sanitation | 280,000 | 280,000 | 289,862 | (9,862) |
| Shop | 52,000 | 87,600 | 85,978 | 1,622 |
| Planning and zoning | 91,600 | 84,708 | 84,296 | 412 |
| Culture, parks and recreation | 228,000 | 261,258 | 256,942 | 4,316 |
| Community development | 21,800 | 23,491 | 25,756 | (2,265) |
| Debt Service | - | 55,250 | 55,250 | - |
| Total expenditures | <u>1,549,740</u> | <u>1,694,530</u> | <u>1,646,565</u> | <u>47,965</u> |
| Excess of revenues over expenditures | <u>57,000</u> | <u>114,868</u> | <u>210,044</u> | <u>95,176</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (105,000) | (173,100) | (173,100) | - |
| Proceeds from issuance of notes payable | - | - | - | - |
| Impact fees | 80,000 | 94,000 | 135,342 | 41,342 |
| Total other financing sources and uses | <u>(25,000)</u> | <u>(79,100)</u> | <u>(37,758)</u> | <u>41,342</u> |
| Net change in fund balances | 32,000 | 35,768 | 172,286 | 136,518 |
| Fund balances - beginning | 329,888 | 329,888 | 329,888 | - |
| Fund balances - ending | <u>\$ 361,888</u> | <u>\$ 365,656</u> | <u>\$ 502,174</u> | <u>\$ 136,518</u> |

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

NIBLEY CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

| | Major Enterprise Funds | | Nonmajor Enterprise Funds | Total Enterprise Funds |
|--|------------------------|---------------------|---------------------------------|---------------------------|
| | Water Fund | Sewer Fund | | |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 9,695 | \$ - | \$ 6,679 | \$ 16,374 |
| Accrued payroll liabilities | - | - | - | - |
| Total current liabilities | <u>9,695</u> | <u>-</u> | <u>6,679</u> | <u>16,374</u> |
| Current liabilities payable from restricted assets: | | | | |
| Revenue bonds and notes payable | 28,477 | 205,000 | 31,000 | 264,477 |
| Accrued interest payable | 1,161 | - | 755 | 1,916 |
| Total current liabilities payable from restricted assets | <u>29,638</u> | <u>205,000</u> | <u>31,755</u> | <u>266,393</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 4,150 | 1,197 | - | 5,347 |
| Revenue bonds and notes payable | 407,042 | 6,334,000 | - | 6,741,042 |
| Total noncurrent liabilities | <u>411,192</u> | <u>6,335,197</u> | <u>-</u> | <u>6,746,389</u> |
| Total liabilities | <u>450,525</u> | <u>6,540,197</u> | <u>38,434</u> | <u>7,029,156</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 2,365,841 | 443,355 | 290,681 | 3,099,877 |
| Restricted for system development | 1,125,525 | 1,330,314 | 7,290 | 2,463,129 |
| Restricted for debt service | 50,851 | 211,397 | - | 262,248 |
| Unrestricted | 404,457 | 592,114 | 113,987 | 1,110,558 |
| Total net assets | <u>\$ 3,946,674</u> | <u>\$ 2,577,180</u> | <u>\$ 411,958</u> | <u>\$ 6,935,812</u> |

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

NIBLEY CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | Major Enterprise Funds | | Nonmajor Enterprise Funds | Total Enterprise Funds |
|--|------------------------|---------------------|---------------------------------|---------------------------|
| | Water Fund | Sewer Fund | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 583,648 | \$ 678,773 | \$ 101,227 | \$ 1,363,648 |
| Payments to suppliers | (245,467) | (378,900) | (47,070) | (671,437) |
| Payments to employees | (126,070) | (55,856) | (21,406) | (203,332) |
| Other receipts | - | - | - | - |
| Other payments | - | - | - | - |
| Net cash provided by operating activities | <u>212,111</u> | <u>244,017</u> | <u>32,751</u> | <u>488,879</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Short-term loan (to) from other funds or repayment | - | - | - | - |
| Transfer out to other funds | (57,000) | (24,000) | (4,000) | (85,000) |
| Net cash provided (used) by noncapital financing activities | <u>(57,000)</u> | <u>(24,000)</u> | <u>(4,000)</u> | <u>(85,000)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (134,931) | - | (8,585) | (143,516) |
| Receipts from impact fees | 253,500 | 169,000 | - | 422,500 |
| Proceeds from bonds and notes payable | - | - | - | - |
| Payment on revenue bonds and notes payable | (42,287) | (205,000) | (26,000) | (273,287) |
| Interest paid on revenue bonds and notes payable | (22,097) | - | (2,565) | (24,662) |
| Net cash provided (used) from capital and related financing activities | <u>54,185</u> | <u>(36,000)</u> | <u>(37,150)</u> | <u>(18,965)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investments | (1,000,000) | (500,000) | - | (1,500,000) |
| Interest received | 19,231 | 23,746 | 3,025 | 46,002 |
| Net cash provided from investing activities | <u>(980,769)</u> | <u>(476,254)</u> | <u>3,025</u> | <u>(1,453,998)</u> |
| Net increase (decrease) in cash and cash equivalents | (771,473) | (292,237) | (5,374) | (1,069,084) |
| Cash and cash equivalents beginning of year | 1,333,306 | 1,866,396 | 128,585 | 3,328,287 |
| Cash and cash equivalents end of year | <u>\$ 561,833</u> | <u>\$ 1,574,159</u> | <u>\$ 123,211</u> | <u>\$ 2,259,203</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | |
| Operating income | \$ 88,573 | \$ 16,230 | \$ 14,770 | \$ 119,573 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization expense | 90,194 | 205,611 | 15,974 | 311,779 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | 31,117 | 21,534 | (228) | 52,423 |
| Prepaid expense | - | - | - | - |
| Accounts payable | - | - | 2,235 | 2,235 |
| Compensated absences payable | 2,227 | 642 | - | 2,869 |
| Net cash provided by (used in) operating activities | <u>\$ 212,111</u> | <u>\$ 244,017</u> | <u>\$ 32,751</u> | <u>\$ 488,879</u> |

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

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, sanitation, culture, parks, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Nibley City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds and blended component units, which collectively are referred to as the financial reporting entity of the City. The Municipal Building Authority of Nibley City is considered to be a component unit of the City. No other entities were determined to be component units of the City.

Blended component units. The Municipal Building Authority of Nibley City is governed by a six-member board who are the mayor and city council members. Its sole purpose is to finance and construct the City's public facilities. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a blended component unit.

B. Government-wide and Fund Financial Statements

Government-wide Financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

Fund Financial Statements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining enterprise funds are combined into a single column and reported as other (nonmajor) funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary Fund Financial Statements. Proprietary funds include enterprise funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The City reports the following major proprietary funds:

Water Fund - the water fund is used to account for revenue and expenses for water services.

Sewer Fund - the sewer fund is used to account for revenue and expenses for sewer services.

The City's nonmajor proprietary funds are the municipal building authority fund and the storm water fund. The municipal building authority fund accounts for the general buildings and land owned by the component unit and used by the City. The storm water fund accounts for funds charged to citizens for storm drain construction and operations.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the general fund; however, any transfer of budgeted amounts between departments within the general fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the general fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

NIBLEY CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital assets (continued)

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

| | |
|-------------------------|-------------|
| Buildings | 10-40 years |
| Improvements | 5-40 years |
| Machinery and equipment | 5-20 years |
| Vehicles | 5-10 years |
| Infrastructure | 20-40 years |

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned vacation but to use it before year end. An estimate of vacation pay is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenue are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. The property taxes levied have been included in the taxes receivable and deferred revenue accounts. This policy meets the criteria of GASB.

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3. CAPITAL ASSETS (Continued)

| | <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|----------------------|---------------------|------------------|-----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and easements | \$ 341,444 | \$ 35,628 | \$ - | \$ 377,072 |
| Water shares | 50,371 | 4,534 | - | 54,905 |
| Construction in progress | 537,222 | 115,493 | - | 652,715 |
| Total assets not being depreciated | <u>929,037</u> | <u>155,655</u> | <u>-</u> | <u>1,084,692</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 314,116 | - | - | 314,116 |
| Improvements | 11,166,251 | - | - | 11,166,251 |
| Machinery and equipment | 279,295 | 2,000 | - | 281,295 |
| Total capital assets being depreciated | <u>11,759,662</u> | <u>2,000</u> | <u>-</u> | <u>11,761,662</u> |
| Less accumulated depreciation | | | | |
| Buildings | (112,588) | (7,853) | - | (120,441) |
| Improvements | (2,202,460) | (283,943) | - | (2,486,403) |
| Machinery and equipment | (114,131) | (19,983) | - | (134,114) |
| Total accumulated depreciation | <u>(2,429,179)</u> | <u>(311,779)</u> | <u>-</u> | <u>(2,740,958)</u> |
| Total capital assets being depreciated, net | <u>9,330,483</u> | <u>(309,779)</u> | <u>-</u> | <u>9,020,704</u> |
| Business-type capital assets, net | <u>\$ 10,259,520</u> | <u>\$ (154,124)</u> | <u>\$ -</u> | <u>\$ 10,105,396</u> |

Depreciation expense was charged to functions as follows:

| | |
|---|-------------------|
| Governmental activities: | |
| Administration | \$ 4,325 |
| Public safety | 232 |
| Highways and streets | 373,452 |
| Culture, parks and recreation | 55,016 |
| Total depreciation expense - governmental activities | <u>\$ 433,025</u> |
| Business-type activities: | |
| Water | \$ 90,194 |
| Sewer | 205,611 |
| Municipal Building | 8,764 |
| Storm Drain | 7,210 |
| Total depreciation expense - business-type activities | <u>\$ 311,779</u> |

NIBLEY CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2010.

In 2009, the City issued \$100,000 Note Payable to finance the purchase of land and construction of a City park. The note is to be repaid from the park impact fee revenue. The note matures December 2011, and bears interest at a rate of 7%. Payments are due annually. The following is a debt schedule over the period of the note.

| Year | Principal | Interest | Total | Interest Rate |
|------|-----------|----------|-----------|---------------|
| 2011 | \$ 25,000 | \$ 1,750 | \$ 26,750 | 7.00% |

In 2002, the City issued \$210,000 Municipal Building Authority Lease Revenue Bonds to finance the purchase of land and construction of the City offices. The bonds are to be repaid from the annual lease proceeds of the Authority. The facilities are leased to the City. The bonds mature on January 15, 2011, and bear interest at a rate of 4.5%. Payments are due annually. The following is a debt schedule over the period of the bonds.

| Year | Principal | Interest | Total | Interest Rate |
|------|-----------|----------|-----------|---------------|
| 2011 | \$ 31,000 | \$ 1,395 | \$ 32,395 | 4.50% |

In 2002, the City issued \$125,000 in Water Revenue Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated March 1, 2002, and mature on March 1, 2017, and bear interest at a rate of 5.00%. Payments are monthly. The following is a debt schedule over the period of the bonds.

| Year | Principal | Interest | Total | Interest Rate |
|------|-----------|-----------|-----------|---------------|
| 2011 | \$ 8,559 | \$ 3,483 | \$ 12,042 | 5.00% |
| 2012 | 8,986 | 3,056 | 12,042 | 5.00% |
| 2013 | 9,436 | 2,606 | 12,042 | 5.00% |
| 2014 | 9,908 | 2,134 | 12,042 | 5.00% |
| 2015 | 10,403 | 1,639 | 12,042 | 5.00% |
| 2016 | 10,923 | 1,119 | 12,042 | 5.00% |
| 2017 | 11,469 | 573 | 12,042 | 5.00% |
| | \$ 69,684 | \$ 14,610 | \$ 84,294 | |

NIBLEY CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 5. LONG-TERM AND SHORT TERM OBLIGATIONS (Continued)

In 1981, the City issued \$136,000 in Water Revenue Notes to finance water construction. The notes are to be repaid from water sales from the utility fund. The notes were dated July 13, 1981, mature on July 13, 2021, with monthly payments of \$657 including interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

| Year | Principal | Interest | Total | Interest Rate |
|------|------------------|------------------|------------------|---------------|
| 2011 | \$ 4,651 | \$ 3,233 | \$ 7,884 | 5.00% |
| 2012 | 4,889 | 2,995 | 7,884 | 5.00% |
| 2013 | 5,139 | 2,745 | 7,884 | 5.00% |
| 2014 | 5,402 | 2,482 | 7,884 | 5.00% |
| 2015 | 5,679 | 2,205 | 7,884 | 5.00% |
| 2016 | 5,969 | 1,915 | 7,884 | 5.00% |
| 2017 | 6,275 | 1,609 | 7,884 | 5.00% |
| 2018 | 6,596 | 1,288 | 7,884 | 5.00% |
| 2019 | 6,933 | 951 | 7,884 | 5.00% |
| 2020 | 7,288 | 596 | 7,884 | 5.00% |
| 2021 | 7,525 | 196 | 7,631 | 5.00% |
| | <u>\$ 66,346</u> | <u>\$ 20,215</u> | <u>\$ 86,471</u> | |

In 2002, the City issued \$249,000 in Parity Water Revenue Bonds to finance water construction. The bonds are to be repaid from water sales from the utility fund. The notes were dated 2002, mature October 2042, with monthly payments of \$1,181 including interest at a rate of 4.875%. The following is a debt schedule over the period of the bonds.

| Year | Principal | Interest | Total | Interest Rate |
|-----------|-------------------|-------------------|-------------------|---------------|
| 2011 | \$ 3,007 | \$ 11,165 | \$ 14,172 | 4.875% |
| 2012 | 3,157 | 11,015 | 14,172 | 4.875% |
| 2013 | 3,314 | 10,858 | 14,172 | 4.875% |
| 2014 | 3,480 | 10,692 | 14,172 | 4.875% |
| 2015 | 3,653 | 10,519 | 14,172 | 4.875% |
| 2016-2020 | 21,186 | 49,674 | 70,860 | 4.875% |
| 2021-2025 | 27,020 | 43,840 | 70,860 | 4.875% |
| 2026-2030 | 34,462 | 36,398 | 70,860 | 4.875% |
| 2031-2035 | 43,952 | 26,908 | 70,860 | 4.875% |
| 2036-2040 | 56,057 | 14,803 | 70,860 | 4.875% |
| 2041-2043 | 31,328 | 2,921 | 34,249 | 4.875% |
| | <u>\$ 230,616</u> | <u>\$ 228,793</u> | <u>\$ 459,409</u> | |

NIBLEY CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6. SHORT-TERM DEBT

There was no short-term debt issued during 2010.

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds and/or departments had expenditures in excess of budget:

| | Actual | Budget | Excess |
|-----------------------|------------|------------|------------|
| General Fund: | | | |
| Legislative | \$ 38,671 | \$ 33,700 | \$ (4,971) |
| Sanitation | \$ 289,862 | \$ 280,000 | \$ (9,862) |
| Community development | \$ 25,756 | \$ 23,491 | \$ (2,265) |

There were no fund deficits at June 30, 2010.

NOTE 8. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

Deposits

At June 30, 2010, the carrying amount of the City deposits was \$160,070 and the bank balance was \$392,996. Of the bank balance, \$250,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions and the Utah Money Management Council monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

Investments

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined 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 Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

NIBLEY CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains a Water Utility Fund and a Sewer Utility Fund which provide water and sewer related services. Segment information for the year ended June 30, 2010, was as follows:

| | Water | Sewer | Total |
|--|---------------------|---------------------|----------------------|
| Assets: | | | |
| Current assets | \$ 419,463 | \$ 593,311 | \$ 1,012,774 |
| Capital assets | 2,801,360 | 6,982,355 | 9,783,715 |
| Other assets | 1,176,376 | 1,541,711 | 2,718,087 |
| Total assets | \$ 4,397,199 | \$ 9,117,377 | \$ 13,514,576 |
| Liabilities: | | | |
| Current liabilities | \$ 39,333 | \$ 205,000 | \$ 244,333 |
| Non-current liabilities | 411,192 | 6,335,197 | 6,746,389 |
| Total liabilities | \$ 450,525 | \$ 6,540,197 | \$ 6,990,722 |
| Net assets: | | | |
| Investment in capital assets, net of related debt | \$ 2,365,841 | \$ 443,355 | \$ 2,809,196 |
| Restricted for debt service | 50,851 | 211,397 | 262,248 |
| Restricted for development | 1,125,525 | 1,330,314 | 2,455,839 |
| Unrestricted | 404,457 | 592,114 | 996,571 |
| Total net assets | \$ 3,946,674 | \$ 2,577,180 | \$ 6,523,854 |
| Operating revenues: | | | |
| Charges for service | \$ 552,531 | \$ 657,239 | \$ 1,209,770 |
| Grants and contributions | - | - | - |
| Operating expenses, excluding depreciation | (373,764) | (435,398) | (809,162) |
| Depreciation | (90,194) | (205,611) | (295,805) |
| Operating income | 88,573 | 16,230 | 104,803 |
| Non-operating revenues: | | | |
| Interest expense | (22,285) | - | (22,285) |
| Impact fees | 253,500 | 169,000 | 422,500 |
| Intergovernmental | - | - | - |
| Interest income | 25,627 | 31,631 | 57,258 |
| Operating transfer in (out) | (57,000) | (24,000) | (81,000) |
| Change in net assets | 288,415 | 192,861 | 481,276 |
| Beginning net assets | 3,658,259 | 2,384,319 | 6,042,578 |
| Ending net assets | \$ 3,946,674 | \$ 2,577,180 | \$ 6,523,854 |

