

# City of North Salt Lake

North Salt Lake, Utah



## GENERAL PURPOSE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018  
Together with Independent Auditor's Report

Prepared by:  
City of North Salt Lake  
Finance Department

**CITY OF NORTH SALT LAKE  
TABLE OF CONTENTS**

	<u>Page</u>
<b>Financial Section</b>	
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	21
Statement of Net Position – Proprietary Funds .....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds.....	27
Notes to Financial Statements.....	29
<b>Required Supplementary Information</b>	
Schedule of the Proportionate Share of the Net Pension Liability.....	59
Schedule of Contributions .....	60
Notes to the Required Supplementary Information Utah Retirement Systems.....	61

**Supplementary Information**

Combining and Individual Fund Statements:

Combining Balance Sheet – Nonmajor Governmental Funds .....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Capital Projects .....	64
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Park Development Capital Projects Fund.....	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Roadway Development Capital Projects Fund.....	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Redevelopment Agency Special Revenue Fund.....	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Local Building Authority Special Revenue Fund.....	68
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Housing Special Revenue Fund.....	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Debt Service Fund .....	70
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Police Facilities Capital Projects Revenue Fund .....	71
Schedule of Net Revenues and Aggregate Debt Service .....	72

**Auditor’s Reports and Findings:**

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 <i>Government Auditing Standards</i> .....	73
Independent Auditor’s Report in Accordance with the State Compliance Audit Guide .....	75

## **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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 3–15 and 59–61 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***

The combining and individual nonmajor fund financial statements 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 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 20, 2018, 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 solely 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 the effectiveness of North Salt Lake's 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.

*Child, Richards CPAs & Advisors*

Ogden, Utah  
November 20, 2018

**CITY OF NORTH SALT LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2018**

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, 2018. 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, 2018 by \$99,710,429. Of this amount, unrestricted net position of \$13,107,359 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall net position increased by \$3,133,331 from the prior year. Business-type activities increased net position by \$995,797 while governmental activities had an increase in net position of \$2,137,534.
- As of the close of the current fiscal year, the City of North Salt Lake's governmental funds reported combined ending fund balance of \$10,721,337, an increase of \$1,979,291 over the prior year. Of the total fund balance, \$2,641,354 is unassigned and available for spending. The remaining \$8,079,983 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 \$2,641,354 or 28.5% of total General Fund expenditures.
- The City of North Salt Lake's long-term debt obligations decreased by the net amount of \$537,615. The net decrease was attributable to payments in the amount of \$809,012 for principal payments and bond premium amortizations made on existing debt. The city also purchased vehicles through a capital lease in the amount of \$514,335, the lease principal due was reduced by payments in the amount of \$242,938. Compensated absences had a net increase in the amount of \$9,619.

**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, 2018**

**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 nine 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 five 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 2018 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, 2018**

**Overview of the Financial Statements (Continued)**

**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 \$83,041,750 (83.28%) 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.

<b>City of North Salt Lake's Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	15,653,972	13,597,468	\$ 6,329,183	\$ 5,524,811	\$21,983,155	\$ 19,122,279
Capital assets	60,962,741	60,968,183	33,945,600	34,324,451	94,908,341	95,292,634
Total assets	<u>76,616,713</u>	<u>74,565,651</u>	<u>40,274,783</u>	<u>39,849,262</u>	<u>116,891,496</u>	<u>114,414,913</u>
Deferred outflows of resources	1,279,556	1,191,636	463,218	428,772	1,742,774	1,620,408
Total Deferred inflows	<u>1,279,556</u>	<u>1,191,636</u>	<u>463,218</u>	<u>428,772</u>	<u>1,742,774</u>	<u>1,620,408</u>
Long-term liabilities outstanding	7,128,724	7,758,967	6,425,767	7,057,861	1,321,862	1,584,549
Other liabilities	936,224	1,025,126	385,638	559,423	13,554,491	14,816,828
Total liabilities	<u>8,064,948</u>	<u>8,784,093</u>	<u>6,811,405</u>	<u>7,617,284</u>	<u>14,876,353</u>	<u>16,401,377</u>
Deferred inflows of resources	3,660,820	2,940,227	386,668	116,619	4,047,488	3,056,846
Total Deferred inflows	<u>3,660,820</u>	<u>2,940,227</u>	<u>386,668</u>	<u>116,619</u>	<u>4,047,488</u>	<u>3,056,846</u>
Net Position:						
Net investment in capital assets	56,780,563	56,895,547	26,261,187	26,509,518	83,041,750	83,405,065
Restricted	2,784,365	2,678,686	776,655	712,856	3,561,020	3,391,542
Unrestricted	6,605,573	4,458,734	6,502,086	5,321,757	13,107,659	9,780,491
Total Net Position	<u>\$66,170,501</u>	<u>\$64,032,967</u>	<u>\$ 33,539,928</u>	<u>\$ 32,544,131</u>	<u>\$99,710,429</u>	<u>\$ 96,577,098</u>

An additional portion of the net position, \$3,561,020 (3.57%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$13,107,659 (13.15%), 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 \$3,133,331 (3.24%). 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, 2018**

**Government-wide Financial Analysis (Continued)**

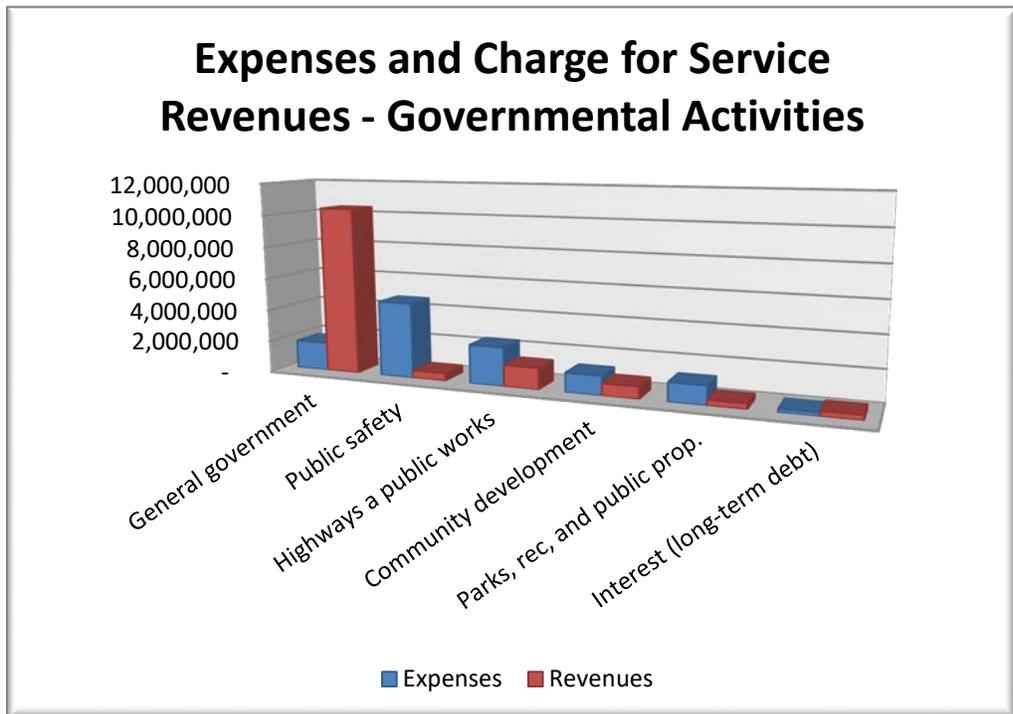
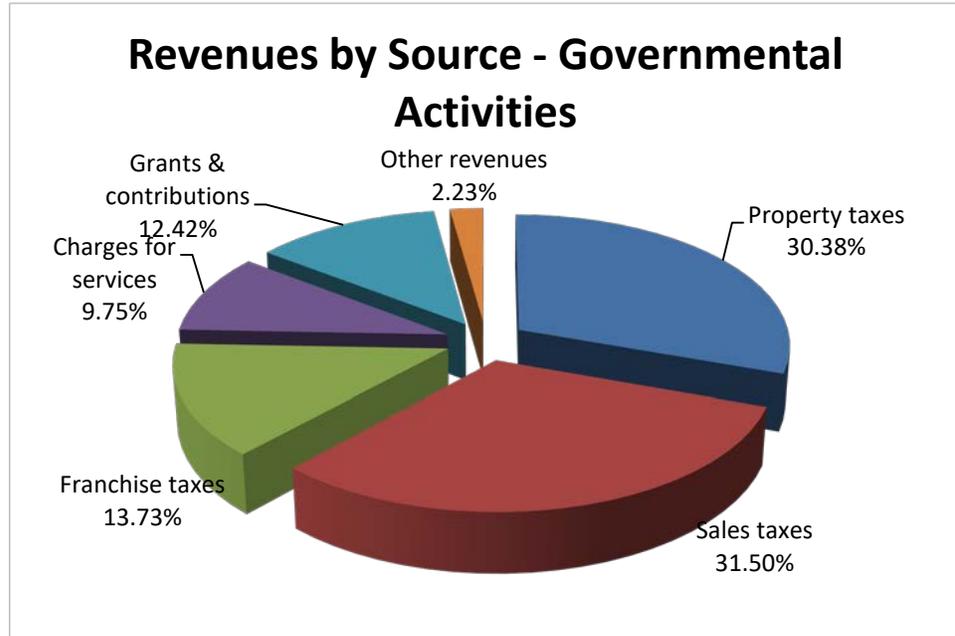
City of North Salt Lake's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,306,875	\$ 1,293,327	\$ 7,224,709	\$ 7,309,680	\$ 8,531,584	\$ 8,603,007
Operating grants and contributions	1,060,878	1,192,890	-	-	1,060,878	1,192,890
Capital grants and contributions	632,990	643,568	479,830	796,849	1,112,820	1,440,417
General revenues:						
Property taxes	4,156,080	3,993,431	-	-	4,156,080	3,993,431
Other taxes	6,177,569	5,768,510	-	-	6,177,569	5,768,510
Other	301,558	261,701	184,625	61,267	486,183	322,968
<b>Total revenues</b>	<b>13,635,950</b>	<b>13,153,427</b>	<b>7,889,164</b>	<b>8,167,796</b>	<b>21,525,114</b>	<b>21,321,223</b>
Expenses:						
General government	1,781,285	2,592,031	-	-	1,781,285	2,592,031
Public safety	4,714,790	4,522,247	-	-	4,714,790	4,522,247
Highways and public works	2,416,780	2,414,351	-	-	2,416,780	2,414,351
Community development	1,201,333	552,388	-	-	1,201,333	552,388
Parks, recreation, and public property	1,176,697	1,091,886	-	-	1,176,697	1,091,886
Interest on long-term debt	207,531	163,920	-	-	207,531	163,920
Water	-	-	3,426,219	3,350,601	3,426,219	3,350,601
Pressurized irrigation	-	-	405,998	418,444	405,998	418,444
Storm water	-	-	612,976	565,694	612,976	565,694
Solid waste	-	-	914,144	865,284	914,144	865,284
Golf course	-	-	1,534,030	1,492,540	1,534,030	1,492,540
<b>Total expenses</b>	<b>11,498,416</b>	<b>11,336,823</b>	<b>6,893,367</b>	<b>6,692,563</b>	<b>18,391,783</b>	<b>18,029,386</b>
Increase in Net Position before transfers	2,137,534	1,816,604	995,797	1,475,233	3,133,331	3,291,837
Transfers	-	(489,500)	-	489,500	-	-
<b>Increase (Decrease) in Net Position</b>	<b>2,137,534</b>	<b>1,327,104</b>	<b>995,797</b>	<b>1,964,733</b>	<b>3,133,331</b>	<b>3,291,837</b>
Net Position - beginning of year	64,032,967	63,171,030	32,544,131	30,579,398	96,577,098	93,750,428
Prior Period Adjustment	-	(465,167)	-	-	-	(465,167)
<b>Net Position - end of year</b>	<b>\$ 66,170,501</b>	<b>\$ 64,032,967</b>	<b>\$ 33,539,928</b>	<b>\$ 32,544,131</b>	<b>\$ 99,710,429</b>	<b>\$ 96,577,098</b>

**Governmental activities.** As indicated by the data in the table above, governmental activities increased the net position of the City's by \$2,137,534 (3.34%). Comparison of total revenues and total expenditures to fiscal year 2017 shows an increase in revenues from governmental activities of \$482,523, while total expenses, before transfers, increased by \$161,593.

**CITY OF NORTH SALT LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2018**

**Government-wide Financial Analysis (Continued)**

**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.



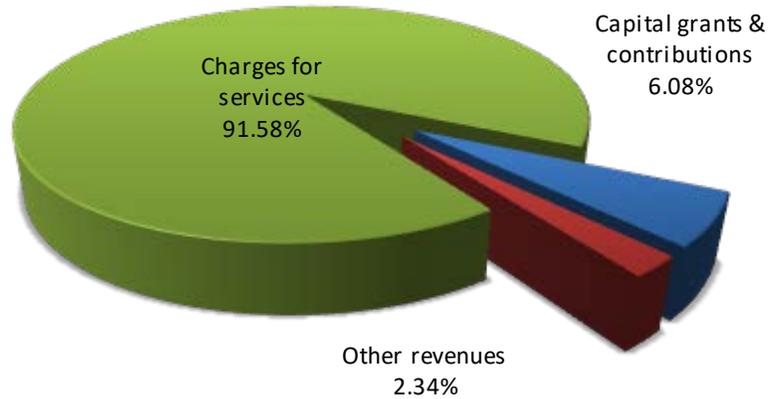
**CITY OF NORTH SALT LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2018**

**Government-wide Financial Analysis (Continued)**

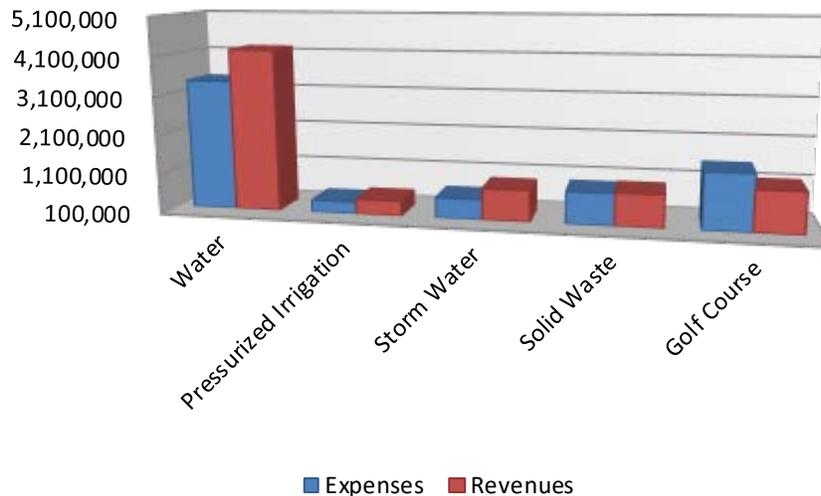
**Business-type activities.** Business-type activities increased the City's net position by \$1,001,325 (3.08%). As indicated by the data in the table on page 6, the increase in the City's net position provided this year by business-type activities was \$963,408 less than the prior year. In comparison to the previous fiscal year 2017, revenues from all business-type activities decreased by \$273,104, while expenses from all business-type activities increased by \$200,804.

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, 2018**

**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, 2018, the City's governmental funds reported combined ending fund balance of \$10,721,337, an increase of \$1,979,291 from the prior fiscal year. \$2,641,354 (24.63%) is available for spending at the government's discretion. The remaining \$8,084,693 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 2,160,923), 2) debt service (\$9,579), 3) road construction projects (\$538,845), and 4) housing restriction (\$75,018); 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 \$2,641,354. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$9,269,437 (28.50%). The fund balance of the City's General Fund increased \$162,347 during the current fiscal year. This represents a 5.19% change in fund balance.

This change in fund balance is \$115,539 less than the prior year, after the FY 2017 the prior period adjustment. Total revenues in the general fund increased by \$145,240 while expenditures increased by \$337,206. The General Fund had a net transfer out of \$2,093,609 in the current year while last year it had a net transfer out of \$1,690,829.

The changes in revenue can be principally attributed to: 1) sales tax revenue increased \$393,171, 2) other tax revenue increased \$15,888, 3) charges for services increased \$25,872, and 4) interest revenue increased \$12,775. The revenue increases were offset by decreases in: 1) property tax \$216,604, 2) licenses and permit fees \$5,185, 3) intergovernmental \$17,367, 4) fines and forfeitures \$14,561, and 5) miscellaneous \$48,749.

The principal changes in general fund expenditures are related to: 1) a \$201,294 increase in public safety, 2) a \$253,615 net increase in public works, and 3) a \$99,367 net increase in general government. Expenditures decreased in community development in the amount of \$51,787.

Capital Projects Fund - This fund has a total fund balance of \$4,270,977, 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, 2018, the fund balance in the Capital Projects Fund increased by \$1,182,234 compared to last year's increase of \$65,008. The increase in the City's Capital Projects Fund balance is primarily a result of the net transfers in from the General Fund and Public Safety Capital Fund in the amount of \$1,200,300, transfers out to the Parks Capital Fund in the amount of \$20,000 and project expenditures related to the slide mitigation in the amount of \$36,251.

Park Development Fund - This fund has a total fund balance of \$386,707, of which \$210,033 is restricted for impact fee related park projects, and \$176,674 assigned to park projects. The increase in fund balance during the current fiscal year was, \$162,554 compared to last year's decrease of \$414,455. The net change in fund balance consisted of: 1) impact fee revenue and related interest in the amount of \$186,000, 2) transfer in from General Fund and Capital Support Funds in the amounts of \$100,000 and \$20,000, respectively and 3) interest related to unrestricted cash in the amount of \$4,856. The revenue increases were offset by expenditures for: 1) park projects in the amount of \$112,091 and 2) transfers out to the Local Building Authority Fund in the amount of \$75,000.

**CITY OF NORTH SALT LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2018**

**Financial Analysis of the Government's Funds (Continued)**

Road Development Fund – This fund has a total fund balance of \$2,087,999, of which \$1,926,981 is restricted for impact fee related road projects, and \$161,018 assigned to road development projects. The net increase in fund balance during the current fiscal year was \$216,584 compared to last year's increase of \$303,585. The net change in fund balance consisted of impact fee revenue and related interest in the amount of \$292,957, transfers in of \$915,309, offset by expenditures in the amount of \$993,280.

**Proprietary funds.** At June 30, 2018, the City's proprietary funds reported combined ending net position of \$33,539,928 an increase of \$995,797 over the prior year. The unrestricted portion of proprietary fund net position has a balance of \$6,502,086. The remaining \$27,037,842 of net position is not available for new spending because it is invested in capital assets \$26,261,187 or legally restricted by parties outside the financial reporting entity for 1) debt service \$449,156 and 2) impact fees \$327,499.

Water Fund – This fund ended fiscal year 2018 with a total net position of \$17,967,269; a net position increase of \$903,814, compared to a prior year increase of \$1,265,762. Revenue in the water fund experienced a net decrease \$286,330. Primary factors in the increase were as follows: 1) an increase of \$143,150 in impact fee revenues; and 2) an offsetting decrease of \$101,354, in operating revenues related to source of water purchase power purchases, this decrease primarily attributable to a decrease in usage, 3) a \$81,225 decrease in capital contribution; and 4) a \$55,022 increase in operating expenses related to an increase in source of water purchases in the amount of \$53,552.

Pressurized Irrigation Fund - This fund has a total net position of \$5,996,902; a net position increase of \$85,846, compared to a prior year increase of \$43,411. The increase is primarily attributable to an increase in impact fee revenues in the amount of \$25,549 and a decrease in operating expenditures in the amount of \$12,446.

Storm Water - This fund has a total net position \$6,583,211. During the year ended June 30, 2018, the Storm Water Fund's net position increased \$302,783 compared to prior year increase of \$443,045. While the charges for services revenue increased from the prior year in the amount of \$13,439, impact fee revenues decreased \$115,901 and expenditures increased in the amount of \$48,980.

Solid Waste - This fund has total net positions of, \$278,623. The total net position did not have significant change from prior year and the fund had a positive current year operating income of \$21,281.

Golf Funds - This fund has a total net position \$2,713,923. The net position of the fund decreased in the amount of \$321,209, compared to an increase in the prior year of \$179,636. The Golf Fund experienced a net operating loss in the amount of \$376,329, compared to the operating loss in the prior year of \$320,046. The loss is primarily attributable to a decrease in operating revenue in the amount of \$12,923 and an increase in expenditures in the amount of \$43,360.

**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:

- Sales tax revenues increased in an amount of \$33,500, attributable to higher than expected growth.
- Intergovernmental revenues were revised upward \$4,400 to reflect a change in State grant revenue.
- General government expenditures were revised upwards net \$1,900; an increase of \$20,000 for administrative and \$4,400 for judicial expenditures, with an offsetting decrease of \$22,500 for buildings.
- Public safety expenditures were revised upwards net \$29,000 for a mobile ballistic shield.

**CITY OF NORTH SALT LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2018**

**General Fund Budgetary Highlights (Continued)**

- Public works expenditures were revised upwards \$44,500.
- Community development expenditures were revised upwards \$8,000 for professional services.
- Overall the general fund expenditures increased by \$83,400, from original to final budget.
- Other Financing Sources Uses increased \$409,500 as a result of increases in transfers-in from the Redevelopment Agency fund in the amount of \$22,000, and an increase in contributions in the amount of \$14,000. These increases were offset by transfer-out to Capital Projects fund in the amount of \$400,0000.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities at June 30, 2018, amounts to \$94,908,341 (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. The total decrease in the City's investment in capital assets for the current fiscal year was \$384,293 (a total .4% decrease equaling decreases of \$5,442 for governmental activities and a reduction of \$378,851 for business-type activities).

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

<b>City of North Salt Lake's Capital Assets (Net of depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$25,066,381	\$25,066,381	\$ 2,551,013	\$ 2,551,013	\$27,617,394	\$ 27,617,394
Water rights	-	-	2,864,052	2,864,052	2,864,052	2,864,052
Construction in progress	188,320	758,868	342,512	157,543	530,832	916,411
Buildings	5,446,331	5,705,545	829,579	862,654	6,275,910	6,568,199
Improvements	6,923,242	6,859,784	-	-	6,923,242	6,859,784
Golf course	-	-	2,579,866	2,678,703	2,579,866	2,678,703
Water distribution system	-	-	17,793,690	18,241,099	17,793,690	18,241,099
Storm water system	-	-	5,593,327	5,761,668	5,593,327	5,761,668
Machinery, equip, and vehicles	2,177,261	1,922,634	1,391,561	1,207,719	3,568,822	3,130,353
Infrastructure	21,161,206	20,654,971	-	-	21,161,206	20,654,971
<b>Total</b>	<b>\$60,962,741</b>	<b>\$60,968,183</b>	<b>\$ 33,945,600</b>	<b>\$ 34,324,451</b>	<b>\$94,908,341</b>	<b>\$ 95,292,634</b>

**CITY OF NORTH SALT LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2018**

**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
Brine Maker	\$ 90,147	\$ -	\$ 90,147
Special Ops Bunker	17,765	-	17,765
Eagleridge Dr Reconstruction - VV-Edgewood	380,474	-	380,474
350 N Reconstruction	219,347	-	219,347
Reconst Foxhollow Dr	3,852	-	3,852
Center Street Widening	2,953	-	2,953
Canoe Takeout	4,310	-	4,310
Shade Structure - Foxboro	83,000	-	83,000
Current year expenses Tunnel Spring trail development	12,157	-	12,157
Current year expenses sports regional park	6,652	-	6,652
Current year expenses 120 East Center to Orchard dr	75,048	-	75,048
Current year expenses Redwood road betterment	1,589	-	1,589
Current year expenses overlay Center Street	812	-	812
Current year expenses to signal light at Center Sr	44,656	-	44,656
Current year expenses Orchard Dr Sidewalt	4,173	-	4,173
Fleet vehicles	755,235	-	755,235
Master PLC for SCADA	-	10,222	10,222
Gary pump house PLC replacement	-	14,983	14,983
Water vehicles	-	12,574	12,574
Water Main 350 North - Highway 89 to Maint street	-	189,518	189,518
Pump control vault - Morton	-	109,058	109,058
Current year expenses Eaglepointe estates auxillary storm drain	-	281,347	281,347
Golf course vehicles	-	403,526	403,526
Golf course machinery and equipment	-	36,218	36,218
Less current year deletions	(407,304)	(262,805)	(670,109)
Less current year depreciation expense (Fleet is in governmental)	(1,540,535)	(1,398,252)	(2,938,787)
Add current year accumulated depreciation deletions	240,227	224,760	464,987
<b>Total</b>	<b>\$ (5,442)</b>	<b>\$ (378,851)</b>	<b>\$ (384,293)</b>

Additional information on the City's capital assets can be found in Note 4 of this report.

**CITY OF NORTH SALT LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2018**

**Capital Asset and Debt Administration (Continued)**

**Long-term debt.** At the end of the current fiscal year, the City had \$9,453,437 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	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ -	\$ -	\$ 904,478	\$ 904,478	\$ 904,478	\$ 904,478
Sales Tax revenue bonds	2,675,000	2,855,000	-	-	2,675,000	2,855,000
Water revenue bonds	-	-	4,100,636	4,654,648	4,100,636	4,654,648
RDA bonds	924,000	999,000	-	-	924,000	999,000
Capital leases	583,178	437,237	266,145	140,689	849,323	577,926
<b>Total</b>	<b>\$ 4,182,178</b>	<b>\$ 4,291,237</b>	<b>\$ 5,271,259</b>	<b>\$ 5,699,815</b>	<b>\$ 9,453,437</b>	<b>\$ 9,991,052</b>

During the 2018 fiscal year, the City's total debt decreased by \$537,615. The change is primarily a result of normally scheduled debt service payments, net of new lease agreements for the purchase of vehicles in the governmental funds and vehicles and golf carts in the business-type funds. Additional information on the City's long-term debt can be found in Note 7 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Property tax revenue is budgeted and expected to increase 3.5% from the prior fiscal year. The increase is related to growth from new development and redevelopment of existing areas. Revenue is expected to increase in the amount of \$103,000.
- Sales tax revenue was budgeted conservatively for fiscal year 2019, with an expected increase of 2.7% over the previous year. The most recent sales tax revenue estimates project actual sales tax revenues will be higher than the original fiscal year 2019 budget.
- The unemployment rate for the State of Utah is currently 3 percent, which is a slight decrease of .3 percent, from a rate of 3.5 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 2019, 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 experienced in recent years.
- Interest rates are expected to rise during fiscal year 2019. An increase may impact development growth and the city's decision to issue new debt. However, it is unlikely to significantly impact the long-term financial position of the City.
- On the expenditure side, increases are expected in wages, health insurance premiums, as well as pension and other employee benefit costs.

**CITY OF NORTH SALT LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2018**

**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, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,351,340	\$ 6,462,363	\$ 12,813,703
Receivables:			
Taxes	2,781,272	-	2,781,272
Accounts net	81,523	928,502	1,010,025
Intergovernmental	1,130,380	-	1,130,380
Internal balances	2,413,154	(2,413,154)	-
Inventories	-	206,309	206,309
Prepays	109,986	367,852	477,838
Restricted cash and cash equivalents	2,784,365	776,655	3,561,020
Net pension asset	1,952	656	2,608
Capital assets not being depreciated:			
Land	25,066,381	2,551,013	27,617,394
Water rights	-	2,864,052	2,864,052
Construction in progress	188,320	342,512	530,832
Capital assets, net of accumulated depreciation:			
Buildings	5,446,331	829,579	6,275,910
Improvements other than buildings	6,923,242	-	6,923,242
Golf course	-	2,579,866	2,579,866
Water distribution system	-	17,793,690	17,793,690
Storm water system	-	5,593,327	5,593,327
Machinery, equipment, and vehicles	2,177,261	1,391,561	3,568,822
Infrastructure	21,161,206	-	21,161,206
<b>Total Assets</b>	<b>76,616,713</b>	<b>40,274,783</b>	<b>116,891,496</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources relating to pensions	1,279,556	463,218	1,742,774
<b>Total Assets and Deferred outflows of resources</b>	<b>77,896,269</b>	<b>40,738,001</b>	<b>118,634,270</b>
<b>Liabilities</b>			
Accounts payable	341,192	284,393	625,585
Accrued liabilities	595,032	101,245	696,277
Developer and customer deposits	925,213	389,858	1,315,071
Noncurrent liabilities:			
Due within one year	631,042	765,861	1,396,903
Due in more than one year	3,972,398	4,732,812	8,705,210
Net pension liability	1,600,071	537,236	2,137,307
<b>Total Liabilities</b>	<b>8,064,948</b>	<b>6,811,405</b>	<b>14,876,353</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources relating to pensions	1,022,494	386,668	1,409,162
Unearned revenues - developer deposit	14,000	-	14,000
Unearned revenues - property taxes	2,624,326	-	2,624,326
<b>Total Deferred Inflows of Resources</b>	<b>3,660,820</b>	<b>386,668</b>	<b>4,047,488</b>
<b>Net Position</b>			
Net investment in capital assets	56,780,563	26,261,187	83,041,750
Restricted for:			
Impact fees	2,160,923	327,499	2,488,422
Debt service	9,579	449,156	458,735
Construction projects	538,845	-	538,845
Housing restriction	75,018	-	75,018
Unrestricted	6,605,573	6,502,086	13,107,659
<b>Total Net Position</b>	<b>66,170,501</b>	<b>33,539,928</b>	<b>99,710,429</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 77,896,269</b>	<b>\$ 40,738,001</b>	<b>\$ 118,634,270</b>

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, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Government Activities</b>							
General governmental	\$ 1,781,285	\$ -	\$ -	\$ 97,417	\$ (1,683,868)	\$ -	\$ (1,683,868)
Public safety	4,714,790	464,410	16,741	-	(4,233,639)	-	(4,233,639)
Highways and public improvements	2,416,780	29,668	1,044,137	255,190	(1,087,785)	-	(1,087,785)
Community development	1,201,333	700,070	-	55,594	(445,669)	-	(445,669)
Parks, recreation, and public property	1,176,697	112,727	-	224,789	(839,181)	-	(839,181)
Interest on long-term debt	207,531	-	-	-	(207,531)	-	(207,531)
<b>Total Governmental Activities</b>	<b>11,498,416</b>	<b>1,306,875</b>	<b>1,060,878</b>	<b>632,990</b>	<b>(8,497,673)</b>	<b>-</b>	<b>(8,497,673)</b>
<b>Business-type Activities</b>							
Water	3,426,219	3,930,614	-	307,204	-	811,599	811,599
Pressurized irrigation	405,998	448,954	-	32,847	-	75,803	75,803
Storm water	612,976	757,912	-	139,779	-	284,715	284,715
Solid waste	914,144	935,425	-	-	-	21,281	21,281
Golf course	1,534,030	1,151,804	-	-	-	(382,226)	(382,226)
<b>Total Business-type Activities</b>	<b>6,893,367</b>	<b>7,224,709</b>	<b>-</b>	<b>479,830</b>	<b>-</b>	<b>811,172</b>	<b>811,172</b>
<b>Total Government</b>	<b>\$ 18,391,783</b>	<b>\$ 8,531,584</b>	<b>\$ 1,060,878</b>	<b>\$ 1,112,820</b>	<b>(8,497,673)</b>	<b>811,172</b>	<b>(7,686,501)</b>
			<b>General Revenues</b>				
			Property taxes		4,156,080	-	4,156,080
			Sales taxes		4,309,400	-	4,309,400
			Franchise taxes		1,868,169	-	1,868,169
			Unrestricted interest on investments		163,246	83,457	246,703
			Miscellaneous		51,726	23,292	75,018
			Gain on sale of capital assets		86,586	77,876	164,462
			<b>Total General Revenues</b>		<b>10,635,207</b>	<b>184,625</b>	<b>10,819,832</b>
			Changes in Net Position		2,137,534	995,797	3,133,331
			<b>Net Position, Beginning</b>		<b>64,032,967</b>	<b>32,544,131</b>	<b>96,577,098</b>
			<b>Net Position, Ending</b>		<b>\$ 66,170,501</b>	<b>\$ 33,539,928</b>	<b>\$ 99,710,429</b>

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

**CITY OF NORTH SALT LAKE**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 3,040,430	\$ 1,792,170	\$ 194,127	\$ 376,219	\$ 505,941	\$ 5,908,887
Receivables:						
Taxes	2,703,625	-	-	-	77,647	2,781,272
Accounts - net	20,090	-	-	-	61,433	81,523
Intergovernmental	1,130,380	-	-	-	-	1,130,380
Prepays	109,455	-	-	-	531	109,986
Due from other funds	-	2,478,807	-	-	-	2,478,807
Restricted cash and cash equivalents	538,845	-	210,033	1,926,981	108,506	2,784,365
<b>Total Assets</b>	<u>\$ 7,542,825</u>	<u>\$ 4,270,977</u>	<u>\$ 404,160</u>	<u>\$ 2,303,200</u>	<u>\$ 754,058</u>	<u>\$ 15,275,220</u>
<b>Liabilities</b>						
Accounts payable	\$ 117,997	\$ -	\$ 3,453	\$ 215,201	\$ 2,405	\$ 339,056
Accrued liabilities	585,635	-	-	-	-	585,635
Due to other funds	-	-	-	-	65,653	65,653
Developer deposits	925,213	-	-	-	-	925,213
Unearned revenue	-	-	14,000	-	-	14,000
<b>Total Liabilities</b>	<u>1,628,845</u>	<u>-</u>	<u>17,453</u>	<u>215,201</u>	<u>68,058</u>	<u>1,929,557</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues - property taxes	2,624,326	-	-	-	-	2,624,326
<b>Total Deferred Inflows of Resources</b>	<u>2,624,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,624,326</u>
<b>Fund Balances</b>						
Nonspendable:						
Prepays	109,455	-	-	-	-	109,455
Restricted:						
Impact fees	-	-	210,033	1,926,981	23,909	2,160,923
Debt service	-	-	-	-	9,579	9,579
Construction projects	538,845	-	-	-	-	538,845
Housing restriction	-	-	-	-	75,018	75,018
Assigned:						
Road development	-	-	-	161,018	-	161,018
Construction projects	-	4,270,977	176,674	-	-	4,447,651
Debt service	-	-	-	-	577,494	577,494
Unassigned	2,641,354	-	-	-	-	2,641,354
<b>Total Fund Balances</b>	<u>3,289,654</u>	<u>4,270,977</u>	<u>386,707</u>	<u>2,087,999</u>	<u>686,000</u>	<u>10,721,337</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 7,542,825</u>	<u>\$ 4,270,977</u>	<u>\$ 404,160</u>	<u>\$ 2,303,200</u>	<u>\$ 754,058</u>	<u>\$ 15,275,220</u>

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, 2018**

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

<b>Total fund balance - governmental funds</b>	\$ 10,721,337
Net pension assets used in governmental activities are not financial resources and, therefore are not reported in the funds	1,893
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	1,237,925
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	59,128,681
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	(5,570,070)
Deferred inflows of resources, report net position that applies to future periods, is not shown in the fund statements	(987,387)
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 funds are included in governmental activities in the statement of net position.	1,638,123
<b>Total net position - governmental activities</b>	<b>\$ 66,170,501</b>

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, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 9,074,256	\$ -	\$ -	\$ -	\$ 1,259,394	\$ 10,333,650
Licenses and permits	232,805	-	-	-	-	232,805
Rental income	-	-	-	-	59,839	59,839
Intergovernmental	1,071,268	4,000	-	-	83,027	1,158,295
Charges for services	573,282	-	-	-	-	573,282
Fines and forfeitures	434,641	-	-	-	-	434,641
Impact fees	-	-	186,000	255,190	55,594	496,784
Interest	78,731	34,185	4,856	33,057	11,551	162,380
Miscellaneous	39,370	-	-	6,308	-	45,678
<b>Total Revenues</b>	<u>11,504,353</u>	<u>38,185</u>	<u>190,856</u>	<u>294,555</u>	<u>1,469,405</u>	<u>13,497,354</u>
<b>Expenditures</b>						
Current:						
General government	1,489,000	-	-	-	2,405	1,491,405
Public safety	4,723,009	-	-	-	-	4,723,009
Highways and public improvements	1,650,404	-	-	259,763	-	1,910,167
Community development	485,659	-	-	-	715,113	1,200,772
Parks, recreation, and public property	921,365	-	-	-	-	921,365
Debt service:						
Principal	-	-	-	-	255,000	255,000
Interest	-	-	-	-	194,315	194,315
Capital outlay:						
General government	-	36,251	-	-	-	36,251
Highways and public improvements	-	-	-	733,517	-	733,517
Parks, recreation, and public property	-	-	112,091	-	-	112,091
<b>Total Expenditures</b>	<u>9,269,437</u>	<u>36,251</u>	<u>112,091</u>	<u>993,280</u>	<u>1,166,833</u>	<u>11,577,892</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,234,916</u>	<u>1,934</u>	<u>78,765</u>	<u>(698,725)</u>	<u>302,572</u>	<u>1,919,462</u>
<b>Other Financing Sources (Uses)</b>						
Transfer in	22,000	1,200,300	120,000	915,309	127,000	2,384,609
Transfer out	(2,115,609)	(20,000)	(75,000)	-	(174,000)	(2,384,609)
Contributions	21,040	-	38,789	-	-	59,829
<b>Total Other Financing Sources (Uses)</b>	<u>(2,072,569)</u>	<u>1,180,300</u>	<u>83,789</u>	<u>915,309</u>	<u>(47,000)</u>	<u>59,829</u>
<b>Net Change in Fund Balances</b>	162,347	1,182,234	162,554	216,584	255,572	1,979,291
<b>Fund Balance, Beginning</b>	<u>3,127,307</u>	<u>3,088,743</u>	<u>224,153</u>	<u>1,871,415</u>	<u>430,428</u>	<u>8,742,046</u>
<b>Fund Balance, Ending</b>	<u>\$ 3,289,654</u>	<u>\$ 4,270,977</u>	<u>\$ 386,707</u>	<u>\$ 2,087,999</u>	<u>\$ 686,000</u>	<u>\$ 10,721,337</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, 2018**

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

<b>Net change in fund balances - total governmental funds</b>	\$ 1,979,291
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.	(1,156,919)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	946,935
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	255,000
The internal service fund is used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	102,202
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.	7,482
The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund statements.	3,542
 <b>Change in net position of governmental activities</b>	 <u><u>\$ 2,137,534</u></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**  
**For The Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes:				
Property	\$ 3,070,000	\$ 3,070,000	2,896,687	\$ (173,313)
Sales and use	3,952,000	3,985,500	4,309,400	323,900
Franchise	1,845,800	1,845,800	1,868,169	22,369
Licenses and permits	235,000	235,000	232,805	(2,195)
Intergovernmental revenues	965,200	969,600	1,071,268	101,668
Charges for services	523,500	523,500	573,282	49,782
Fines and forfeitures	430,000	430,000	434,641	4,641
Interest	18,000	18,000	78,731	60,731
Miscellaneous	30,000	30,000	39,370	9,370
<b>Total Revenues</b>	<u>11,069,500</u>	<u>11,107,400</u>	<u>11,504,353</u>	<u>396,953</u>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	229,200	229,200	228,806	394
Administrative	926,300	946,300	931,234	15,066
Buildings	116,200	93,700	58,391	35,309
Judicial	337,900	342,300	270,569	71,731
Total general government	<u>1,609,600</u>	<u>1,611,500</u>	<u>1,489,000</u>	<u>122,500</u>
Public safety:				
Police department	3,539,600	3,568,600	3,476,413	92,187
Fire department	1,349,500	1,349,500	1,246,596	102,904
Total public safety	<u>4,889,100</u>	<u>4,918,100</u>	<u>4,723,009</u>	<u>195,091</u>
Public works:				
Streets department	1,487,300	1,531,800	1,454,566	77,234
Engineering	227,300	227,300	195,838	31,462
Total public works	<u>1,714,600</u>	<u>1,759,100</u>	<u>1,650,404</u>	<u>108,696</u>
Community Development				
Planning and zoning	330,900	338,900	297,543	41,357
Building inspection	204,100	204,100	188,116	15,984
Total community development	<u>535,000</u>	<u>543,000</u>	<u>485,659</u>	<u>57,341</u>
Parks	921,300	921,300	921,365	(65)
<b>Total Expenditures</b>	<u>\$ 9,669,600</u>	<u>\$ 9,753,000</u>	<u>\$ 9,269,437</u>	<u>\$ 483,563</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	\$ 1,399,900	\$ 1,354,400	\$ 2,234,916	\$ 880,516
<b>Other Financing Sources (Uses)</b>				
Appropriations from fund balance	843,025	1,252,525	-	1,252,525
Transfer in	-	22,000	22,000	-
Transfer out	(2,257,925)	(2,657,925)	(2,115,609)	(542,316)
Sale of capital assets	-	-	-	-
Contributions	15,000	29,000	21,040	7,960
<b>Total Other Financing Sources (Uses)</b>	<u>(1,399,900)</u>	<u>(1,354,400)</u>	<u>(2,072,569)</u>	<u>718,169</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	162,347	<u>\$ 1,598,685</u>
<b>Fund Balance, Beginning</b>			<u>3,127,307</u>	
<b>Fund Balance, Ending</b>			<u>\$ 3,289,654</u>	

\* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

**CITY OF NORTH SALT LAKE**  
**STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2018**

	Business-type Activities					Total	Governmental
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Enterprise	Internal Service Fund - Fleet
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 4,664,628	\$ 654,768	\$ 952,022	\$ 190,945	\$ -	\$ 6,462,363	\$ 442,454
Receivables:							
Accounts receivable, net	621,005	98,433	94,769	106,263	8,032	928,502	-
Inventories	98,867	-	-	-	107,442	206,309	-
Prepaid expenses	258,028	98,064	484	-	11,276	367,852	-
<b>Total Current Assets</b>	<b>5,642,528</b>	<b>851,265</b>	<b>1,047,275</b>	<b>297,208</b>	<b>126,750</b>	<b>7,965,026</b>	<b>442,454</b>
<b>Noncurrent Assets</b>							
Restricted cash and cash equivalents	449,156	85,984	241,515	-	-	776,655	-
Net pension asset	283	35	49	13	276	656	59
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	23,434,826	3,098,284	-	-	-	26,533,110	-
Storm water system	-	-	6,722,514	-	-	6,722,514	-
Machinery, equipment, and vehicles	1,122,843	116,774	228,742	240,294	1,422,749	3,131,402	4,043,336
Construction-in-progress	61,165	-	281,347	-	-	342,512	-
Less accumulated depreciation	(8,794,803)	(823,293)	(1,219,626)	(183,844)	(3,480,837)	(14,502,403)	(2,209,277)
<b>Total Noncurrent Assets</b>	<b>16,929,853</b>	<b>5,177,899</b>	<b>6,254,541</b>	<b>56,463</b>	<b>6,304,155</b>	<b>34,722,911</b>	<b>1,834,118</b>
<b>Total Assets</b>	<b>22,572,381</b>	<b>6,029,164</b>	<b>7,301,816</b>	<b>353,671</b>	<b>6,430,905</b>	<b>42,687,937</b>	<b>2,276,572</b>
<b>Deferred outflows of resources</b>							
Deferred outflows of resources relating to pensions	194,299	23,386	43,645	11,302	190,586	463,218	41,631
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 22,766,680</b>	<b>\$ 6,052,550</b>	<b>\$ 7,345,461</b>	<b>\$ 364,973</b>	<b>\$ 6,621,491</b>	<b>\$ 43,151,155</b>	<b>\$ 2,318,203</b>

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

**CITY OF NORTH SALT LAKE**  
**STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2018**

	Business-type Activities					Governmental	Internal Service Fund - Fleet
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 182,272	\$ -	\$ 19,241	\$ 61,174	\$ 21,706	\$ 284,393	\$ 2,139
Compensated absences	39,304	3,515	6,210	1,750	70,509	121,288	1,474
Accrued liabilities	54,893	1,093	8,857	1,116	35,286	101,245	9,397
Leases payable	-	-	-	-	78,562	78,562	129,367
Revenue and general obligation bonds payable	541,527	-	24,484	-	-	566,011	-
<b>Total Current Liabilities</b>	<u>817,996</u>	<u>4,608</u>	<u>58,792</u>	<u>64,040</u>	<u>206,063</u>	<u>1,151,499</u>	<u>142,377</u>
<b>Noncurrent Liabilities</b>							
Compensated absences	34,391	3,076	5,433	1,531	61,695	106,126	1,289
Customer deposits	389,858	-	-	-	-	389,858	-
Due to other funds	-	-	-	-	2,413,154	2,413,154	-
Notes payable	-	-	247,478	-	657,000	904,478	-
Leases payable	-	-	-	-	187,583	187,583	453,810
Net pension liability	233,113	25,480	44,929	9,284	224,430	537,236	47,496
Revenue and general obligation bonds payable	3,166,896	-	367,729	-	-	3,534,625	-
<b>Total Noncurrent Liabilities</b>	<u>3,824,258</u>	<u>28,556</u>	<u>665,569</u>	<u>10,815</u>	<u>3,543,862</u>	<u>8,073,060</u>	<u>502,595</u>
<b>Total Liabilities</b>	<u>4,642,254</u>	<u>33,164</u>	<u>724,361</u>	<u>74,855</u>	<u>3,749,925</u>	<u>9,224,559</u>	<u>644,972</u>
<b>Deferred inflows of resources</b>							
Deferred inflows of resources relating to pensions	157,157	22,484	37,889	11,495	157,643	386,668	35,108
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>4,799,411</u>	<u>55,648</u>	<u>762,250</u>	<u>86,350</u>	<u>3,907,568</u>	<u>9,611,227</u>	<u>680,080</u>
<b>Net Position</b>							
Net investment in capital assets	12,771,991	5,091,880	5,373,286	56,450	2,967,580	26,261,187	1,250,882
Restricted:							
Debt service	449,156	-	-	-	-	449,156	-
Impact fees	-	85,984	241,515	-	-	327,499	-
Unrestricted	4,746,122	819,038	968,410	222,173	(253,657)	6,502,086	387,241
<b>Total Net Position</b>	<u>17,967,269</u>	<u>5,996,902</u>	<u>6,583,211</u>	<u>278,623</u>	<u>2,713,923</u>	<u>33,539,928</u>	<u>1,638,123</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 22,766,680</u>	<u>\$ 6,052,550</u>	<u>\$ 7,345,461</u>	<u>\$ 364,973</u>	<u>\$ 6,621,491</u>	<u>\$ 43,151,155</u>	<u>\$ 2,318,203</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 (Continued)**  
**For The Year Ended June 30, 2018**

	Business-type Activities					Total Enterprise	Governmental Activities
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf		Internal Service Fund - Fleet
<b>Operating Revenues</b>							
Charges for services:							
Metered water sales	\$ 3,895,879	\$ 448,954	\$ -	\$ -	\$ -	\$ 4,344,833	\$ -
User fees	-	-	757,912	935,425	-	1,693,337	792,069
Connection and servicing fees	34,735	-	-	-	-	34,735	-
Admissions and lesson fees	-	-	-	-	558,256	558,256	-
Equipment and facility rents	-	-	-	-	396,161	396,161	-
Concession and merchandise sales	-	-	-	-	197,387	197,387	-
Miscellaneous	23,292	-	-	-	-	23,292	-
<b>Total Operating Revenues</b>	<b>3,953,906</b>	<b>448,954</b>	<b>757,912</b>	<b>935,425</b>	<b>1,151,804</b>	<b>7,248,001</b>	<b>792,069</b>
<b>Operating Expenses</b>							
Salaries and benefits	832,962	124,789	214,196	70,984	763,159	2,006,090	198,074
Office expense and supplies	112,818	12,798	18,731	20,678	9,448	174,473	-
Equipment - supplies and maintenance	161,418	4,155	138,118	48,901	136,675	489,267	168,750
Buildings and grounds - supplies and maintenance	54,346	-	-	-	80,488	134,834	-
Special department supplies	139,321	-	-	26,659	-	165,980	-
Power purchases	417,507	-	-	-	35,651	453,158	-
Water purchases	544,043	134,516	-	-	88,956	767,515	-
Professional services	129,200	4,077	27,714	4,652	35,596	201,239	-
Contracted services	-	-	-	719,318	-	719,318	-
Merchandise	-	-	-	-	91,325	91,325	-
Depreciation	825,532	114,954	188,594	22,952	246,219	1,398,251	383,611
Miscellaneous	27,139	10,709	1,573	-	40,616	80,037	-
<b>Total Operating Expenses</b>	<b>3,244,286</b>	<b>405,998</b>	<b>588,926</b>	<b>914,144</b>	<b>1,528,133</b>	<b>6,681,487</b>	<b>750,435</b>
<b>Operating Income (Loss)</b>	<b>\$ 709,620</b>	<b>\$ 42,956</b>	<b>\$ 168,986</b>	<b>\$ 21,281</b>	<b>\$ (376,329)</b>	<b>\$ 566,514</b>	<b>\$ 41,634</b>

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, 2018**

	Business-type Activities					Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
<b>Nonoperating Income (Expense)</b>							
Interest income	\$ 68,923	\$ 10,043	\$ 18,068	\$ 3,282	\$ (16,859)	\$ 83,457	\$ 861
Interest expense	(181,933)	-	(24,050)	-	(5,897)	(211,880)	(13,216)
Gain (loss) from sale of capital assets	-	-	-	-	77,876	77,876	72,923
<b>Total Nonoperating Income (Expense)</b>	<b>(113,010)</b>	<b>10,043</b>	<b>(5,982)</b>	<b>3,282</b>	<b>55,120</b>	<b>(50,547)</b>	<b>60,568</b>
Income (loss) before contributions and transfers	596,610	52,999	163,004	24,563	(321,209)	515,967	102,202
<b>Capital Contributions</b>	-	-	-	-	-	-	-
<b>Build America Bond Interest Subsidy</b>	52,054	-	7,465	-	-	59,519	-
<b>Impact Fees</b>	255,150	32,847	132,314	-	-	420,311	-
<b>Transfers in</b>	-	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>903,814</b>	<b>85,846</b>	<b>302,783</b>	<b>24,563</b>	<b>(321,209)</b>	<b>995,797</b>	<b>102,202</b>
<b>Net Position, Beginning</b>	<b>17,063,455</b>	<b>5,911,056</b>	<b>6,280,428</b>	<b>254,060</b>	<b>3,035,132</b>	<b>32,544,131</b>	<b>1,535,921</b>
<b>Net Position, Ending</b>	<b>\$ 17,967,269</b>	<b>\$ 5,996,902</b>	<b>\$ 6,583,211</b>	<b>\$ 278,623</b>	<b>\$ 2,713,923</b>	<b>\$ 33,539,928</b>	<b>\$ 1,638,123</b>

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, 2018**

	<u>Water</u>	<u>Pressurized Irrigation</u>	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Total Enterprise</u>	<u>Internal Service Fund - Fleet</u>
<b>Cash Flows From Operating Activities</b>							
Receipts from customers and users	\$ 3,997,159	\$ 435,547	\$ 752,720	\$ 930,953	\$ 1,152,959	\$ 7,269,338	\$ 792,069
Receipts from customer deposits	13,310	-	-	-	-	13,310	-
Payments to suppliers and service providers	(1,646,882)	(199,029)	(362,931)	(818,035)	(534,234)	(3,561,111)	(165,819)
Payments to employees and related benefits	(826,238)	(125,116)	(212,468)	(70,794)	(753,109)	(1,987,724)	(200,909)
<b>Net cash flows from operating activities</b>	<u>1,537,349</u>	<u>111,402</u>	<u>177,321</u>	<u>42,124</u>	<u>(134,384)</u>	<u>1,733,813</u>	<u>425,341</u>
<b>Cash Flows From Non-Capital Financing Activities</b>							
Due to/from other funds	-	-	208,155	-	298,039	506,194	-
<b>Net cash flows from non-capital financing activities</b>	<u>-</u>	<u>-</u>	<u>208,155</u>	<u>-</u>	<u>298,039</u>	<u>506,194</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>							
Acquisition and construction of capital assets	(336,354)	-	-	-	(439,743)	(776,097)	(755,235)
Proceeds from sales of capital assets	-	-	(281,347)	-	115,921	(165,426)	240,000
Impact fees and interest subsidies received	307,204	32,847	139,779	-	-	479,830	-
Proceeds from leases	-	-	-	-	265,000	265,000	249,335
Principal paid on capital bonds and leases	(530,201)	-	(80,679)	-	(82,677)	(693,557)	(103,394)
Interest paid on capital bonds and leases	(181,933)	-	(24,050)	-	(5,897)	(211,880)	(13,216)
<b>Net cash flows from capital and related financing activities</b>	<u>\$ (741,284)</u>	<u>\$ 32,847</u>	<u>\$ (246,297)</u>	<u>\$ -</u>	<u>\$ (147,396)</u>	<u>\$ (1,102,130)</u>	<u>\$ (382,510)</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 (Continued)**  
**For The Year Ended June 30, 2018**

	<b>Business-type Activities</b>					<b>Governmental Activities</b>	
	<b>Water</b>	<b>Pressurized Irrigation</b>	<b>Storm Water</b>	<b>Solid Waste</b>	<b>Golf</b>	<b>Total Enterprise</b>	<b>Internal Service Fund - Fleet</b>
<b>Cash Flows From Investing Activities</b>							
Interest on investments	\$ 68,923	\$ 10,043	\$ 18,068	\$ 3,282	\$ (16,859)	\$ 83,457	\$ 861
<b>Net cash flows from investing activities</b>	<b>68,923</b>	<b>10,043</b>	<b>18,068</b>	<b>3,282</b>	<b>(16,859)</b>	<b>83,457</b>	<b>861</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>864,988</b>	<b>154,292</b>	<b>157,247</b>	<b>45,406</b>	<b>(600)</b>	<b>1,221,334</b>	<b>43,692</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>4,248,796</b>	<b>586,460</b>	<b>1,036,290</b>	<b>145,539</b>	<b>600</b>	<b>6,017,685</b>	<b>398,762</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 5,113,784</b>	<b>\$ 740,752</b>	<b>\$ 1,193,537</b>	<b>\$ 190,945</b>	<b>\$ (0)</b>	<b>\$ 7,239,019</b>	<b>\$ 442,454</b>
<b>Reconciliation of operating income to net cash flows from operating activities</b>							
Earnings (loss) from operations	\$ 709,620	\$ 42,956	\$ 168,986	\$ 21,281	\$ (376,329)	\$ 566,514	\$ 41,634
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:							
Depreciation	825,532	114,954	188,594	22,952	246,219	1,398,251	383,612
Changes in assets and liabilities							
Accounts receivable, net	43,253	(13,407)	(5,192)	(4,472)	1,155	21,337	-
Inventories	(36,032)	-	-	-	(31,465)	(67,497)	-
Prepaid expenses	(13,713)	(31,479)	578	-	1,933	(42,681)	-
Net pension liability	(577)	(86)	(145)	(48)	(584)	(1,440)	(131)
Accounts payable	(12,096)	(392)	(176,906)	1,732	7,643	(180,019)	(437)
Compensated absences	7,301	(241)	1,874	238	10,634	19,806	(2,703)
Accrued liabilities	751	(903)	(468)	441	6,410	6,231	3,366
Customer deposits	13,310	-	-	-	-	13,310	-
<b>Net cash flows from operating activities</b>	<b>\$ 1,537,349</b>	<b>\$ 111,402</b>	<b>\$ 177,321</b>	<b>\$ 42,124</b>	<b>\$ (134,384)</b>	<b>\$ 1,733,812</b>	<b>\$ 425,341</b>

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 Local Building Authority (LBA) pursuant to state code. The Governing Board of the LBA Board 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.

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the LBA have been included in the financial reporting entity as a blended component unit as a nonmajor governmental fund.

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 & Cash Equivalents and Investments

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 DEPOSIT AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as “Cash and Cash Equivalents” which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of City funds in a “qualified depository”.

The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

*Deposits*

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the City deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, \$768,048 of the City's bank balances of \$1,168,634 was uninsured and uncollateralized.

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

**NOTE 2 DEPOSIT AND INVESTMENTS (Continued)**

*Investments*

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

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

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

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

**NOTE 2 DEPOSIT AND INVESTMENTS (Continued)**

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2018, the City had the following recurring fair value measurements.

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Utah Public Treasurer's Investment Fund	\$16,027,146	\$ -	\$16,027,146	\$ -
Total debt securities	\$16,027,146	\$ -	\$16,027,146	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund; and,

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2018, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
PTIF					
Investments	\$16,027,146	\$16,027,146	-	-	-
	\$16,027,146	\$16,027,146	-	-	-

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

**NOTE 2 DEPOSIT AND INVESTMENTS (Continued)**

*Credit Risk*

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

At June 30, 2018, the City's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF					
Investments	\$16,027,146	-	-	-	\$16,027,146
	\$16,027,146	-	-	-	\$16,027,146

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The 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 amount held in the portfolio.

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

The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

The following are the City's cash on hand, on deposit, and investments as of June 30, 2018:

Cash on hand and on deposit:

Petty Cash	\$ 3,700
Cash on Deposit	343,877
PTIF Investment	<u>16,027,146</u>
Total cash and investments	<u>\$ 16,374,723</u>

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

Cash and cash equivalents	\$ 12,813,703
Restricted cash and cash equivalents	<u>3,561,020</u>
Total cash and investments	<u>\$ 16,374,723</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	\$ 449,155	\$ 449,156	\$ -
Sales Tax Bonds Debt Service Reserves	9,579	9,579	9,579
Impact Fees	2,488,422	2,160,923	2,160,923
Redevelopment low income housing	75,018	-	75,018
Unspent B&C Road Money	538,845	538,845	538,845
	<u>\$ 3,561,020</u>	<u>\$ 3,158,503</u>	<u>\$ 2,784,366</u>

**NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts receivable at June 30, 2018 for all funds is \$10,000.

**NOTE 4 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2018
<b>Governmental activities</b>					
<b>Capital assets, not being depreciated</b>					
Land	\$ 25,066,381	\$ -	\$ -	\$ -	\$ 25,066,381
Construction in progress	758,868	145,087	-	(715,635)	188,320
<b>Total capital assets, not being depreciated</b>	<u>25,825,249</u>	<u>145,087</u>	<u>-</u>	<u>(715,635)</u>	<u>25,254,701</u>
<b>Capital assets, being depreciated</b>					
Infrastructure	24,316,411	606,626	-	521,650	25,444,687
Buildings	7,741,394	-	-	-	7,741,394
Improvements other than buildings	8,233,649	87,309	-	193,985	8,514,943
Machinery, equipment, and vehicles	5,074,974	863,148	(407,304)	-	5,530,818
<b>Total capital assets, being depreciated</b>	<u>45,366,428</u>	<u>1,557,083</u>	<u>(407,304)</u>	<u>715,635</u>	<u>47,231,842</u>
<b>Less accumulated depreciation for</b>					
Infrastructure	(3,661,440)	(622,041)	-	-	(4,283,481)
Buildings	(2,035,849)	(259,214)	-	-	(2,295,063)
Improvements other than buildings	(1,373,865)	(217,836)	-	-	(1,591,701)
Machinery, equipment, and vehicles	(3,152,340)	(441,444)	240,227	-	(3,353,557)
<b>Total accumulated depreciation</b>	<u>(10,223,494)</u>	<u>(1,540,535)</u>	<u>240,227</u>	<u>-</u>	<u>(11,523,802)</u>
<b>Total capital assets, being depreciated, net</b>	<u>35,142,934</u>	<u>16,548</u>	<u>(167,077)</u>	<u>715,635</u>	<u>35,708,040</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 60,968,183</u>	<u>\$ 161,635</u>	<u>\$ (167,077)</u>	<u>\$ -</u>	<u>\$ 60,962,741</u>

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

**NOTE 4 CAPITAL ASSETS (Continued)**

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

**Governmental activities**

General government	\$ 266,488
Community development	3,594
Public safety	162,882
Highways and public improvements	823,093
Parks, recreation, and public property	<u>284,479</u>

**Total depreciation expense - governmental activities** \$ 1,540,535

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Business-type Activities</b>					
<b>Capital assets, not being depreciated</b>					
Land	\$ 2,551,013	\$ -	\$ -	\$ -	\$ 2,551,013
Water rights	2,864,052	-	-	-	2,864,052
Construction in progress	157,543	281,348	-	(96,379)	<u>342,512</u>
<b>Total capital assets, not being depreciated</b>	<u>5,572,608</u>	<u>281,348</u>	<u>-</u>	<u>(96,379)</u>	<u>5,757,577</u>
<b>Capital assets, being depreciated</b>					
Buildings	1,492,976	-	-	-	1,492,976
Golf course	4,810,424	-	-	-	4,810,424
Water distribution system	26,138,156	298,576	-	96,379	26,533,111
Storm water system	6,722,514	-	-	-	6,722,514
Machinery, equipment, and vehicles	2,916,685	477,522	(262,805)	-	<u>3,131,402</u>
<b>Total capital assets, being depreciated</b>	<u>42,080,755</u>	<u>776,098</u>	<u>(262,805)</u>	<u>96,379</u>	<u>42,690,427</u>
<b>Less accumulated depreciation for</b>					
Buildings	(630,328)	(33,069)	-	-	(663,397)
Golf course	(2,131,721)	(98,837)	-	-	(2,230,558)
Water distribution system	(7,897,054)	(842,367)	-	-	(8,739,421)
Storm water system	(960,846)	(168,341)	-	-	(1,129,187)
Machinery, equipment, and vehicles	(1,708,963)	(255,638)	224,760	-	<u>(1,739,841)</u>
<b>Total accumulated depreciation</b>	<u>(13,328,912)</u>	<u>(1,398,252)</u>	<u>224,760</u>	<u>-</u>	<u>(14,502,404)</u>
<b>Total capital assets, being depreciated, net</b>	<u>28,751,843</u>	<u>(622,154)</u>	<u>(38,045)</u>	<u>96,379</u>	<u>28,188,023</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 34,324,451</u>	<u>\$ (340,806)</u>	<u>\$ (38,045)</u>	<u>\$ -</u>	<u>\$ 33,945,600</u>

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

**NOTE 4 CAPITAL ASSETS (Continued)**

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

<b>Business-type Activities</b>	
Water	825,532
Secondary Water	114,954
Storm Water	188,594
Solid Waste	22,952
Golf Course	<u>246,219</u>
<b>Total depreciation expense - business-type activities</b>	<u><u>\$ 1,398,252</u></u>

**NOTE 5 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 \$2,624,326.

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, 2018 is not expected to be received within 60 days after the year ended June 30, 2018, 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, 2018.

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 10 for information on how those amounts are derived and when they will be charged to expense in the following years.

**NOTE 6 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 7 LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2018:

	<b>Long-term debt payable at June 30, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Long-term debt payable at June 30, 2018</b>	<b>Due within One Year</b>
<b>Governmental activities</b>					
Series 2010 Sales Tax	\$ 2,855,000	\$ -	\$ 180,000	\$ 2,675,000	\$ 185,000
Series 2016 Lease Revenue Bond	999,000	-	75,000	924,000	92,000
2014 Public Works Lease	35,881	-	35,881	-	-
2016 Public Works Lease	150,926	-	19,985	130,941	20,489
2017 Public Works Lease	250,430	-	47,528	202,902	48,775
2018 Public Works Lease	-	249,335	-	249,335	60,103
Compensated Absences	431,449	474,594	484,781	421,262	224,675
	<u>\$ 4,722,686</u>	<u>\$ 723,929</u>	<u>\$ 843,175</u>	<u>\$ 4,603,440</u>	<u>\$ 631,042</u>
<b>Governmental activity long-term liabilities</b>					
	<u>\$ 4,722,686</u>	<u>\$ 723,929</u>	<u>\$ 843,175</u>	<u>\$ 4,603,440</u>	<u>\$ 631,042</u>
<b>Business-type activities</b>					
Series 2010 Water Revenue	\$ 3,065,000	\$ -	\$ 175,000	\$ 2,890,000	\$ 180,000
Plus unamortized premium	30,230	-	2,160	28,070	2,160
Series 2015 Water Revenue	1,544,000	-	373,000	1,171,000	380,000
Plus unamortized premium	15,418	-	3,852	11,566	3,851
2015 Golf Equipment Capital Lease	83,822	-	27,250	56,572	27,934
2015 Storm Equip Capital Lease	56,867	-	56,867	-	-
2018 Golf Equipment Capital Lease	-	265,000	55,427	209,573	50,628
Eaglewood Development N/P	657,000	-	-	657,000	-
Compass Development N/P	247,478	-	-	247,478	-
Compensated Absences	207,608	228,369	208,563	227,414	121,288
	<u>\$ 5,907,423</u>	<u>\$ 493,369</u>	<u>\$ 902,119</u>	<u>\$ 5,498,673</u>	<u>\$ 765,861</u>
<b>Business-type activity long-term liabilities</b>					
	<u>\$ 5,907,423</u>	<u>\$ 493,369</u>	<u>\$ 902,119</u>	<u>\$ 5,498,673</u>	<u>\$ 765,861</u>

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

For the year ended June 30, 2018, \$207,531 of interest was charged as a direct expense on the *statement of activities* for Governmental activities and \$211,880 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2018, 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 35% 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 received 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 7 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4.80%	205,000	113,590	318,590
2023	4.90%	210,000	103,750	313,750
2024-2028	4.80-5.15%	1,160,000	349,748	1,509,748
2029-2030	5.50-5.80%	525,000	45,820	570,820
<b>Total</b>		<u>\$ 2,675,000</u>	<u>\$ 1,006,633</u>	<u>\$ 3,681,633</u>

Lease Revenue Bonds, Series 2016

In December of 2016 the City issued the Lease Revenue Bonds, Series 2016 with a par value of \$999,000. The bonds have an average interest cost of 1.49%. The bonds require interest payments due in June and December of each year until June 2026. Principal payments are due in December of each year until December 2026. These bonds were issued for the purpose of purchasing property for future park expansion and park construction. The bonds proceeds were received and will be liquidated in the Local Building Authority Fund.

The annual debt service requirements to maturity, including principal and interest, for the Series 2017 Lease Revenue Bonds, as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	1.97%	\$ 92,000	\$ 18,203	\$ 110,203
2020	2.27%	94,000	18,886	112,886
2021	2.56%	96,000	18,893	114,893
2022	2.81%	98,000	18,040	116,040
2023	3.04%	101,000	21,098	122,098
2024-2027	3.40-4.12%	443,000	41,575	484,575
<b>Total</b>		<u>\$ 924,000</u>	<u>\$ 136,695</u>	<u>\$ 1,060,695</u>

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

**NOTE 7 LONG-TERM DEBT (Continued)**

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 \$97,782 at June 30, 2018. Payments were due in April and October of each year until October 2017. The final payment of principal payment \$35,880 was remitted in October of 2017.

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 \$34,904 at June 30, 2018. 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.52%	\$ 20,489	\$ 3,300	\$ 23,789
2020	2.52%	21,004	2,783	23,787
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
<b>Total</b>		<u>\$ 130,941</u>	<u>\$ 11,788</u>	<u>\$ 142,729</u>

2017 Public Works Vehicle Capital Lease

In February 2017, the City entered into an equipment lease purchase in the amount of \$250,430. The lease is secured by capital equipment with a historical cost of \$250,430 and accumulated depreciation of \$31,327 at June 30, 2018. Payments are due in February of each year until 2022. The lease has an interest rate of 2.63%. 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.63%	\$ 48,775	\$ 4,901	\$ 53,676
2020	2.63%	49,945	4,045	53,991
2021	2.63%	51,259	2,732	53,991
2022	2.63%	52,923	1,384	54,307
<b>Total</b>		<u>\$ 202,902</u>	<u>\$ 13,061</u>	<u>\$ 215,964</u>

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

**NOTE 7 LONG-TERM DEBT (Continued)**

2018 Public Works Vehicle Capital Lease

In January 2018, the City entered into an equipment lease purchase in the amount of \$249,335. The lease is secured by capital equipment with a historical cost of \$249,335 and accumulated depreciation of \$18,102 at June 30, 2018. Payments are due in February of each year until 2022. The lease has an interest rate of 2.42%. 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.42%	\$ 60,103	\$ 5,672	\$ 65,775
2020	2.42%	61,566	4,209	65,775
2021	2.42%	63,065	2,710	65,775
2022	2.42%	64,601	1,175	65,776
		<u>\$ 249,335</u>	<u>\$ 13,766</u>	<u>\$ 263,101</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, 2018 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 7 LONG-TERM DEBT (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, 2018, 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5.15%	195,000	581,591	776,591
2023	5.65%	205,000	88,023	293,023
2024- 2028	6.00-6.50%	1,135,000	316,143	1,457,673
2029 - 2031	6.50-6.75%	800,000	70,882	1,446,942
		2,890,000	\$ 1,859,509	\$ 5,332,099
Plus unamortized premium		28,070		
<b>Total</b>		\$ 2,918,070		

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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
		\$ 1,171,000	\$ 52,396	\$ 1,223,396
Plus unamortized premium		11,566		
<b>Total</b>		\$ 1,182,566		

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

**NOTE 7 LONG-TERM DEBT (Continued)**

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.

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, 2018 is \$247,479.

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 final lease payment was made during Fiscal Year 2018.

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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.50%	\$ 27,934	\$ 1,241	\$ 29,175
2020	2.50%	28,638	538	29,176
<b>Total</b>		<u>\$ 56,572</u>	<u>\$ 1,779</u>	<u>\$ 58,351</u>

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

**NOTE 7 LONG-TERM DEBT (Continued)**

2018 Golf Course Capital Lease

In August 2017 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 August of each year until 2022. The lease has an interest rate of 2.29%. 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2.29%	\$ 50,628	\$ 4,799	\$ 55,427
2020	2.29%	51,787	3,640	55,427
2021	2.29%	52,973	2,454	55,427
2022	2.29%	54,185	1,241	55,426
<b>Total</b>		<u>\$ 209,573</u>	<u>\$ 12,134</u>	<u>\$ 221,707</u>

**NOTE 8 INTERGOVERNMENTAL REVENUE**

Intergovernmental revenue for the year ended June 30, 2018 consists of the following:

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
Utah Class C Road allotment	\$ 677,474	55.63%
Intergovernmental -Fuel Tax	366,663	30.11%
Utah Liquor Law Enforcement Grant	16,741	1.37%
CDBG Grant	9,974	0.82%
Court Grant	4,400	0.36%
JAG Grant	5,990	0.49%
Division of Emergency Management FEMA Grant	4,000	0.33%
Federal Build America Bond Interest Reimbursement Grant	132,572	10.89%
	<u>\$ 1,217,814</u>	<u>100.00%</u>

Of the \$1,217,814 in total intergovernmental revenue, \$1,158,295 was reported in governmental funds and the remaining \$59,519 was reported in the proprietary funds.

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

**NOTE 9 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:

	<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	100,000	-
Uninsured Motorist	100,000	-
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	1,000,000	-

\* Deductible is per incidence

**NOTE 10 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.

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

**NOTE 10 PENSION PLAN (Continued)**

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 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](http://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 are met may be carried forward to subsequent years.

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

**NOTE 10 PENSION PLAN (Continued)**

**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. 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:

	<u>Employee Paid</u>	<u>Employer Contribution Rates</u>	<u>Employer rate for 401(k) Plan</u>
Contributory System			
111 - Local Government Division Tier 2	N/A	15.110%	1.58
Noncontributory System			
15 - Local Government Division Tier 1	N/A	18.470%	N/A
Public Safety Retirement System			
122 - Other Division A Contributory Tier 2	N/A	22.570%	1.26
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00
222 - Public Safety	N/A	11.83%	12.00

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, 2018, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 386,946	N/A
Public Safety System	345,508	-
Tier 2 Public Employees System	82,623	-
Tier 2 Public Safety and Firefighter	55,789	-
Tier 2 DC Only System	9,128	N/A
<b>Total Contributions</b>	<b>\$ 879,994</b>	<b>\$ -</b>

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

**NOTE 10 PENSION PLAN (Continued)**

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

At June 30, 2018, we reported a net pension asset of \$2,609 and a net pension liability of \$2,137,310.

	<b>Measurement Date: December 31, 2017</b>				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$1,071,678	0.2446027%	0.2530812%	-0.0084785%
Public Safety System	\$ -	\$1,061,277	0.6765509%	0.6639816%	0.0125693%
Tier 2 Public Employees System	\$ -	\$ 4,355	0.0493908%	0.0492092%	0.0001816%
Tier 2 Public Safety and Firefighter System	\$ 2,609	\$ -	0.2255066%	0.1400266%	0.0854800%
<b>Total Net Pension Asset/Liability</b>	<b>\$ 2,609</b>	<b>\$2,137,310</b>			

The net pension asset and liability was measure as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2018, we recognized pension expense of \$873,614. At June 30, 2018 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	\$ 25,429	\$ 225,325
Changes in assumptions	787,318	40,327
Net difference between projected and actual earnings on pension plan investments	423,677	1,106,490
Changes in proportion and differences between contributions and proportionate share of contributions	55,771	36,526
Contributions subsequent to the measurement date	450,577	-
<b>Total</b>	<b>\$ 1,742,772</b>	<b>\$ 1,408,668</b>

\$450,577 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, 2017

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

**NOTE 10 PENSION PLAN (Continued)**

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2018	\$ 131,192
2019	169,852
2020	(185,701)
2021	(240,551)
2022	(1,339)
Thereafter	\$ 10,075

**Actuarial assumptions:**

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

Inflation	2.50 percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

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.

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

**NOTE 10 PENSION PLAN (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	40%	6.15%	2.46%
Debt Securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private Equity	9%	9.95%	0.89%
Absolute Return	16%	2.85%	0.46%
Cash and Cash Equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100%</b>		<b>4.75%</b>
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

**Discount Rate:**

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

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated used a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 2,898,320	\$ 1,071,678	\$ (447,084)
Public Safety System	\$ 2,673,941	\$ 1,061,277	\$ (245,769)
Tier 2 Public Employees System	\$ 51,274	\$ 4,355	\$ (31,827)
Tier 2 Public Safety and Firefighter	\$ 23,107	\$ (2,609)	\$ (22,256)
<b>Total Contributions</b>	<b>\$ 5,646,642</b>	<b>\$ 2,134,701</b>	<b>\$ (746,936)</b>

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

**NOTE 10 PENSION PLAN (Continued)**

**Pension Plan Fiduciary Net Position:**

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

**Defined Contribution 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

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

<b>401(k) Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Employer Contributions	\$ 217,712	\$ 214,408	\$ 206,952
Employee Contributions	\$ 67,068	\$ 84,324	\$ 63,606
<b>457 Plan</b>			
Employer Contributions	\$ 15,863	\$ -	\$ -
Employee Contributions	\$ 31,355	\$ 63,161	\$ 54,748
<b>Roth IRA Plan</b>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 24,918	\$ 8,148	\$ 6,525
<b>Traditional IRA</b>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ 275	\$ 650

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

**NOTE 11 INTERFUND TRANSACTIONS**

At June 30, 2018, the City's internal balances due to or from other activities were as follows:

Due To	Due from		
	Governmental	Enterprise	
	Redevelopment Agency	Golf Fund	Total
Governmental:			
Capital Projects Fund	\$ -	\$ 2,413,154	\$ 2,413,154
Housing	65,653	-	65,653
Total	<u>\$ 65,653</u>	<u>\$ 2,413,154</u>	<u>\$ 2,478,807</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 2018. 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, 2018 are as follows:

	Transfer - In	Transfer - Out
Governmental:		
General Fund	\$ 22,000	\$ 2,115,609
Redevelopment Agency	8,000	66,000
Housing Agency	44,000	-
Building Authority Fund	75,000	-
Debt Service Fund	-	8,000
Capital Projects Fund	1,200,300	20,000
Parks Capital Fund	120,000	100,000
Police Facilities Fund	-	75,000
Roadway Devel. Fund	915,309	-
	<u>\$ 2,384,609</u>	<u>\$ 2,384,609</u>

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 transfers to the; 1) Roadway Development Fund was for the construction of C Road qualifying road projects and seal coating, 2) a transfer to Capital Projects Fund to reserve funds for future capital projects, and 3) a transfer to the Parks Capital Fund for future Park Projects. The transfers from the Redevelopment Agency were to; reimburse the General Fund is for administrative expenditures, and to the Housing Agency setting aside funds restricted for low income housing. The Police Facilities Fund transferred its share of the capital cost of the new building to the Capital Projects Fund. The transfer from the Park fund to the Local Building Authority funded a portion of the annual debt payment.

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

**NOTE 12 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 \$1,246,596 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 13 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) \$381,528 for project area 1 of tax increment monies, and 2) \$444,180 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 \$362,452 from revenue collected from project area 1 and \$266,508 from revenue collected from project area 2. The RDA expended \$50,442 towards professional and technical costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NORTH SALT LAKE, UTAH**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**UTAH RETIREMENT SYSTEMS**  
**JUNE 30, 2018**

**with a measurement date of December 31st**  
Last 10 fiscal years\*

		<b>Noncontribu tory System</b>	<b>Tier 2 Public Employees System</b>	<b>Tier 2 Public Employees System</b>	<b>Tier 2 Public Employees System</b>
Proportion of the net pension liability (asset)	2018	0.2446027%	0.6765509%	0.0493908%	0.2255066%
	2017	0.2530812%	0.6639816%	0.0492092%	0.1400266%
	2016	0.2504222%	0.6491617%	0.0506753%	0.1696343%
	2015	0.2382980%	0.6418601%	0.0632276%	0.1823782%
Proportion share of the net pension liability (asset)	2018	\$ 1,071,678	\$ 1,061,277	\$ 4,355	\$ (2,609)
	2017	\$ 1,625,091	\$ 1,347,402	\$ 5,489	\$ (1,216)
	2016	\$ 1,417,011	\$ 1,162,812	\$ (111)	\$ (2,478)
	2015	\$ 1,034,746	\$ 807,192	\$ (1,916)	\$ (2,698)
Covered employee payroll	2018	\$ 2,084,445	\$ 1,051,180	\$ 483,185	\$ 238,078
	2017	\$ 2,184,033	\$ 1,046,065	\$ 403,553	\$ 115,694
	2016	\$ 2,099,285	\$ 1,044,487	\$ 327,389	\$ 100,973
	2015	\$ 1,990,364	\$ 986,989	\$ 310,185	\$ 75,315
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2018	51.41%	100.96%	0.90%	-1.10%
	2017	74.41%	128.81%	1.36%	-1.05%
	2016	67.50%	115.76%	-0.03%	2.45%
	2015	52.00%	81.80%	-0.60%	-3.60%
Plan fiduciary net position as a percentage of the total pension liability	2018	91.9%	90.2%	97.40%	103.00%
	2017	87.3%	86.5%	95.10%	103.60%
	2016	87.8%	87.1%	100.20%	110.70%
	2015	90.2%	90.5%	103.50%	120.50%

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

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

	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
<b>Noncontributory System</b>	2016	386,831	386,831	-	2,174,060	17.79%
	2017	392,635	392,635	-	2,251,079	17.44%
	2018	386,946	386,946	-	2,154,015	17.96%
<b>Public Safety System</b>	2016	320,818	320,818	-	1,005,185	31.92%
	2017	339,377	339,377	-	1,105,641	30.70%
	2018	345,508	345,508	-	1,126,936	30.66%
<b>Tier 2 Public Employees System*</b>	2016	55,165	55,165	-	373,487	14.77%
	2017	63,238	63,238	-	424,134	14.91%
	2018	82,623	82,623	-	546,807	15.11%
<b>Tier 2 Public Safety and Firefighter System*</b>	2016	23,489	23,489	-	104,394	22.50%
	2017	42,782	42,782	-	190,866	22.41%
	2018	55,789	55,789	-	247,935	22.50%
<b>Tier 2 Public Employees DC Only System*</b>	2016	8,869	8,869	-	138,174	6.42%
	2017	8,898	8,898	-	149,806	5.94%
	2018	9,128	9,128	-	153,241	5.96%

\* 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 covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

**See accompanying notes to required supplementary information**

**CITY OF NORTH SALT LAKE, UTAH**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**UTAH RETIREMENT SYSTEM**

Changes in Assumptions:

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

## **SUPPLEMENTARY INFORMATION**

**CITY OF NORTH SALT LAKE**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<u>Redevelopment Agency</u>	<u>Housing Agency</u>	<u>Local Building Authority</u>	<u>Debt Service</u>	<u>Police Facilities</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 54,301	\$ -	\$ 33,062	\$ 418,578	\$ -	\$ 505,941
Accounts receivable - net	-	61,433	-	-	-	61,433
Prepays	-	-	531	-	-	531
Taxes receivable	-	-	-	77,647	-	77,647
Restricted cash and cash equivalents	-	75,018	-	9,579	23,909	108,506
<b>Total Assets</b>	<u>\$ 54,301</u>	<u>\$ 136,451</u>	<u>\$ 33,593</u>	<u>\$ 505,804</u>	<u>\$ 23,909</u>	<u>\$ 754,058</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,405	\$ -	\$ -	\$ -	\$ -	\$ 2,405
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	65,653	-	-	-	65,653
<b>Total Liabilities</b>	<u>2,405</u>	<u>65,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,058</u>
<b>Fund Balances</b>						
Restricted:						
Impact fees	-	-	-	-	23,909	23,909
Debt service	-	-	-	9,579	-	9,579
Housing Restriction	-	75,018	-	-	-	75,018
Assigned	51,896	(4,220)	33,593	496,225	-	577,494
<b>Total Fund Balances</b>	<u>51,896</u>	<u>70,798</u>	<u>33,593</u>	<u>505,804</u>	<u>23,909</u>	<u>686,000</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 54,301</u>	<u>\$ 136,451</u>	<u>\$ 33,593</u>	<u>\$ 505,804</u>	<u>\$ 23,909</u>	<u>\$ 754,058</u>

**CITY OF NORTH SALT LAKE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2018**

	<b>Redevelopment Agency</b>	<b>Housing Agency</b>	<b>Local Building Authority</b>	<b>Debt Service</b>	<b>Police Facilities</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>						
Property taxes	\$ 825,708	\$ -	\$ -	\$ 433,686	\$ -	\$ 1,259,394
Rental income	-	-	59,839	-	-	59,839
Intergovernmental	-	9,974	-	73,053	-	83,027
Impact fees	-	-	-	-	55,594	55,594
Interest	3,180	312	169	7,157	733	11,551
<b>Total Revenues</b>	<u>828,888</u>	<u>10,286</u>	<u>60,008</u>	<u>513,896</u>	<u>56,327</u>	<u>1,469,405</u>
<b>Expenditures</b>						
General government	2,405	-	-	-	-	2,405
Community development	676,997	13,504	24,612	-	-	715,113
Debt service:						
Principal	-	-	75,000	180,000	-	255,000
Interest	-	-	44,850	149,465	-	194,315
<b>Total Expenditures</b>	<u>679,402</u>	<u>13,504</u>	<u>144,462</u>	<u>329,465</u>	<u>-</u>	<u>1,166,833</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>149,486</u>	<u>(3,218)</u>	<u>(84,454)</u>	<u>184,431</u>	<u>56,327</u>	<u>302,572</u>
<b>Other Financing Sources (Uses)</b>						
Loan proceeds	-	-	-	-	-	-
Transfer in	-	44,000	83,000	-	-	127,000
Transfer out	(66,000)	-	-	(8,000)	(100,000)	(174,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(66,000)</u>	<u>44,000</u>	<u>83,000</u>	<u>(8,000)</u>	<u>(100,000)</u>	<u>(47,000)</u>
Net Change in Fund Balances	83,486	40,782	(1,454)	176,431	(43,673)	255,572
<b>Fund Balance, Beginning</b>	<u>(31,590)</u>	<u>30,016</u>	<u>35,047</u>	<u>329,373</u>	<u>67,582</u>	<u>430,428</u>
<b>Fund Balance, Ending</b>	<u>\$ 51,896</u>	<u>\$ 70,798</u>	<u>\$ 33,593</u>	<u>\$ 505,804</u>	<u>\$ 23,909</u>	<u>\$ 686,000</u>

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$ 5,500	\$ 5,500	\$ 34,185	\$ 28,685
Intergovernmental	-	-	4,000	4,000
<b>Total Revenues</b>	<u>5,500</u>	<u>5,500</u>	<u>38,185</u>	<u>32,685</u>
<b>Expenditures</b>				
General government	100,000	182,876	36,251	146,625
Public safety	149,000	282,352	-	282,352
<b>Total Expenditures</b>	<u>249,000</u>	<u>465,228</u>	<u>36,251</u>	<u>428,977</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(243,500)</u>	<u>(459,728)</u>	<u>1,934</u>	<u>461,662</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	800,300	1,200,300	1,200,300	-
Transfer in	-	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>800,300</u>	<u>1,180,300</u>	<u>1,180,300</u>	<u>-</u>
<b>Net Change in Fund Balance *</b>	<u>\$ 556,800</u>	<u>\$ 720,572</u>	<u>1,182,234</u>	<u>\$ 461,662</u>
<b>Fund Balance, Beginning</b>			<u>3,088,743</u>	
<b>Fund Balance, Ending</b>			<u>\$ 4,270,977</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Impact fees	\$ 356,800	\$ 356,800	\$ 186,000	\$ (170,800)
Interest	-	-	4,856	4,856
<b>Total Revenues</b>	<u>356,800</u>	<u>356,800</u>	<u>190,856</u>	<u>(165,944)</u>
<b>Expenditures</b>				
Current:				
Improvements	50,000	234,107	112,091	122,016
<b>Total Expenditures</b>	<u>50,000</u>	<u>234,107</u>	<u>112,091</u>	<u>122,016</u>
<b>Excess (Deficiency) of Revenues</b> <b>Over (Under) Expenditures</b>	<u>306,800</u>	<u>122,693</u>	<u>78,765</u>	<u>(43,928)</u>
<b>Other Financing Sources (Uses)</b>				
Contributions	-	-	38,789	(38,789)
Transfer in	100,000	120,000	120,000	-
Transfer out	(75,000)	(75,000)	(75,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>25,000</u>	<u>45,000</u>	<u>83,789</u>	<u>(38,789)</u>
<b>Net Change in Fund Balance *</b>	<u>\$ 331,800</u>	<u>\$ 167,693</u>	162,554	<u>\$ (5,139)</u>
<b>Fund Balance, Beginning</b>			<u>224,153</u>	
<b>Fund Balance, Ending</b>			<u>\$ 386,707</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Impact fees	\$ 332,000	\$ 332,000	\$ 255,190	\$ (76,810)
Intergovernmental revenues	549,750	114,003	-	(114,003)
Interest	-	-	33,057	33,057
Miscellaneous	-	14,000	6,308	(7,692)
<b>Total Revenues</b>	<u>881,750</u>	<u>460,003</u>	<u>294,555</u>	<u>(165,448)</u>
<b>Expenditures</b>				
Highways and public improvements	<u>1,125,000</u>	<u>2,166,203</u>	<u>993,280</u>	<u>1,172,923</u>
<b>Total Expenditures</b>	<u>1,125,000</u>	<u>2,166,203</u>	<u>993,280</u>	<u>1,172,923</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(243,250)</u>	<u>(1,706,200)</u>	<u>(698,725)</u>	<u>1,007,475</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	<u>1,457,625</u>	<u>1,457,625</u>	<u>915,309</u>	<u>(542,316)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,457,625</u>	<u>1,457,625</u>	<u>915,309</u>	<u>(542,316)</u>
<b>Net Change in Fund Balance *</b>	<u>\$ 1,214,375</u>	<u>\$ (248,575)</u>	<u>216,584</u>	<u>\$ 465,159</u>
<b>Fund Balance, Beginning</b>			<u>1,871,415</u>	
<b>Fund Balance, Ending</b>			<u>\$ 2,087,999</u>	

**CITY OF NORTH SALT LAKE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – BUDGET AND ACTUAL – NONMAJOR REDEVELOPMENT AGENCY**  
**SPECIAL FUND**  
**For The Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 550,000	\$ 825,800	\$ 825,708	\$ (92)
Interest	500	500	3,180	2,680
<b>Total Revenues</b>	<u>550,500</u>	<u>826,300</u>	<u>828,888</u>	<u>2,588</u>
<b>Expenditures</b>				
Improvements	-	-	2,405	(2,405)
Community	445,000	692,500	676,997	15,503
<b>Total Expenditures</b>	<u>445,000</u>	<u>692,500</u>	<u>679,402</u>	<u>13,098</u>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	<u>105,500</u>	<u>133,800</u>	<u>149,486</u>	<u>15,686</u>
<b>Other Financing Sources (Uses)</b>				
Transfer out	(66,000)	(25,000)	(66,000)	(41,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(66,000)</u>	<u>(25,000)</u>	<u>(66,000)</u>	<u>(41,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (66,000)</u>	<u>\$ (25,000)</u>	83,486	<u>\$ (41,000)</u>
<b>Fund Balance, Beginning</b>			<u>(31,590)</u>	
<b>Fund Balance, Ending</b>			<u>\$ 51,896</u>	

**CITY OF NORTH SALT LAKE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – BUDGET AND ACTUAL – NONMAJOR LOCAL BUILDING**  
**AUTHORITY SPECIAL FUND**  
**For The Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Rent	\$ 61,100	\$ 61,100	\$ 59,839	\$ (1,261)
Interest	-	-	169	169
<b>Total Revenues</b>	<u>61,100</u>	<u>61,100</u>	<u>60,008</u>	<u>(1,092)</u>
<b>Expenditures</b>				
Community	19,100	26,500	24,612	1,888
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	45,000	45,000	44,850	150
<b>Total Expenditures</b>	<u>139,100</u>	<u>146,500</u>	<u>144,462</u>	<u>2,038</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(78,000)</u>	<u>(85,400)</u>	<u>(84,454)</u>	<u>946</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	75,000	83,000	83,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>75,000</u>	<u>83,000</u>	<u>83,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 75,000</u>	<u>\$ 83,000</u>	(1,454)	<u>\$ -</u>
<b>Fund Balance, Beginning</b>			<u>35,047</u>	
<b>Fund Balance, Ending</b>			<u>\$ 33,593</u>	

**CITY OF NORTH SALT LAKE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – BUDGET AND ACTUAL – NONMAJOR HOUSING SPECIAL FUND**  
**For The Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 9,974	\$ (30,026)
Interest	-	-	312	312
<b>Total Revenues</b>	<u>40,000</u>	<u>40,000</u>	<u>10,286</u>	<u>(29,714)</u>
<b>Expenditures</b>				
Community	40,000	40,000	13,504	26,496
<b>Total Expenditures</b>	<u>40,000</u>	<u>40,000</u>	<u>13,504</u>	<u>26,496</u>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>(3,218)</u>	<u>(3,218)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	25,000	44,000	44,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>25,000</u>	<u>44,000</u>	<u>44,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 25,000</u>	<u>\$ 44,000</u>	40,782	<u>\$ -</u>
<b>Fund Balance, Beginning</b>			<u>30,016</u>	
<b>Fund Balance, Ending</b>			<u>\$ 70,798</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales taxes	\$ 380,000	\$ 380,000	\$ 433,686	\$ 53,686
Intergovernmental	50,100	50,100	73,053	22,953
Interest	1,500	1,500	7,157	5,657
<b>Total Revenues</b>	<u>431,600</u>	<u>431,600</u>	<u>513,896</u>	<u>82,296</u>
<b>Expenditures</b>				
Debt service:				
Principal	180,000	180,000	180,000	-
Interest	149,500	149,500	149,465	35
<b>Total Expenditures</b>	<u>329,500</u>	<u>329,500</u>	<u>329,465</u>	<u>35</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>102,100</u>	<u>102,100</u>	<u>184,431</u>	<u>82,331</u>
<b>Other Financing Sources (Uses)</b>				
Transfer out	-	(8,000)	(8,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 102,100</u>	<u>\$ 94,100</u>	176,431	<u>\$ 82,331</u>
<b>Fund Balance, Beginning</b>			<u>329,373</u>	
<b>Fund Balance, Ending</b>			<u>\$ 505,804</u>	

**CITY OF NORTH SALT LAKE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – BUDGET AND ACTUAL –NONMAJOR POLICE FACILITIES FUND**  
**For The Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Impact fees	\$ 69,800	\$ 69,800	\$ 55,594	\$ (14,206)
Interest	400	400	733	333
<b>Total Revenues</b>	<u>70,200</u>	<u>70,200</u>	<u>56,327</u>	<u>(13,873)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (29,800)</u>	<u>\$ (29,800)</u>	<u>(43,673)</u>	<u>\$ (13,873)</u>
<b>Fund Balance, Beginning</b>			<u>67,582</u>	
<b>Fund Balance, Ending</b>			<u>\$ 23,909</u>	

**CITY OF NORTH SALT LAKE  
WATER FUND  
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE  
AS DESCRIBED IN BOND DOCUMENTS  
For The Year Ended June 30, 2018**

<b>Net Revenues:</b>		
Total Operating Revenues		\$ 5,160,772
Non-Operating Revenues		
	Impact Fees	420,311
	Interest Income	97,034
		5,678,117
Operating Expenses (excluding depreciation)		3,110,130
	Total Expenses (excluding depreciation)	3,110,130
<b>Net Revenues</b>		<b>\$ 2,567,987</b>
 <b>Fiscal Year 2019 Debt Service Requirements:</b>		
	2010 Bonds	\$ 180,000
	2015 Bonds	380,000
		<b>\$ 560,000</b>
 <b>Fiscal Year 2018 Net revenues divided by aggregate fiscal year 2019 debt service</b>		 459%
<b>Minimum requirement</b>		125%
<b>Excess (Deficiency)</b>		334%

**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, 2018, 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 20, 2018.

**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 North Salt Lake’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

*Child, Richards CPAs & Advisors*

Ogden, Utah  
November 20, 2018



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

To the Mayor and Council of  
North Salt Lake

**Report On Compliance**

We have audited North Salt Lake’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on North Salt Lake for the year ended June 30, 2018.

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

Budgetary Compliance	Restricted Taxes and Related Revenues
Fund Balance	Open and Public Meetings Act
Justice Courts	Public Treasurer’s Bond
Utah Retirement Systems	Tax Levy Revenue Recognition
Enterprise Fund Transfers	

***Management’s Responsibility***

Management is responsible for compliance with the 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 state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of North Salt Lake’s compliance with those requirements.

## ***Opinion on Compliance***

In our opinion, North Salt Lake complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2018.

## ***Other Matters***

The results of our auditing procedures did not identify instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

## **Report On Internal Control Over Compliance**

Management of North Salt Lake is responsible for establishing and maintaining effective internal control over compliance with the state 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 state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those 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 to detect and correct noncompliance with a 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 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 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.

*Child, Richards CPAs & Advisors*

Ogden, Utah  
November 20, 2018