

NIBLEY CITY

Financial Statements

For the Year Ended June 30, 2014

DRAFT

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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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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 our inquires, the basic financial statements, and other knowledge we obtained during our 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 us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated November 11, 2014 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 11, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position (government and business-type activities) of the City increased during fiscal year 2014 by \$555,966 to a total of \$17,384,481. The governmental net position increased by \$154,972 and the business-type net position increased by \$400,994.
- The total net position (government and business-type activities) of the City consist of \$12,406,621 in capital assets, net of related debt, \$1,342,520 in restricted net position and \$3,635,340 in unrestricted net position.
- The total long-term liabilities of the City decreased by \$297,000 during the fiscal year 2014. 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 \$17,384,481.

By far, the largest portion of the City's net position (71 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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 2,033,723	1,965,404	1,315,838	3,599,848	3,916,060	2,846,854
Capital assets	<u>7,059,715</u>	<u>6,949,880</u>	<u>7,218,428</u>	<u>12,213,040</u>	<u>11,997,137</u>	<u>12,243,779</u>
Total assets	9,093,438	8,915,284	8,534,266	15,812,888	15,913,197	15,090,633
Current liab. and deferred inflows	570,931	547,749	513,794	314,954	338,392	53,699
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>67,574</u>	<u>6,635,960</u>	<u>7,113,825</u>	<u>7,019,613</u>
Total liabilities and deferred inflows	570,931	547,749	581,368	6,950,914	7,452,217	7,073,312
Invested in capital assets, net of debt	7,059,715	6,939,880	7,208,428	5,346,906	4,466,266	5,231,440
Restricted	1,032,042	561,307	482,288	310,477	1,443,704	1,661,211
Unrestricted	<u>430,749</u>	<u>866,348</u>	<u>262,182</u>	<u>3,204,591</u>	<u>2,551,010</u>	<u>1,124,670</u>
Total net position	\$ <u><u>8,522,507</u></u>	<u><u>8,367,535</u></u>	<u><u>7,952,898</u></u>	<u><u>8,861,974</u></u>	<u><u>8,460,980</u></u>	<u><u>8,017,321</u></u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,018,194	1,018,376	850,110	2,013,619	1,983,422	1,869,889
Operating grants	309,980	221,692	219,629	-	11,590	-
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	403,763	405,608	386,128	-	-	-
Sales and use taxes	517,332	530,416	492,604	-	-	-
Franchise taxes	216,618	239,623	216,470	-	-	-
Other revenues	30,750	29,509	9,408	-	18,202	41,127
Total revenues	<u>2,445,224</u>	<u>2,445,224</u>	<u>2,174,349</u>	<u>2,013,619</u>	<u>2,013,214</u>	<u>1,911,016</u>
Expenses:						
General government	738,733	796,150	897,084	-	-	-
Public safety	219,396	212,272	187,250	-	-	-
Streets and public improvements	744,482	502,014	562,159	-	-	-
Sanitation	341,903	324,748	314,473	-	-	-
Parks and recreation	297,151	291,573	294,052	-	-	-
Water utility	-	-	-	653,875	646,496	591,431
Sewer utility	-	-	-	790,574	714,232	765,996
Storm water	-	-	-	88,472	102,079	82,945
Municipal Building Authority	-	-	-	79,704	106,748	35,246
Total expenses	<u>2,341,665</u>	<u>2,126,757</u>	<u>2,255,018</u>	<u>1,612,625</u>	<u>1,569,555</u>	<u>1,475,618</u>
Change in net position	154,972	318,467	(80,669)	400,994	443,659	435,398
Net position – beginning (07-01)	<u>8,367,535</u>	<u>7,952,898</u>	<u>8,033,567</u>	<u>8,460,980</u>	<u>8,017,321</u>	<u>7,581,923</u>
Prior period adjustment	<u>-</u>	<u>96,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position – beginning, corrected	8,367,535	8,271,365	8,033,567	8,460,980	8,017,321	7,581,923
Net position – ending (06-30)	<u>\$ 8,522,507</u>	<u>8,367,535</u>	<u>7,952,898</u>	<u>8,861,974</u>	<u>8,460,980</u>	<u>8,017,321</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,462,792, an increase of \$68,148 from the prior year. Of this total amount \$739,377 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 48 percent of total general fund revenues. The two largest elements of taxes are property taxes and sales taxes. Combined, they represent 80 percent of total tax revenues and 38 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 revenues was \$2,226,593. The actual revenue was \$2,463,646. This resulted in a favorable variance of \$237,053 for revenue. The General Fund budget for expenditures was \$3,701,942. The actual expenditures were \$3,178,689. This resulted in a favorable variance for \$523,253 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$523,253.

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, 2014, amounts to \$19,178,949 (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 \$389,976 and depreciation expense was \$857,453.

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, 2014, the City had total debt outstanding of \$7,052,000 which consists of \$7,052,000 in revenue bonds used to improve the water and sewer systems.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

NIBLEY CITY
STATEMENT OF NET POSITION
JUNE 30, 2014

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 1,614,823	3,128,798	4,743,621
Receivables, net			
Taxes	376,589	-	376,589
Accounts	42,311	165,995	208,306
Intergovernmental	-	-	-
Interest	-	-	-
Other assets	-	7,438	7,438
Construction in progress	-	93,806	93,806
Fixed assets, net	7,059,715	12,119,234	19,178,949
Restricted cash and cash equivalents	-	297,617	297,617
Total assets	9,093,438	15,812,888	24,906,326
<u>Liabilities & Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	231,551	33,954	265,505
Other liabilities:			
Due within one year	10,000	281,000	291,000
Due within more than one year	-	6,635,960	6,635,960
Deferred inflows of resources	329,380	-	329,380
Total liabilities & deferred inflows	570,931	6,950,914	7,521,845
<u>Net Position</u>			
Investments in capital assets, net of related debt	7,059,715	5,346,906	12,406,621
Restricted:			
Highways and streets	40,738	-	40,738
Parks and recreation	267,890	-	267,890
System development	-	41,600	41,600
Debt services	-	268,877	268,877
Non-major funds	43,831	-	43,831
Capital projects	679,584	-	679,584
Unrestricted	430,749	3,204,591	3,635,340
Total net position	\$ 8,522,507	8,861,974	17,384,481

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

NIBLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	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:							
Legislative	\$ 35,173	-	-	-	(35,173)	-	(35,173)
Judicial	59,430	54,899	-	-	(4,531)	-	(4,531)
Administration	423,469	283,804	-	-	(139,665)	-	(139,665)
Legal and elections	3,313	-	-	-	(3,313)	-	(3,313)
Public works	166,889	289,193	-	-	122,304	-	122,304
Non-departmental	131,815	-	-	-	(131,815)	-	(131,815)
Public safety	219,396	38,548	-	-	(180,848)	-	(180,848)
Highways and streets	744,482	-	177,980	-	(566,502)	-	(566,502)
Sanitation	341,903	322,988	-	-	(18,915)	-	(18,915)
Shop	66,891	-	-	-	(66,891)	-	(66,891)
Planning and zoning	85,533	2,989	-	-	(82,544)	-	(82,544)
Parks and recreation	35,187	20,434	130,000	-	115,247	-	115,247
Community development	28,184	5,339	2,000	-	(20,845)	-	(20,845)
Total governmental activities	2,341,665	1,018,194	309,980	-	(1,013,491)	-	(1,013,491)
Business-type activities:							
Water fund	653,875	854,360	-	-	-	200,485	200,485
Sewer fund	790,574	972,914	-	-	-	182,340	182,340
Municipal building authority fund	79,704	43,000	-	-	-	(36,704)	(36,704)
Storm water fund	88,472	143,345	-	-	-	54,873	54,873
Total business-type activities	1,612,625	2,013,619	-	-	-	400,994	400,994
Total primary government	\$ 3,954,290	3,031,813	309,980	-	(1,013,491)	400,994	(612,497)
General revenues:							
Taxes:							
Sales and use tax					\$ 517,332	-	517,332
Property tax					403,763	-	403,763
Franchise and other taxes					216,618	-	216,618
Total taxes					1,137,713	-	1,137,713
Interest income					30,750	-	30,750
Total general revenues					1,168,463	-	1,168,463
Change in net position					154,972	400,994	555,966
Net position - beginning					8,367,535	8,460,980	16,828,515
Net position - ending					\$ 8,522,507	8,861,974	17,384,481

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

NIBLEY CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2014

<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	\$ 881,408	689,584	43,831	1,614,823
Receivables, net				
Taxes	376,589	-	-	376,589
Accounts	42,311	-	-	42,311
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,300,308</u>	<u>689,584</u>	<u>43,831</u>	<u>2,033,723</u>
 <u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>				
Liabilities:				
Accounts payable and accrued liabilities	231,551	-	-	231,551
Note payable	-	10,000	-	10,000
Deferred inflows of resources	<u>329,380</u>	<u>-</u>	<u>-</u>	<u>329,380</u>
Total liabilities & deferred inflows	<u>560,931</u>	<u>10,000</u>	<u>-</u>	<u>570,931</u>
Fund balance:				
Restricted - Impact fees	-	-	-	-
Restricted - First responders	-	-	43,831	43,831
Assigned - Capital outlay	-	679,584	-	679,584
Unassigned	<u>739,377</u>	<u>-</u>	<u>-</u>	<u>739,377</u>
Total fund balance	<u>739,377</u>	<u>679,584</u>	<u>43,831</u>	<u>1,462,792</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,300,308</u>	<u>689,584</u>	<u>43,831</u>	<u>2,033,723</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, 2014

Total fund balance for governmental funds \$ 1,462,792

Net position is different because:

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

Land and easements	\$	2,385,883	
Buildings and improvements		846,896	
Machinery and equipment		867,196	
Construction in progress		548,608	
Infrastructure		6,872,322	
Accumulated depreciation		<u>(4,461,190)</u>	<u>7,059,715</u>

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

Compensated absences		<u>-</u>	
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Net position of governmental activities \$ 8,522,507

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, 2014

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:			-	-
Property taxes	\$ 403,763	-	-	403,763
Sales taxes	517,332	-	-	517,332
Restaurant tax grant	-	-	-	-
Telecom and Franchise taxes	216,618	-	-	216,618
Licenses and permits	123,176	-	-	123,176
Charges for services	384,958	-	-	384,958
Intergovernmental	309,980	-	27,378	337,358
Fines	54,899	-	-	54,899
Miscellaneous revenues	422,170	-	5,613	427,783
Contributions	-	-	-	-
Interest earnings	30,750	-	-	30,750
	<u>2,463,646</u>	<u>-</u>	<u>32,991</u>	<u>2,496,637</u>
Total revenues				
Expenditures:				
Current:				
Legislative	35,173	-	-	35,173
Judicial	59,430	-	-	59,430
Administration	370,401	-	-	370,401
Legal	-	-	-	-
Elections	3,313	-	-	3,313
Public works	193,199	-	-	193,199
Non-departmental	131,815	-	-	131,815
Public safety	185,479	-	20,781	206,260
Highways and streets	413,648	-	-	413,648
Sanitation	341,903	-	-	341,903
Shop	66,891	-	-	66,891
Planning and zoning	85,533	-	-	85,533
Culture, parks and recreation	843,720	121,474	-	965,194
Community development	28,184	-	-	28,184
	<u>2,758,689</u>	<u>121,474</u>	<u>20,781</u>	<u>2,900,944</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(295,043)</u>	<u>(121,474)</u>	<u>12,210</u>	<u>(404,307)</u>
Other financing sources (uses):				
Transfers in	312,455	580,000	-	892,455
Transfers out	<u>(420,000)</u>	<u>-</u>	<u>-</u>	<u>(420,000)</u>
Total other financing sources (uses)	<u>(107,545)</u>	<u>580,000</u>	<u>-</u>	<u>472,455</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	<u>(402,588)</u>	<u>458,526</u>	<u>12,210</u>	<u>68,148</u>
Fund balance - beginning of year	<u>1,141,965</u>	<u>221,058</u>	<u>31,621</u>	<u>1,394,644</u>
Fund balance - end of year	<u>\$ 739,377</u>	<u>679,584</u>	<u>43,831</u>	<u>1,462,792</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, 2014

Net change in fund balance - Total governmental funds	\$	68,148
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$509,459 exceeded depreciation expense of \$455,969 in the current year.</p>		
		53,490
<p>The liability for compensated absences is not record 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.</p>		
		<u>33,334</u>
Change in net position of governmental activities	\$	<u><u>154,972</u></u>

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

NIBLEY CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
JUNE 30, 2014

<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	\$ 1,440,755	1,529,976	835	157,232	3,128,798
Receivables, net	69,551	84,236	-	12,208	165,995
Construction in progress	61,885	-	-	31,921	93,806
Fixed assets, net	3,954,789	6,446,355	1,530,801	187,289	12,119,234
Other assets	7,438	-	-	-	7,438
Restricted cash and cash equivalents					
Revenue bond covenants	-	34,167	-	-	34,167
System development	-	175,450	-	-	175,450
Repair reserve	-	88,000	-	-	88,000
Total assets	<u>5,534,418</u>	<u>8,358,184</u>	<u>1,531,636</u>	<u>388,650</u>	<u>15,812,888</u>
<u>Liabilities</u>					
Accounts payable and accrued liabilities	3,387	3,523	26,354	690	33,954
Non-current liabilities:					
Due within one year	76,000	205,000	-	-	281,000
Due in more than one year	761,960	5,055,000	819,000	-	6,635,960
Total liabilities	<u>841,347</u>	<u>5,263,523</u>	<u>845,354</u>	<u>690</u>	<u>6,950,914</u>
<u>Net Position</u>					
Investments in capital assets, net of related debt	3,178,714	1,186,355	758,095	223,742	5,346,906
Restricted:					
System development	25,480	-	-	16,120	41,600
Bond reserve	-	268,877	-	-	268,877
Unrestricted	1,488,877	1,639,429	(71,813)	148,098	3,204,591
Total net position	<u>\$ 4,693,071</u>	<u>3,094,661</u>	<u>686,282</u>	<u>387,960</u>	<u>8,861,974</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, 2014

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
Operating revenues:					
Services	\$ 668,980	837,058	-	131,245	1,637,283
Connection fees	44,330	-	-	-	44,330
Other operating revenues	4,850	12,281	43,000	12,100	72,231
Total operating revenues	<u>718,160</u>	<u>849,339</u>	<u>43,000</u>	<u>143,345</u>	<u>1,753,844</u>
Operating expenses:					
Wages and benefits	134,016	60,535	-	45,247	239,798
Current expenses	336,845	512,577	10	30,383	879,815
Depreciation	143,574	212,450	46,294	12,842	415,160
Total operating expense	<u>614,435</u>	<u>785,562</u>	<u>46,304</u>	<u>88,472</u>	<u>1,534,773</u>
Operating income (loss)	103,725	63,777	(3,304)	54,873	219,071
Non-operating income (expense):					
Interest income	-	-	-	-	-
Impact fee income	136,200	123,575	-	-	259,775
Grant income	-	-	-	-	-
Interest expense	(39,440)	-	(33,400)	-	(72,840)
Total non-operating income (expense)	<u>96,760</u>	<u>123,575</u>	<u>(33,400)</u>	<u>-</u>	<u>186,935</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(5,012)	-	-	(5,012)
Total other financing sources (uses)	<u>-</u>	<u>(5,012)</u>	<u>-</u>	<u>-</u>	<u>(5,012)</u>
Change in net position	200,485	182,340	(36,704)	54,873	400,994
Net position - beginning of year	<u>4,492,586</u>	<u>2,912,321</u>	<u>722,986</u>	<u>333,087</u>	<u>8,460,980</u>
Net position - end of year	<u>\$ 4,693,071</u>	<u>3,094,661</u>	<u>686,282</u>	<u>387,960</u>	<u>8,861,974</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, 2014

	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	\$ 700,046	844,459	43,000	138,259	1,725,764
Payments to employees	(134,016)	(60,535)	-	(45,247)	(239,798)
Payments to suppliers	(344,283)	(512,577)	(10)	(30,383)	(887,253)
Net cash provided by operating activities	<u>221,747</u>	<u>271,347</u>	<u>42,990</u>	<u>62,629</u>	<u>598,713</u>
<u>Cash flows from non-capital financing activities</u>					
	-	-	-	-	-
<u>Cash flows from capital and related financing activities:</u>					
Purchase of capital assets	(247,022)	(214,541)	-	(110,512)	(572,075)
Impact fee income	136,200	123,575	-	-	259,775
Principal payments on bonds	(49,520)	(412,225)	(16,000)	(16,120)	(493,865)
Interest payments on bonds	(39,440)	-	(33,400)	-	(72,840)
Net cash provided (used) in capital and related financing activities	<u>(199,782)</u>	<u>(503,191)</u>	<u>(49,400)</u>	<u>(126,632)</u>	<u>(879,005)</u>
<u>Cash flows from investing activities:</u>					
Interest on investments	-	-	-	-	-
Reclassify investments as cash and cash equivalents	-	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalent	21,965	(231,844)	(6,410)	(64,003)	(280,292)
Cash and cash equivalents at beginning of year	<u>1,418,790</u>	<u>1,761,820</u>	<u>7,245</u>	<u>221,235</u>	<u>3,409,090</u>
Cash and cash equivalents at end of year	<u>\$ 1,440,755</u>	<u>1,529,976</u>	<u>835</u>	<u>157,232</u>	<u>3,128,798</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 103,725	63,777	(3,304)	54,873	219,071
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	143,574	212,450	46,294	12,842	415,160
Change in assets and liabilities:					
Increase in accounts receivable	(18,114)	(4,880)	-	(5,086)	(28,080)
Decrease in accounts payable	(7,438)	-	-	-	(7,438)
Total adjustments	<u>118,022</u>	<u>207,570</u>	<u>46,294</u>	<u>7,756</u>	<u>379,642</u>
Net cash provided by operating activities	<u>\$ 221,747</u>	<u>271,347</u>	<u>42,990</u>	<u>62,629</u>	<u>598,713</u>

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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 Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. Property taxes (previously reported as deferred revenues) are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These deferred inflows are reported on the Statement of Net Position and the Balance Sheet – Governmental Funds.

Subsequent Events

The Company has evaluated all subsequent events through November 11, 2014, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 – Deposits and Investments (continued)

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 \$590,652 on June 30, 2014.

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.

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.

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Note 2 – Deposits and Investments (continued)

The City’s investments on June 30, 2014, 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>\$3,389,408</u>	<u>\$3,389,408</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 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

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 – Legal Compliance – Budgets (continued)

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, 2014 as follows:

Governmental Funds:

Taxes:	
Property taxes	\$ 329,380
Sales tax	47,209
Total taxes receivable	<u>376,589</u>
Accounts:	
Garbage/Recycle	38,460
911 fees/Other	3,851
Interest	-
Total accounts receivable	<u>42,311</u>
Due from other governments:	
Class “C” roads – State of Utah	-
Total receivables – Governmental Funds	<u>\$ 418,900</u>

Water Fund:

Accounts, net of allowance for bad debt	\$ <u>69,551</u>
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Sewer Fund:

Accounts, net of allowance for bad debt	\$ <u>84,236</u>
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Storm Water Fund:

Accounts, net of allowance for bad debt	\$ <u>12,208</u>
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NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2014, are as follows:

	July 1, 2013	Additions	Deletions	June 30, 2014
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,385,884	21,600	-	2,385,884
Construction in Progress	438,773	-	(64,641)	438,773
Total capital assets not being depreciated	2,824,657	21,600	(64,641)	2,824,657
Capital assets being depreciated:				
Improvements & Buildings	846,896	88,235	-	846,896
Roads	6,872,321	-	-	6,872,321
Equipment	867,196	142,227	-	867,196
Total capital assets being depreciated	8,586,413	230,462	-	8,586,413
Accumulated depreciation for:				
Improvements & Buildings	(330,673)	(50,804)	-	(330,673)
Roads	(3,603,659)	(336,543)	-	(3,603,659)
Equipment	(526,858)	(68,622)	-	(526,858)
Total accumulated depreciation	(4,461,190)	(455,969)	-	(4,461,190)
Total capital assets being depreciated, net	4,125,223	(225,507)	-	4,125,223
Total governmental activities Capital assets, net	\$ 6,949,880	(203,907)	(64,641)	7,059,715

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – Capital Assets (continued)

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

General government	\$	53,068
Public safety		13,136
Streets and public improvements		340,834
Parks and recreation		48,931
Total depreciation expense	\$	<u>455,969</u>

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ 495,133	36,142	-	495,133
Total capital assets not being depreciated	<u>495,133</u>	<u>36,142</u>	<u>-</u>	<u>495,133</u>
Capital assets being depreciated:				
Buildings	1,685,565	-	-	1,685,565
Improvements	13,146,136	53,912	-	13,146,136
Systems and equipment	421,907	47,860	-	421,907
Total capital assets being depreciated	<u>15,253,608</u>	<u>101,772</u>	<u>-</u>	<u>15,253,608</u>
Accumulated depreciation for:				
Buildings	(192,572)	(42,139)	-	(192,572)
Improvements	(3,435,907)	(328,067)	-	(3,435,907)
Systems and equipment	(216,931)	(31,278)	-	(216,931)
Total accumulated depreciation	<u>(3,845,410)</u>	<u>(401,484)</u>	<u>-</u>	<u>(3,845,410)</u>
Total capital assets being depreciated, net	<u>11,408,198</u>	<u>(299,712)</u>	<u>-</u>	<u>11,408,198</u>
Total business-type activities capital assets, net	<u>\$ 11,903,331</u>	<u>(263,570)</u>	<u>-</u>	<u>12,119,234</u>

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Note 6 – Long-term Debt

Long-term liability transactions for governmental activities for the fiscal year ended June 30, 2014, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Note payable	\$ 10,000	-	(10,000)	-	-
 Total governmental long-term liabilities	 \$ 10,000	 -	 (10,000)	 -	 -

Governmental Activities

Long-term debt for governmental activities consists of the following:

Note payable

\$25,000 Note payable, due in various annual installments, including interest at 4.00%, through July 2014. The note is secured by land.

\$ -

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ <u> -</u>	<u> -</u>	<u> -</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6 – Long-term Debt (continued)

Long-term liability transactions for business-type activities for the fiscal year ended June 30, 2014, 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	835,000	-	(16,000)	819,000	16,000
Note Payable - Other	12,000	-	(12,000)	-	-
Note Payable - Capmark	-	-	-	-	-
USDA	-	-	-	-	-
Water Bonds	850,000	-	(64,000)	786,000	80,000
State of Utah Bonds	\$ 5,652,000	-	(205,000)	5,447,000	205,000
Total business-type long-term liabilities	\$ 7,349,000	-	(297,000)	7,052,000	301,000

Business-type Activities

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

Notes and bonds payable

\$850,000 Bond payable, due in various annual installments, including interest at 4.00%, through October 2042. The note is secured by land. \$ 819,000

\$36,000 Note payable, due in \$12,000 annual installments, including interest at 3.00%, through December 2013. The note is secured by water shares. -

\$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. 786,000

\$7,739,000 Bond payable, due in various annual installments, bearing no interest, due through May 2034. The note is secured by water bonds. 5,447,000

Total \$ 7,052,000

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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>
2015	\$ 301,000	45,815	346,815
2016	303,000	43,766	346,766
2017	305,000	41,660	346,660
2018	307,000	39,488	346,488
2019	311,000	37,271	348,271
2020-2024	1,505,000	151,088	1,656,088
2025-2029	1,155,000	114,600	1,269,600
2030-2034	1,184,000	86,360	1,270,360
2035-2039	1,219,000	51,880	1,270,880
2040-2044	462,000	5,880	467,880
Totals	\$ <u>7,052,000</u>	<u>623,408</u>	<u>7,675,408</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, 2014 the City’s enterprise funds held \$310,477 restricted for future system improvements and 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 – \$352,459 for future roads, parks and other projects.

Assigned fund balance – \$679,584 for future capital projects.

The remaining fund balance is unassigned.

Note 8 – Pension Benefit Obligations

The City contributes to the Local Government Contributory Retirement System-Tier 2 and the Local Governmental Noncontributory Retirement System-Tier 1 cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirements System (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 8 – Pension Benefit Obligations (continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory and Noncontributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

In the Local Government Contributory Retirement System-Tier 2, the City was required to contribute 12.74% of the eligible employees' annual covered salary. In the local Governmental Noncontributory Retirement System, the City is required to contribute 16.04% of eligible employees' annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Contributory Retirement System-Tier 2 for the years ended June 30, 2014, 2013 and 2012 were \$18,224, \$18,224, and \$17,500, respectively.

The City contributions to the Noncontributory Retirement System for the years ended June 30, 2014, 2013, and 2012 were \$68,457, \$68,457, and \$65,833, respectively.

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The City also sponsors a 401(k) deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$12,782 to this plan during the year ended June 30, 2014, and the employees contributed \$12,782.

REQUIRED SUPPLEMENTARY INFORMATION

NIBLEY CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 372,443	372,443	403,763	31,320
Sales tax	475,000	475,000	517,332	42,332
Franchise and other taxes	202,000	202,000	216,618	14,618
Licenses and permits	88,000	88,000	123,176	35,176
Charges for services	393,000	393,000	384,958	(8,042)
Fines and forfeitures	85,000	85,000	54,899	(30,101)
Intergovernmental	301,500	301,500	309,980	8,480
Miscellaneous revenues	309,650	309,650	452,920	143,270
Total revenues	2,226,593	2,226,593	2,463,646	237,053
Expenditures:				
Legislative	39,450	39,450	35,173	4,277
Judicial	66,800	66,800	59,430	7,370
Administrative	384,191	384,193	370,401	13,792
Legal & elections	4,000	4,000	3,313	687
Public Works	212,500	212,500	193,199	19,301
Non-departmental	140,000	560,000	551,815	8,185
Public safety	189,733	189,733	185,479	4,254
Highways and streets	467,428	482,426	413,648	68,778
Sanitation	342,000	342,000	341,903	97
Shop expenses	94,000	94,000	66,891	27,109
Planning and zoning	85,920	85,920	85,533	387
Parks and recreation	1,203,320	1,203,320	843,720	359,600
Community development	31,600	37,600	28,184	9,416
Total expenditures	3,260,942	3,701,942	3,178,689	523,253
Excess (deficiency) of revenues over expenditures	(1,034,349)	(1,475,349)	(715,043)	760,306
Other financing sources:				
Beginning fund balance	426,816	867,816	-	
Transfers in	607,533	607,533	312,455	(295,078)
Total other financing sources	1,034,349	1,475,349	312,455	-
Excess (deficiency) of revenue and other financing sources over expenditures \$	<u>-</u>	<u>-</u>	(402,588)	<u>465,228</u>
Fund balance - beginning of year			<u>1,141,965</u>	
Fund balance - end of year	\$		<u>739,377</u>	

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, 2014, and the related notes to the financial statements, which collectively comprise Nibley's basic financial statements and have issued my report thereon dated November 11, 2014.

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. I consider the deficiencies listed in the accompanying schedule of findings and responses to be material weaknesses.

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.

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

MATTHEW REGEN, CPA, PC

November 11, 2014

STATE COMPLIANCE REPORT

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

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 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, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact Fees
- Utah Retirement Systems
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism

The City received state funding from the following programs classified as major programs for the year ended June 30, 2014:

- 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, 2014.

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 11, 2014