

City of North Salt Lake

North Salt Lake, Utah



GENERAL PURPOSE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017
Together with Independent Auditor's Report

Prepared by:
City of North Salt Lake
Finance Department

**CITY OF NORTH SALT LAKE
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of
The City 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 the City of North Salt Lake, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of 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 the City of North Salt Lake, as of June 30, 2017, 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 3–13 and 58–60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of the City of North Salt Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of North Salt Lake's internal control over financial reporting and compliance.

Child, Richards CPAs & Advisors

Ogden, Utah
November 14, 2017

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2017**

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, 2017. 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, 2017 by \$96,577,098. Of this amount, unrestricted net position of \$9,780,491 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall net position increased by \$3,291,837 from the prior year, before a prior period adjustment. Business-type activities increased net position by \$1,964,733 while governmental activities had an increase in net position of \$1,327,104, before a prior period adjustment decrease in the amount of \$465,167.
- As of the close of the current fiscal year, the City of North Salt Lake's governmental funds reported combined ending fund balance of \$8,742,045, an increase of \$345,106 over the prior year. Of the total fund balance, \$2,366,188 is unassigned and available for spending. The remaining \$6,375,857 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 \$2,366,188 or 26.49% of total General Fund expenditures.
- The City of North Salt Lake's long-term debt obligations decreased by the net amount of \$437,910. The net decrease was attributable to payments of \$74,369 in notes payable to developers, and principal payments and bond premium amortizations of \$1,302,184 made on existing debt, an issuance of new debt in the amount of \$999,000. The city also purchased vehicles through a capital lease in the amount of \$250,430, the lease principal due was reduced by payments in the amount of \$195,014. Compensated absences decreased in the amount of \$96,906.

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, 2017**

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 2017 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, 2017**

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 \$83,405,065 (86.36%) reflects its investment in capital assets, less any related debt that is still outstanding and which was used to acquire those assets. Capital assets are used to provide services to citizens, and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of North Salt Lake's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	13,597,468	13,197,372	\$ 5,524,811	\$ 4,425,477	\$ 19,122,279	\$ 17,622,849
Capital assets	60,968,183	59,429,033	34,324,451	34,469,188	95,292,634	93,898,221
Total assets	74,565,651	72,626,405	39,849,262	38,894,665	114,414,913	111,521,070
Deferred outflows of resources	1,191,636	957,633	428,772	343,325	1,620,408	1,300,958
Total Deferred inflows	1,191,636	957,633	428,772	343,325	1,620,408	1,300,958
Long-term liabilities outstanding	7,758,967	6,985,185	7,057,861	8,258,444	1,584,549	916,204
Other liabilities	1,025,126	603,575	559,423	312,629	14,816,828	15,243,629
Total liabilities	8,784,093	7,588,760	7,617,284	8,571,073	16,401,377	16,159,833
Deferred inflows of resources	2,940,227	2,824,248	116,619	87,519	3,056,846	2,911,767
Total Deferred inflows	2,940,227	2,824,248	116,619	87,519	3,056,846	2,911,767
Net Position:						
Net investment in capital assets	56,895,547	59,429,033	26,509,518	28,124,564	83,405,065	87,553,597
Restricted	2,678,686	2,225,230	712,856	571,493	3,391,542	2,796,723
Unrestricted	4,458,734	1,516,767	5,321,757	1,883,341	9,780,491	3,400,108
Total Net Position	\$ 64,032,967	\$ 63,171,030	\$ 32,544,131	\$ 30,579,398	\$ 96,577,098	\$ 93,750,428

An additional portion of the net position, \$3,391,542 (3.51%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,780,491 (10.13%), may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's overall net position increased \$2,826,670 (3.02%). 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, 2017**

Government-wide Financial Analysis (Continued)

City of North Salt Lake's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,293,327	\$ 1,368,585	\$ 7,309,680	\$ 7,084,263	\$ 8,603,007	\$ 8,452,848
Operating grants and contributions	1,192,890	596,704	-	-	1,192,890	596,704
Capital grants and contributions	643,568	801,995	796,849	720,472	1,440,417	1,522,467
General revenues:						
Property taxes	3,993,431	3,280,972	-	-	3,993,431	3,280,972
Other taxes	5,768,510	5,387,880	-	-	5,768,510	5,387,880
Other	261,701	656,170	61,267	42,382	322,968	698,552
Total revenues	13,153,427	12,092,306	8,167,796	7,847,117	21,321,223	19,939,423
Expenses:						
General government	2,592,031	2,389,412	-	-	2,592,031	2,389,412
Public safety	4,522,247	4,157,769	-	-	4,522,247	4,157,769
Highways and public works	2,414,351	2,843,079	-	-	2,414,351	2,843,079
Community development	552,388	591,048	-	-	552,388	591,048
Parks, recreation, and public property	1,091,886	1,022,710	-	-	1,091,886	1,022,710
Interest on long-term debt	163,920	167,430	-	-	163,920	167,430
Water	-	-	3,350,601	3,458,135	3,350,601	3,458,135
Pressurized irrigation	-	-	418,444	375,371	418,444	375,371
Storm water	-	-	565,694	510,952	565,694	510,952
Solid waste	-	-	865,284	826,496	865,284	826,496
Golf course	-	-	1,492,540	1,450,687	1,492,540	1,450,687
Total expenses	11,336,823	11,171,448	6,692,563	6,621,641	18,029,386	17,793,089
Increase in Net Position before transfers	1,816,604	920,858	1,475,233	1,225,476	3,291,837	2,146,334
Transfers	(489,500)	(569,000)	489,500	569,000	-	-
Increase (Decrease) in Net Position	1,327,104	351,858	1,964,733	1,794,476	3,291,837	2,146,334
Net Position - beginning of year	63,171,030	62,819,172	30,579,398	28,784,922	93,750,428	91,604,094
Prior Period Adjustment	(465,167)	-	-	-	(465,167)	-
Net Position - end of year	\$ 64,032,967	\$ 63,171,030	\$ 32,544,131	\$ 30,579,398	\$ 96,577,098	\$ 93,750,428

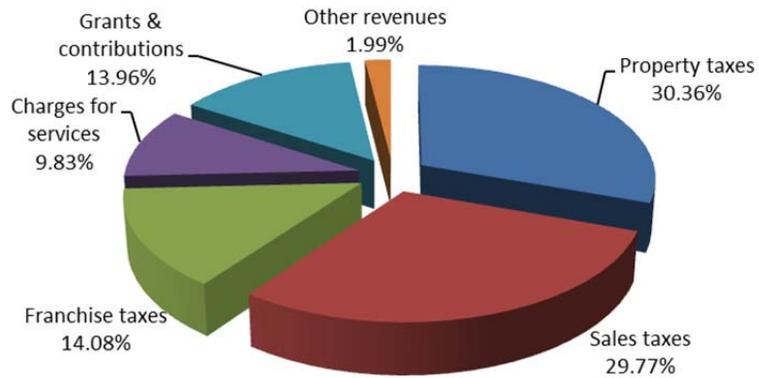
Governmental activities. As indicated by the data in the table above, governmental activities increased the net position of the City's by \$861,937 (1.36%). The increase, before transfers and prior period adjustments, totaled \$1,816,604. Comparison of total revenues and total expenditures to fiscal year 2016 shows an increase in revenues from governmental activities of \$1,061,121, while total expenses, before transfers, increased by \$165,375.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

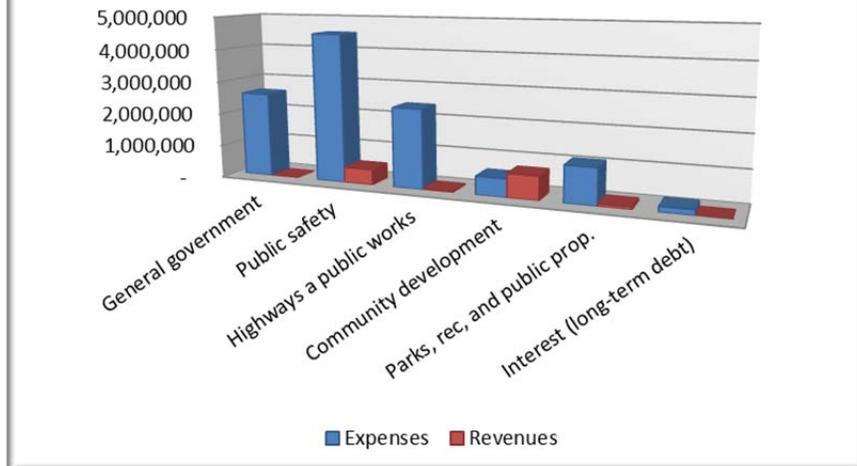
Government-wide Financial Analysis (Continued)

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.

Revenues by Source - Governmental Activities



Expenses and Charge for Service Revenues - Governmental Activities



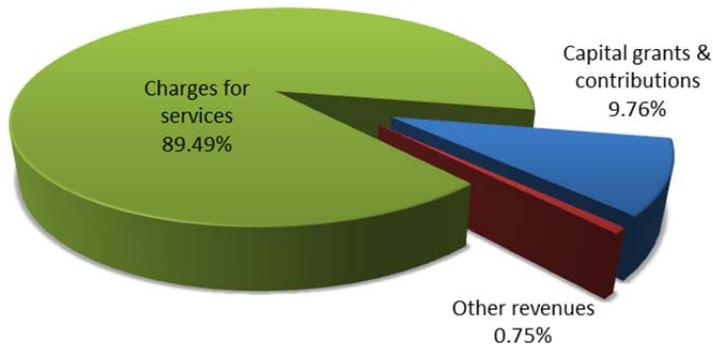
**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

Government-wide Financial Analysis (Continued)

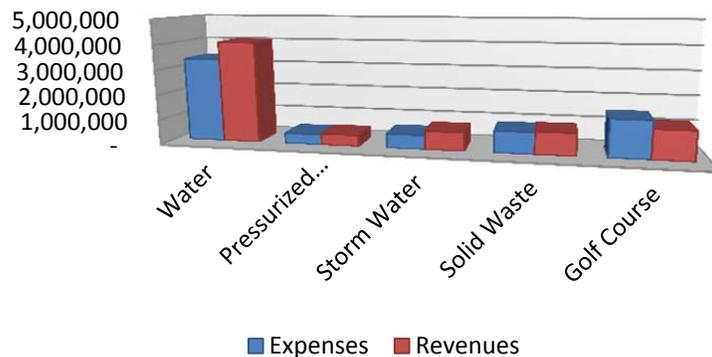
Business-type activities. Business-type activities increased the City's net position by \$1,964,733 (6.43%). As indicated by the data in the table on page 6, the increase in the City's net position provided this year by business-type activities was \$170,257 more than the prior year. In comparison to the previous fiscal year 2016, revenues from all business-type activities increased by \$320,679, while expenses from all business-type activities increased by \$70,922.

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, 2017

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, 2017, the City's governmental funds reported combined ending fund balance of \$8,742,045, an increase of \$345,106 from the prior fiscal year. \$2,366,188 (27.07%) is available for spending at the government's discretion. The remaining \$6,375,857 of fund balance is not available for new spending because it is non-spendable in form (prepaid expenses); legally restricted by parties outside the financial reporting entity for 1) impact fees (\$1,969,221), 2) debt service (\$29,240), 3) housing restriction (\$30,600), and 4) road construction projects (\$649,625.); 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 \$2,366,188. As a measure of the General Fund's liquidity, it may be useful to compare this amount to total fund expenditures of \$8,932,231 (26.49%). The fund balance of the City's General Fund increased \$277,886 during the current fiscal year. This represents a 9.75% change in fund balance.

This change in fund balance is \$40,040 greater than the prior year, after the prior period adjustment. Total revenues in the general fund increased by \$1,452,844 while expenditures increased by \$634,790. The General Fund had a net transfer out of \$1,690,829 in the current year while last year it had a net transfer out of \$1,119,924.

The changes in revenue can be principally attributed to: 1) property tax increased \$499,105, 2) sales tax revenue increased \$355,266, 2) other tax revenue increased \$25,364, and 3) intergovernmental revenues increased \$467,964. The revenue increases were offset by a decreases in building permit fees in the amount of \$55,649.

The principal changes in general fund expenditures are related to: 1) a \$447,201 increase in public safety, 2) a \$175,606 net increase in public works, and 3) a \$26,046 net increase in general government.

Capital Projects Fund - This fund has a total fund balance of \$3,088,742, 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, 2017, the fund balance in the Capital Projects Fund increased by \$65,008 compared to last year's decrease of \$366,664. 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 \$381,500, transfers out to the Road Capital Fund in the amount of \$220,000 and project expenditures related to the slide mitigation and police garage in the amount of \$103,957.

Park Development Fund - This fund has a total fund balance of \$224,154, of which \$185,265 is restricted for impact fee related park projects, and \$38,889 assigned to park projects. The decrease in fund balance during the current fiscal year was \$414,455, compared to last year's increase of \$75,374. The net change in fund balance consisted of: 1) intergovernmental revenue from state reimbursement grants in the amount of \$110,240, for construction, 2) impact fee revenue and related interest in the amount of \$232,229, and 3) interest related to unrestricted cash in the amount of \$2,068. The revenue increases were offset by expenditures for; 1) park projects in the amount of \$506,292 and 2) transfers out to the Local Building Authority Fund in the amount of \$252,700.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

Financial Analysis of the Government's Funds (Continued)

Road Development Fund – This fund has a total fund balance of \$1,871,414, of which \$1,716,374 is restricted for impact fee related road projects, and \$155,040 assigned to road development projects. The net increase in fund balance during the current fiscal year was \$303,585 compared to last year's decrease of \$256,538. The net change in fund balance consisted of impact fee revenue and related interest in the amount of \$277,776, transfers in of \$883,229, offset by expenditures in the amount of \$888,583.

Proprietary funds. At June 30, 2017, the City's proprietary funds reported combined ending net position of \$32,544,131, an increase of \$1,964,733 over the prior year. The unrestricted portion of proprietary fund net position has a balance of \$5,113,602. The remaining \$27,430,529 of net position is not available for new spending because it is invested in capital assets (\$26,717,673) or legally restricted by parties outside the financial reporting entity for 1) debt service (\$442,504) and 2) impact fees (\$270,352).

Water Fund – This fund ended fiscal year 2017 with a total net position of \$17,063,455; a net position increase of \$1,265,762, compared to a prior year increase of \$979,675. Revenue in the water fund experienced a net increase of \$184,235. Primary factors in the increase were as follows: 1) an increase of \$39,825 in impact fee revenues; and 2) a \$212,005, increase in operating revenues related to source of water purchase power purchases, this increase is primarily attributable to restructuring and increased utility rates, 3) a \$29,960 decrease in capital contribution; and 4) a \$36,839 increase in operating expenses related to a decrease in source of water purchases in the amount of \$57,752, offset by an increase of \$94,591 in expenses related to salaries and benefits, and depreciation.

Pressurized Irrigation Fund - This fund has a total net position of \$5,911,056; a net position increase of \$43,411, compared to a prior year increase of \$89,169. The current year increase was less than the prior year in the Pressurized Irrigation Fund's net position. The decrease is primarily attributable to an increase in operating expenditures in the amount of \$43,073. The increase in expenses is offset by a net increase in revenue in the amount of \$314 related to; 1) an increase in charges for services revenue and interest income in the amount of \$17,161, this increase is primarily attributable to restructuring and 2) a decrease in impact fee revenues and related interest in the amount of \$16,846.

Storm Water - This fund has a total net position \$6,280,428. During the year ended June 30, 2017, the Storm Water Fund's net position increased \$443,045 compared to prior year increase of \$378,306. The charges for services revenue increased from the prior year in the amount of \$12,291, this increase is primarily attributable to development growth and 2) impact fee revenues in the amount of \$105,161. The increase in revenue is offset by an increase in expenditures in the amount of \$33,365.

Solid Waste - This fund has total net positions of, \$254,060. The total net position did not have significant change from prior year and the fund had a positive current year operating income of \$32,803.

Golf Funds - This fund has a total net position \$3,035,132. The net position of the fund increased in the amount of \$179,636, compared to an increase in the prior year of \$304,254. The Golf Fund experienced a net operating loss in the amount of \$320,046, compared to the operating loss in the prior year of \$232,927. The loss is primarily attributable to a decrease in operating revenue in the amount of \$24,940 and an increase in expenditures in the amount of \$62,145.

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:

- Property tax revenues increased in an amount of \$182,500 attributable to a growth
- Sales tax revenues decreased in an amount of \$68,000, attributable to expected slower growth.
- Intergovernmental revenues were revised upward \$88,000 to reflect a change in expected fuel tax revenue.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

General Fund Budgetary Highlights (Continued)

- General government expenditures were revised upwards net \$81,000; an increase of \$64,000 for legislative professional and technical services, \$22,000 for buildings and \$5,000 for administrative, with a decrease of \$10,000 for judicial expenditures.
- Public safety expenditures were revised upwards net \$10,000 for animal control contracted services.
- Public works expenditures were revised upwards \$58,000; an increase of \$32,000 for street operating and \$26,000 for building expenditures.
- Community development expenditures were revised upwards \$8,000 for grant contract payments.
- Overall the general fund expenditures increased by \$157,000, from original to final budget.
- Other Financing Sources Uses increased \$701,100 as a result of increases in transfers-out to; 1) Local Building Authority fund in the amount of \$200,000, 2) Capital Projects fund in the amount of \$86,100, and 3) transfers-out to the Road Development fund in the amount of \$415,000.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2017, amounts to \$95,292,634 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles and equipment, furniture and fixtures, streetlights, sidewalks, curb and gutter, roads, water rights, and water utilities infrastructure. A total increase in the City's investment in capital assets for the current fiscal year was \$1,394,413 (a total 1.7% increase equaling increases of \$1,539,150 for governmental activities and a reduction of \$114,737 for business-type activities).

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

City of North Salt Lake's Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 25,066,381	\$ 23,666,400	\$ 2,551,013	\$ 2,551,013	\$ 27,617,394	\$ 26,217,413
Water rights	-	-	2,864,052	2,864,052	2,864,052	2,864,052
Construction in progress	758,868	305,768	157,543	7,445	916,411	313,213
Buildings	5,705,545	5,964,760	862,654	895,393	6,568,199	6,860,153
Improvements	6,859,784	6,846,692	-	-	6,859,784	6,846,692
Golf course	-	-	2,678,703	2,777,541	2,678,703	2,777,541
Water distribution system	-	-	18,241,099	18,719,333	18,241,099	18,719,333
Storm water system	-	-	5,761,668	5,546,313	5,761,668	5,546,313
Machinery, equipment, and vehicles	1,922,634	1,648,069	1,207,719	1,108,098	3,130,353	2,756,167
Infrastructure	20,654,971	20,997,344	-	-	20,654,971	20,997,344
Total	\$ 60,968,183	\$ 59,429,033	\$ 34,324,451	\$ 34,469,188	\$ 95,292,634	\$ 93,898,221

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2017**

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
1100 North interchange landscape	\$ 64,790	\$ -	\$ 64,790
350 North Main Street	42,022	-	42,022
500 North Reconstruction	28,600	-	28,600
Center Street Reconstruction	29,450	-	29,450
Cutler drive extension	104	-	104
Deer Hollow park improvements	23,898	-	23,898
Foxboro Dr resurface	237,182	-	237,182
Hatch park expansion	1,399,981	-	1,399,981
Hatch park lawn and parking	159,156	-	159,156
Parks irrigation central control system	109,892	-	109,892
Current year expenses police parking structure	15,648	-	15,648
Current year expenses Center Street Widening	156,065	-	156,065
Current year expenses Foxhollow dr reconstruction	73,732	-	73,732
Current year expenses to Jordan River boat take out	187,531	-	187,531
Current year expenses Tunnel Spring trail development	23,432	-	23,432
Fleet vehicles	542,157	-	542,157
Developer contributed capital - Bella Vida	-	81,225	81,225
Water machinery and equipment	-	161,648	161,648
Water vehicles	-	146,283	146,283
Union Avenue change over	-	104,547	104,547
New waterline 1100 North	-	23,450	23,450
Eaglewood Cove secondary waterline phase 1	-	159,872	159,872
Eagleridge pond	-	366,951	366,951
Current year expenses 350 N waterline	-	96,379	96,379
Current year expenses Eaglewood Cove secondary waterline phase 2	-	3,547	3,547
Current year expenses rehab culinary reservoir	-	57,618	57,618
Golf course machinery and equipment	-	35,254	35,254
Less current year deletions	(122,300)	(152,425)	(274,725)
Less current year depreciation expense (Fleet is in governmental)	(1,554,490)	(1,362,251)	(2,916,741)
Add current year accumulated depreciation deletions	122,300	133,165	255,465
Total	<u>\$ 1,539,150</u>	<u>\$ (144,737)</u>	<u>\$ 1,394,413</u>

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, 2017**

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City had \$9,991,053 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	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ -	\$ -	\$ 904,479	\$ 979,118	\$ 904,479	\$ 979,118
Sales Tax revenue bonds	2,855,000	3,210,000	-	-	2,855,000	3,210,000
Water revenue bonds	-	-	4,654,648	5,203,662	4,654,648	5,203,662
RDA bonds	999,000	-	-	-	999,000	-
General obligation bonds	-	-	-	573,170	-	573,170
Capital leases	437,237	217,339	140,689	245,674	577,926	463,013
Total	<u>\$ 4,291,237</u>	<u>\$ 3,427,339</u>	<u>\$ 5,699,816</u>	<u>\$ 7,001,624</u>	<u>\$ 9,991,053</u>	<u>\$ 10,428,963</u>

During the 2017 fiscal year, the City's total debt decreased by \$437,910. The change is primarily a result of an increase for debt issued in the Local Building Authority fund in the amount of \$999,000, net of normally scheduled debt service payments. 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 3.2% 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 \$89,500.
- Sales tax revenue was budgeted very conservatively for fiscal year 2018, with an expected increase of 4 percent over the previous year. The most recent sales tax revenue estimates project actual sales tax revenues will be higher than the original fiscal year 2018 budget.
- The unemployment rate for the State of Utah is currently 3.5 percent, which is a slight increase of .3 percent, from a rate of 3.2 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 2018, 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 slightly during fiscal year 2018. A slight increase would not significantly impact the financial position of the City.
- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF NORTH SALT LAKE
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,427,812	\$ 5,304,829	\$ 9,732,641
Receivables:			
Taxes	2,593,002	-	2,593,002
Accounts net	168,050	949,839	1,117,889
Intergovernmental	1,502,358	208,155	1,710,513
Internal balances	2,115,115	(2,115,115)	-
Inventories	-	138,812	138,812
Prepays	111,494	325,171	436,665
Restricted assets cash and cash equivalents	2,678,686	712,856	3,391,542
Net pension asset	951	264	1,215
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	758,868	157,543	916,411
Capital assets, net of accumulated depreciation:			
Buildings	5,705,545	862,654	6,568,199
Improvements other than buildings	6,859,784	-	6,859,784
Golf course	-	2,678,703	2,678,703
Water distribution system	-	18,241,099	18,241,099
Storm water system	-	5,761,668	5,761,668
Machinery, equipment, and vehicles	1,922,634	1,207,719	3,130,353
Infrastructure	20,654,971	-	20,654,971
Total Assets	74,565,651	39,849,262	114,414,913
Deferred Outflows of Resources			
Deferred outflows of resources relating to pensions	1,191,636	428,772	1,620,408
Total Assets and Deferred outflows of resources	75,757,287	40,278,034	116,035,321
Liabilities			
Accounts payable	421,678	464,409	886,087
Accrued liabilities	603,448	95,014	698,462
Developer and customer deposits	832,186	376,548	1,208,734
Noncurrent liabilities:			
Due within one year	588,500	748,852	1,337,352
Due in more than one year	4,134,186	5,158,574	9,292,760
Net pension liability	2,204,095	773,887	2,977,982
Total Liabilities	8,784,093	7,617,284	16,401,377
Deferred Inflows of Resources			
Deferred inflows of resources relating to pensions	333,225	116,619	449,844
Unearned revenues - developer deposit	14,000	-	14,000
Unearned revenues - property taxes	2,593,002	-	2,593,002
Total Deferred Inflows of Resources	2,940,227	116,619	3,056,846
Net Position			
Net investment in capital assets	56,895,547	26,509,518	83,405,065
Restricted for:			
Impact fees	1,969,221	270,352	2,239,573
Debt service	29,240	442,504	471,744
Construction projects	649,625	-	649,625
Housing restriction	30,600	-	30,600
Unrestricted	4,458,734	5,321,757	9,780,491
Total Net Position	64,032,967	32,544,131	96,577,098
Total Liabilities, Deferred Inflows, and Net Position	\$ 75,757,287	\$ 40,278,034	\$ 116,035,321

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, 2017**

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
Government Activities							
General governmental	\$ 2,592,031	\$ -	\$ -	\$ 104,774	\$ (2,487,257)	\$ -	\$ (2,487,257)
Public safety	4,522,247	469,263	18,575	-	(4,034,409)	-	(4,034,409)
Highways and public improvements	2,414,351	32,403	1,064,075	267,523	(1,050,350)	-	(1,050,350)
Community development	552,388	713,538	-	40,271	201,421	-	201,421
Parks, recreation, and public property	1,091,886	78,123	110,240	231,000	(672,523)	-	(672,523)
Interest on long-term debt	163,920	-	-	-	(163,920)	-	(163,920)
Total Governmental Activities	11,336,823	1,293,327	1,192,890	643,568	(8,207,038)	-	(8,207,038)
Business-type Activities							
Water	3,350,601	4,051,881	-	533,095	-	1,234,375	1,234,375
Pressurized irrigation	418,444	451,248	-	7,298	-	40,102	40,102
Storm water	565,694	744,473	-	256,456	-	435,235	435,235
Solid waste	865,284	897,351	-	-	-	32,067	32,067
Golf course	1,492,540	1,164,727	-	-	-	(327,813)	(327,813)
Total Business-type Activities	6,692,563	7,309,680	-	796,849	-	1,413,966	1,413,966
Total Government	\$ 18,029,386	\$ 8,603,007	\$ 1,192,890	\$ 1,440,417	(8,207,038)	1,413,966	(6,793,072)
General Revenues							
Property taxes					3,993,431	-	3,993,431
Sales taxes					3,916,229	-	3,916,229
Franchise taxes					1,852,281	-	1,852,281
Unrestricted interest on investments					92,654	43,886	136,540
Miscellaneous					67,554	939	68,493
Gain on sale of capital assets					101,493	16,442	117,935
Transfers					(489,500)	489,500	-
Total General Revenues					9,534,142	550,767	10,084,909
Changes in Net Position					1,327,104	1,964,733	3,291,837
Net Position, Beginning					63,171,030	30,579,398	93,750,428
Prior Period Adjustment					(465,167)	-	(465,167)
Net Position, Ending					\$ 64,032,967	\$ 32,544,131	\$ 96,577,098

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

CITY OF NORTH SALT LAKE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects	Park Development	Road Development	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,414,769	\$ 894,448	\$ 3,529	\$ 453,977	\$ 262,327	\$ 4,029,050
Receivables:						
Taxes	2,593,002	-	-	-	72,853	2,665,855
Accounts - net	284	-	107,740	-	60,026	168,050
Intergovernmental	1,429,505	-	-	-	-	1,429,505
Prepays	111,494	-	-	-	-	111,494
Due from other funds	-	2,201,554	-	-	-	2,201,554
Restricted cash and cash equivalents	649,625	-	185,265	1,716,374	127,422	2,678,686
Total Assets	\$ 7,198,679	\$ 3,096,002	\$ 296,534	\$ 2,170,351	\$ 522,628	\$ 13,284,194
Liabilities						
Accounts payable	\$ 54,529	\$ 7,260	\$ 58,380	\$ 298,937	\$ -	\$ 419,106
Accrued liabilities	591,655	-	-	-	5,762	597,417
Due to other funds	-	-	-	-	86,438	86,438
Developer deposits	832,186	-	-	-	-	832,186
Unearned revenue	-	-	14,000	-	-	14,000
Total Liabilities	1,478,370	7,260	72,380	298,937	92,200	1,949,147
Deferred Inflows of Resources						
Unavailable revenues - property taxes	2,593,002	-	-	-	-	2,593,002
Total Deferred Inflows of Resources	2,593,002	-	-	-	-	2,593,002
Fund Balances						
Nonspendable:						
Prepays	111,494	-	-	-	-	111,494
Restricted:						
Impact fees	-	-	185,265	1,716,374	67,582	1,969,221
Debt service	-	-	-	-	29,240	29,240
Construction projects	649,625	-	-	-	-	649,625
Housing restriction	-	-	-	-	30,600	30,600
Assigned:						
Capital projects	-	-	-	-	-	-
Road development	-	-	-	155,040	-	155,040
Police facilities	-	-	-	-	-	-
Construction projects	-	3,088,742	38,889	-	-	3,127,631
Debt service	-	-	-	-	303,006	303,006
Unassigned	2,366,188	-	-	-	-	2,366,188
Total Fund Balances	3,127,307	3,088,742	224,154	1,871,414	430,428	8,742,045
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,198,679	\$ 3,096,002	\$ 296,534	\$ 2,170,351	\$ 522,628	\$ 13,284,194

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, 2017

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

Total fund balance - governmental funds	\$ 8,742,045
Net pension assets used in governmental activities are not financial resources and, therefore are not reported in the funds	928
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	1,153,162
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	59,338,671
Long-term liabilities are not due and payable in the current period and therefore are not recorded in the funds.	(6,414,892)
Deferred inflows of resources, report net postion that applies to future periods, is not shown in the fund statements	(322,868)
Internal service funds are used by management to charge the cost of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,535,921
Total net position - governmental activities	\$ 64,032,967

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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Park Development</u>	<u>Road Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 8,881,801	\$ -	\$ -	\$ -	\$ 880,139	\$ 9,761,940
Licenses and permits	237,990	-	-	-	-	237,990
Rental income	-	-	-	-	29,292	29,292
Intergovernmental	1,088,635	-	110,240	-	98,789	1,297,664
Charges for services	547,410	-	-	-	-	547,410
Fines and forfeitures	449,202	-	-	-	-	449,202
Impact fees	-	-	231,000	267,523	40,271	538,794
Interest	65,956	6,082	3,297	11,982	2,872	90,189
Miscellaneous	88,119	1,384	-	29,434	-	118,937
Total Revenues	<u>11,359,113</u>	<u>7,466</u>	<u>344,537</u>	<u>308,939</u>	<u>1,051,363</u>	<u>13,071,418</u>
Expenditures						
Current:						
General government	1,654,283	-	-	-	6,000	1,660,283
Public safety	4,521,715	-	-	-	-	4,521,715
Highways and public improvements	1,396,789	-	-	233,407	60,668	1,690,864
Community development	537,446	-	-	-	543,628	1,081,074
Parks, recreation, and public property	821,998	-	900	-	-	822,898
Debt service:						
Principal	-	-	-	-	180,000	180,000
Interest	-	-	-	-	156,305	156,305
Capital outlay:						
General government	-	88,310	-	-	-	88,310
Public safety	-	15,648	-	-	-	15,648
Highways and public improvements	-	-	-	655,176	-	655,176
Parks, recreation, and public property	-	-	505,392	-	1,399,980	1,905,372
Total Expenditures	<u>8,932,231</u>	<u>103,958</u>	<u>506,292</u>	<u>888,583</u>	<u>2,346,581</u>	<u>12,777,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,426,882</u>	<u>(96,492)</u>	<u>(161,755)</u>	<u>(579,644)</u>	<u>(1,295,218)</u>	<u>293,773</u>
Other Financing Sources (Uses)						
Loan proceeds	-	-	-	-	999,000	999,000
Transfer in	-	381,500	-	883,229	483,300	1,748,029
Transfer out	(1,690,829)	(220,000)	(252,700)	-	(74,000)	(2,237,529)
Contributions	7,000	-	-	-	-	7,000
Total Other Financing Sources (Uses)	<u>(1,683,829)</u>	<u>161,500</u>	<u>(252,700)</u>	<u>883,229</u>	<u>1,408,300</u>	<u>(482,500)</u>
Net Change in Fund Balances	743,053	65,008	(414,455)	303,585	113,082	810,273
Fund Balance, Beginning Prior Period Adjustment	2,849,421 (465,167)	3,023,734 -	638,609 -	1,567,829 -	317,346 -	8,396,939 (465,167)
Fund Balance, Ending	<u>\$ 3,127,307</u>	<u>\$ 3,088,742</u>	<u>\$ 224,154</u>	<u>\$ 1,871,414</u>	<u>\$ 430,428</u>	<u>\$ 8,742,045</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, 2017

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

Net change in fund balances - total governmental funds	\$ 810,273
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.	(1,235,731)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	2,551,483
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	180,000
Governmental funds report costs of long-term debt issuance as expenditures. However, these expenditures are reported as deferred charges in the statement on net position.	
Internal service funds are used by management to charge the cost of fleet management to individual funds. The transfers from governmental funds to the internal service fund are included in governmental activities in the statement of net position.	72,650
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.	80,014
Loan Proceeds	(999,000)
The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund statements.	(132,586)
Capital assets contributed by developers constitute revenues on the government-wide	
Change in net position of governmental activities	\$ 1,327,104

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 2,790,000	\$ 2,972,500	3,113,291	\$ 140,791
Sales and use	3,868,000	3,800,000	3,916,229	116,229
Franchise	1,856,000	1,856,000	1,852,281	(3,719)
Licenses and permits	239,000	239,000	237,990	(1,010)
Intergovernmental revenues	868,000	956,000	1,088,635	132,635
Charges for services	374,000	523,000	547,410	24,410
Fines and forfeitures	478,000	430,000	449,202	19,202
Interest	8,000	8,000	65,956	57,956
Miscellaneous	47,000	47,000	88,119	41,119
Total Revenues	<u>10,528,000</u>	<u>10,831,500</u>	<u>11,359,113</u>	<u>527,613</u>
Expenditures				
Current:				
General government:				
Legislative	158,100	222,100	214,595	7,505
Administrative	705,400	710,400	700,829	9,571
Judicial	332,200	322,200	272,285	49,915
Engineering	208,700	208,700	172,609	36,091
Buildings	286,700	308,700	293,965	14,735
Total general government	<u>1,691,100</u>	<u>1,772,100</u>	<u>1,654,283</u>	<u>117,817</u>
Public safety:				
Police department	3,327,200	3,327,200	3,191,664	135,536
Fire department	1,310,000	1,310,000	1,284,247	25,753
Animal control	42,200	52,200	45,804	6,396
Total public safety	<u>4,679,400</u>	<u>4,689,400</u>	<u>4,521,715</u>	<u>167,685</u>
Public works:				
Streets department	1,229,000	1,261,000	1,264,766	(3,766)
Buildings	137,400	163,400	132,023	31,377
Total public works	<u>1,366,400</u>	<u>1,424,400</u>	<u>1,396,789</u>	<u>27,611</u>
Community Development				
Planning and zoning	354,000	362,000	348,444	13,556
Building inspection	210,700	210,700	189,002	21,698
Total community development	<u>564,700</u>	<u>572,700</u>	<u>537,446</u>	<u>35,254</u>
Parks	830,900	830,900	821,998	8,902
Total Expenditures	<u>\$ 9,132,500</u>	<u>\$ 9,289,500</u>	<u>\$ 8,932,231</u>	<u>\$ 357,269</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,395,500	\$ 1,542,000	\$ 2,426,882	\$ 884,882
Other Financing Sources (Uses)				
Transfer in	21,000	21,000	-	21,000
Transfer out	(1,509,500)	(2,210,600)	(1,690,829)	(519,771)
Sale of capital assets	-	-	-	-
Contributions	5,000	5,000	7,000	(2,000)
Total Other Financing Sources (Uses)	<u>(1,483,500)</u>	<u>(2,184,600)</u>	<u>(1,683,829)</u>	<u>(500,771)</u>
Net Change in Fund Balance	<u>\$ (88,000)</u>	<u>\$ (642,600)</u>	743,053	<u>\$ 384,111</u>
Fund Balance, Beginning			2,849,421	
Prior Period Adjustment			<u>(465,167)</u>	
Fund Balance, Ending			<u>\$ 3,127,307</u>	

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, 2017

	Business-type Activities					Total	Governmental
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Enterprise	Internal Service Fund - Fleet
Assets							
Current Assets							
Cash and cash equivalents	\$ 3,806,292	\$ 534,391	\$ 818,007	\$ 145,539	\$ 600	\$ 5,304,829	\$ 398,762
Receivables:							
Accounts receivable, net	664,258	85,026	89,577	101,791	9,187	949,839	-
Intergovernmental	-	-	208,155	-	-	208,155	-
Due from other funds	-	-	-	-	-	-	-
Inventories	62,835	-	-	-	75,977	138,812	-
Prepaid expenses	244,315	66,585	1,062	-	13,209	325,171	-
Total Current Assets	<u>4,777,700</u>	<u>686,002</u>	<u>1,116,801</u>	<u>247,330</u>	<u>98,973</u>	<u>6,926,806</u>	<u>398,762</u>
Noncurrent Assets							
Restricted cash and cash equivalents	442,504	52,069	218,283	-	-	712,856	-
Net pension asset	126	12	9	-	117	264	23
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	23,039,872	3,098,284	-	-	-	26,138,156	-
Storm water system	-	-	6,722,514	-	-	6,722,514	-
Machinery, equipment, and vehicles	1,085,064	116,774	228,742	307,942	1,178,163	2,916,685	3,605,896
Construction-in-progress	157,543	-	-	-	-	157,543	-
Less accumulated depreciation	(7,969,271)	(708,339)	(1,031,031)	(228,540)	(3,391,731)	(13,328,912)	(1,976,384)
Total Noncurrent Assets	<u>17,412,221</u>	<u>5,258,915</u>	<u>6,138,517</u>	<u>79,402</u>	<u>6,148,516</u>	<u>35,037,571</u>	<u>1,629,535</u>
Total Assets	<u>22,189,921</u>	<u>5,944,917</u>	<u>7,255,318</u>	<u>326,732</u>	<u>6,247,489</u>	<u>41,964,377</u>	<u>2,028,297</u>
Deferred outflows of resources							
Deferred outflows of resources relating to pensions	180,496	21,330	40,170	10,164	176,612	428,772	38,474
Total Assets and Deferred Outflows of Resources	<u>\$ 22,370,417</u>	<u>\$ 5,966,247</u>	<u>\$ 7,295,488</u>	<u>\$ 336,896</u>	<u>\$ 6,424,101</u>	<u>\$ 42,393,149</u>	<u>\$ 2,066,771</u>

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, 2017

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Liabilities							
Current Liabilities							
Accounts payable	\$ 194,365	\$ 392	\$ 196,148	\$ 59,442	\$ 14,062	\$ 464,409	\$ 2,576
Compensated absences	35,410	3,644	5,210	1,623	64,837	110,724	2,915
Accrued liabilities	54,142	1,996	9,325	675	28,876	95,014	6,031
Due to other funds	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-
Leases payable	-	-	56,867	-	27,249	84,116	103,394
Revenue and general obligation bonds payable	530,200	-	23,812	-	-	554,012	-
Total Current Liabilities	814,117	6,032	291,362	61,740	135,024	1,308,275	114,916
Noncurrent Liabilities							
Compensated absences	30,984	3,188	4,559	1,420	56,733	96,884	2,551
Customer deposits	376,548	-	-	-	-	376,548	-
Due to other funds	-	-	-	-	2,115,115	2,115,115	-
Notes payable	-	-	247,478	-	657,000	904,478	-
Leases payable	-	-	-	-	56,573	56,573	333,841
Net pension liability	327,941	39,604	68,804	17,103	320,435	773,887	69,185
Revenue and general obligation bonds payable	3,708,426	-	392,213	-	-	4,100,639	-
Total Noncurrent Liabilities	4,443,899	42,792	713,054	18,523	3,205,856	8,424,124	405,577
Total Liabilities	5,258,016	48,824	1,004,416	80,263	3,340,880	9,732,399	520,493
Deferred inflows of resources							
Deferred inflows of resources relating to pensions	48,946	6,367	10,644	2,573	48,089	116,619	10,357
Total Liabilities and Deferred Inflows of Resources	5,306,962	55,191	1,015,060	82,836	3,388,969	9,849,018	530,850
Net Position							
Net investment in capital assets	12,730,965	5,206,834	5,199,855	79,402	3,292,462	26,509,518	1,192,277
Restricted:							
Debt service	442,504	-	-	-	-	442,504	-
Impact fees	-	52,069	218,283	-	-	270,352	-
Unrestricted	3,889,986	652,153	862,290	174,658	(257,330)	5,321,757	343,644
Total Net Position	17,063,455	5,911,056	6,280,428	254,060	3,035,132	32,544,131	1,535,921
Total Liabilities, Deferred Inflows and Net Position	\$ 22,370,417	\$ 5,966,247	\$ 7,295,488	\$ 336,896	\$ 6,424,101	\$ 42,393,149	\$ 2,066,771

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, 2017

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Operating Revenues							
Charges for services:							
Metered water sales	\$ 3,997,233	\$ 451,248	\$ -	\$ -	\$ -	\$ 4,448,481	\$ -
User fees	-	-	744,473	897,351	-	1,641,824	708,952
Connection and servicing fees	54,648	-	-	-	-	54,648	-
Admissions and lesson fees	-	-	-	-	613,195	613,195	-
Equipment and facility rents	-	-	-	-	365,478	365,478	-
Concession and merchandise sales	-	-	-	-	186,054	186,054	-
Miscellaneous	939	-	-	-	-	939	-
Total Operating Revenues	4,052,820	451,248	744,473	897,351	1,164,727	7,310,619	708,952
Operating Expenses							
Salaries and benefits	800,564	131,688	184,528	51,334	728,064	1,896,178	181,914
Office expense and supplies	37,859	12,202	11,702	18,047	2,555	82,365	-
Equipment - supplies and maintenance	124,444	5,959	128,008	40,107	185,008	483,526	203,022
Buildings and grounds - supplies and maintenance	50,685	-	-	-	35,855	86,540	-
Special department supplies	308,439	-	-	20,042	-	328,481	-
Power purchases	423,358	-	-	-	39,007	462,365	-
Water purchases	490,491	130,864	-	-	117,436	738,791	-
Professional services	105,565	2,148	32,495	2,662	38,366	181,236	-
Contracted services	-	-	-	707,315	-	707,315	-
Merchandise	-	-	-	-	74,824	74,824	-
Depreciation	821,058	114,953	179,295	25,041	221,904	1,362,251	318,759
Miscellaneous	26,801	20,630	3,918	-	41,754	93,103	-
Total Operating Expenses	3,189,264	418,444	539,946	864,548	1,484,773	6,496,975	703,695
Operating Income (Loss)	\$ 863,556	\$ 32,804	\$ 204,527	\$ 32,803	\$ (320,046)	\$ 813,644	\$ 5,257

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, 2017

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Nonoperating Income (Expense)							
Interest income	\$ 28,302	\$ 3,309	\$ 7,810	\$ 812	\$ 3,653	\$ 43,886	\$ 1,189
Interest expense	(161,337)	-	(25,748)	(736)	(7,767)	(195,588)	(7,723)
Gain (loss) from sale of capital assets	2,146	-	-	-	14,296	16,442	73,927
Total Nonoperating Income (Expense)	<u>(130,889)</u>	<u>3,309</u>	<u>(17,938)</u>	<u>76</u>	<u>10,182</u>	<u>(135,260)</u>	<u>67,393</u>
Income (loss) before contributions and transfers	732,667	36,113	186,589	32,879	(309,864)	678,384	72,650
Capital Contributions	81,225	-	-	-	-	81,225	-
Build America Bond Interest Subsidy	53,570	-	8,241	-	-	61,811	-
Impact Fees	398,300	7,298	248,215	-	-	653,813	-
Transfers in	-	-	-	-	489,500	489,500	-
Change in Net Position	1,265,762	43,411	443,045	32,879	179,636	1,964,733	72,650
Net Position, Beginning	15,797,693	5,867,645	5,837,383	221,181	2,855,496	30,579,398	1,463,271
Net Position, Ending	<u>\$ 17,063,455</u>	<u>\$ 5,911,056</u>	<u>\$ 6,280,428</u>	<u>\$ 254,060</u>	<u>\$ 3,035,132</u>	<u>\$ 32,544,131</u>	<u>\$ 1,535,921</u>

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

CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2017

	Business-type Activities					Governmental Activities	
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 3,924,517	\$ 444,864	\$ 741,391	\$ 894,784	\$ 1,186,822	\$ 7,192,378	\$ 708,952
Receipts from customer deposits	12,640	-	-	-	-	12,640	-
Payments to suppliers and service providers	(1,419,541)	(173,211)	(84,589)	(787,328)	(534,719)	(2,999,388)	(203,364)
Payments to employees and related benefits	(788,508)	(132,421)	(183,226)	(52,418)	(711,329)	(1,867,902)	(178,548)
Net cash flows from operating activities	1,729,108	139,232	473,576	55,038	(59,226)	2,337,728	327,040
Cash Flows From Non-Capital Financing Activities							
Transfers in	-	-	-	-	489,500	489,500	-
Reimbursable grant expenditures	-	-	(208,155)	-	-	(208,155)	-
Due to/from other funds	-	-	-	-	127,327	127,327	-
Net cash flows from non-capital financing activities	-	-	(208,155)	-	616,827	408,672	-
Cash Flows From Capital and Related Financing Activities							
Acquisition and construction of capital assets	(753,344)	-	(366,950)	-	(35,254)	(1,155,548)	(542,157)
Proceeds from sales of capital assets	12,994	-	-	-	22,708	35,702	76,144
Impact fees and interest subsidies received	451,870	7,298	256,456	-	-	715,624	250,429
Principal paid on capital bonds and leases	(520,150)	-	(153,164)	(22,052)	(586,580)	(1,281,946)	(90,029)
Interest paid on capital bonds and leases	(195,719)	-	(27,891)	(660)	(22,195)	(246,465)	(6,628)
Net cash flows from capital and related financing activities	\$ (1,004,349)	\$ 7,298	\$ (291,549)	\$ (22,712)	\$ (621,321)	\$ (1,932,633)	\$ (312,241)

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, 2017

	Business-type Activities						Governmental Activities
	Water	Pressurized Irrigation	Storm Water	Solid Waste	Golf	Total Enterprise	Internal Service Fund - Fleet
Cash Flows From Investing Activities							
Interest on investments	\$ 28,302	\$ 3,309	\$ 7,810	\$ 812	\$ 3,653	\$ 43,886	\$ 1,189
Net cash flows from investing activities	<u>28,302</u>	<u>3,309</u>	<u>7,810</u>	<u>812</u>	<u>3,653</u>	<u>43,886</u>	<u>1,189</u>
Net Increase (Decrease) In Cash and Cash Equivalents	753,061	149,839	(18,318)	33,138	(60,067)	857,653	15,988
Cash and Cash Equivalents, Beginning	3,495,735	436,621	1,054,608	112,401	60,667	5,160,032	382,774
Cash and Cash Equivalents, Ending	<u>\$ 4,248,796</u>	<u>\$ 586,460</u>	<u>\$ 1,036,290</u>	<u>\$ 145,539</u>	<u>\$ 600</u>	<u>\$ 6,017,685</u>	<u>\$ 398,762</u>
Reconciliation of operating income to net cash flows from operating activities							
Earnings (loss) from operations	\$ 863,556	\$ 32,804	\$ 204,527	\$ 32,803	\$ (320,046)	\$ 813,644	\$ 5,257
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:							
Depreciation	821,058	114,953	179,295	25,041	221,904	1,362,251	318,759
Changes in assets and liabilities							
Accounts receivable, net	(128,303)	(6,384)	(3,082)	(2,567)	22,095	(118,241)	-
Inventories	(1,466)	-	-	-	(10,966)	(12,432)	-
Prepaid expenses	(26,897)	(2,017)	(578)	-	(1,058)	(30,550)	-
Net pension liability	20,063	3,407	5,341	937	20,383	50,131	4,474
Accounts payable	173,675	127	91,487	950	11,857	278,096	(1,081)
Compensated absences	(8,007)	(4,140)	(4,039)	(2,021)	(3,648)	(21,855)	(1,108)
Accrued liabilities	2,789	482	625	(105)	253	4,044	739
Customer deposits	12,640	-	-	-	-	12,640	-
Net cash flows from operating activities	<u>\$ 1,729,108</u>	<u>\$ 139,232</u>	<u>\$ 473,576</u>	<u>\$ 55,038</u>	<u>\$ (59,226)</u>	<u>\$ 2,337,728</u>	<u>\$ 327,040</u>
Schedule of non-cash capital and related financing activities:							
Contributions of capital assets	\$ 81,225	\$ -	\$ -	\$ -	\$ -	\$ 81,225	\$ -

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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

NOTE 2 DEPOSIT AND INVESTMENTS (Continued)

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, 2017, \$1,478,578 of the City's bank balances of \$1,770,407 was uninsured and uncollateralized.

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, 2017, 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	\$11,773,569	\$ -	\$11,773,569	\$ -
Total debt securities	\$11,773,569	\$ -	\$11,773,569	\$ -

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, 2017 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, 2017, 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	11,773,569	11,773,569	-	-	-
	11,773,569	11,773,569	-	-	-

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, 2017, the City's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF					
Investments	11,773,569	-	-	-	11,773,569
	<u>11,773,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,773,569</u>

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, 2017:

Cash on hand and on deposit:	
Cash on deposit	\$ 1,347,014
Petty cash	3,600
PTIF investment	<u>11,773,569</u>
Total cash and investments	<u><u>\$13,124,183</u></u>

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

Cash	\$ 9,732,641
Restricted Cash	<u>3,391,542</u>
Total cash and investments	<u><u>\$13,124,183</u></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	\$ 442,504	\$ 442,504	\$ -
Sales Tax Bonds Debt Service Reserves	29,240	-	29,240
Impact Fees	2,239,573	270,352	1,969,221
Redevelopment low income housing	30,600	-	30,600
Unspent B&C Road Money	649,625	-	649,625
	<u>\$ 3,391,542</u>	<u>\$ 712,856</u>	<u>\$ 2,678,686</u>

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2017 for all funds is \$10,000.

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 23,666,400	\$ 1,399,981	\$ -	\$ 25,066,381
Construction in progress	305,768	735,615	(282,515)	758,868
Total capital assets, not being depreciated	<u>23,972,168</u>	<u>2,135,596</u>	<u>(282,515)</u>	<u>25,825,249</u>
Capital assets, being depreciated				
Infrastructure	23,950,677	365,734	-	24,316,411
Buildings	7,741,394	-	-	7,741,394
Improvements other than buildings	8,010,872	222,777	-	8,233,649
Machinery, equipment, and vehicles	4,545,225	652,049	(122,300)	5,074,974
Total capital assets, being depreciated	<u>44,248,168</u>	<u>1,240,560</u>	<u>(122,300)</u>	<u>45,366,428</u>
Less accumulated depreciation for				
Infrastructure	(2,953,333)	(708,107)	-	(3,661,440)
Buildings	(1,776,635)	(259,214)	-	(2,035,849)
Improvements other than buildings	(1,164,180)	(209,685)	-	(1,373,865)
Machinery, equipment, and vehicles	(2,897,156)	(377,484)	122,300	(3,152,340)
Total accumulated depreciation	<u>(8,791,304)</u>	<u>(1,554,490)</u>	<u>122,300</u>	<u>(10,223,494)</u>
Total capital assets, being depreciated, net	<u>35,456,864</u>	<u>(313,930)</u>	<u>-</u>	<u>35,142,934</u>
Governmental activities capital assets, net	<u>\$ 59,429,032</u>	<u>\$ 1,821,666</u>	<u>\$ (282,515)</u>	<u>\$ 60,968,183</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	\$ 226,513
Community development	781
Public safety	140,436
Highways and public improvements	917,948
Parks, recreation, and public property	<u>268,813</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,554,490</u></u>

The Enterprise Funds' property, plant and equipment consist of the following at June 30, 2017:

	Balance			Transfers/	Balance
	June 30, 2016	Additions	Deletions	Reclassifications	June 30, 2017
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 2,551,013	\$ -	\$ -	\$ -	\$ 2,551,013
Water rights	2,864,052	-	-	-	2,864,052
Construction in progress	7,445	157,543	-	(7,445)	157,543
Total capital assets, not being depreciated	<u>5,422,510</u>	<u>157,543</u>	<u>-</u>	<u>(7,445)</u>	<u>5,572,608</u>
Capital assets, being depreciated					
Buildings	1,492,976	-	-	-	1,492,976
Golf course	4,810,424	-	-	-	4,810,424
Water distribution system	25,769,061	369,095	-	-	26,138,156
Storm water system	6,348,119	366,950	-	7,445	6,722,514
Machinery, equipment, and vehicles	2,725,928	343,182	(152,425)	-	2,916,685
Total capital assets, being depreciated	<u>41,146,508</u>	<u>1,079,227</u>	<u>(152,425)</u>	<u>7,445</u>	<u>42,080,755</u>
Less accumulated depreciation for					
Buildings	(597,583)	(32,745)	-	-	(630,328)
Golf course	(2,032,883)	(98,838)	-	-	(2,131,721)
Water distribution system	(7,049,729)	(847,325)	-	-	(7,897,054)
Storm water system	(801,806)	(159,040)	-	-	(960,846)
Machinery, equipment, and vehicles	(1,617,825)	(224,303)	133,165	-	(1,708,963)
Total accumulated depreciation	<u>(12,099,826)</u>	<u>(1,362,251)</u>	<u>133,165</u>	<u>-</u>	<u>(13,328,912)</u>
Total capital assets, being depreciated, net	<u>29,046,682</u>	<u>(283,024)</u>	<u>(19,260)</u>	<u>7,445</u>	<u>28,751,843</u>
Business-type activities capital assets, net	<u><u>\$ 34,469,192</u></u>	<u><u>\$ (125,481)</u></u>	<u><u>\$ (19,260)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,324,451</u></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:

Business-type Activities	
Water	\$ 821,058
Secondary Water	114,953
Storm Water	179,295
Solid Waste	25,041
Golf Course	<u>221,904</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,362,251</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 \$2,593,002.

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

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, 2017:

	Long-term debt payable at June 30, 2016			Long-term debt payable at June 30, 2017		Due within One Year
	June 30, 2016	Additions	Reductions	June 30, 2017		
Governmental activities						
Series 2010 Sales Tax	\$ 3,035,000	\$ -	\$ 180,000	\$ 2,855,000	\$ 180,000	
Series 2016 Lease Revenue	-	999,000	-	999,000	75,000	
2014 Public Works Lease	106,416	-	70,535	35,881	35,881	
2016 Public Works Lease	170,420	-	19,494	150,926	19,985	
2017 Public Works Lease	-	250,430	-	250,430	47,528	
Compensated Absences	510,353	561,388	640,292	431,449	230,106	
	<u>3,822,189</u>	<u>1,810,818</u>	<u>910,321</u>	<u>4,722,686</u>	<u>588,500</u>	
Governmental activity long-term liabilities						
	<u>\$ 3,822,189</u>	<u>\$ 1,810,818</u>	<u>\$ 910,321</u>	<u>\$ 4,722,686</u>	<u>\$ 588,500</u>	
Business-type activities						
Series 2010 Water Revenue	\$ 3,235,000	\$ -	\$ 170,000	\$ 3,065,000	\$ 175,000	
Plus unamortized premium	32,390	-	2,160	30,230	2,160	
Series 2015 Water Revenue	1,917,000	-	373,000	1,544,000	373,000	
Plus unamortized premium	19,272	-	3,854	15,418	3,854	
Series 2009 G.O. Bonds	560,000	-	560,000	-	-	
Plus unamortized premium	13,170	-	13,170	-	-	
Eaglewood Development N/P	657,000	-	-	657,000	-	
2015 Golf Equip. Capital Lease	110,402	-	26,580	83,822	27,250	
Solid Waste Capital Lease	22,052	-	22,052	-	-	
2015 Storm Equip Capital Lease	113,220	-	56,353	56,867	56,867	
Compass Development N/P	322,118	-	74,639	247,479	-	
Compensated Absences	225,610	248,171	266,173	207,608	110,724	
	<u>7,227,234</u>	<u>248,171</u>	<u>1,567,981</u>	<u>5,907,424</u>	<u>748,855</u>	
Business-type activity long-term liabilities						
	<u>\$ 7,227,234</u>	<u>\$ 248,171</u>	<u>\$ 1,567,981</u>	<u>\$ 5,907,424</u>	<u>\$ 748,855</u>	

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

For the year ended June 30, 2017, \$163,920 of interest was charged as a direct expense on the *statement of activities* for Governmental activities and \$195,588 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2017, 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 receipted in the Park Improvement Fund and will be liquidated in the Debt Service Fund.

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

NOTE 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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	4.15%	\$ 180,000	\$ 146,865	\$ 326,865
2019	4.30%	185,000	139,395	324,395
2020	4.50%	190,000	131,440	321,440
2021	4.65%	200,000	122,890	322,890
2022	4.80%	205,000	113,590	318,590
2023-2027	4.80-5.15%	1,120,000	408,548	1,528,548
2028-2030	5.50-5.80%	775,000	90,770	865,770
Total		\$ 2,855,000	\$ 1,153,498	\$ 4,008,498

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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	1.63%	\$ 75,000	\$ 16,284	91,284
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
2023-2027	3.04%	544,000	62,672	606,672
Total		\$ 999,000	\$ 152,978	\$ 1,151,978

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 \$74,531 at June 30, 2017. Payments are due in April and October of each year until October 2017. The lease has an interest rate of 2.31%. The fleet fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	1.63%	\$ 75,000	\$ 16,284	91,284
2019	1.97%	92,000	18,203	110,203
2020	2.27%	94,000	18,886	112,886

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, 2017. 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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2.31%	\$ 35,881	\$ 414	\$ 36,295
Total		<u>\$ 35,881</u>	<u>\$ 414</u>	<u>\$ 36,295</u>

2017 Public Works Vehicle Capital Lease

In February 2016, 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 \$6,306 at June 30, 2017. 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, 2017, are as follows:

2018	2.52%	\$ 19,985	\$ 3,803	\$ 23,788
2019	2.52%	20,488	3,300	23,788
2020	2.52%	21,005	2,783	23,788
2021	2.52%	21,534	2,254	23,788
2022	2.52%	22,077	1,711	23,788
2023	2.52%	22,633	1,155	23,788
2024	2.52%	23,204	585	23,789
Total		<u>\$ 150,926</u>	<u>\$ 15,591</u>	<u>\$ 166,517</u>

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

NOTE 7 LONG-TERM DEBT (Continued)

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, 2017 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.

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, 2017, the City has \$177,596 in a reserved cash account with an additional \$4,893 in restricted cash to meet the debt covenants.

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

NOTE 7 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest for the Series 2010 Water Revenue Bonds as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	4.50%	175,000	118,537	293,537
2019	4.75%	180,000	113,418	293,418
2020	5.15%	185,000	107,861	292,861
2021	5.15%	190,000	581,591	771,591
2022 - 2026	5.15-6.00%	1,055,000	399,729	1,457,673
2027 - 2031	6.00-6.75%	1,280,000	170,503	1,446,942
		3,065,000	\$ 1,491,639	\$ 4,556,022
Plus unamortized premium		30,230		
Total		\$ 3,095,230		

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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	1.55%	\$ 373,000	\$ 30,996	\$ 403,996
2019	1.95%	380,000	25,215	405,215
2020	2.15%	392,000	17,805	409,805
2021	2.35%	399,000	9,377	408,377
		\$ 1,544,000	\$ 83,392	\$ 1,627,392
Plus unamortized premium		15,418		
Total		\$ 1,559,418		

General Obligation Refunding Bonds, Series 2009

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

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

NOTE 7 LONG-TERM DEBT (Continued)

The final payment of the bond obligation, in the amount of \$560,000 was paid during the 2017 Fiscal Year.

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, 2017 is \$247,479.

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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2.50%	\$ 27,249	\$ 1,926	\$ 29,175
2019	2.50%	27,935	1,241	29,176
2020	2.50%	28,638	538	29,176
Total		<u>\$ 83,822</u>	<u>\$ 3,705</u>	<u>\$ 87,527</u>

Storm Waste Lease

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

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

NOTE 7 LONG-TERM DEBT (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2.14%	\$ 56,867	\$ 1,217	\$ 58,084
Total		<u>\$ 56,867</u>	<u>\$ 1,217</u>	<u>\$ 58,084</u>

Solid Waste Lease

In January of 2010 the City entered into an equipment lease for \$138,000 for the purchase of sanitation equipment amortized through depreciation expense. The lease is secured by the equipment. Payments are due in January and July of each year until 2017. The lease has an interest rate of 3.87%. The Solid Waste fund is used to liquidate the lease. The final lease payment in the amount of \$23,052 was paid in Fiscal Year 2017.

NOTE 8 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue for the year ended June 30, 2017 consists of the following:

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
Utah Class C Road allotment	\$ 733,360	53.94%
Intergovernmental -Fuel Tax	330,715	24.33%
Utah Liquor Law Enforcement Grant	18,575	1.37%
CDBG Grant	73,747	5.42%
Court Grant	990	0.07%
JAG Grant	4,995	0.37%
Jordan River Commission Grant	110,240	8.11%
Federal Build America Bond Interest Reimbursement Grant	86,853	6.39%
	<u>\$ 1,359,475</u>	<u>100.00%</u>

Of the \$1,359,475 in total intergovernmental revenue, \$1,297,664 was reported in governmental funds and the remaining \$61,811 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	80,000	-
Uninsured Motorist	80,000	-
Building	10,926,300	1,000 *
Building Contents	2,275,287	1,000 *
Contractors Equipment	1,216,639	1,000 *
Electronic Data Equipment	59,800	1,000 *
Equipment in the Open	23,690	1,000 *
Mobile Equipment	45,640	1,000 *
Sewer/Water Buildings	4,566,600	1,000 *
Sewer/Water Building Contents	1,536,500	1,000 *
Position Bond	900,000	-
Treasurer's Fidelity Bond	750,000	-

* Deductible is per incidence

NOTE 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.

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:

Utah Retirement Systems

	Employee Paid	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System			
111 - Local Government Division Tier 2	N/A	14.910%	1.78
Noncontributory System			
15 - Local Government Division Tier 1	N/A	18.470%	N/A
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	34.040%	N/A
122 - Other Division A Contributory Tier 2	N/A	22.550%	1.33
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, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 392,635	N/A
Public Safety System	339,377	-
Tier 2 Public Employees System	63,238	-
Tier 2 Public Safety and Firefighter	42,782	-
Tier 2 DC Only System	8,898	N/A
Total Contributions	\$ 846,930	\$ -

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, 2017, we reported a net pension asset of \$1,216 and a net pension liability of \$2,977,982.

	Measurement Date: December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$1,625,091	0.2530812%	0.2504222%	0.0026590%
Public Safety System	\$ -	\$1,347,402	0.6639816%	0.6491617%	0.0148199%
Tier 2 Public Employees System	\$ -	\$ 5,489	0.0492092%	0.0506753%	- 0.0014661%
Tier 2 Public Safety and Firefighter System	\$ 1,216	\$ -	0.1400266%	0.1696343%	- 0.0296077%
Total Net Pension Asset/Liability	\$ 1,216	\$2,977,982			

The net pension asset and liability was measure as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017, we recognized pension expense of \$1,032,101. At June 30, 2017 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	\$ 36,197	\$ 158,134
Changes in assumptions	457,855	100,512
Net difference between projected and actual earnings on pension plan investments	647,441	191,198
Changes in proportion and differences between contributions and proportionate share of contributions	61,749	-
Contributions subsequent to the measurement date	417,165	-
Total	\$ 1,620,407	\$ 449,844

\$417,165 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, 2016.

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
2017	\$ 221,514
2018	254,707
2019	294,047
2020	20,691)
2021	328
Thereafter	\$ 3,984

Actuarial assumptions:

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 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, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

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		Long-term Expected Portfolio Real Rate of Return
	Target Asset Allocation	Real Return Arithmetic Basis	
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash/Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.20 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 7.20 percent from 7.50 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 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated used a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 3,366,114	\$ 1,625,091	\$ 172,302
Public Safety System	\$ 2,802,291	\$ 1,347,402	\$ 164,776
Tier 2 Public Employees System	\$ 37,363	\$ 5,489	\$ (18,759)
Tier 2 Public Safety and Firefighter	\$ 8,504	\$ (1,216)	\$ (8,685)
Total Contributions	\$ 6,214,272	\$ 2,976,766	\$ 309,634

**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:

	2017	2016	2015
401(k) Plan			
Employer Contributions	\$ 214,408	\$ 206,952	\$ 188,979
Employee Contributions	\$ 84,324	\$ 63,606	\$ 55,207
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 63,161	\$ 54,748	\$ 33,044
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 8,148	\$ 6,525	\$ 2,580
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 275	\$ 650	\$ 450

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

NOTE 11 INTERFUND TRANSACTIONS

At June 30, 2017, the City's internal balances due to or from other activities were as follows:

<u>Due to Capital Projects Fund - Payable</u>	<u>Capital Projects - Receivable</u>
Redevelopment	\$ 29,328
Housing	57,110
Golf	2,115,115
Total	\$ 2,201,553

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 2017. 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, 2017 are as follows:

	<u>Transfer - In</u>	<u>Transfer - Out</u>
Governmental:		
General Fund	\$ -	\$ 1,690,829
Redevelopment Agency	-	30,600
Housing Agency	452,700	-
Building Authority Fund	30,600	-
Capital Projects Fund	381,500	220,000
Parks Capital Fund	-	43,400
Police Facilities Fund	-	252,700
Roadway Devel. Fund	883,229	-
Enterprise:		
Golf Fund	489,500	-
	\$ 2,237,529	\$ 2,237,529

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

NOTE 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

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

NOTE 12 CONTRACT AGREEMENTS (Continued)

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

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

NOTE 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) \$299,482 for project area 1 of tax increment monies, and 2) \$191,076 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 \$284,505 from revenue collected from project area 1 and \$114,646 from revenue collected from project area 2. The RDA expended \$5,198 towards professional and technical costs.

NOTE 14 DEFICIT FUND BALANCES

The City had one fund with a deficit fund balance at year end. The RDA fund had a deficit fund balance of \$31,590.

NOTE 15 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the beginning fund balance in the General Fund. The adjustment is a correction of sales tax revenue recorded from the Fiscal Year 2014 thru in Fiscal Year 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH SALT LAKE, UTAH
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
JUNE 30, 2017

		Noncontributory System	Tier 2 Public Employees System	Tier 2 Public Employees System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	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)	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	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	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	2017	87.3%	86.5%	95.10%	103.6%
	2016	87.8%	87.1%	100.2%	110.7%
	2015	90.2%	90.5%	103.50%	120.5%

* 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
Noncontributory System	2014	\$ 335,835	\$ 335,835	\$ -	\$ 1,974,118	17.01%
	2015	368,913	368,913	-	2,059,934	17.91%
	2016	386,831	386,831	-	2,174,060	17.79%
	2017	392,635	392,635	-	2,251,079	17.44%
Public Safety System	2014	\$ 295,618	\$ 295,618	\$ -	\$ 976,337	30.28%
	2015	322,268	322,268	-	1,001,929	32.16%
	2016	320,818	320,818	-	1,005,185	31.92%
	2017	339,377	339,377	-	1,105,641	30.70%
Tier 2 Public Employees System*	2014	\$ 40,489	\$ 40,489	\$ -	\$ 290,267	13.95%
	2015	48,103	48,103	-	322,361	14.92%
	2016	55,165	55,165	-	373,487	14.77%
	2017	63,238	63,238	-	424,134	14.91%
Tier 2 Public Safety and Firefighter System*	2014	\$ 16,198	\$ 16,198	\$ -	\$ 77,687	20.85%
	2015	17,350	17,350	-	76,939	22.55%
	2016	23,489	23,489	-	104,394	22.50%
	2017	42,782	42,782	-	190,866	22.41%
Tier 2 Public Employees DC Only System*	2014	\$ 3,747	\$ 3,747	\$ -	\$ 67,152	5.58%
	2015	7,100	7,100	-	105,649	6.72%
	2016	8,869	8,869	-	138,174	6.42%
	2017	8,898	8,898	-	149,806	5.94%

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

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

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

Changes in Assumptions:

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.5% to 7.2% and the assumed inflation rate was decreased from 2.75 to 2.6%. With the decrease in assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from prior year's assumption.

SUPPLEMENTARY INFORMATION

CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<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>
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 35,047	\$ 227,280	\$ -	\$ 262,327
Accounts receivable - net	-	60,026	-	-	-	60,026
Taxes receivable	-	-	-	72,853	-	72,853
Restricted cash and cash equivalents	-	30,600	-	29,240	67,582	127,422
Total Assets	<u>\$ -</u>	<u>\$ 90,626</u>	<u>\$ 35,047</u>	<u>\$ 329,373</u>	<u>\$ 67,582</u>	<u>\$ 522,628</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	2,262	3,500	-	-	-	5,762
Due to other funds	29,328	57,110	-	-	-	86,438
Total Liabilities	<u>31,590</u>	<u>60,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,200</u>
Fund Balances						
Restricted:						
Impact fees	-	-	-	-	67,582	67,582
Debt service	-	-	-	29,240	-	29,240
Housing Restriction	-	30,600	-	-	-	30,600
Assigned	(31,590)	(584)	35,047	300,133	-	303,006
Total Fund Balances	<u>(31,590)</u>	<u>30,016</u>	<u>35,047</u>	<u>329,373</u>	<u>67,582</u>	<u>430,428</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 90,626</u>	<u>\$ 35,047</u>	<u>\$ 329,373</u>	<u>\$ 67,582</u>	<u>\$ 522,628</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, 2017

	Redevelopment Agency	Housing Agency	Local Building Authority	Debt Service	Police Facilities	Total Nonmajor Governmental Funds
Revenues						
Property taxes	\$ 490,558	\$ -	\$ -	\$ 389,581	\$ -	\$ 880,139
Rental income	-	-	29,292	-	-	29,292
Intergovernmental	-	73,747	-	25,042	-	98,789
Impact fees	-	-	-	-	40,271	40,271
Interest	108	-	-	2,556	208	2,872
Total Revenues	<u>490,666</u>	<u>73,747</u>	<u>29,292</u>	<u>417,179</u>	<u>40,479</u>	<u>1,051,363</u>
Expenditures						
General government	6,000	-	-	-	-	6,000
Highways and public improvements	60,668	-	-	-	-	60,668
Community development	423,332	74,331	45,965	-	-	543,628
Parks, recreation, and public property	-	-	1,399,980	-	-	1,399,980
Debt service:						
Principal	-	-	-	180,000	-	180,000
Interest	-	-	-	156,305	-	156,305
Total Expenditures	<u>490,000</u>	<u>74,331</u>	<u>1,445,945</u>	<u>336,305</u>	<u>-</u>	<u>2,346,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>666</u>	<u>(584)</u>	<u>(1,416,653)</u>	<u>80,874</u>	<u>40,479</u>	<u>(1,295,218)</u>
Other Financing Sources (Uses)						
Loan proceeds	-	-	999,000	-	-	999,000
Transfer in	-	30,600	452,700	-	-	483,300
Transfer out	(30,600)	-	-	-	(43,400)	(74,000)
Total Other Financing Sources (Uses)	<u>(30,600)</u>	<u>30,600</u>	<u>1,451,700</u>	<u>-</u>	<u>(43,400)</u>	<u>1,408,300</u>
Net Change in Fund Balances	(29,934)	30,016	35,047	80,874	(2,921)	113,082
Fund Balance, Beginning	<u>(1,656)</u>	<u>-</u>	<u>-</u>	<u>248,499</u>	<u>70,503</u>	<u>317,346</u>
Fund Balance, Ending	<u>\$ (31,590)</u>	<u>\$ 30,016</u>	<u>\$ 35,047</u>	<u>\$ 329,373</u>	<u>\$ 67,582</u>	<u>\$ 430,428</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 5,000	\$ 5,000	\$ 6,082	\$ 1,082
Contributions	-	-	1,384	1,384
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>7,466</u>	<u>2,466</u>
Expenditures				
General government	-	171,186	88,310	82,876
Public safety	70,000	149,000	15,648	133,352
Highways and public improvements	-	-	-	-
Total Expenditures	<u>70,000</u>	<u>320,186</u>	<u>103,958</u>	<u>216,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(65,000)</u>	<u>(315,186)</u>	<u>(96,492)</u>	<u>218,694</u>
Other Financing Sources (Uses)				
Transfer in	43,400	381,500	381,500	-
Transfer in	-	(220,000)	(220,000)	-
Total Other Financing Sources (Uses)	<u>43,400</u>	<u>161,500</u>	<u>161,500</u>	<u>-</u>
Net Change in Fund Balance *	<u>\$ (21,600)</u>	<u>\$ (153,686)</u>	<u>65,008</u>	<u>\$ 218,694</u>
Fund Balance, Beginning			<u>3,023,734</u>	
Fund Balance, Ending			<u>\$ 3,088,742</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 191,600	\$ 206,600	\$ 231,000	\$ 24,400
Intergovernmental revenues	115,000	346,200	110,240	(235,960)
Interest	1,500	1,500	3,297	1,797
Total Revenues	<u>308,100</u>	<u>554,300</u>	<u>344,537</u>	<u>(209,763)</u>
Expenditures				
Current:				
Improvements	210,000	807,293	506,292	301,001
Total Expenditures	<u>210,000</u>	<u>807,293</u>	<u>506,292</u>	<u>301,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98,100</u>	<u>(252,993)</u>	<u>(161,755)</u>	<u>91,238</u>
Other Financing Sources (Uses)				
Contributions	-	-	-	-
Transfer out	-	(252,700)	(252,700)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(252,700)</u>	<u>(252,700)</u>	<u>-</u>
Net Change in Fund Balance *	<u>\$ 98,100</u>	<u>\$ (505,693)</u>	<u>(414,455)</u>	<u>\$ 91,238</u>
Fund Balance, Beginning			<u>638,609</u>	
Fund Balance, Ending			<u>\$ 224,154</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 177,500	\$ 177,500	\$ 267,523	\$ 90,023
Intergovernmental revenues	-	1,778,000	-	(1,778,000)
Interest	-	-	11,982	11,982
Miscellaneous	-	-	29,434	29,434
Total Revenues	<u>177,500</u>	<u>1,955,500</u>	<u>308,939</u>	<u>(1,646,561)</u>
Expenditures				
Highways and public improvements	<u>828,000</u>	<u>3,399,135</u>	<u>888,583</u>	<u>2,510,552</u>
Total Expenditures	<u>828,000</u>	<u>3,399,135</u>	<u>888,583</u>	<u>2,510,552</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(650,500)</u>	<u>(1,443,635)</u>	<u>(579,644)</u>	<u>863,991</u>
Other Financing Sources (Uses)				
Transfer in	<u>768,000</u>	<u>1,403,000</u>	<u>883,229</u>	<u>(519,771)</u>
Total Other Financing Sources (Uses)	<u>768,000</u>	<u>1,403,000</u>	<u>883,229</u>	<u>(519,771)</u>
Net Change in Fund Balance *	<u>\$ 117,500</u>	<u>\$ (40,635)</u>	<u>303,585</u>	<u>\$ 344,220</u>
Fund Balance, Beginning			<u>1,567,829</u>	
Fund Balance, Ending			<u>\$ 1,871,414</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 318,000	\$ 490,600	\$ 490,558	\$ (42)
Interest	-	-	108	108
Total Revenues	<u>318,000</u>	<u>490,600</u>	<u>490,666</u>	<u>66</u>
Expenditures				
Improvements	10,000	10,000	6,000	4,000
Interest	-	-	-	-
Community	236,100	504,300	484,000	20,300
Total Expenditures	<u>246,100</u>	<u>514,300</u>	<u>490,000</u>	<u>24,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>71,900</u>	<u>(23,700)</u>	<u>666</u>	<u>24,366</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	(51,600)	(45,000)	(30,600)	14,400
Total Other Financing Sources (Uses)	<u>(51,600)</u>	<u>(45,000)</u>	<u>(30,600)</u>	<u>14,400</u>
Net Change in Fund Balance	<u>\$ (51,600)</u>	<u>\$ (45,000)</u>	<u>(29,934)</u>	<u>\$ 14,400</u>
Fund Balance, Beginning			<u>(1,656)</u>	
Fund Balance, Ending			<u>\$ (31,590)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Rent	\$ -	\$ 22,800	\$ 29,292	\$ 6,492
Total Revenues	<u>-</u>	<u>22,800</u>	<u>29,292</u>	<u>6,492</u>
Expenditures				
Community	-	37,500	45,965	(8,465)
Improvements	-	1,400,500	1,399,980	520
Total Expenditures	<u>-</u>	<u>1,438,000</u>	<u>1,445,945</u>	<u>(7,945)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,415,200)</u>	<u>(1,416,653)</u>	<u>(1,453)</u>
Other Financing Sources (Uses)				
Proceeds from borrowing	-	1,000,000	999,000	(1,000)
Transfer in	-	452,700	452,700	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,452,700</u>	<u>1,451,700</u>	<u>(1,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 1,452,700</u>	<u>35,047</u>	<u>\$ (1,000)</u>
Fund Balance, Beginning			<u>-</u>	
Fund Balance, Ending			<u>\$ 35,047</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 50,000	\$ 70,000	\$ 73,747	\$ 3,747
Total Revenues	<u>50,000</u>	<u>70,000</u>	<u>73,747</u>	<u>3,747</u>
Expenditures				
Community	50,000	70,000	74,331	(4,331)
Total Expenditures	<u>50,000</u>	<u>70,000</u>	<u>74,331</u>	<u>(4,331)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(584)</u>	<u>(584)</u>
Other Financing Sources (Uses)				
Transfer in	24,000	30,600	30,600	-
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>30,600</u>	<u>30,600</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 24,000</u>	<u>\$ 30,600</u>	<u>30,016</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>-</u>	
Fund Balance, Ending			<u>\$ 30,016</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 369,000	\$ 369,000	\$ 389,581	\$ 20,581
Intergovernmental	52,200	52,200	25,042	(27,158)
Interest	500	500	2,556	2,056
Total Revenues	<u>421,700</u>	<u>421,700</u>	<u>417,179</u>	<u>(4,521)</u>
Expenditures				
Debt service:				
Principal	180,000	180,000	180,000	-
Interest	156,250	156,250	156,305	(55)
Total Expenditures	<u>336,250</u>	<u>336,250</u>	<u>336,305</u>	<u>(55)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,450</u>	<u>85,450</u>	<u>80,874</u>	<u>(4,576)</u>
Net Change in Fund Balance	<u>\$ 85,450</u>	<u>\$ 85,450</u>	80,874	<u>\$ (4,576)</u>
Fund Balance, Beginning			<u>248,499</u>	
Fund Balance, Ending			<u>\$ 329,373</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 43,100	\$ 43,100	\$ 40,271	\$ (2,829)
Interest	300	300	208	(92)
Total Revenues	<u>43,400</u>	<u>43,400</u>	<u>40,479</u>	<u>(2,921)</u>
Other Financing Sources (Uses)				
Transfer out	<u>(43,400)</u>	<u>(43,400)</u>	<u>(43,400)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(43,400)</u>	<u>(43,400)</u>	<u>(43,400)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,921)</u>	<u>\$ (2,921)</u>
Fund Balance, Beginning			<u>70,503</u>	
Fund Balance, Ending			<u>\$ 67,582</u>	

CITY OF NORTH SALT LAKE
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE
AS DESCRIBED IN THE BOND DOCUMENTS FOR THE WATER BONDS
For The Year Ended June 30, 2017

Net Revenues:		
Total Operating Revenues		\$ 5,248,541
Non-Operating Revenues		
	Impact Fees	653,813
	Interest Income	39,421
		5,941,775
Operating Expenses (excluding depreciation)		3,032,348
	Total Expenses (excluding depreciation)	3,032,348
Net Revenues		\$ 2,909,427
 Fiscal Year 2018 Debt Service Requirements:		
	2010 Bonds	\$ 293,537
	2015 Bonds	403,996
		\$ 697,533
 Fiscal Year 2017 Net revenues divided by aggregate fiscal year 2018 debt service		
		417%
Minimum requirement		125%
Excess (Deficiency)		292%

**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
the City 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 the City of North Salt Lake, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of North Salt Lake's basic financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of North Salt Lake's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of North Salt Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of the City 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 the City of 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 14, 2017



**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 and Chief Executive Officer of
The City of North Salt Lake

Report On Compliance with General State Compliance Requirements

We have audited the City of North Salt Lake’s compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City of North Salt Lake for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

- | | |
|---------------------------------------|--|
| Budgetary Compliance | Open and Public Meetings Act |
| Fund Balance | Public Treasurer’s Bond |
| Justice Courts | Utah Retirement Systems |
| Restricted Taxes and Related Revenues | Enterprise Fund Transfers, Reimbursements, Loans, and Services |

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 the City of 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 the City of 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 the City of North Salt Lake’s compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, the City of North Salt Lake complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2017.

Report On Internal Control Over Compliance

Management of the City 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 the City of 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 the City 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 14, 2017