

**CITY OF NORTH SALT LAKE
NORTH SALT LAKE CITY, UTAH**



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

For The Fiscal Year Ended June 30th, 2016

Together with Independent Auditor's Report

Prepared by:
North Salt Lake City
Finance Department

**CITY OF NORTH SALT LAKE
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of
North Salt Lake

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Salt Lake, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise North Salt Lake's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Salt Lake, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the proportionate share of the net pension liability, the schedule of contributions, and the notes to the required supplementary information on pages 3–13 and 56–58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Salt Lake's basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules of capital projects funds and nonmajor governmental funds, and the schedule of net revenues and aggregate debt service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules of capital projects funds and nonmajor governmental funds, and the schedule of net revenues and aggregate debt service are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the budgetary comparison schedules of capital projects funds and nonmajor governmental funds, and the schedule of net revenues and aggregate debt service are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of North Salt Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Salt Lake's internal control over financial reporting and compliance.

Wood Richards & Associates, PC

Ogden, Utah
November 23, 2016

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2016**

As management of the City of North Salt Lake, we offer to readers of the City of North Salt Lake's financial statements this narrative overview and analysis of the financial activities of the City of North Salt Lake for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the following basic financial statements and notes to the financial statements.

Financial Highlights

- The assets of the City of North Salt Lake exceeded its liabilities at June 30, 2016 by \$93,750,428. Of this amount, unrestricted net position of \$3,400,108 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall net position increased by \$2,146,334 from the prior year. Business-type activities increased net position by \$1,794,476 while governmental activities had an increase in net position of \$351,858.
- As of the close of the current fiscal year, the City of North Salt Lake's governmental funds reported combined ending fund balance of \$8,396,941, an increase of \$601,230 over the prior year. Of the total fund balance, \$2,441,732 is unassigned and available for spending. The remaining \$5,913,829 is either nonspendable in form, has been legally restricted by parties outside the financial reporting entity, or has been assigned to specific uses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,441,732 or 29.43% of total General Fund expenditures.
- The City of North Salt Lake's long-term debt obligations decreased by the net amount of \$2,833,587. The net decrease was attributable to payments of \$27,390 in notes payable to developers, and principal payments and bond premium amortizations of \$3,097,183 made on existing debt. The city also purchased vehicles through a capital lease in the amount of \$170,420, the lease principal due was reduced by payments in the amount of \$252,405. Compensated absences increased in the amount of \$174,850.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of North Salt Lake's basic financial statements which are comprised of 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 themselves.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the City of North Salt Lake's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets 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.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. 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.

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).

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

Overview of the Financial Statements (Continued)

Government-wide financial statements (continued)

The governmental activities of the City of North Salt Lake include general government, public safety, highways and streets, planning and engineering, parks, recreation, and redevelopment. The business-type activities of the City include water, pressurized irrigation, storm water, solid waste, golf, and fleet.

The government-wide financial statements include not only the City of North Salt Lake itself (known as the primary government), but also a legally separate Redevelopment Agency which is a component unit of the City. Financial information for this component unit is reported entirely within the primary government report.

Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of North Salt Lake can be divided into either a governmental or proprietary fund.

Governmental funds. These 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 impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Park Development Fund and, Road Development fund, which are considered major funds. Data from the other three funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplemental section of this report.

The City of North Salt Lake adopts a one-year budget for its General Fund, Capital Projects Fund, Park Development Fund, and Road Development Fund. All of which are major funds. A budgetary comparison statement has been provided for each of the aforementioned funds to demonstrate compliance with the fiscal year 2016 budget.

Proprietary funds.

Enterprise service funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains five individual enterprise funds. Information is presented separately in the proprietary funds statement of net position and the proprietary funds statement of revenues, expenses and changes in net position for the Water Fund, Pressurized Irrigation Fund, Storm Water Fund, Solid Waste Fund, and the Golf Fund, which are considered major funds. Proprietary fund financial statements reinforce information provided in government-wide financial statements.

Internal service funds are used to account for the financing and operation of services provided by one department to other departments within the City. The city maintains an internal service fund for fleet management.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

Other information. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier, in connection with nonmajor funds, are presented immediately after the basic financial statements. Also included are budget comparisons for governmental funds other than the General, Park Development, and Road Development Funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. By far the largest portion of the City's net position \$87,553,597 (93.39%) reflects its investment in capital assets, less any related debt that is still outstanding and which was used to acquire those assets. Capital assets are used to provide services to citizens, and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of North Salt Lake's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	13,197,372	12,230,775	\$ 4,425,477	\$ 5,530,308	\$ 17,622,849	\$ 17,761,083
Capital assets	59,429,033	59,672,598	34,469,188	35,078,716	93,898,221	94,751,314
Total assets	<u>72,626,405</u>	<u>71,903,373</u>	<u>38,894,665</u>	<u>40,609,024</u>	<u>111,521,070</u>	<u>112,512,397</u>
Deferred outflows of resources	957,633	319,756	343,325	109,331	1,300,958	429,087
Total Deferred inflows	<u>957,633</u>	<u>319,756</u>	<u>343,325</u>	<u>109,331</u>	<u>1,300,958</u>	<u>429,087</u>
Long-term liabilities outstanding	6,985,185	5,187,461	8,258,444	10,734,952	916,204	1,011,906
Other liabilities	603,575	1,734,903	312,629	1,116,011	15,243,629	17,761,421
Total liabilities	<u>7,588,760</u>	<u>6,922,364</u>	<u>8,571,073</u>	<u>11,850,963</u>	<u>16,159,833</u>	<u>18,773,327</u>
Deferred inflows of resources	2,824,248	2,481,593	87,519	82,470	2,911,767	2,564,063
Total Deferred inflows	<u>2,824,248</u>	<u>2,481,593</u>	<u>87,519</u>	<u>82,470</u>	<u>2,911,767</u>	<u>2,564,063</u>
Net Position:						
Net investment in capital assets	59,429,033	59,672,598	28,124,564	25,643,693	87,553,597	85,316,291
Restricted	2,225,230	1,719,748	571,493	2,418,440	2,796,723	4,138,188
Unrestricted	1,516,767	1,426,826	1,883,341	722,789	3,400,108	2,149,615
Total Net Position	<u>\$ 63,171,030</u>	<u>\$ 62,819,172</u>	<u>\$ 30,579,398</u>	<u>\$ 28,784,922</u>	<u>\$ 93,750,428</u>	<u>\$ 91,604,094</u>

An additional portion of the net position, \$2,796,723 (2.98%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,400,108 (3.63%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the city is able to report positive balances in all reported categories of net position both for the government as a whole, as well as for its separate governmental and business-type activities, with the exception of the Redevelopment Agency, a non-major, component unit of the city.

The City's overall net position increased \$2,146,334 (.98%). The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Government-wide Financial Analysis (Continued)

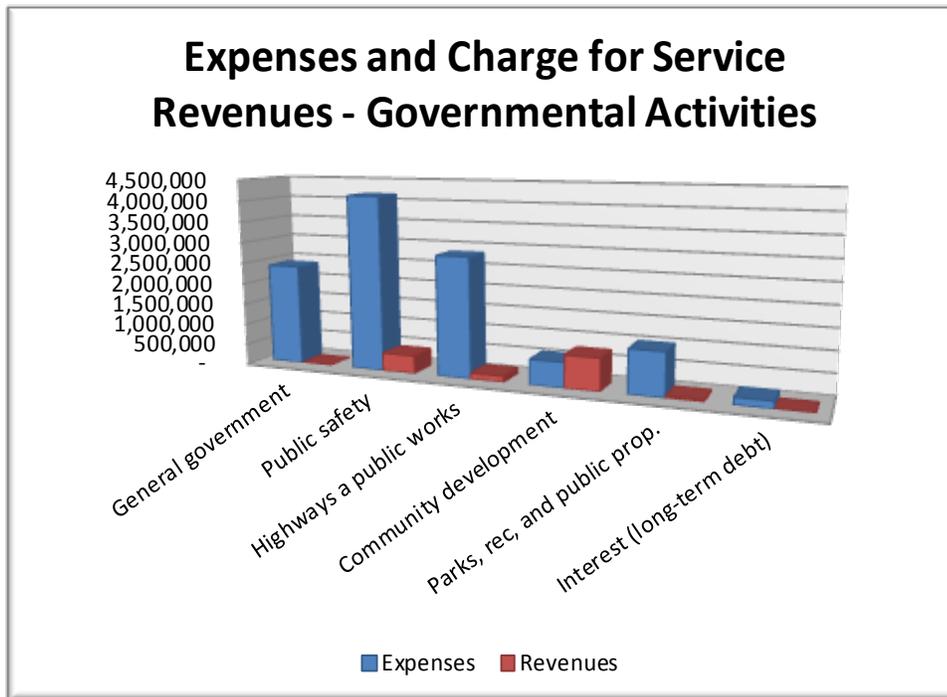
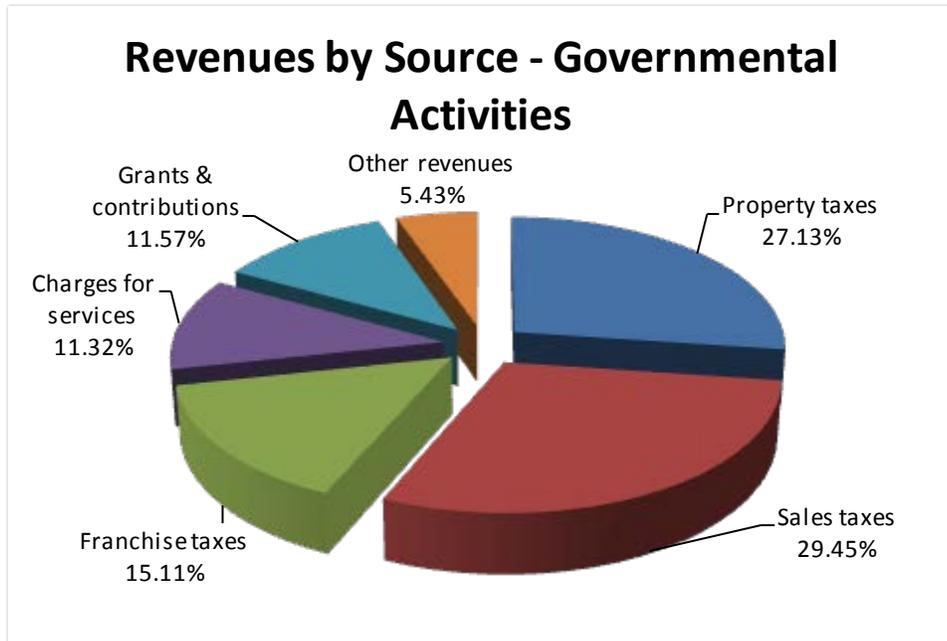
City of North Salt Lake's Changes in Net Position								
	Governmental Activities		Business-type Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues:								
Program revenues:								
Charges for services	\$ 1,368,585	\$ 1,321,266	\$ 7,084,263	\$ 6,613,077	\$ 8,452,848	\$ 7,934,343		
Operating grants and contributions	596,704	948,735	-	-	596,704	948,735		
Capital grants and contributions	801,995	6,321,453	720,472	2,834,805	1,522,467	9,156,258		
General revenues:								
Property taxes	3,280,972	2,732,742	-	-	3,280,972	2,732,742		
Other taxes	5,387,880	5,168,101	-	-	5,387,880	5,168,101		
Other	656,170	95,185	42,382	(23,493)	698,552	71,692		
Total revenues	12,092,306	16,587,482	7,847,117	9,424,389	19,939,423	26,011,871		
Expenses:								
General government	2,389,412	2,085,419	-	-	2,389,412	2,085,419		
Public safety	4,157,769	4,375,902	-	-	4,157,769	4,375,902		
Highways and public works	2,843,079	1,451,632	-	-	2,843,079	1,451,632		
Community development	591,048	680,367	-	-	591,048	680,367		
Parks, recreation, and public property	1,022,710	941,198	-	-	1,022,710	941,198		
Interest on long-term debt	167,430	173,873	-	-	167,430	173,873		
Water	-	-	3,458,135	3,235,321	3,458,135	3,235,321		
Pressurized irrigation	-	-	375,371	340,436	375,371	340,436		
Storm water	-	-	510,952	454,911	510,952	454,911		
Solid waste	-	-	826,496	897,498	826,496	897,498		
Golf course	-	-	1,450,687	1,360,386	1,450,687	1,360,386		
Total expenses	11,171,448	9,708,391	6,621,641	6,288,552	17,793,089	15,996,943		
Increase in Net Position before transfers	920,858	6,879,091	1,225,476	3,135,837	2,146,334	10,014,928		
Transfers	(569,000)	(473,912)	569,000	473,912	-	-		
Increase (Decrease) in Net Position	351,858	6,405,179	1,794,476	3,609,749	2,146,334	10,014,928		
Net Position - beginning of year	62,819,172	57,895,487	28,784,922	25,681,728	91,604,094	83,577,215		
Net Position - end of year	<u>\$ 63,171,030</u>	<u>\$ 62,819,172</u>	<u>\$ 30,579,398</u>	<u>\$ 28,784,922</u>	<u>\$ 93,750,428</u>	<u>\$ 91,604,094</u>		

Governmental activities. As indicated by the data in the table above, governmental activities increased the net position of the City's by \$351,858 (.006%). The increase, before transfers, totaled \$920,858. Comparison of total revenues and total expenditures to fiscal year 2015 shows a decrease in revenues from governmental activities of \$4,495,176, while total expenses, before transfers, increased by \$1,463,057.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Governmental Activities (Continued)

The graph presented below and on the following page reflects only regular operating revenues from governmental activities and not the effects of special one-time items or transfers.

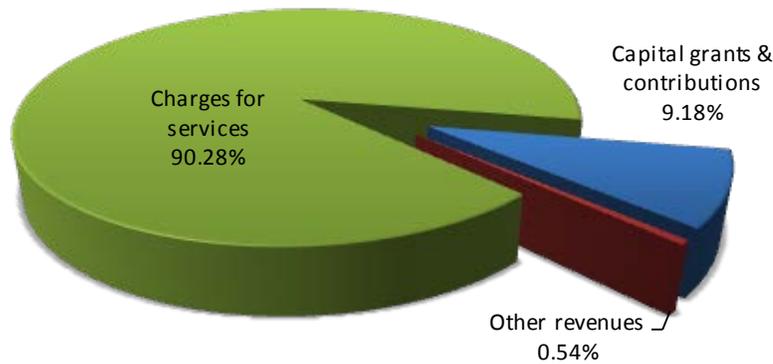


**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

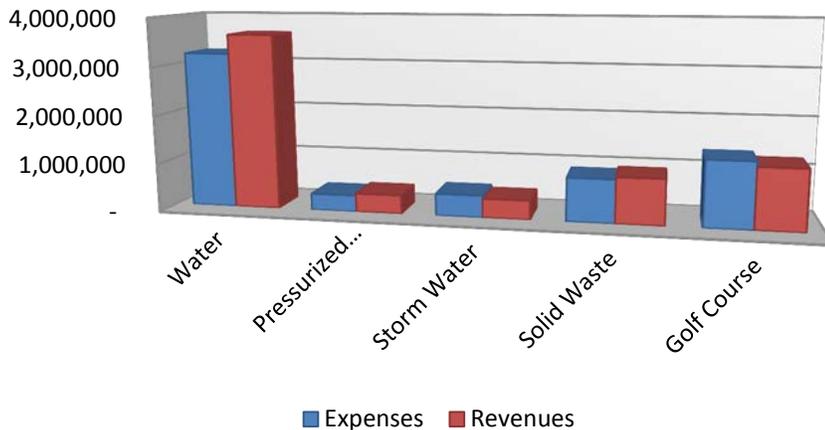
Business-type activities. Business-type activities increased the City's net position by \$1,794,476 (.062%). As indicated by the data in the table on page 6, the increase in the City's net position provided this year by business-type activities was \$1,815,273 less than the prior year. In comparison to the previous fiscal year 2015, revenues from all business-type activities decreased by \$1,577,272, while expenses from all business-type activities increased by \$333,089.

The graphs presented below reflect only regular operating revenues and expenses from business-type activities and not the effects of special one-time items or transfers.

Revenues by Source - Business-Type Activities



Expenses and Charge for Service Revenues - Business-type Activities



CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

Financial Analysis of the Government's Funds

Governmental funds. The purpose of these 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. In particular, committed, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the City's governmental funds reported combined ending fund balance of \$8,396,941, an increase of \$601,230 from the prior fiscal year. \$2,441,732 (29.08%) is available for spending at the government's discretion. The remaining \$5,913,829 of fund balance is not available for new spending because it is non-spendable in form (prepaid expenses); legally restricted by parties outside the financial reporting entity for 1) impact fees (\$1,869,692), 2) debt service (\$206,302), 3) housing restriction (\$11,486), and 4) road construction projects (\$314,997.); or assigned to specific fund purposes.

General Fund - The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,441,732. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$8,297,438 (29.43%). The fund balance of the City's General Fund increased \$505,207 during the current fiscal year. This represents a 21.55% change in fund balance.

This change in fund balance is \$133,117 greater than the prior year. Total revenues in the general fund increased by \$596,773 while expenditures increased by \$427,606. The General Fund had a net transfer out of \$1,103,624 in the current year while last year it had a net transfer out of \$1,084,554.

The changes in revenue can be principally attributed to: 1) sales taxes increased \$148,686, 2) property tax revenue increased \$331,405, 2) other tax revenue increased \$71,093, and 3) intergovernmental revenues increased \$88,103. The revenue increases were offset a decreases in building permit fees in the amount of \$129,753.

The principal changes in general fund expenditures are related to: 1) a \$123,566 increase in public safety, 2) a \$92,632 increase in public works, and 3) a \$143,385 increase in general government. These increases in expenditures were offset by expenditure decreases in community development in the amount of \$12,539.

Capital Projects Fund - This fund has a total fund balance of \$3,023,734, all of which has been assigned to finance future capital projects within the City. This fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities and equipment of the City other than those financed by proprietary and special revenue funds. During the year ended June 30, 2016, the fund balance in the Capital Projects Fund decreased by \$366,664 compared to last year's decrease of \$281,816. The decrease in the City's Capital Projects Fund balance is primarily a result of the net contributed revenues and project expenditures related to the slide mitigation in the amount of \$562,116 and \$960,305, respectively.

Park Development Fund - This fund has a total fund balance of \$638,609, of which \$275,695 is restricted for impact fee related park projects, and \$362,914 assigned to park projects.. The increase in fund balance during the current fiscal year was \$75,374, compared to last year's increase of \$1,030,970. The net change in fund balance consisted of: 1) intergovernmental revenue from state reimbursement grants in the amount of \$2,500, for construction, 2) impact fee revenue and related interest in the amount of \$269,907, and 3) interest related to unrestricted cash in the amount of \$2,531. The revenue increases were offset by expenditures for; 1) park projects in the amount of \$199,564.

Road Development Fund - This fund has a total fund balance of \$1,567,830, of which \$1,523,494 is restricted for impact fee related road projects, and \$2,956 assigned to road development projects. The net increase in fund balance during the current fiscal year was \$256,538 compared to last year's decrease of \$719,063. The net change in fund balance consisted of

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

impact fee revenue and related interest in the amount of \$389,694, transfers in of \$550,924, offset by expenditures in the amount of \$816,528.

Financial Analysis of the Government's Funds (Continued)

Proprietary funds. At June 30, 2016, the City's proprietary funds reported combined ending net position of \$30,579,398, an increase of \$1,794,476 over the prior year. The unrestricted portion of proprietary fund net position has a balance of \$2,091,170. The remaining \$28,488,228 of net position is not available for new spending because it is invested in capital assets (\$28,124,564) or legally restricted by parties outside the financial reporting entity for 1) debt service (\$441,079) and 2) impact fees (\$130,414).

Water Fund – This fund ended fiscal year 2016 with a total net position of \$15,797,693; a net position increase of \$979,675, compared to a prior year increase of \$2,070,302. Revenue in the water fund experienced a net decrease of \$867,874. Primary factors in the decrease were as follows: 1) capital contributions decreased \$791,650, 2) a decrease of \$760,200 in impact fee revenues; and 3) a \$321,981 increase in operating expenses related to source of water purchase, power purchases, salaries and benefits, and depreciation. The decrease is offset by charges for services revenue increased the amount of \$223,120 this increase is primarily attributable to restructuring and increased utility rates.

Pressurized Irrigation Fund - This fund has a total net position of \$5,867,645; a net position increase of \$89,169, compared to a prior year increase of \$500,470. The current year increase was less than the prior year in the Pressurized Irrigation Fund's net position. The decrease is primarily attributable to a 1) decrease in developer contributions revenue in the amount of \$445,060 and 2) an increase in operating expenditures in the amount of \$46,919. These changes are offset by increase in; 1) impact fee revenues in the amount of \$14,941, and 2) charges for services revenue in the amount of \$66,254 this increase is primarily attributable to restructuring and increased utility rates.

Storm Water - This fund has a total net position \$5,867,383. During the year ended June 30, 2016, the Storm Water Fund's net position increased \$378,306 compared to prior year increase of \$643,066. The charges for services revenue increased from the prior year in the amount of \$338,296, this increase is primarily attributable to restructuring and increased utility rates. The increase is offset by a decrease in; 1) impact fee revenues in the amount of \$178,909, and 2) contributions in the amount of \$416,331.

Solid Waste - This fund has total net positions of, \$221,181. The total net position did not have significant change from prior year and the fund had a positive current year operating income of \$46,072.

Golf Funds - This fund has a total net position \$2,855,496. The net position of the fund increased in the amount of \$304,254, compared to an increase in the prior year of \$345,928. The Golf Fund experienced a net operating loss in the amount of \$232,927 compared to the operating loss in the prior year of \$62,943. The loss is primarily attributable to a decrease in operating revenue in the amount of \$64,780 and an increase in expenditures in the amount of \$105,204.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget to reflect new information they received regarding revenues and expenditures. The originally adopted budget has been adjusted as follows:

- General tax revenues increased in an amount of \$50,000 attributable to a growth in sales tax.
- Intergovernmental revenues were revised upward \$38,716 to reflect a change in expected grant revenue.
- General government expenditures were revised upwards net \$25,000; an increase of \$33,000 for buildings with a decrease of \$8,000 for legislative professional and technical services.
- Public safety expenditures were revised upwards net \$3,716 for police equipment.
- Public works expenditures were revised upwards \$20,000 for street operating expenditures.
- Community development expenditures were revised upwards \$35,000 for grant contract payments.
- Parks expenditures were revised upwards from the original budget by \$5,500 for operating expenditures.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

- Overall the general fund expenditures increased by \$89,216, from original to final budget.
- Other Financing Sources increased \$15,500: 1) transfer-in from the RDA fund in the amount of \$15,000, 2) contributions in the amount of \$500,
- Transfers out to the Road Development fund increased \$364,800.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2016, amounts to \$3,898,221 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles and equipment, furniture and fixtures, streetlights, sidewalks, curb and gutter, roads, water rights, and water utilities infrastructure. A total decrease in the City's investment in capital assets for the current fiscal year was \$853,093 (a total 1% decrease equaling decreases of \$243,565 for governmental activities and \$609,528 for business-type activities).

Major capital asset activity during the current fiscal year has been summarized in the following two tables.

City of North Salt Lake's Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 23,666,400	\$ 23,647,789	\$ 2,551,013	\$ 2,551,013	\$ 26,217,413	\$ 26,198,802
Water rights	-	-	2,864,052	2,864,052	2,864,052	2,864,052
Construction in progress	305,768	52,711	7,445	142,327	313,213	195,038
Buildings	5,964,760	6,223,975	895,393	928,138	6,860,153	7,152,113
Improvements	6,846,692	6,893,785	-	-	6,846,692	6,893,785
Golf course	-	-	2,777,541	2,876,379	2,777,541	2,876,379
Water distribution system	-	-	18,719,333	18,804,944	18,719,333	18,804,944
Storm water system	-	-	5,546,313	5,687,880	5,546,313	5,687,880
Machinery, equipment, and vehicles	1,648,069	1,593,026	1,108,098	1,223,983	2,756,167	2,817,009
Infrastructure	20,997,344	21,261,312	-	-	20,997,344	21,261,312
Total	\$ 59,429,033	\$ 59,672,598	\$ 34,469,188	\$ 35,078,716	\$ 93,898,221	\$ 94,751,314

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Capital Asset and Debt Administration (Continued)

City of North Salt Lake's Schedule of Capital Asset Changes From Prior Year			
	Governmental Activities	Business-type Activities	Totals
Right of Way Acquisition 1180 W 2500 S	\$ 18,612	\$ -	\$ 18,612
Canoe Take- Out	6,450	-	6,450
WiFi Equipment	24,977	-	24,977
1100 North Road Widening	64,382	-	64,382
North Towne Lane Reconstruction	58,592	-	58,592
Woodbriar cul De Sac Reconstruction	120,346	-	120,346
Deer Hollow Playground Equipment	31,450	-	31,450
Foxboro Wetlands Design	19,361	-	19,361
Park 11 - Woodside	71,920	-	71,920
Current year expenses to Woodside park in CIP	39,723	-	39,723
Current year expenses to Center Street widening	1,658	-	1,658
Current year expenses to Cutler Dr Extension in CIP	96,391	-	96,391
Current year expenses to 500 North Reconstruction in CIP	146,400	-	146,400
Fleet vehicles	387,771	-	387,771
Developer contributions of water lines	-	51,265	51,265
Water machinery and equipment	-	87,582	87,582
Major Repair and Replacement - Wells	-	68,568	68,568
400 East Waterline	-	195,108	195,108
Woodbriar Conversion to secondary	-	224,479	224,479
Developer contributions of storm water lines	-	16,447	16,447
Foxboro booster pump - Pressurized Irrigation	-	72,126	72,126
Current year expenses to Eagleridge pond n CIP	-	7,445	7,445
Golf course machinery and equipment	-	33,155	33,155
Less current year deletions	(94,987)	(103,810)	(198,797)
Less current year depreciation expense (Fleet is in governmental)	(1,328,393)	(1,360,528)	(2,688,921)
Add current year accumulated depreciation deletions	91,782	98,635	190,417
Total	\$ (243,565)	\$ (609,528)	\$ (853,093)

Additional information on the City's capital assets can be found in Note 5 of this report.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City had \$10,428,963 in outstanding long-term debt. All of the bonded debt was secured by specific revenue sources.

City of North Salt Lake's Outstanding debt						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ -	\$ -	\$ 979,118	\$ 1,006,508	\$ 979,118	\$ 1,006,508
Sales Tax revenue bonds	3,210,000	3,210,000	-	-	3,210,000	3,210,000
Water revenue bonds	-	-	5,203,662	7,567,676	5,203,662	7,567,676
General obligation bonds	-	-	573,170	1,131,339	573,170	1,131,339
Capital leases	217,339	217,339	245,674	387,156	463,013	604,495
Total	\$ 3,427,339	\$ 3,427,339	\$ 7,001,624	\$ 10,092,679	\$ 10,428,963	\$ 13,520,018

During the 2016 fiscal year, the City's total debt decreased by \$3,091,055. The change is primarily a result of a debt refunding transaction which resulted in payment of an amount of \$1,970,000, by funds held in escrow in the amount of \$1,935,668. The remaining change is a result of normally scheduled debt service payments. Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- A 10 percent property tax increase was approved by the City Council through the Truth in Taxation process. The increase is expected to result in a revenue increase of \$302,000.
- In fiscal year 2016, sales tax revenue increased 15.5 percent over the previous year. Sales tax revenue was budgeted very conservatively with an increase 5.9 percent above the year end forecast. The most recent sales tax revenue estimates project actual sales tax revenues to be very near the original fiscal year 2017 budget.
- The unemployment rate for the State of Utah is currently 3.2 percent, which is a .5 percent decrease from a rate of 3.7 percent a year ago. The local unemployment rate is likely to remain near the current level experienced by the State of Utah.
- The City will present a utility rate analysis to Council during fiscal year 2017, along with recommendations for any necessary rate adjustments. The City is committed to building long-term financial stability in the enterprise utility funds.
- Growth in residential and commercial construction is expected to continue through the upcoming fiscal year; however growth is expected at a slower rate than the experienced in recent years.
- Interest rates are expected to remain low throughout fiscal year 2017.
- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.

Requests for Information

This financial report is designed to provide a general overview of the City of North Salt Lake's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of North Salt Lake, 10 East Center Street, North Salt Lake, UT 84054.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH SALT LAKE
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,275,760	\$ 4,535,050	\$ 9,810,810
Receivables:			
Taxes	2,615,042	-	2,615,042
Accounts net	25,847	831,600	857,447
Intergovernmental	1,057,319	-	1,057,319
Internal balances	1,987,788	(1,987,788)	-
Inventories	-	126,380	126,380
Prepays	95,649	294,620	390,269
Restricted assets cash and cash equivalents	2,138,009	624,982	2,762,991
Net pension asset	1,958	633	2,591
Capital assets not being depreciated:			
Land	23,666,400	2,551,013	26,217,413
Water rights	-	2,864,052	2,864,052
Construction in progress	305,768	7,445	313,213
Capital assets, net of accumulated depreciation:			
Buildings	5,964,760	895,393	6,860,153
Improvements other than buildings	6,846,692	-	6,846,692
Golf course	-	2,777,541	2,777,541
Water distribution system	-	18,719,333	18,719,333
Storm water system	-	5,546,313	5,546,313
Machinery, equipment, and vehicles	1,648,069	1,108,098	2,756,167
Infrastructure	20,997,344	-	20,997,344
Total Assets	72,626,405	38,894,665	111,521,070
Deferred Outflows of Resources			
Deferred outflows of resources relating to pensions	957,633	343,325	1,300,958
Total Assets and Deferred outflows of resources	73,584,038	39,237,990	112,822,028
Liabilities			
Accounts payable	437,014	191,039	628,053
Accrued liabilities	166,561	121,590	288,151
Developer and customer deposits	1,250,692	363,908	1,614,600
Noncurrent liabilities:			
Due within one year	542,219	1,347,149	1,889,368
Due in more than one year	3,279,972	5,880,085	9,160,057
Net pension liability	1,912,302	667,302	2,579,604
Total Liabilities	7,588,760	8,571,073	16,159,833
Deferred Inflows of Resources			
Deferred inflows of resources relating to pensions	254,960	87,519	342,479
Unearned revenues - property taxes	2,569,288	-	2,569,288
Total Deferred Inflows of Resources	2,824,248	87,519	2,911,767
Net Position			
Net investment in capital assets	59,429,033	28,124,564	87,553,597
Restricted for:			
Impact fees	1,869,692	130,414	2,000,106
Debt service	29,055	441,079	470,134
Construction projects	314,997	-	314,997
Housing restriction	11,486	-	11,486
Unrestricted	1,516,767	1,883,341	3,400,108
Total Net Position	63,171,030	30,579,398	93,750,428
Total Liabilities, Deferred Inflows, and Net Position	\$ 73,584,038	\$ 39,237,990	\$ 112,822,028

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

**CITY OF NORTH SALT LAKE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Government Activities							
General governmental	\$ 2,389,412	\$ -	\$ -	\$ 26,467	\$ (2,362,945)	\$ -	\$ (2,362,945)
Public safety	4,157,769	421,201	17,356	52,165	(3,667,047)	-	(3,667,047)
Highways and public improvements	2,843,079	140,233	576,848	381,078	(1,744,920)	-	(1,744,920)
Community development	591,048	759,357	-	73,685	241,994	-	241,994
Parks, recreation, and public property	1,022,710	47,794	2,500	268,600	(703,816)	-	(703,816)
Interest on long-term debt	167,430	-	-	-	(167,430)	-	(167,430)
Total Governmental Activities	<u>11,171,448</u>	<u>1,368,585</u>	<u>596,704</u>	<u>801,995</u>	<u>(8,404,164)</u>	<u>-</u>	<u>(8,404,164)</u>
Business-type Activities							
Water	3,458,135	3,855,841	-	544,589	-	942,295	942,295
Pressurized irrigation	375,371	434,754	-	24,338	-	83,721	83,721
Storm water	510,952	732,014	-	151,545	-	372,607	372,607
Solid waste	826,496	871,986	-	-	-	45,490	45,490
Golf course	1,450,687	1,189,668	-	-	-	(261,019)	(261,019)
Total Business-type Activities	<u>6,621,641</u>	<u>7,084,263</u>	<u>-</u>	<u>720,472</u>	<u>-</u>	<u>1,183,094</u>	<u>1,183,094</u>
Total Government	<u>\$ 17,793,089</u>	<u>\$ 8,452,848</u>	<u>\$ 596,704</u>	<u>\$ 1,522,467</u>	<u>(8,404,164)</u>	<u>1,183,094</u>	<u>(7,221,070)</u>
General Revenues							
					3,280,972	-	3,280,972
					3,560,963	-	3,560,963
					1,826,917	-	1,826,917
					605,827	35,237	641,064
					44,293	4,491	48,784
					6,050	2,654	8,704
					(569,000)	569,000	-
					<u>8,756,022</u>	<u>611,382</u>	<u>9,367,404</u>
						351,858	2,146,334
					<u>62,819,172</u>	<u>28,784,922</u>	<u>91,604,094</u>
					<u>\$ 63,171,030</u>	<u>\$ 30,579,398</u>	<u>\$ 93,750,428</u>

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

CITY OF NORTH SALT LAKE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 2,900,633	\$ 1,027,883	\$ 370,874	\$ 350,987	\$ 242,608	\$ 4,892,985
Receivables:						
Taxes	2,569,288	-	-	-	47,354	2,616,642
Accounts - net	17,232	-	-	8,615	-	25,847
Intergovernmental	1,057,319	-	-	-	-	1,057,319
Prepays	92,693	-	-	2,956	-	95,649
Due from other funds	-	2,000,930	-	-	-	2,000,930
Restricted cash and cash equivalents	227,776	-	275,695	1,523,494	111,044	2,138,009
Total Assets	\$ 6,864,941	\$ 3,028,813	\$ 646,569	\$ 1,886,052	\$ 401,006	\$ 12,827,381
Liabilities						
Accounts payable	\$ 102,094	\$ 5,079	\$ 7,960	\$ 318,222	\$ 1,599	\$ 434,954
Accrued liabilities	93,445	-	-	-	68,919	162,364
Due to other funds	-	-	-	-	13,142	13,142
Developer deposits	1,250,692	-	-	-	-	1,250,692
Total Liabilities	1,446,231	5,079	7,960	318,222	83,600	1,861,152
Deferred Inflows of Resources						
Unavailable revenues - property taxes	2,569,288	-	-	-	-	2,569,288
Total Deferred Inflows of Resources	2,569,288	-	-	-	-	2,569,288
Fund Balances						
Nonspendable:						
Prepays	92,693	-	-	2,956	-	95,649
Restricted:						
Impact fees	-	-	275,695	1,523,494	70,503	1,869,692
Debt service	-	-	-	-	29,055	29,055
Construction projects	314,997	-	-	-	-	314,997
Housing restriction	-	-	-	-	11,486	11,486
Assigned:						
Construction projects	-	3,023,734	362,914	-	-	3,386,648
Debt service	-	-	-	-	206,302	206,302
Unassigned	2,441,732	-	-	-	-	2,441,732
Total Fund Balances	2,849,422	3,023,734	638,609	1,567,830	317,346	8,396,941
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,864,941	\$ 3,028,813	\$ 646,569	\$ 1,886,052	\$ 401,006	\$ 12,827,381

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

CITY OF NORTH SALT LAKE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$	8,396,941
Net pension assets used in governmental activities are not financial resources and, therefore are not reported in the funds		1,902
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.		926,787
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		58,022,919
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.		(5,393,629)
Deferred inflows of resources, report net position that applies to future periods, is not shown in the fund statements		(247,164)
Internal service funds are used by management to charge the cost of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,463,274
Total net position - governmental activities	\$	<u>63,171,030</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 8,002,066	\$ -	\$ -	\$ -	\$ 666,786	\$ 8,668,852
Licenses and permits	238,947	-	-	-	-	238,947
Intergovernmental	620,671	-	2,500	-	52,165	675,336
Charges for services	603,059	-	-	-	-	603,059
Fines and forfeitures	395,649	-	-	-	-	395,649
Impact fees	-	-	268,600	381,078	73,685	723,363
Interest	17,884	7,442	3,838	10,134	2,830	42,128
Miscellaneous	27,993	562,116	-	130,930	-	721,039
Total Revenues	<u>9,906,269</u>	<u>569,558</u>	<u>274,938</u>	<u>522,142</u>	<u>795,466</u>	<u>12,068,373</u>
Expenditures						
Current:						
General government	1,628,238	-	-	-	5,331	1,633,569
Public safety	4,074,514	-	-	-	-	4,074,514
Highways and public improvements	1,221,183	-	-	816,528	-	2,037,711
Community development	600,342	-	-	-	261,842	862,184
Parks, recreation, and public property	773,161	-	-	-	-	773,161
Debt service:						
Principal	-	-	-	-	175,000	175,000
Interest	-	-	-	-	162,518	162,518
Capital outlay:						
General government	-	985,283	-	-	-	985,283
Public safety	-	1,000	-	-	-	1,000
Highways and public improvements	-	9,939	-	-	-	9,939
Parks, recreation, and public property	-	-	199,564	-	-	199,564
Total Expenditures	<u>8,297,438</u>	<u>996,222</u>	<u>199,564</u>	<u>816,528</u>	<u>604,691</u>	<u>10,914,443</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,608,831</u>	<u>(426,664)</u>	<u>75,374</u>	<u>(294,386)</u>	<u>190,775</u>	<u>1,153,930</u>
Other Financing Sources (Uses)						
Transfer in	-	60,000	-	550,924	-	610,924
Transfer out	(1,119,924)	-	-	-	(60,000)	(1,179,924)
Contributions	16,300	-	-	-	-	16,300
Total Other Financing Sources (Uses)	<u>(1,103,624)</u>	<u>60,000</u>	<u>-</u>	<u>550,924</u>	<u>(60,000)</u>	<u>(552,700)</u>
Net Change in Fund Balances	505,207	(366,664)	75,374	256,538	130,775	601,230
Fund Balance, Beginning	2,344,215	3,390,398	563,235	1,311,292	186,571	7,795,711
Fund Balance, Ending	<u>\$ 2,849,422</u>	<u>\$ 3,023,734</u>	<u>\$ 638,609</u>	<u>\$ 1,567,830</u>	<u>\$ 317,346</u>	<u>\$ 8,396,941</u>

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

CITY OF NORTH SALT LAKE
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, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 601,230
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,069,587)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	700,262
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	175,000
Internal service funds are used by management to charge the cost of fleet management to individual funds. The transfers from governmental funds to the internal service fund are included in governmental activities in the statement of net position.	(14,698)
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	(121,148)
The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund statements.	80,799
Change in net position of governmental activities	\$ 351,858

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 2,488,000	\$ 2,488,000	2,614,186	\$ 126,186
Sales and use	3,467,400	3,517,400	3,560,963	43,563
Franchise	1,798,000	1,798,000	1,826,917	28,917
Licenses and permits	235,000	235,000	238,947	3,947
Intergovernmental revenues	531,400	570,116	620,671	50,555
Charges for services	456,800	456,800	603,059	146,259
Fines and forfeitures	390,000	390,000	395,649	5,649
Interest	6,000	6,000	17,884	11,884
Miscellaneous	28,000	28,000	27,993	(7)
Total Revenues	<u>9,400,600</u>	<u>9,489,316</u>	<u>9,906,269</u>	<u>416,953</u>
Expenditures				
Current:				
General government:				
Legislative	213,700	205,700	205,203	497
Administrative	662,450	662,450	661,120	1,330
Judicial	303,070	303,070	262,928	40,142
Engineering	232,660	232,660	208,720	23,940
Buildings	261,120	294,120	290,267	3,853
Total general government	<u>1,673,000</u>	<u>1,698,000</u>	<u>1,628,238</u>	<u>69,762</u>
Public safety:				
Police department	3,022,760	3,026,476	2,777,757	248,719
Fire department	1,293,760	1,293,760	1,267,277	26,483
Animal control	26,500	26,500	29,480	(2,980)
Total public safety	<u>4,343,020</u>	<u>4,346,736</u>	<u>4,074,514</u>	<u>272,222</u>
Public works:				
Streets department	1,096,660	1,116,660	1,088,393	28,267
Buildings	168,100	168,100	132,790	35,310
Total public works	<u>1,264,760</u>	<u>1,284,760</u>	<u>1,221,183</u>	<u>63,577</u>
Community Development				
Planning and zoning	392,250	427,250	390,455	36,795
Building inspection	233,260	233,260	209,887	23,373
Total community development	<u>625,510</u>	<u>660,510</u>	<u>600,342</u>	<u>60,168</u>
Parks	768,410	773,910	773,161	749
Total Expenditures	<u>\$ 8,674,700</u>	<u>\$ 8,763,916</u>	<u>\$ 8,297,438</u>	<u>\$ 466,478</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
For The Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 725,900	\$ 725,400	\$ 1,608,831	\$ 883,431
Other Financing Sources (Uses)				
Transfer in	260,000	275,000	-	275,000
Transfer out	(982,900)	(1,347,700)	(1,119,924)	(227,776)
Sale of capital assets	-	-	-	-
Contributions	2,000	2,500	16,300	(13,800)
Total Other Financing Sources (Uses)	<u>(720,900)</u>	<u>(1,070,200)</u>	<u>(1,103,624)</u>	<u>33,424</u>
Net Change in Fund Balance	<u>\$ 5,000</u>	<u>\$ (344,800)</u>	505,207	<u>\$ 916,855</u>
Fund Balance, Beginning			<u>2,344,215</u>	
Fund Balance, Ending			<u>\$ 2,849,422</u>	

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Business-type Activities					Total	Governmental
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Enterprise	Internal Service Fund - Fleet
Assets							
Current Assets							
Cash and cash equivalents	\$ 3,054,656	\$ 392,141	\$ 968,674	\$ 112,401	\$ 7,178	\$ 4,535,050	\$ 382,774
Accounts receivable, net	535,954	78,645	86,495	99,224	31,282	831,600	-
Inventories	61,369	-	-	-	65,011	126,380	-
Prepaid expenses	217,417	64,568	484	-	12,151	294,620	-
Total Current Assets	3,869,396	535,354	1,055,653	211,625	115,622	5,787,650	382,774
Noncurrent Assets							
Restricted cash and cash equivalents	441,079	44,480	85,934	-	53,489	624,982	-
Net pension asset	273	37	45	11	267	633	56
Capital assets:							-
Land	197,538	-	-	-	2,353,475	2,551,013	-
Water rights	163,937	2,700,115	-	-	-	2,864,052	-
Buildings	294,908	-	-	-	1,198,068	1,492,976	-
Golf course	-	-	-	-	4,810,424	4,810,424	-
Water distribution system	22,670,777	3,098,284	-	-	-	25,769,061	-
Storm water system	-	-	6,348,119	-	-	6,348,119	-
Machinery, equipment, and vehicles	847,337	116,774	228,742	307,942	1,225,130	2,725,925	3,186,040
Construction-in-progress	-	-	7,445	-	-	7,445	-
Less accumulated depreciation	(7,207,569)	(593,386)	(851,736)	(203,499)	(3,243,637)	(12,099,827)	(1,779,925)
Total Noncurrent Assets	17,408,280	5,366,304	5,818,549	104,454	6,397,216	35,094,803	1,406,171
Total Assets	21,277,676	5,901,658	6,874,202	316,079	6,512,838	40,882,453	1,788,945
Deferred outflows of resources							
Deferred outflows of resources relating to pensions	146,279	15,521	31,903	7,770	141,852	343,325	30,845
Total Assets and Deferred Outflows of Resources	\$ 21,423,955	\$ 5,917,179	\$ 6,906,105	\$ 323,849	\$ 6,654,690	\$ 41,225,778	\$ 1,819,790

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Business-type Activities					Total	Governmental
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Enterprise	Internal Service Fund - Fleet
Liabilities							
Current Liabilities							
Accounts payable	\$ 20,693	\$ 268	\$ 104,660	\$ 58,494	\$ 6,924	\$ 191,039	\$ 3,654
Compensated absences	37,625	5,852	7,364	2,701	66,783	120,325	2,325
Accrued liabilities	83,866	1,514	9,875	1,169	25,166	121,590	4,198
Leases payable	-	-	56,011	22,052	26,580	104,643	90,030
Revenue and general obligation bonds payable	525,872	-	23,140	-	573,169	1,122,181	-
Total Current Liabilities	668,056	7,634	201,050	84,416	698,622	1,659,778	100,207
Noncurrent Liabilities							
Compensated absences	32,922	5,120	6,444	2,364	58,435	105,285	2,034
Customer deposits	363,908	-	-	-	-	363,908	-
Due to other funds	-	-	-	-	1,987,788	1,987,788	-
Notes payable	-	-	322,117	-	657,000	979,117	-
Leases payable	-	-	57,209	-	83,822	141,031	186,806
Net pension liability	285,259	32,358	58,492	14,117	277,076	667,302	59,669
Revenue and general obligation bonds payable	4,238,627	-	416,025	-	-	4,654,652	-
Total Noncurrent Liabilities	4,920,716	37,478	860,287	16,481	3,064,121	8,899,083	248,509
Total Liabilities	5,588,772	45,112	1,061,337	100,897	3,762,743	10,558,861	348,716
Deferred inflows of resources							
Deferred inflows of resources relating to pensions	37,490	4,422	7,385	1,771	36,451	87,519	7,803
Total Liabilities and Deferred Inflows of Resources	\$ 5,626,262	\$ 49,534	\$ 1,068,722	\$ 102,668	\$ 3,799,194	\$ 10,646,380	\$ 356,519
Net Position							
Net investment in capital assets	12,202,429	5,321,787	4,858,068	82,391	5,659,889	28,124,564	1,129,279
Restricted:							
Debt service	441,079	-	-	-	-	441,079	-
Impact fees	-	44,480	85,934	-	-	130,414	-
Unrestricted	3,154,185	501,378	893,381	138,790	(2,804,393)	1,883,341	333,992
Total Net Position	15,797,693	5,867,645	5,837,383	221,181	2,855,496	30,579,398	1,463,271
Total Liabilities, Deferred Inflows and Net Position	\$ 21,423,955	\$ 5,917,179	\$ 6,906,105	\$ 323,849	\$ 6,654,690	\$ 41,225,778	\$ 1,819,790

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Operating Revenues							
Charges for services:							
Metered water sales	\$ 3,785,228	\$ 434,754	\$ -	\$ -	\$ -	\$ 4,219,982	\$ -
User fees	-	-	732,014	871,986	-	1,604,000	591,735
Connection and servicing fees	70,613	-	-	-	-	70,613	-
Admissions and lesson fees	-	-	-	-	607,404	607,404	-
Equipment and facility rents	-	-	-	-	381,455	381,455	-
Concession and merchandise sales	-	-	-	-	200,809	200,809	-
Miscellaneous	4,491	-	-	-	-	4,491	-
Total Operating Revenues	3,860,332	434,754	732,014	871,986	1,189,668	7,088,754	591,735
Operating Expenses							
Salaries and benefits	765,180	77,260	176,095	42,399	687,301	1,748,235	165,506
Office expense and supplies	48,292	10,761	17,692	15,561	4,289	96,595	-
Equipment - supplies and maintenance	179,621	36,024	72,111	39,852	158,684	486,292	184,846
Buildings and grounds - supplies and maintenance	45,727	-	-	-	29,709	75,436	-
Special department supplies	207,935	-	-	18,728	-	226,663	-
Power purchases	445,522	-	-	-	43,511	489,033	-
Water purchases	548,244	127,564	-	-	85,812	761,620	-
Professional services	96,133	1,824	38,005	3,189	34,455	173,606	-
Contracted services	-	-	-	678,025	-	678,025	-
Merchandise	-	-	-	-	108,877	108,877	-
Depreciation	810,910	114,661	178,068	27,645	229,244	1,360,528	258,806
Miscellaneous	22,559	7,277	1,703	-	40,713	72,252	-
Total Operating Expenses	3,170,123	375,371	483,674	825,399	1,422,595	6,277,162	609,158
Operating Income (Loss)	\$ 690,209	\$ 59,383	\$ 248,340	\$ 46,587	\$ (232,927)	\$ 811,592	\$ (17,423)

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

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2016

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Nonoperating Income (Expense)							
Interest income	\$ 25,060	\$ 2,448	\$ 5,699	\$ 582	\$ 1,448	\$ 35,237	\$ 2,053
Interest expense	(288,012)	-	(27,278)	(1,097)	(28,092)	(344,479)	(5,381)
Gain (loss) from sale of capital assets	7,829	-	-	-	(5,175)	2,654	6,050
Total Nonoperating Income (Expense)	<u>(255,123)</u>	<u>2,448</u>	<u>(21,579)</u>	<u>(515)</u>	<u>(31,819)</u>	<u>(306,588)</u>	<u>2,722</u>
Income (loss) before contributions and transfers	435,086	61,831	226,761	46,072	(264,746)	505,004	(14,701)
Capital Contributions	51,265	-	-	-	-	51,265	-
Build America Bond Interest Subsidy	55,199	-	8,492	-	-	63,691	-
Impact Fees	438,125	24,338	143,053	-	-	605,516	-
Transfers in	-	-	-	-	569,000	569,000	-
Change in Net Position	979,675	86,169	378,306	46,072	304,254	1,794,476	(14,701)
Net Position, Beginning	<u>14,818,018</u>	<u>5,781,476</u>	<u>5,459,077</u>	<u>175,109</u>	<u>2,551,242</u>	<u>28,784,922</u>	<u>1,477,972</u>
Net Position, Ending	<u>\$ 15,797,693</u>	<u>\$ 5,867,645</u>	<u>\$ 5,837,383</u>	<u>\$ 221,181</u>	<u>\$ 2,855,496</u>	<u>\$ 30,579,398</u>	<u>\$ 1,463,271</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 3,753,521	\$ 406,377	\$ 693,982	\$ 885,568	\$ 1,168,847	\$ 6,908,295	\$ 591,735
Receipts from customer deposits	27,540	-	-	-	-	27,540	-
Payments to suppliers and service providers	(1,626,054)	(237,403)	(57,386)	(753,486)	(516,058)	(3,190,387)	(184,708)
Payments to employees and related benefits	(765,966)	(72,510)	(172,824)	(41,626)	(673,736)	(1,726,662)	(165,945)
Net cash flows from operating activities	1,389,041	96,464	463,772	90,456	(20,947)	2,018,786	241,082
Cash Flows From Non-Capital Financing Activities							
Transfers in	-	-	-	-	569,000	569,000	-
Repayment of construction bonds	-	-	(421,687)	-	-	(421,687)	-
Due to/from other funds	-	-	-	-	141,551	141,551	-
Net cash flows from non-capital financing activities	-	-	(421,687)	-	710,551	288,864	-
Cash Flows From Capital and Related Financing Activities							
Acquisition and construction of capital assets	(575,739)	(72,123)	(23,893)	-	(33,156)	(704,911)	(387,771)
Proceeds from sales of capital assets	7,829	-	-	-	-	7,829	9,253
Impact fees and interest subsidies received	493,324	24,338	151,545	-	-	669,207	-
Proceeds from leases	-	-	-	-	-	-	170,420
Principal paid on capital bonds and leases	(2,341,545)	-	(106,854)	(21,223)	(621,450)	(3,091,072)	(110,924)
Interest paid on capital bonds and leases	(288,012)	-	(27,278)	(1,097)	(28,092)	(344,479)	(5,381)
Net cash flows from capital and related financing activities	\$ (2,704,143)	\$ (47,785)	\$ (6,480)	\$ (22,320)	\$ (682,698)	\$ (3,463,426)	\$ (324,403)

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

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2016

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Cash Flows From Investing Activities							
Interest on investments	\$ 25,060	\$ 2,448	\$ 5,699	\$ 582	\$ 1,448	\$ 35,237	\$ 2,053
Net cash flows from investing activities	<u>25,060</u>	<u>2,448</u>	<u>5,699</u>	<u>582</u>	<u>1,448</u>	<u>35,237</u>	<u>2,053</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(1,290,042)	51,127	41,304	68,718	8,354	(1,120,539)	(81,268)
Cash and Cash Equivalents, Beginning	4,785,777	385,494	1,013,304	43,683	52,313	6,280,571	464,042
Cash and Cash Equivalents, Ending	<u>\$ 3,495,735</u>	<u>\$ 436,621</u>	<u>\$ 1,054,608</u>	<u>\$ 112,401</u>	<u>\$ 60,667</u>	<u>\$ 5,160,032</u>	<u>\$ 382,774</u>
Reconciliation of operating income to net cash flows from operating activities							
Earnings (loss) from operations	\$ 690,209	\$ 59,383	\$ 248,340	\$ 46,587	\$ (232,927)	\$ 811,592	\$ (17,423)
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:							
Depreciation	810,910	114,661	178,068	27,645	229,244	1,360,528	258,806
Changes in assets and liabilities							
Accounts receivable, net	(106,811)	(28,377)	(38,032)	13,582	(20,821)	(180,459)	-
Inventories	25,362	-	-	-	9,502	34,864	-
Prepaid expenses	(9,196)	(1,572)	-	-	(1,439)	(12,207)	-
Net pension liability	(12,929)	(1,296)	(2,960)	(726)	(12,523)	(30,434)	(2,742)
Accounts payable	2,114	(52,270)	72,595	2,253	(2,688)	22,004	778
Compensated absences	12,143	6,046	6,231	1,499	26,088	52,007	2,303
Accrued liabilities	(50,301)	(111)	(470)	(384)	(15,383)	(66,649)	(640)
Customer deposits	27,540	-	-	-	-	27,540	-
Net cash flows from operating activities	<u>\$ 1,389,041</u>	<u>\$ 96,464</u>	<u>\$ 463,772</u>	<u>\$ 90,456</u>	<u>\$ (20,947)</u>	<u>\$ 2,018,786</u>	<u>\$ 241,082</u>
Schedule of non-cash capital and related financing activities:							
Contributions of capital assets	\$ 51,265	\$ -	\$ -	\$ -	\$ -	\$ 51,265	\$ -
Purchase of machinery, equipment, and vehicles on account	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,671

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

CITY OF NORTH SALT LAKE NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Salt Lake (the City) was incorporated under the laws of the State of Utah in 1946 and operates under a manager-council form of government and provides the following services as authorized by its charter: public safety, public health, public improvements, highways, recreation, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City has adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. The more significant accounting policies established in GAAP and used by the City are discussed below.

The Reporting Entity

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Under GASB Statement No. 61, The Financial Reporting Entity, the financial reporting entity consists of the primary government and the following component units:

Blended Component Units

The City established a Redevelopment Agency (RDA) pursuant to state code and designated the Mayor and City Council as the Redevelopment Agency Board. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the RDA have been included in the financial reporting entity as a blended component unit as a nonmajor governmental fund.

The City established a Municipal Building Authority pursuant to state code. The Governing Board of the Building Authority is comprised of the Mayor and members of the City Council. The purpose of the Authority is to serve the City as a financing agency for debt financed projects. During fiscal year 2004, all of the remaining debt related to the Authority was paid off and no other activity has occurred in the Authority since that time.

Financial information for the above mentioned component units may be obtained at the City's offices, located at 10 East Center Street, North Salt Lake, UT 84054.

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental services, public safety, highways and public improvements, parks, recreation, and public property, and community development are classified as governmental activities. The City's water, secondary water, storm water, solid waste, and golf course services are classified as business-type activities.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the *statement of net position* and the *statement of activities*) report information on all of the activities of the City and its blended component units. 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 user fees and charges for support.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are 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 revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (generally within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the government'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 Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary Funds and Special Revenue Funds). Capital project funds are used to account for resources designated to construct governmental capital assets which may require more than one fiscal year for completion.

The Park Development Fund is a capital project fund. Capital project funds account for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary Funds and Special Revenue Funds). This fund is used to account for the park impact fees received.

The Road Development Fund is a capital projects fund. Capital project funds account for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary Funds and Special Revenue Funds). This fund is used to account for the road impact fees received.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's culinary and the City's east side secondary water distribution system.

The Pressurized Irrigation Fund accounts for the activities of the City's west side secondary water distribution system.

The Storm Water Fund accounts for the activities of the City's storm water collection system.

The Solid Waste Fund accounts for the activities of the City's solid waste services.

The Golf Course Fund accounts for the activities of the City's golf course.

Additionally, the City reports the following fund types:

Internal service fund – Fleet. The fleet internal service fund accounts for fleet management provided to the City's governmental funds on a cost-reimbursement basis. Each proprietary fund provides its own fleet management services.

As mentioned above, special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The City accounts for the Redevelopment Agency Fund as a nonmajor special revenue funds.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As mentioned on previously, debt service funds are used to account for resources that will be used to service general long-term debt. The City has a nonmajor debt service fund and its principal function is the collection of RAP tax revenue and the payment of RAP tax revenue bonds.

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

City policy states that when fund balance is available for use the following spending order will be followed: restricted, committed, assigned, and then unassigned fund balance as it is needed.

The City records utility revenues billed to its customers when meters are read on a monthly basis.

Budgets

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year, which begins July 1.

Budgets include activities in several different funds, including the General Fund, special revenue funds, Debt Service Fund, and proprietary funds. Annual budgets are also adopted for capital projects, which may include activities overlapping several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed General Fund balance until it exceeds 5% of the General Fund revenues. Until the sum of the stated fund balance categories is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law also prohibits the accumulation of the stated fund balance categories in any amount greater than 25% of the next year's budgeted revenues.

By resolution, the City Council can amend the budget to any extent, provided the amended budget does not exceed the original budgeted expenditures, in which case a public hearing must be held. With the consent of the City Manager, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, special revenue funds, debt service funds, and Capital Projects Fund are prepared on the modified accrual basis of accounting. The City does not use encumbrance accounting.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is neither practicable, nor appropriate, to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the City are assessed and collected by Davis County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utilities, and cable television companies and remitted to the City periodically.

Cash and cash equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Inventory and Prepaid Items

Inventories of materials used in the construction and repair of the transmission, distribution, and collection systems are valued at the lower of cost or market on a weighted average basis. Golf course merchandise inventories are valued at the lower of cost or market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the governmental funds are accounted for using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, curb and gutter, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add materially to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	30-50
Infrastructure	30-50
Machinery and equipment	5-12
Vehicles	5-7

Interfund transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

When an internal service fund provides goods or services to another fund, redundancy is inherent because expenditures/expenses are reported in both the fund providing and the fund receiving the goods or services. Since internal service funds primarily benefit governmental funds, they are included in the governmental activities in the entity-wide statements. The basic assumption for internal service funds is that they operate on a breakeven basis. Accordingly, any net profit or loss has been allocated to the functions that benefited from the goods or services provided based on proportionate benefit. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types 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 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.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are reported in both the government-wide statements and the governmental fund statements.

Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a bi-weekly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement or termination, all unpaid accrued vacation, up to 240 hours, is paid to the employee. Sick leave is earned at a rate of 8 hours (one day) per month. Sick pay amounts are charged to expenditures when incurred. Employees with at least 400 hours of accumulated sick leave are allowed to cash in one-third 100% of their annual sick leave accrued during the calendar year. Employees with at least 200 hours of accumulated sick leave are allowed to cash in two-thirds of their annual sick leave accrued during the calendar year. Employees with at least 120 hours of accumulated sick leave are allowed to cash in one-third of their annual sick leave accrued during the calendar year. Accumulated sick leave paid to employees upon retirement is limited to 20% to 50% of accumulated hours depending upon years of service. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave. The amount of accumulated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity – Fund Financial Statements

In the governmental fund financial statements fund equity is classified as fund balance. Fund Balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remain binding unless removed in the same manner.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, as established by the City Manager. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Equity – Government-wide & Proprietary Financial Statements

Equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Equity is classified as net position and displayed in three components (Continued):

2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 2 DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits including the portion of the Utah State Treasurer’s investment pool that is considered as a demand deposit. Investments are stated at cost or amortized cost, which approximates fair value. Each fund’s portion of this pool is displayed on the combined balance sheet as “cash and cash equivalents” which also includes cash accounts that are separately held by several of the City’s funds.

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the City’s exposure to various risks related to its cash management activities.

Custodial credit risk – deposits is the risk that in the event of bank failure, the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined 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 Money Management Council. As of June 30, 2016, \$454,824 of the City’s bank balances of \$719,755 was uninsured and uncollateralized.

Custodial credit risk – investments 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 that are in the possession of an outside party. As of June 30, 2016, the City had all of its investments in the PTIF totaling \$11,923,320, all of which was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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

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

PTIF are allocated based upon the participants’ average daily balances. As of June 30, 2016, the fair value per share factor for investments in the PTIF was 1.009093.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City’s investment in the Utah Public Treasurers’ Investment Fund has no concentration of credit risk.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City’s PTIF investments are less than one year.

Following are the City’s cash on hand, on deposit, and investments at June 30, 2016:

Cash on hand and on deposit:	
Petty Cash	\$ 3,600
Cash on Deposit	646,880
PTIF Investment	<u>11,923,321</u>
Total cash and investments	<u>\$ 12,573,801</u>

Cash and investments are included in the accompanying combined statement of net position as follows:

Cash and cash equivalents	\$ 9,810,810
Restricted cash and cash equivalents	<u>2,762,991</u>
Total cash and investments	<u>\$ 12,573,801</u>

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED BALANCES

The following table illustrates the amounts reported as restricted net position, restricted fund balance, and restricted cash. The variances between restricted cash and restricted net position occur under two occasions. First, if expenditures have been incurred for restricted purposes, but have yet to be paid with cash. Second, if the restriction is also offset by a corresponding debt such as the unspent bond proceeds.

	Restricted Cash	Restricted Net Position	Restricted Fund Balance
Water Bonds Debt Service Reserves	\$ 441,079	\$ 233,250	\$ -
Golf GO Bonds Debt Service Reserves	53,489	-	-
Sales Tax Bonds Debt Service Reserves	29,055	-	29,055
Impact Fees	2,000,106	130,414	1,869,692
Redevlopment low income housing	11,486	-	11,486
Unspent B&C Road Money	227,776	-	227,776
	<u>\$ 2,762,991</u>	<u>\$ 363,664</u>	<u>\$ 2,138,009</u>

NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2016 for all funds is \$10,000.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

	Balance			Balance
	June 30, 2015	Additions	Deletions	June 30, 2016
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 23,647,789	\$ 18,611	\$ -	\$ 23,666,400
Construction in progress	52,711	290,623	(37,566)	305,768
	<u>23,700,500</u>	<u>309,234</u>	<u>(37,566)</u>	<u>23,972,168</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated				
Infrastructure	23,700,890	249,787	-	23,950,677
Buildings	7,741,395	-	-	7,741,395
Improvements other than buildings	7,857,043	153,829	-	8,010,872
Machinery, equipment, and vehicles	4,227,464	412,748	(94,987)	4,545,225
	<u>43,526,792</u>	<u>816,364</u>	<u>(94,987)</u>	<u>44,248,169</u>
Total capital assets, being depreciated				
Less accumulated depreciation for				
Infrastructure	(2,439,578)	(513,755)	-	(2,953,333)
Buildings	(1,517,420)	(259,215)	-	(1,776,635)
Improvements other than buildings	(963,258)	(200,922)	-	(1,164,180)
Machinery, equipment, and vehicles	(2,634,438)	(354,500)	91,782	(2,897,156)
	<u>(7,554,694)</u>	<u>(1,328,392)</u>	<u>91,782</u>	<u>(8,791,304)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net				
	<u>35,972,098</u>	<u>(512,028)</u>	<u>(3,205)</u>	<u>35,456,865</u>
Governmental activities capital assets, net				
	<u>\$ 59,672,598</u>	<u>\$ (202,794)</u>	<u>\$ (40,771)</u>	<u>\$ 59,429,033</u>

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

Governmental activities	
General government	\$ 40,784
Community Development	3,301
Public safety	115,194
Highways and public improvements	920,832
Parks, recreation, and public property	<u>248,281</u>
Total depreciation expense - governmental activities	<u>\$ 1,328,392</u>

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2016:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance June 30, 2016</u>
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 2,551,013	\$ -	\$ -	\$ -	\$ 2,551,013
Water rights	2,864,052	-	-	-	2,864,052
Construction in progress	142,327	7,445	-	(142,327)	7,445
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	5,557,392	7,445	-	(142,327)	5,422,510
Capital assets, being depreciated					
Buildings	1,492,976	-	-	-	1,492,976
Golf course	4,810,424	-	-	-	4,810,424
Water distribution system	25,015,187	611,547	-	142,327	25,769,061
Storm water system	6,331,672	16,447	-	-	6,348,119
Machinery, equipment, and vehicles	2,708,998	120,740	(103,810)	-	2,725,928
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated	40,359,257	748,734	(103,810)	142,327	41,146,508
Less accumulated depreciation for					
Buildings	(564,838)	(32,745)	-	-	(597,583)
Golf course	(1,934,045)	(98,838)	-	-	(2,032,883)
Water distribution system	(6,210,243)	(839,486)	-	-	(7,049,729)
Storm water system	(643,792)	(158,014)	-	-	(801,806)
Machinery, equipment, and vehicles	(1,485,015)	(231,445)	98,635	-	(1,617,825)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(10,837,933)	(1,360,528)	98,635	-	(12,099,826)
Total capital assets, being depreciated, net	29,521,324	(611,794)	(5,175)	142,327	29,046,682
Business-type activities capital assets, net	\$ 35,078,716	\$ (604,349)	\$ (5,175)	\$ -	\$ 34,469,192

Depreciation expense was charged to funds of the business-type activities as follows:

Business-type Activities	
Water	\$ 810,910
Secondary Water	114,661
Storm Water	178,068
Solid Waste	27,645
Golf Course	229,244
	<hr/>
Total depreciation expense - business-type activities	\$ 1,360,528

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 DEFERRED INFLOW OF RESOURCES

In conjunction with the implementation of GASB Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” the City has accrued a property tax receivable and a deferred inflow of resources for unavailable property tax revenue in the General Fund in the amounts of \$2,569,288.

Property taxes in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30.

Since the property tax to be levied on October 1, 2016 is not expected to be received within 60 days after the year ended June 30, 2017, the City is required to record a receivable and a deferred inflow of resources for unavailable property tax revenue of the estimated amount of the total property tax to be levied on October 1, 2016.

In addition to the deferred inflow of resources from property taxes as described above, the City has recorded deferred outflows of resources and deferred inflows of resources related to their pension. See note 12 for information on how those amounts are derived and when they will be charged to expense in the following years.

NOTE 7 DEVELOPER AND CUSTOMER DEPOSITS

General Fund deposits are principally deposits and construction bonds from developers that are held by the City until building projects receive the required City inspections and are in compliance with all City ordinances.

Water fund deposits are customer deposits the City requires from all residential or commercial customers before they receive a water connection. The deposit is a flat fee charged based on the size of the water meter. The deposit is refunded only at termination of service.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2016:

	Long-term debt payable at June 30, 2016			Long-term debt payable at June 30, 2017		Due within One Year
	Additions	Reductions				
Governmental activities						
Series 2010 Sales Tax	\$ 3,210,000	\$ -	\$ 175,000	\$ 3,035,000		\$ 180,000
2012 Police Vehicle Lease	41,989	-	41,989	-		-
2014 Public Works Lease	175,350	-	68,934	106,416		70,536
2016 Public Works Lease	-	170,420	-	170,420		19,494
Compensated Absences	387,509	484,386	361,542	510,353		272,189
	<u>3,814,848</u>	<u>654,806</u>	<u>647,465</u>	<u>3,822,189</u>		<u>542,219</u>
Governmental activity long-term liabilities						
	<u>\$ 3,814,848</u>	<u>\$ 654,806</u>	<u>\$ 647,465</u>	<u>\$ 3,822,189</u>		<u>\$ 542,219</u>
Business-type activities						
Series 2006 Water Revenue	\$ 2,160,000	\$ -	\$ 2,160,000	\$ -		\$ -
Series 2010 Water Revenue	3,400,000	-	165,000	3,235,000		170,000
Plus unamortized premium	34,550	-	2,160	32,390		2,160
Series 2015 Water Revenue	1,950,000	-	33,000	1,917,000		373,000
Plus unamortized premium	23,126	-	3,854	19,272		3,854
Series 2009 G.O. Bonds	1,105,000	-	545,000	560,000		560,000
Plus unamortized premium	26,339	-	13,169	13,170		13,169
Eaglewood Development N/P	657,000	-	-	657,000		-
2012 Golf Equip. Capital Lease	38,014	-	38,014	-		-
2015 Golf Equip. Capital Lease	136,330	-	25,928	110,402		26,580
Solid Waste Capital Lease	43,275	-	21,223	22,052		22,052
2015 Storm Equip Capital Lease	169,537	-	56,317	113,220		56,011
Compass Development N/P	349,508	-	27,390	322,118		-
Compensated Absences	173,604	260,406	208,400	225,610		120,326
	<u>10,266,283</u>	<u>260,406</u>	<u>3,299,455</u>	<u>7,227,234</u>		<u>1,347,152</u>
Business-type activity long-term liabilities						
	<u>\$ 10,266,283</u>	<u>\$ 260,406</u>	<u>\$ 3,299,455</u>	<u>\$ 7,227,234</u>		<u>\$ 1,347,152</u>

The General Fund and all Enterprise Funds typically liquidate the liability for compensated absences.

For the year ended June 30, 2016, \$167,430 of interest was charged as a direct expense on the *statement of activities* for Governmental activities and \$344,479 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2016, in Governmental or Business-type Activities.

Governmental Activities:

Sales Tax Revenue Bonds, Series 2010

In May of 2010 the City issued the Sales Tax Revenue Bonds, Series 2010 with a par value of \$4,030,000. The bonds are Build America Bonds (BABS) and are not tax exempt to the holder of the bonds. The bonds have a net interest cost of 5.16% and a true interest cost of 3.38%. However, the City will be reimbursed by the Federal Government equal to 27.7% of the interest paid. The bonds require interest payments in June and December of each year until maturity in 2030. Principal payments are due in June of each year until June 2030. These bonds were issued for the purpose of park construction. The bonds proceeds were receipted in the Park Improvement Fund and will be liquidated in the Debt Service Fund.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Sales Tax Revenue Bonds, Series 2010 (Continued):

The annual debt service requirements to maturity, including principal and interest, for the Series 2010 Sales Tax Revenue Bonds, as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	3.80%	\$ 180,000	\$ 153,705	\$ 333,705
2018	4.15%	180,000	146,865	326,865
2019	4.30%	185,000	139,395	324,395
2020	4.50%	190,000	131,440	321,440
2021	4.65%	200,000	122,890	322,890
2022-2026	4.80-5.15%	1,085,000	463,988	1,548,988
2027-2030	5.50-5.80%	1,015,000	148,920	1,163,920
Total		<u>\$ 3,035,000</u>	<u>\$ 1,307,203</u>	<u>\$ 4,342,203</u>

2012 Police Vehicle Capital Lease

In September 2012 the City entered into an equipment lease purchase for \$164,993. The lease is secured by capital equipment amortized through depreciation expense. Final lease payment was made on the debt during fiscal year 2016.

2014 Public Works Vehicle Capital Lease

In April 2014 the City entered into an equipment lease purchase in the amount of \$279,014. The lease is secured by capital equipment with a historical cost of \$279,014 and accumulated depreciation of \$51,280 at June 30, 2016. Payments are due in April and October of each year until October 2017. The lease has an interest rate of 2.31%. The fleet fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2.31%	\$ 70,535	\$ 2,053	\$ 72,588
2018	2.31%	35,881	414	36,295
Total		<u>\$ 106,416</u>	<u>\$ 2,467</u>	<u>\$ 108,883</u>

2016 Public Works Vehicle Capital Lease

In February 2016, the City entered into an equipment lease purchase in the amount of \$170,420. The lease is secured by capital equipment with a historical cost of \$170,655 and accumulated depreciation of \$10,524 at June 30, 2016. Payments are due in February of each year until 2024. The lease has an interest rate of 2.52%. The fleet fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2.52%	\$ 19,494	\$ 4,295	\$ 23,789
2018	2.52%	19,985	3,803	23,788
2019	2.52%	20,488	3,300	23,788
2020	2.52%	21,005	2,783	23,788
2021	2.52%	21,534	2,254	23,788
2022	2.52%	22,077	1,711	23,788
2023	2.52%	22,633	1,155	23,788
2024	2.52%	23,204	585	23,789
Total		<u>\$ 170,420</u>	<u>\$ 19,886</u>	<u>\$ 190,306</u>

Business-type activities:

Water Revenue Bonds, Series 2010

In December of 2010 the City issued Series 2010 Water Revenue Bonds with a par value of \$4,000,000. The bonds are Build America Bonds (BABS) and are not tax exempt to the holder of the bonds. The bonds have a net interest cost of 5.99% and a true interest cost of 3.88%. However, the City will be reimbursed by the Federal Government equal to 35% of the interest paid. The purpose of the bond issue was finance the cost of various capital improvements to the water distribution system, including the construction of wells, a pump building, waterlines, pump stations, and a 0.5 million gallon water tank. Water sales are security for the bond. Payments are due in March and September of each year, with final payment being due in March 2031.

During the fiscal year ended June 30, 2015, the City used \$500,000 of these bond's issuance proceeds to fund a Storm Water project. This portion of the long-term debt outstanding was transferred along with the associated unamortized bond premium to the Storm Water fund during the fiscal year ended June 30, 2015, and will be liquidated/amortized throughout the remaining life of these bonds. The amortization schedule for these bonds presented on page 44 can be broken out between the Water and Storm Water funds by using each fund's percentage of the outstanding debt as follows: Water 86.56% and Storm Water 13.44%.

The Series 2010 Water Revenue Bonds have a rate covenant requirement. This requires the Water Fund to have its rates and fees (including connection fees) to be sufficient to pay the system's operation and maintenance expenses (excluding depreciation) and to provide net revenues of not less than 125% of the annual debt service requirement for the forthcoming year. The City did meet this requirement for the fiscal year ended June 30, 2016 using the water fund, pressurized irrigation fund, and storm water fund revenues and expenses in making the calculations. The calculation is shown in the supplementary information.

The City is required to, by the 15th day of each month, transfer and deposit into the Bond Fund, an amount equal to approximately one-sixth of the interest falling due on the next interest payment date, plus approximately one-twelfth of the principal and premium, if any, falling due on the next principal payment date, in an amount sufficient to pay the principal and interest on the bonds promptly on each such payment date.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Water Revenue Bonds, Series 2010 (Continued)

A Debt Service Reserve Fund is required set at a total amount upon the time of issuance to be \$364,978. One-half of this reserve is satisfied with an insurance policy, the other half is satisfied with a deposit made into a reserve cash account at the time of issuance in the amount of \$182,489. At June 30, 2016, the City has \$177,596 in a reserved cash account with an additional \$4,893 in restricted cash to meet the debt covenants.

The annual debt service requirements to maturity, including principal and interest for the Series 2010 Water Revenue Bonds as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	4.25%	\$ 170,000	\$ 123,234	\$ 293,234
2018	4.50%	175,000	118,537	293,537
2019	4.75%	180,000	113,418	293,418
2020	5.15%	185,000	107,861	292,861
2021	5.15%	190,000	581,591	771,591
2022 - 2026	5.15-6.00%	1,055,000	399,729	1,457,673
2027 - 2031	6.00-6.75%	1,280,000	170,503	1,446,942
		3,235,000	\$ 1,614,873	\$ 4,849,256
Plus unamortized premium		32,390		
Total		\$ 3,267,390		

Water Revenue Bonds, Series 2015

On January 27, 2015, the City issued the Series 2015 Water Revenue Refunding Bonds. The purpose of the issuance was to refund the outstanding Series 2006 Water Revenue Bonds. The refunding provided a net present value savings of \$59,126, with an average annual cash flow savings of \$8,846. Principal payments on the bonds are due on March 1st of each year through 2021 and interest payments are due on March 1st and September 1st of each year through March 1, 2021. The bonds carry an average coupon rate of 1.99%.

The anticipated annual requirement to amortize long-term debt and related interest as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1.20%	\$ 373,000	\$ 35,472	\$ 408,472
2018	1.55%	373,000	30,996	403,996
2019	1.95%	380,000	25,215	405,215
2020	2.15%	392,000	17,805	409,805
2021	2.35%	399,000	9,377	408,377
		\$ 1,917,000	\$ 118,864	\$ 2,035,864

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

Below is a table illustrating the various water bond reserves of the City and the method of funding those reserves:

	Reported in Statements	Restricted Cash Offset by Debt	Funded with Insurance Policy
2010 Water Restricted	\$ 182,489	\$ -	\$ 182,489
2010 Water Reserve Transfer Fund	122,184	-	-
2015 Water Reserve Transfer Fund	136,406	233,250	-
	<u>\$ 441,079</u>	<u>\$ 233,250</u>	<u>\$ 182,489</u>

General Obligation Refunding Bonds, Series 2009

In 2009 the City issued the General Obligation Bonds, Series 2009 with a par value of \$4,525,000 and a face value of \$4,633,647. The bonds require interest payments in June and December of each year until maturity. Principal payments are due in June of each year until June 2017. These bonds were issued for the purpose of refunding in advance of maturity the 2003 Series Bonds. The bonds are reported in the golf course fund. There are no reserve requirements for these bonds.

The annual debt service requirements to maturity, including principal and interest for the Series 2009 General Obligation Refunding Bond as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	3.50%	\$ 560,000	\$ 19,600	\$ 579,600
		560,000	<u>\$ 19,600</u>	<u>\$ 579,600</u>
	Plus unamortized premium	<u>13,170</u>		
Total		<u>\$ 573,170</u>		

Golf Course Note Payable – Eaglewood Development LTD

On December 18, 1992 the City entered into a non-interest bearing note payable agreement with Eaglewood Development LTD where the City borrowed \$657,000. The City shall pay a lender an amount equal to 100% of all cash flow until the lender shall have been paid an amount equal to 5% of the total participation net income which has accrued from the date hereof through the end of the fiscal year for which the payment is being made and which has not been previously paid to the lender. The City's obligation to make payments to the lender shall commence at such time as the City shall have accumulated in the golf enterprise fund an unrestricted net position balance the amount of \$175,000, which amount shall include any interest earned on funds deposited in the enterprise reserve fund. Prior to the accumulation of \$175,000, 100% of the cash flow shall be deposited in the enterprise fund. In any fiscal year the cash flow is not available to permit actual payment to the lender of amount required to be paid pursuant to the above stipulations, then payment of such amount shall be deferred until such time as cash flow shall be available to make payments with zero interest. The annual due date of all payments shall be 90 days after the close of each fiscal year. Computation of payment on this note is not determinable as it is based on net income. The golf course had an operating loss for the current year.

2012 Golf Course Capital Lease

In September 2012 the City entered into an equipment lease purchase for \$146,796. During fiscal year 2016 the lease was repaid in full.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

2015 Golf Course Capital Lease

In March 2015 the City entered into an equipment lease purchase for \$136,330. The lease is secured by capital equipment amortized through depreciation expense. Payments are due in September and March of each year until 2020. The lease has an interest rate of 2.5%. The golf fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2.50%	\$ 26,580	\$ 2,595	\$ 29,175
2018	2.50%	27,249	1,926	29,175
2019	2.50%	27,935	1,241	29,176
2020	2.50%	28,638	538	29,176
Total		<u>\$ 110,402</u>	<u>\$ 6,300</u>	<u>\$ 116,702</u>

Eaglewood Village, Inc. (DBA Compass Development Group) Note Payable

On November 16, 2010 the City entered into a note payable agreement with Compass Development Group for the construction of storm drain improvements within the storm drainage service area #2 (Eaglewood Village). In exchange for the storm drain improvements, the City committed to a note of \$973,468 that would be repaid with storm drain impact fees as the fees are collected from that respective development area. The agreement stipulates that the City must remit to the developer 54.2 percent of the impact fees collected from service area #2 and that from the time the fees are collected to when they are remitted they bear interest at a rate of 6 percent. The total remaining payable to the developer at June 30, 2016 is \$322,118.

Solid Waste Lease

In January of 2010 the City entered into an equipment lease for \$138,000 for the purchase of sanitation equipment amortized through depreciation expense. The lease is secured by the equipment. Payments are due in January and July of each year until 2017. The lease has an interest rate of 3.87%. The Solid Waste fund is used to liquidate the lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	3.87%	\$ 22,052	\$ 642	\$ 22,694
Total		<u>\$ 22,052</u>	<u>\$ 642</u>	<u>\$ 22,694</u>

Storm Waste Lease

In May of 2015 the City entered into an equipment lease for \$169,537 for the purchase of a Street Sweeper amortized through depreciation expense. The lease is secured by the equipment. Payments are due in January and July of each year until 2017. The lease has an interest rate of 2.14%. The Storm Waste fund is used to liquidate the lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2.14%	\$ 56,011	\$ 2,408	\$ 58,419
2018	2.14%	57,209	1,217	58,426
Total		<u>\$ 113,220</u>	<u>\$ 3,625</u>	<u>\$ 116,845</u>

NOTE 9 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue for the year ended June 30, 2016 consists of the following:

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
Utah Class C Road allotment	\$ 493,519	66.78%
Fuel Tax	83,328	11.28%
Utah Liquor Law Enforcement Grant	17,356	2.35%
CDBG Grant	21,577	2.92%
Court Grant	1,174	0.16%
JAG Grant	3,716	0.50%
Jordan River Commission Grant	2,500	0.34%
Federal Build America Bond Interest Reimbursement Grant	115,856	15.68%
	<u>\$ 739,027</u>	<u>100.00%</u>

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial liability and property insurance for all major programs. There have been no significant reductions in insurance coverage. The City makes monthly premium payments to the insurance provider to cover any claims on workers compensation. Settlement amounts have not exceeded insurance coverage for the prior four years. The table below illustrates the coverage limits and deductibles for the various areas of risks that the City is exposed to:

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RISK MANAGEMENT (Continued)

	<u>Coverage Limits</u>	<u>Deductible</u>
General Liability	2,000,000	-
Auto Bodily Injury	2,000,000	-
Auto Property Damage	2,000,000	-
Underinsured Motorist	80,000	-
Uninsured Motorist	80,000	-
Building	10,926,300	1,000 *
Building Contents	2,275,287	1,000 *
Contractors Equipment	1,216,639	1,000 *
Electronic Data Equipment	59,800	1,000 *
Equipment in the Open	23,690	1,000 *
Mobile Equipment	45,640	1,000 *
Sewer/Water Buildings	4,566,600	1,000 *
Sewer/Water Building Contents	1,536,500	1,000 *
Position Bond	900,000	-
Treasurer's Fidelity Bond	750,000	-

* Deductible is per incidence

NOTE 11 PENSION PLAN

General Information about the Pension Plan

Plan Description:

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

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

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

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 PENSION PLAN (Continued)

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

Benefits Provided:

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65*	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65*	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighters System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65*	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

Contributions:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board.

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 PENSION PLAN (Continued)

Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111 - Local Government Division Tier 2	N/A	N/A	16.670%	1.78%
Noncontributory System				
15 - Local Government Division Tier 1	N/A	N/A	18.470%	N/A
Public Safety Retirement System				
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%	N/A
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%	1.33%
Tier 2 DC Only				
211 - Local Government	N/A	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 6,831	N/A
Public Safety System	320,818	-
Tier 2 Public Employees System	55,165	-
Tier 2 Public Safety and Firefighter	23,489	-
Tier 2 DC Only System	88,869	N/A
Total Contributions	\$ 795,171	\$ -

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 PENSION PLAN (Continued)

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

At June 30, 2016, we reported a net pension asset of \$2,589 and a net pension liability of \$2,579,823.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.2504222%	\$ -	\$ 1,417,011
Public Safety System	0.6491617%	\$ -	\$ 1,162,812
Tier 2 Public Employees System	0.0506753%	\$ 111	\$ -
Tier 2 Public Safety and Firefighter System	0.1696343%	\$ 2,478	\$ -
Total Net Pension Asset/Liability		<u>\$ 2,589</u>	<u>\$ 2,579,823</u>

The net pension asset and liability was measure as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, we recognized pension expense of \$681,710. At June 30, 2016 we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 430	\$ 184,861
Changes in assumptions	-	157,623
Net difference between projected and actual earnings on pension plan investments	853,701	-
Changes in proportion and differences between contributions and proportionate share of contributions	50,088	-
Contributions subsequent to the measurement date	397,000	-
Total	<u>\$ 1,301,219</u>	<u>\$ 342,484</u>

\$397,000 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 PENSION PLAN (Continued)

<u>Year ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2016	\$ 108,685
2017	108,685
2018	141,150
2019	204,482
2020	(288)
Thereafter	\$ (968)

Actuarial assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

Asset Class	<u>Expected Return Arithmetic Basis</u>		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
		<u>Inflation</u>	<u>2.75%</u>
		<u>Expected arithmetic nominal return</u>	<u>7.98%</u>

**CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 11 PENSION PLAN (Continued)

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate:

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

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 2,994,003	\$ 14,170,111	\$ 100,538
Public Safety System	\$ 2,462,345	\$ 1,162,812	\$ 104,752
Tier 2 Public Employees System	\$ 20,286	\$ (111)	\$ (15,570)
Tier 2 Public Safety and Firefighter	\$ 4,213	\$ (2,478)	\$ (7,617)
Total Contributions	\$ 5,480,847	\$ 2,577,234	\$ 182,103

Pension Plan Fiduciary Net Position:

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

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

City of North Salt Lake participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 PENSION PLAN (Continued)

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

401(k) Plan	2016	2015	2014
Employer Contributions	\$ 206,952	\$ 188,979	\$ 200,639
Employee Contributions	\$ 63,606	\$ 55,207	\$ 55,989
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 54,748	\$ 33,044	\$ 38,394
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 6,525	\$ 2,580	\$ 180
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 650	\$ 450	\$ 450

NOTE 12 INTERFUND TRANSACTIONS

At June 30, 2016, the City's internal balances due to or from other activities were as follows:

<u>Due to Capital Projects Fund - Payable</u>	<u>Capital Projects - Receivable</u>
Redevelopment	\$ 13,142
Golf	1,987,788
Total	<u>\$ 2,000,930</u>

The Golf Fund payable represents transferred subsidies made to the Golf Fund from fiscal years 1994 through 2013. The Redevelopment Agency will not begin collection of tax increment from the project areas until Fiscal Year 2016. The City does not expect to be repaid from the Golf Fund or the Redevelopment Agency within one year.

In addition to the above, transfers were made which will not be repaid. Interfund transfers for the year ended June 30, 2016 are as follows:

	<u>Transfer - In</u>	<u>Transfer - Out</u>
Governmental:		
General Fund	\$ -	\$ 1,119,924
Capital Projects Fund	60,000	-
Police Facilities Fund	-	60,000
Roadway Devel. Fund	550,924	-
Enterprise:		
Golf Fund	569,000	-
	<u>\$ 1,179,924</u>	<u>\$ 1,179,924</u>

CITY OF NORTH SALT LAKE
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 INTERFUND TRANSACTIONS (Continued)

These transfers occurred primarily to finance programs, accounted for in one fund, with resources collected in other funds in accordance with budgetary authorizations. The General Funds transfer to the Roadway Development Fund was for the construction of C Road qualifying road projects and seal coating. The General Funds transfer to the Golf Fund was for the General Obligation debt service related to purchase of the Golf Course property and improvements. The Police Facilities Fund transferred its share of the capital cost of the new building to the Capital Projects Fund.

NOTE 13 CONTRACT AGREEMENTS

The City participates in the following special districts to provide services to its residents:

Davis County Solid Waste Management and Energy Recovery Special Service District
South Davis Metro Fire Agency
South Davis County Sewer District
South Davis Recreation District

The Solid Waste Management District, Sewer District and Recreation District charge users directly for services received. During the current fiscal year the City paid the Fire Agency \$1,267,277 for fire services.

The City has representatives on the governing boards of the above districts but does not have total or final control over the fiscal or administrative activities of these entities. Payments or services to these entities are included in the expenditures of the City's general fund. Separate financial statements are prepared by these districts and are publicly available through their respective offices.

NOTE 14 REDEVELOPMENT AGENCY OF THE CITY OF NORTH SALT LAKE

In accordance with Utah State Law, the City makes the following disclosures relative to the North Salt Lake City Redevelopment Agency (RDA): The RDA collected 1) \$203,078 for project area 1 of tax increment monies, and 2) \$114,864 from project area 2. No funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area. Developer reimbursements were made in the amount of \$192,924 from revenue collected from project area 1. The RDA expended \$5,198 towards professional and technical costs.

NOTE 15 DEFICIT FUND BALANCES

The City had one fund with a deficit fund balance at year end. The RDA fund had a deficit fund balance of \$1,656.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH SALT LAKE, UTAH
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
JUNE 30, 2016

	Noncontrib utory System	Tier 2 Public Employees System	Tier 2 Public Employees System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.2504222%	0.6491617%	0.0506753%	0.1696343%
Proportion share of the net pension liability (asset)	\$ 1,417,011	\$ 1,162,812	\$ (111)	\$ (2,478)
Covered employee payroll	\$ 2,099,285	\$ 1,044,487	\$ 327,389	\$ 100,973
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.5%	115.8%	-0.03%	2.5%
Plan fiduciary net position as a percentage of the total pension liability	87.8%	87.1%	100.2%	110.7%

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

**CITY OF NORTH SALT LAKE, UTAH
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS**

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contributions deficiency (excess)	Covered Employee Payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 335,835	\$ 335,835	\$ -	\$ 1,974,118	17.01%
	2015	368,913	368,913	-	2,059,934	17.91%
	2016	386,831	386,831	-	2,174,060	17.79%
Public Safety System	2014	\$ 295,618	\$ 295,618	\$ -	\$ 976,337	30.28%
	2015	322,268	322,268	-	1,001,929	32.16%
	2016	320,818	320,818	-	1,005,185	31.92%
Tier 2 Public Employees System*	2014	\$ 40,489	\$ 40,489	\$ -	\$ 290,267	13.95%
	2015	48,103	48,103	-	322,361	14.92%
	2016	55,165	55,165	-	373,487	14.77%
Tier 2 Public Safety and Firefighter System*	2014	\$ 16,198	\$ 16,198	\$ -	\$ 77,687	20.85%
	2015	17,350	17,350	-	76,939	22.55%
	2016	23,489	23,489	-	104,394	22.50%
Tier 2 Public Employees DC Only System*	2014	\$ 3,747	\$ 3,747	\$ -	\$ 67,152	5.58%
	2015	7,100	7,100	-	105,649	6.72%
	2016	8,869	8,869	-	138,174	6.42%

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

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

**CITY OF NORTH SALT LAKE, UTAH
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS**

Changes in Assumptions:

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly earlier age.

SUPPLEMENTARY INFORMATION

CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Redevelopment Agency	Debt Service	Police Facilities	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 68,919	\$ 173,689	\$ -	\$ 242,608
Taxes receivable	-	47,354	-	47,354
Restricted cash and cash equivalents	11,486	29,055	70,503	111,044
Total Assets	\$ 80,405	\$ 250,098	\$ 70,503	\$ 401,006
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 1,599	\$ -	\$ 1,599
Accrued liabilities	68,919	-	-	68,919
Due to other funds	13,142	-	-	13,142
Total Liabilities	82,061	1,599	-	83,660
Fund Balances				
Restricted:				
Impact fees	-	-	70,503	70,503
Debt service	-	29,055	-	29,055
Housing Restriction	11,486	-	-	11,486
Assigned	(13,142)	219,444	-	206,302
Total Fund Balances	(1,656)	248,499	70,503	317,346
Total Liabilities and Fund Balances	\$ 80,405	\$ 250,098	\$ 70,503	\$ 401,006

CITY OF NORTH SALT LAKE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016

	Redevelopment		Police	Total
	Agency	Debt Service	Facilities	Nonmajor
Revenues				Governmental
				Funds
Property taxes	\$ 317,942	\$ 348,844	\$ -	\$ 666,786
Intergovernmental	-	52,165	-	52,165
Impact fees	-	-	73,685	73,685
Interest	468	1,936	426	2,830
Total Revenues	318,410	402,945	74,111	795,466
Expenditures				
General government	5,331	-	-	5,331
Community development	261,842	-	-	261,842
Debt service:				
Principal	-	175,000	-	175,000
Interest	-	162,518	-	162,518
Total Expenditures	267,173	337,518	-	604,691
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	51,237	65,427	74,111	190,775
Other Financing Sources (Uses)				
Transfer out	-	-	(60,000)	(60,000)
Total Other Financing				
Sources (Uses)	-	-	(60,000)	(60,000)
Net Change in Fund Balances	51,237	65,427	14,111	130,775
Fund Balance, Beginning	(52,893)	183,072	56,392	186,571
Fund Balance, Ending	\$ (1,656)	\$ 248,499	\$ 70,503	\$ 317,346

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 5,000	\$ 5,000	\$ 7,442	\$ 2,442
Contributions	-	500,000	562,116	62,116
Total Revenues	<u>5,000</u>	<u>505,000</u>	<u>569,558</u>	<u>64,558</u>
Expenditures				
General government	-	1,156,491	985,283	171,208
Public safety	-	80,000	1,000	79,000
Highways and public improvements	-	10,100	9,939	161
Total Expenditures	<u>-</u>	<u>1,246,591</u>	<u>996,222</u>	<u>250,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,000</u>	<u>(741,591)</u>	<u>(426,664)</u>	<u>314,927</u>
Other Financing Sources (Uses)				
Transfer in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Net Change in Fund Balance *	<u>\$ 65,000</u>	<u>\$ (681,591)</u>	<u>(366,664)</u>	<u>\$ 314,927</u>
Fund Balance, Beginning			<u>3,390,398</u>	
Fund Balance, Ending			<u>\$ 3,023,734</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL –MAJOR PARK DEVELOPMENT
CAPITAL PROJECTS FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 308,000	\$ 308,000	\$ 268,600	\$ (39,400)
Intergovernmental revenues	-	218,000	2,500	(215,500)
Interest	-	-	3,838	3,838
Total Revenues	<u>308,000</u>	<u>526,000</u>	<u>274,938</u>	<u>(251,062)</u>
Expenditures				
Current:				
Improvements	<u>235,000</u>	<u>743,214</u>	<u>199,564</u>	<u>543,650</u>
Total Expenditures	<u>235,000</u>	<u>743,214</u>	<u>199,564</u>	<u>543,650</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>73,000</u>	<u>(217,214)</u>	<u>75,374</u>	<u>292,588</u>
Net Change in Fund Balance *	<u>\$ 73,000</u>	<u>\$ (217,214)</u>	<u>75,374</u>	<u>\$ 292,588</u>
Fund Balance, Beginning			<u>563,235</u>	
Fund Balance, Ending			<u>\$ 638,609</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – MAJOR ROADWAY DEVELOPMENT
CAPITAL PROJECTS FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 264,600	\$ 264,600	\$ 381,078	\$ 116,478
Intergovernmental revenues	-	1,778,000	-	(1,778,000)
Interest	1,500	1,500	10,134	8,634
Miscellaneous	-	-	130,930	130,930
Total Revenues	<u>266,100</u>	<u>2,044,100</u>	<u>522,142</u>	<u>(1,521,958)</u>
Expenditures				
Highways and public improvements	<u>332,000</u>	<u>3,053,407</u>	<u>816,528</u>	<u>2,236,879</u>
Total Expenditures	<u>332,000</u>	<u>3,053,407</u>	<u>816,528</u>	<u>2,236,879</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(65,900)</u>	<u>(1,009,307)</u>	<u>(294,386)</u>	<u>714,921</u>
Other Financing Sources (Uses)				
Transfer in	<u>413,900</u>	<u>778,700</u>	<u>550,924</u>	<u>(227,776)</u>
Total Other Financing Sources (Uses)	<u>413,900</u>	<u>778,700</u>	<u>550,924</u>	<u>(227,776)</u>
Net Change in Fund Balance *	<u>\$ 348,000</u>	<u>\$ (230,607)</u>	256,538	<u>\$ 487,145</u>
Fund Balance, Beginning			<u>1,311,292</u>	
Fund Balance, Ending			<u>\$ 1,567,830</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR REDEVELOPMENT AGENCY
SPECIAL REVENUE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 55,000	\$ 317,950	\$ 317,942	\$ (8)
Interest	-	-	468	468
Total Revenues	<u>55,000</u>	<u>317,950</u>	<u>318,410</u>	<u>460</u>
Expenditures				
Improvements	137,000	137,000	5,330	131,670
Interest	-	-	-	-
Community	-	192,950	261,843	(68,893)
Total Expenditures	<u>137,000</u>	<u>329,950</u>	<u>267,173</u>	<u>62,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(82,000)</u>	<u>(12,000)</u>	<u>51,237</u>	<u>63,237</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	51,237	<u>\$ -</u>
Fund Balance, Beginning			<u>(52,893)</u>	
Fund Balance, Ending			<u>\$ (1,656)</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR DEBT SERVICE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 340,000	\$ 340,000	\$ 348,844	\$ 8,844
Intergovernmental	51,800	51,800	52,165	365
Interest	300	300	1,936	1,636
Total Revenues	<u>392,100</u>	<u>392,100</u>	<u>402,945</u>	<u>10,845</u>
Expenditures				
Debt service:				
Principal	175,000	175,000	175,000	-
Interest	162,420	162,420	162,518	(98)
Total Expenditures	<u>337,420</u>	<u>337,420</u>	<u>337,518</u>	<u>(98)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,680</u>	<u>54,680</u>	<u>65,427</u>	<u>10,747</u>
Net Change in Fund Balance	<u>\$ 54,680</u>	<u>\$ 54,680</u>	65,427	<u>\$ 10,747</u>
Fund Balance, Beginning			<u>183,072</u>	
Fund Balance, Ending			<u>\$ 248,499</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL –NONMAJOR POLICE FACILITIES
SPECIAL REVENUE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 34,300	\$ 34,300	\$ 73,685	\$ 39,385
Interest	-	-	426	426
Total Revenues	<u>34,300</u>	<u>34,300</u>	<u>74,111</u>	<u>39,811</u>
Other Financing Sources (Uses)				
Transfer out	<u>(34,300)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(34,300)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (25,700)</u>	14,111	<u>\$ 39,811</u>
Fund Balance, Beginning			<u>56,392</u>	
Fund Balance, Ending			<u>\$ 70,503</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE
AS DESCRIBED IN THE BOND DOCUMENTS FOR THE WATER BONDS
For The Year Ended June 30, 2016

Net Revenues:		
Total Operating Revenues		\$ 5,027,100
Non-Operating Revenues		
	Impact Fees	605,516
	Interest Income	33,207
		<u>5,665,823</u>
Operating Expenses (excluding depreciation)		<u>2,925,529</u>
	Total Expenses (excluding depreciation)	<u>2,925,529</u>
Net Revenues		<u><u>\$ 2,740,294</u></u>
 Fiscal Year 2017 Debt Service Requirements:		
	2010 Bonds	\$ 293,234
	2015 Bonds	408,472
		<u><u>\$ 701,706</u></u>
 Fiscal Year 2016 Net revenues divided by aggregate fiscal year 2017 debt service		 391%
Minimum requirement		125%
Excess (Deficiency)		266%

**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 Mayor and Council of
North Salt Lake

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Salt Lake, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise North Salt Lake's basic financial statements, and have issued our report thereon dated November 23, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wood Richards & Associates, PC

Ogden, Utah
November 23, 2016

**INDEPENDENT AUDITOR'S REPORT
AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE ON:**

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS**
- **INTERNAL CONTROL OVER COMPLIANCE**

To the Mayor and Council and Chief Executive Officer of
North Salt Lake

Report On Compliance with General State Compliance Requirements

We have audited North Salt Lake's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on North Salt Lake for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion, North Salt Lake complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on North Salt Lake for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings as items 2016-1 and 2016-2. Our opinion on compliance is not modified with respect to these matters.

North Salt Lake's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings. North Salt Lake's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Very truly yours,

Wood Richards & Associates, PC
Ogden, Utah
November 23, 2016

**CITY OF NORTH SALT LAKE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-01 Open and Public Meetings Act

Criteria: A state public body shall post minutes of the council meetings to the Utah Public Notice Website within three business days after approval of those minutes.

Condition: Some of the council meeting minutes are not being posted within three business days of approval as required by state law.

Effect: Failure to post city council meeting minutes to Utah's Public Notice website within three business days of approval violates state code.

Recommendation: We recommend the City improve procedures over posting minutes to ensure that all city council meeting minutes are properly posted to the public notice website as required by law.

Management's Response: We will take additional steps to ensure that all of the minutes are posted within three days of approval.

Finding 2016-02: Insufficient Bond Coverage

Criteria: *Utah Code*, requires treasurers to be bonded in an amount established by the council. Bond coverage amounts are established by *Utah Administration Code*, Rule R628-4-4.

Condition: The City does not have adequate bond coverage as required by *Utah Administrative Code*. The City's coverage should be \$1,000,000. The current bond amount is \$780,000.

Cause: The City has not updated bond coverage for fiscal year 2016 to have sufficient coverage.

Effect: The City is noncompliant with this requirement.

Recommendation: We recommend the City evaluate bond coverage for each fiscal year and obtain proper coverage as required by law.

Management's Response: Management has already made the change to increase their coverage to the \$1,000,000 amount.