

SOUTH WEBER CITY

FINANCIAL STATEMENTS

For The Year Ended June 30, 2016

Together With Independent Auditor's Report

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
South Weber City
South Weber City, Utah

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 South Weber City (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit 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 South Weber City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison information, and schedules relating to the City's pension obligations as listed in the table of contents, 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 the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2016, on our consideration of South Weber City's internal control over financial reporting and 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 the 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 South Weber City's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

December 7, 2016
Salt Lake City, Utah

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2016**

South Weber City's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2016. As management of the City, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The assets of South Weber City exceeded its liabilities at the end of the current fiscal year by \$26,619,906 (net position). Of this amount, \$9,107,777 (unrestricted position) is available to meet ongoing obligations of citizens and creditors. Net position increased by \$2,704,634 from the prior year.

The City's Governmental activities reported a combined ending fund balance of \$12,925,344. Of the combined total fund balance, \$2,002,372 is available for spending at the discretion of the City (unrestricted and undesignated fund balance).

The unassigned fund balance of the general fund at June 30, 2016, totaled \$341,067 and is 15% of the general fund total revenue for the year.

Total principal balance of debt for South Weber City decreased approximately \$153,000. Since the City has increased the total fund balance, the financial position of the City has improved.

Several developments were completed during the year, and the related infrastructure was contributed to the City. These assets include streets, sewer, storm drain, and culinary water infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to South Weber City's basic financial statements: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide financial statements give readers a broad overview of the entire City's financial position, and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the statement of net position and the statement of activities.

The statement of net position shows South Weber City's entire position and liabilities with the difference shown as net position. Increases or decreases over time in net position gives an indicator as to whether the financial condition of South Weber City is improving or declining.

The statement of activities shows the changes to net position that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenue and those whose operations are entirely or largely financed by user charges and fees. The governmental activities for South Weber City include general government, streets, parks, recreation, and other departments. The business-type activities include water, garbage, storm sewer, and sewer operations.

The government-wide financial statements include only the financial statements of South Weber City. The City does not have any component units.

The government-wide financial statements are found immediately following this discussion and analysis.

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Fund financial statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. South Weber City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds and proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements to aid in the comparison.

South Weber City uses three major government funds, which are the general fund, special revenue recreation fund, and capital projects fund. The information on these funds is shown separately. The City has five nonmajor funds which are the park impact special revenue, road impact special revenue, Country Fair Days special revenue, recreation impact special revenue, and the public safety impact special revenue funds. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Within the proprietary funds are the enterprise funds. The enterprise funds report the same functions as the business-type activities in the government-wide financial statements. The enterprise funds maintained by South Weber City are the water, sewer, garbage, and storm sewer utility.

Proprietary funds present the same information as in the government-wide statements, but in more detail. All of the proprietary funds are considered to be major funds of South Weber City.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

Other information is contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

South Weber City
Comparative Summary of Net Position

	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 3,711,661	\$ 3,309,316	\$ 4,722,756	\$ 3,876,261	\$ 8,434,417	\$ 7,185,577	-14.8%
Capital assets	10,872,879	9,708,693	12,300,110	12,052,121	23,172,989	21,760,814	-6.1%
Total assets	14,584,540	13,018,009	17,022,866	15,928,382	31,607,406	28,946,391	-8.4%
Total deferred outflows of resources	171,743	84,697	68,525	19,480	240,268	104,177	100.0%
Long-term liabilities outstanding	1,255,556	1,212,291	3,268,867	3,224,774	4,524,423	4,437,065	-1.9%
Other liabilities	242,088	168,338	115,959	181,447	358,047	349,785	-2.3%
Total liabilities	1,497,644	1,380,629	3,384,826	3,406,221	4,882,470	4,786,850	-2.0%
Total deferred inflows of resources	333,291	338,568	12,003	9,878	345,294	348,446	0.9%
Net position:							
Net investment in capital assets	9,901,362	8,614,693	9,161,801	8,828,802	19,063,163	17,443,495	-8.5%
Restricted	1,021,614	992,117	476,835	952,473	1,498,449	1,944,590	29.8%
Unrestricted	2,002,372	1,776,699	4,055,926	2,750,488	6,058,298	4,527,187	-25.3%
Total net position	\$ 12,925,348	\$ 11,383,509	\$ 13,694,562	\$ 12,531,763	\$ 26,619,910	\$ 23,915,272	-10.2%

By far the largest component of South Weber City's net position is its investment in capital assets. The 60% of total net position represents the City's investment in land and improvements, buildings, machinery and equipment, roads, streetlights, and bridges, less any related outstanding debt that was used to acquire these assets. South Weber City uses these capital assets to provide services to citizens who live, work, pass through, or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.

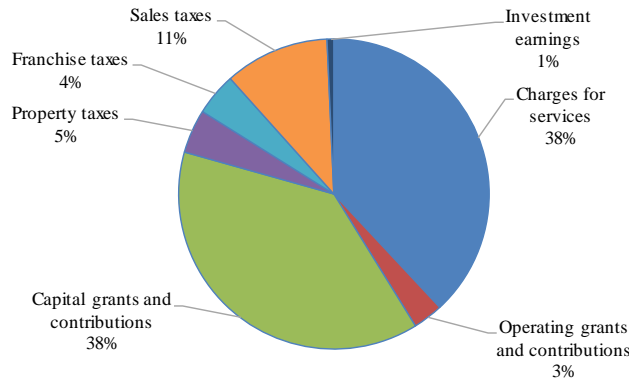
An additional part of net position, 6%, is assets that are subject to external restrictions on how they may be expended. The remaining 34% of net position can be used to meet the City's ongoing obligations to its creditors and to citizens.

South Weber City
Comparative Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program revenues:							
Charges for services	\$ 535,951	\$ 524,597	\$ 2,416,625	\$ 2,312,216	\$ 2,952,576	\$ 2,836,813	-3.9%
Operating grants and contributions	243,563	199,772	-	-	243,563	199,772	-18.0%
Capital grants and contributions	1,907,226	112,338	1,053,053	163,866	2,960,279	276,204	-90.7%
General revenues:							
Property taxes	353,886	337,602	-	-	353,886	337,602	-4.6%
Franchise taxes	344,521	313,078	-	-	344,521	313,078	-9.1%
Sales taxes	846,961	776,125	-	-	846,961	776,125	-8.4%
Other revenue	-	785	-	5,206	-	5,991	-100.0%
Gain on sale of assets	-	-	-	-	-	-	0.0%
Investment earnings	19,286	11,161	36,196	15,218	55,482	26,379	-52.5%
Total revenues	\$ 4,251,394	\$ 2,275,458	\$ 3,505,874	\$ 2,496,506	\$ 7,757,268	\$ 4,771,964	-38.5%

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

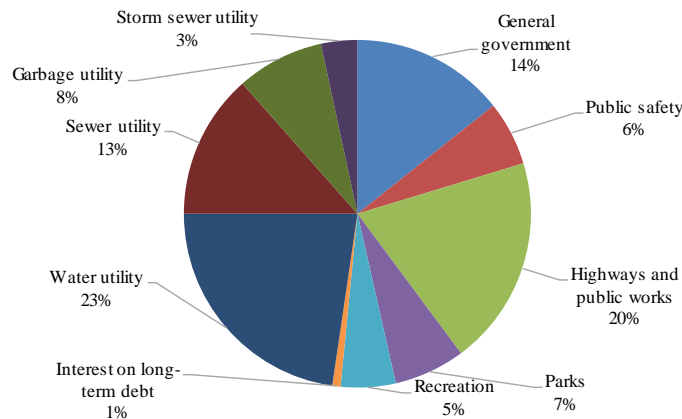
GOVERNMENT TOTAL REVENUES



**South Weber City
Comparative Changes in Net Position (Continued)**

	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2016	2015	2016	2015	2016	2015	
Expenses:							
General government	\$ 741,324	\$ 704,032	\$ -	\$ -	\$ 741,324	\$ 704,032	-5.0%
Public safety	310,185	347,998	-	-	310,185	347,998	12.2%
Highways and public works	1,010,804	640,564	-	-	1,010,804	640,564	-36.6%
Parks	342,947	185,934	-	-	342,947	185,934	-45.8%
Recreation	264,372	247,911	-	-	264,372	247,911	-6.2%
Interest on long-term debt	39,923	39,816	-	-	39,923	39,816	-0.3%
Water services	-	-	1,174,001	1,004,294	1,174,001	1,004,294	-14.5%
Sewer services	-	-	697,482	656,237	697,482	656,237	-5.9%
Garbage services	-	-	421,634	331,513	421,634	331,513	-21.4%
Storm sewer services	-	-	175,347	218,705	175,347	218,705	24.7%
Total expenses	2,709,555	2,166,255	2,468,464	2,210,749	5,178,019	4,377,004	-15.5%
Change in net position before transfers	1,541,839	109,203	1,037,410	285,757	2,579,249	394,960	-84.7%
Transfers	-	-	-	-	-	-	-
Change in net position	1,541,839	109,203	1,037,410	285,757	2,579,249	394,960	-84.7%
Net position - beginning	11,383,509	11,274,306	12,531,763	12,246,006	23,915,272	23,520,312	-1.7%
Prior Period Adjustment	-	-	125,389	-	125,389	-	100%
Net position - end of year	\$ 12,925,348	\$ 11,383,509	\$ 13,694,562	\$ 12,531,763	\$ 26,619,910	\$ 23,915,272	-10.2%

GOVERNMENT TOTAL EXPENSES



**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities net position increased by \$1,541,835 for the year ended June 30, 2016. The major reason for the increase resulted from contributions for assets contributed from developers.

Business-type activities contributed an increase of \$1,162,799 in net position. The most significant reason for this increase in business-type activities is charges from services for water, sewer, and garbage. The City received \$55,482 in invested earnings and \$341,444 in impact fees during the year between governmental and business-type activities.

FINANCIAL ANALYSIS OF SOUTH WEBER CITY'S FUNDS

South Weber City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources. The unrestricted portion of this total fund balance is a measure of the available spendable resources at June 30, 2016.

For the period ended June 30, 2016, the City's governmental funds reported combined fund balances in the amount of \$3,173,628. Of the total balance at year-end, \$338,391 is unassigned. The governmental funds also have portions of the fund balance restricted, committed and assigned for various reasons, including fire vehicles, class "C" road, impact fee funds, and others. The special revenue recreation fund has a fund balance of \$352,336, an increase of \$26,569 from the prior year. The capital projects fund has a fund balance of \$1,456,615, an increase \$157,883 from the prior year.

The General Fund is the main operating fund for South Weber City. At June 30, 2016, the general fund's unassigned fund balance was \$341,067. Total fund balance of the general fund for South Weber City increased by \$82,157. A useful measure of liquidity is to compare the unrestricted fund balance and the total fund balance to expenditures (including operating transfers out) for the year. Unassigned fund balance for governmental funds was 15% of total expenditures.

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's major proprietary funds totaled \$4,055,926. Discussions about the finances of these funds are addressed in the City's business-type activities.

BUDGETARY HIGHLIGHTS

The general fund budget had some major budget changes in public safety that decreased from the preliminary budget. Overall, the general fund was under budgeted expenditures by approximately \$447,000.

The special revenue recreation fund budget did not change during the year, and actual expenditures were less than budgeted expenditures by \$26,569.

The capital projects fund budget was increased for additional planned projects, but ultimately the projects did not occur. This resulted in the actual expenditures in this fund to be \$236,883 less than the budgeted amounts.

The remaining special revenue funds budgeted expenditures were increased for capital outlay. The park impact fee fund, and road impact fee fund, and the public safety impact funds had the expenditures increased from additional projects anticipated during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

South Weber City's investment in capital assets for its governmental and business type activities has a combined total of \$23,172,989 (net of \$10,796,475 accumulated depreciation) at June 30, 2016. Types of assets included in this category are land, buildings, improvements, vehicles, machinery, equipment, roads (including curb and gutter), street lights, traffic signals, water, waste water, and sewer. The City's investment in net capital assets equals nearly 73% of total assets.

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Major capital asset activities are included in the following table:

South Weber City Comparative Summary of Capital Assets							
	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2016	2015	2016	2015	2016	2015	
Land and water rights	\$ 2,664,313	\$ 1,822,089	\$ -	\$ 8,925	\$ 2,664,313	\$ 1,831,014	-31.3%
Office equipment	-	34,086	-	-	-	34,086	-100.0%
Buildings	3,075,860	3,123,210	298,262	304,114	3,374,122	3,427,324	1.6%
Improvements other than buildings	11,151,984	10,625,734	15,921,885	15,291,218	27,073,869	25,916,952	-4.3%
Vehicles	378,455	245,916	225,589	228,620	604,044	474,536	-21.4%
Machinery and equipment	136,821	742,388	116,295	334,523	253,116	1,076,911	325.5%
Less: Accumulated Depreciation	(6,534,554)	(6,884,730)	(4,261,921)	(4,115,279)	(10,796,475)	(11,000,009)	1.9%
Net Book Value	\$ 10,872,879	\$ 9,708,693	\$ 12,300,110	\$ 12,052,121	\$ 23,172,989	\$ 21,760,814	-6.1%

At June 30, 2016, South Weber City's total debt amounted to \$4,154,309 of which \$3,138,309 was incurred by the City's business-type activities and the remaining \$1,016,000 was incurred by the City's governmental units. Most of the City's debt consists of revenue bonds and is secured by specific revenue sources (i.e. sales taxes and water).

Additional information on South Weber City's capital assets and debt can be found in Notes 4 and 6 in the notes to the City's basic financial statements.

South Weber City Comparative of Debt Outstanding							
	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2016	2015	2016	2015	2016	2015	
Debt Outstanding							
Revenue Bonds	\$ 1,016,000	\$ 1,094,000	\$ 3,138,309	\$ 3,223,319	\$ 4,154,309	\$ 4,317,319	3.9%
Total debt outstanding	\$ 1,016,000	\$ 1,094,000	\$ 3,138,309	\$ 3,223,319	\$ 4,154,309	\$ 4,317,319	3.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of October 2016, the state unemployment rate was 3.2%, down from 3.4% the previous year. This is consistent with the nationwide decrease in unemployment rates as the economy begins to improve. Currently, South Weber City is experiencing slow economic growth consistent with the rest of the nation. The City has some subdivisions that could bring more property taxes into the City in future years since the land was previously farm property subject to the greenbelt provisions. The rates and fees for most services remained constant for fiscal year 2016 compared with fiscal year 2015.

REQUEST FOR INFORMATION

This financial report is designed to give its readers a general overview of the South Weber City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to South Weber City, 1600 East South Weber Drive, South Weber City, Utah 84405.

BASIC FINANCIAL STATEMENTS

SOUTH WEBER CITY
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,111,283	\$ 3,904,546	\$ 6,015,829
Receivables:			
Property, franchise, and excise taxes	539,960	-	539,960
Accounts receivable	-	213,874	213,874
Prepaid expenses	4,672	125,389	130,061
Restricted:			
Cash and cash equivalents	1,000,587	478,934	1,479,521
Receivables - Class "C" road funds	55,127	-	55,127
Capital assets not being depreciated:			
Land and water rights	2,664,313	-	2,664,313
Capital assets, net of accumulated depreciation:			
Buildings	2,134,895	201,327	2,336,222
Improvements other than buildings	5,888,417	12,056,610	17,945,027
Machinery and equipment	48,996	37,073	86,069
Vehicles	136,258	5,100	141,358
Net pension asset	32	13	45
Total Assets	<u>14,584,540</u>	<u>17,022,866</u>	<u>31,607,406</u>
Deferred Outflows of Resources			
Deferred loss on refunding	44,483	-	44,483
Deferred outflows relating to pensions	127,260	68,525	195,785
Total Deferred Outflows of Resources	<u>171,743</u>	<u>68,525</u>	<u>240,268</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,756,283</u>	<u>\$ 17,091,391</u>	<u>\$ 31,847,674</u>

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

SOUTH WEBER CITY
STATEMENT OF NET POSITION (Continued)
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Liabilities:			
Accounts payable	\$ 69,953	\$ 77,730	\$ 147,683
Accrued liabilities	20,921	-	20,921
Accrued interest	15,088	11,700	26,788
Unearned revenue	102,026	24,430	126,456
Restricted liabilities:			
Developer and customer deposits	34,100	2,099	36,199
Noncurrent liabilities:			
Due within one year	95,492	85,358	180,850
Due in more than one year	949,661	3,070,215	4,019,876
Net pension liability	210,403	113,294	323,697
	<u>1,497,644</u>	<u>3,384,826</u>	<u>4,882,470</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	311,000	-	311,000
Deferred inflows relating to pensions	22,291	12,003	34,294
	<u>333,291</u>	<u>12,003</u>	<u>345,294</u>
Net Position			
Net investment in capital assets	9,901,362	9,161,801	19,063,163
Restricted for:			
Impact fees	444,105	476,835	920,940
Roads	577,509	-	577,509
Unrestricted	2,002,372	4,055,926	6,058,298
	<u>12,925,348</u>	<u>13,694,562</u>	<u>26,619,910</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 14,756,283</u>	<u>\$ 17,091,391</u>	<u>\$ 31,847,674</u>

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

SOUTH WEBER CITY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Government Activities							
General government	\$ 741,324	\$ 370,857	\$ 4,728	\$ -	\$ (365,739)	\$ -	\$ (365,739)
Public safety	310,185	-	6,389	7,056	(296,740)	-	(296,740)
Highways and public works	1,010,804	-	215,354	1,831,722	1,036,272	-	1,036,272
Parks	342,947	1,862	-	35,088	(305,997)	-	(305,997)
Recreation	264,372	163,232	17,092	33,360	(50,688)	-	(50,688)
Interest on long-term debt	39,923	-	-	-	(39,923)	-	(39,923)
Total Governmental Activities	2,709,555	535,951	243,563	1,907,226	(22,815)	-	(22,815)
Business-type Activities							
Water utility	1,174,001	1,071,551	-	449,647	-	347,197	347,197
Sewer utility	697,482	845,099	-	315,972	-	463,589	463,589
Garbage utility	421,634	357,150	-	-	-	(64,484)	(64,484)
Storm sewer utility	175,347	142,825	-	287,434	-	254,912	254,912
Total Business-type Activities	2,468,464	2,416,625	-	1,053,053	-	1,001,214	1,001,214
Total Government	\$ 5,178,019	\$ 2,952,576	\$ 243,563	\$ 2,960,279	(22,815)	1,001,214	978,399
General Revenues:							
					353,886	-	353,886
					344,521	-	344,521
					846,961	-	846,961
					19,286	36,196	55,482
				Total General Revenues and Transfers	1,564,654	36,196	1,600,850
				Changes in Net Position	1,541,839	1,037,410	2,579,249
				Net Position, Beginning, Restated	11,383,509	12,657,152	24,040,661
				Net Position, Ending	\$ 12,925,348	\$ 13,694,562	\$ 26,619,910

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

SOUTH WEBER CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Special Revenue Recreation Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Assets					
Cash and cash equivalents	\$ 293,367	\$ 338,995	\$ 1,469,346	\$ 9,575	\$ 2,111,283
Accounts receivable	-	-	700	-	700
Property, franchise, and excise tax receivable	502,695	-	-	-	502,695
Receivables, other	21,765	14,800	-	-	36,565
Prepays	-	-	-	4,672	4,672
Restricted assets:					
Cash and cash equivalents	556,482	-	-	444,105	1,000,587
Receivables - Class "C" road monies	55,127	-	-	-	55,127
Total Assets	<u>\$ 1,429,436</u>	<u>\$ 353,795</u>	<u>\$ 1,470,046</u>	<u>\$ 458,352</u>	<u>\$ 3,711,629</u>
Liabilities					
Accounts payable	\$ 56,361	\$ 1,459	\$ 12,013	\$ 120	\$ 69,953
Accrued liabilities	20,921	-	-	-	20,921
Unearned revenue	88,478	-	1,417	12,131	102,026
Restricted liabilities:					
Developer and customer deposits	34,100	-	-	-	34,100
Total Liabilities	<u>199,860</u>	<u>1,459</u>	<u>13,430</u>	<u>12,251</u>	<u>227,000</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	311,000	-	-	-	311,000
Fund Balances					
Nonspendable					
Prepays	-	-	-	4,672	4,672
Restricted					
Class "C" roads	577,509	-	-	-	577,509
Impact fees	-	-	-	444,105	444,105
Committed for:					
Fire fighting vehicle	-	-	197,495	-	197,495
Assigned					
Capital projects	-	352,336	1,259,121	-	1,611,457
Unassigned	341,067	-	-	(2,676)	338,391
Total Fund Balances	<u>918,576</u>	<u>352,336</u>	<u>1,456,616</u>	<u>446,101</u>	<u>3,173,629</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,429,436</u>	<u>\$ 353,795</u>	<u>\$ 1,470,046</u>	<u>\$ 458,352</u>	<u>\$ 3,711,629</u>

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

**SOUTH WEBER CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016**

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

Total fund balance - governmental funds	\$ 3,173,629
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,872,879
Deferred outflows of resources relating to refunding are not financial resources and, therefore, are not reported in the funds.	44,483
Long-term liabilities, including bond payable, and compensated absences are not due and payable in the current period and therefore are not recorded in the funds.	(1,045,153)
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(15,088)
Pension assets and liabilities along with the corresponding deferred inflows and outflows are not collectable or payable in the current period and therefore are not recorded in the funds.	(105,402)
 Net position - governmental activities	 <u><u>\$ 12,925,348</u></u>

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

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

	General	Special Revenue Recreation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
Revenues					
General property taxes	\$ 353,886	\$ -	\$ -	\$ -	\$ 353,886
Sales, use, and excise taxes	846,961	-	-	-	846,961
Franchise taxes	344,521	-	-	-	344,521
Impact fees	-	-	-	116,191	116,191
Licenses	234,237	-	-	-	234,237
Fines	121,390	-	-	-	121,390
Charges for services	80,845	136,417	-	43,907	261,169
Interest income	6,542	1,963	7,764	3,017	19,286
Intergovernmental	225,243	-	-	-	225,243
Contributions	-	-	1,228	-	1,228
Miscellaneous revenue	15,230	-	-	-	15,230
Total Revenues	<u>2,228,855</u>	<u>138,380</u>	<u>8,992</u>	<u>163,115</u>	<u>2,539,342</u>
Expenditures					
Current:					
General government	782,105	-	-	-	782,105
Public safety	252,021	-	-	-	252,021
Public works	330,093	-	-	-	330,093
Parks	142,381	-	-	-	142,381
Recreation	-	169,767	-	50,029	219,796
Capital expenditures	-	-	319,108	89,288	408,396
Debt service:					
Principal	22,000	56,000	-	-	78,000
Interest and fiscal charges	9,098	26,044	-	-	35,142
Total Expenditures	<u>1,537,698</u>	<u>251,811</u>	<u>319,108</u>	<u>139,317</u>	<u>2,247,934</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>691,157</u>	<u>(113,431)</u>	<u>(310,116)</u>	<u>23,798</u>	<u>291,408</u>
Other Financing Sources (Uses)					
Transfer in	-	140,000	468,000	1,000	609,000
Transfer out	<u>(609,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(609,000)</u>
Total Other Financing Sources (Uses)	<u>(609,000)</u>	<u>140,000</u>	<u>468,000</u>	<u>1,000</u>	<u>-</u>
Net Change in Fund Balances	82,157	26,569	157,884	24,798	291,408
Fund Balance, Beginning	<u>836,419</u>	<u>325,767</u>	<u>1,298,732</u>	<u>421,303</u>	<u>2,882,221</u>
Fund Balance, Ending	<u>\$ 918,576</u>	<u>\$ 352,336</u>	<u>\$ 1,456,616</u>	<u>\$ 446,101</u>	<u>\$ 3,173,629</u>

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

SOUTH WEBER CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 291,408
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.	(484,399)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	2,036,389
Government funds have proceeds from the sale of assets as revenue. However, in the statement activities it reports the gain or loss on the sale of assets.	(387,804)
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	78,000
The amortization of deferred outflows relating to bond refunding loss is not recorded in the governmental funds.	(4,044)
In the statement of activities, accrued interest on debt is recorded.	(737)
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.	(669)
Changes in the pension asset and liability accounts are not recorded in the funds rather they are recorded in the statement of activities	<u>13,695</u>
Change in net position - governmental activities	<u><u>\$ 1,541,839</u></u>

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

SOUTH WEBER CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2016

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Garbage Utility Fund</u>	<u>Storm Sewer Utility Fund</u>	<u>Total Proprietary Funds</u>
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 1,031,600	\$ 1,813,172	\$ 362,565	\$ 697,209	\$ 3,904,546
Accounts receivable	98,454	68,493	33,436	13,491	213,874
Prepaid expenses	125,389	-	-	-	125,389
Restricted cash and cash equivalents	307,214	77,291	-	94,429	478,934
Total Current Assets	<u>1,562,657</u>	<u>1,958,956</u>	<u>396,001</u>	<u>805,129</u>	<u>4,722,743</u>
Noncurrent Assets:					
Property and equipment					
Buildings	298,262	-	-	-	298,262
Improvements, other than buildings	7,329,030	5,524,253	-	3,068,602	15,921,885
Machinery and equipment	116,295	-	-	-	116,295
Vehicles	225,589	-	-	-	225,589
Less: Accumulated depreciation	(1,770,807)	(1,514,201)	-	(976,913)	(4,261,921)
Total property and equipment	<u>6,198,369</u>	<u>4,010,052</u>	<u>-</u>	<u>2,091,689</u>	<u>12,300,110</u>
Net pension asset	8	5	-	-	13
Total Noncurrent Assets	<u>6,198,377</u>	<u>4,010,057</u>	<u>-</u>	<u>2,091,689</u>	<u>12,300,123</u>
Total Assets	<u>7,761,034</u>	<u>5,969,013</u>	<u>396,001</u>	<u>2,896,818</u>	<u>17,022,866</u>
Deferred Outflows of Resources:					
Deferred outflows relating to pensions	35,241	21,536	5,874	5,874	68,525
Total Assets and Deferred Outflows of Resources	<u>\$ 7,796,275</u>	<u>\$ 5,990,549</u>	<u>\$ 401,875</u>	<u>\$ 2,902,692</u>	<u>\$ 17,091,391</u>
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 6,740	\$ 29,247	\$ 38,453	\$ 3,290	\$ 77,730
Accrued interest	11,700	-	-	-	11,700
Unearned revenue	-	-	-	24,430	24,430
Restricted liabilities:					
Developer and customer deposits	2,099	-	-	-	2,099
Current portion of compensated absences	5,560	3,165	851	782	10,358
Current portion of bonds payable	75,000	-	-	-	75,000
Total Current Liabilities	<u>101,099</u>	<u>32,412</u>	<u>39,304</u>	<u>28,502</u>	<u>201,317</u>
Noncurrent Liabilities:					
Compensated absences	3,706	2,111	568	521	6,906
Bonds payable	3,063,309	-	-	-	3,063,309
Net pension liability	58,265	35,607	9,711	9,711	113,294
Total Noncurrent Liabilities	<u>3,125,280</u>	<u>37,718</u>	<u>10,279</u>	<u>10,232</u>	<u>3,183,509</u>
Total Liabilities	<u>3,226,379</u>	<u>70,130</u>	<u>49,583</u>	<u>38,734</u>	<u>3,384,826</u>
Deferred Inflows of Resources:					
Deferred inflows relating to pensions	6,173	3,772	1,029	1,029	12,003
Net Position:					
Net investment in capital assets	3,060,060	4,010,052	-	2,091,689	9,161,801
Restricted:					
Impact fees	305,115	77,291	-	94,429	476,835
Unrestricted	1,198,548	1,829,304	351,263	676,811	4,055,926
Total Net Position	<u>4,563,723</u>	<u>5,916,647</u>	<u>351,263</u>	<u>2,862,929</u>	<u>13,694,562</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 7,796,275</u>	<u>\$ 5,990,549</u>	<u>\$ 401,875</u>	<u>\$ 2,902,692</u>	<u>\$ 17,091,391</u>

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

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

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Garbage Utility Fund</u>	<u>Storm Sewer Utility Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues:					
Sales and charges for services	\$ 1,071,551	\$ 845,099	\$ 357,150	\$ 142,825	\$ 2,416,625
Total Operating Revenues	<u>1,071,551</u>	<u>845,099</u>	<u>357,150</u>	<u>142,825</u>	<u>2,416,625</u>
Operating Expenses:					
Personnel services	213,438	129,736	30,217	24,830	398,221
Supplies	499,408	20,479	306,277	6,074	832,238
Purchased services	43,172	436,068	4,803	16,294	500,337
Capital outlay	-	15,910	-	-	15,910
Depreciation and amortization	203,666	91,119	-	103,960	398,745
Total operating expenses	<u>959,684</u>	<u>693,312</u>	<u>341,297</u>	<u>151,158</u>	<u>2,145,451</u>
Operating income	<u>111,867</u>	<u>151,787</u>	<u>15,853</u>	<u>(8,333)</u>	<u>271,174</u>
Nonoperating revenue (expense):					
Interest income	18,108	11,264	2,274	4,550	36,196
Impact fee income	85,147	85,972	-	54,134	225,253
Gain (loss) on disposal of assets	(72,370)	(4,170)	(80,337)	(24,189)	(181,066)
Interest expense	(141,947)	-	-	-	(141,947)
Total nonoperating revenues (expenses)	<u>(111,062)</u>	<u>93,066</u>	<u>(78,063)</u>	<u>34,495</u>	<u>(61,564)</u>
Income (loss) before capital contributions and transfers	<u>805</u>	<u>244,853</u>	<u>(62,210)</u>	<u>26,162</u>	<u>209,610</u>
Capital Contributions:					
Grants and other contributions	364,500	230,000	-	233,300	827,800
Total Capital Contributions	<u>364,500</u>	<u>230,000</u>	<u>-</u>	<u>233,300</u>	<u>827,800</u>
Change in net position	365,305	474,853	(62,210)	259,462	1,037,410
Net position, beginning	4,073,029	5,441,794	413,473	2,603,467	12,531,763
Prior period adjustment	125,389	-	-	-	125,389
Net position, ending	<u>\$ 4,563,723</u>	<u>\$ 5,916,647</u>	<u>\$ 351,263</u>	<u>\$ 2,862,929</u>	<u>\$ 13,694,562</u>

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

SOUTH WEBER CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Water Utility Fund	Sewer Utility Fund	Garbage Utility Fund	Storm Sewer Utility Fund	Total Proprietary Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 1,061,885	\$ 849,382	\$ 356,813	\$ 167,126	\$ 2,435,206
Payments to suppliers and service providers	(545,694)	(475,644)	(306,781)	(27,874)	(1,355,993)
Payments to employees and related benefits	(213,581)	(129,817)	(30,310)	(27,294)	(401,002)
Net cash flows from operating activities	<u>302,610</u>	<u>243,921</u>	<u>19,722</u>	<u>111,958</u>	<u>678,211</u>
Cash Flows From Capital and Related Financing Activities					
Principal paid on bonds and leases	(75,000)	-	-	-	(75,000)
Interest Paid	(149,144)	-	-	-	(149,144)
Impact fees received	85,147	85,972	-	54,134	225,253
Net cash flows from capital and related financing activities	<u>(138,997)</u>	<u>85,972</u>	<u>-</u>	<u>54,134</u>	<u>1,109</u>
Cash Flows From Investing Activities					
Interest on deposits	18,108	11,265	2,274	4,549	36,196
Net cash flows from investing activities	<u>18,108</u>	<u>11,265</u>	<u>2,274</u>	<u>4,549</u>	<u>36,196</u>
Net Increase (Decrease) In Cash and Cash Equivalents	181,721	341,158	21,996	170,641	715,516
Cash and Cash Equivalents, Beginning	1,157,093	1,549,305	340,569	620,997	3,667,964
Cash and Cash Equivalents, Ending	<u>\$ 1,338,814</u>	<u>\$ 1,890,463</u>	<u>\$ 362,565</u>	<u>\$ 791,638</u>	<u>\$ 4,383,480</u>
Reconciliation of operating income to net cash flows from operating activities					
Operating income	\$ 111,867	\$ 151,787	\$ 15,853	\$ (8,333)	\$ 271,174
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation expense	203,666	91,119	-	103,960	398,745
(Increase) Decrease in accounts receivables	(9,666)	4,283	(337)	(129)	(5,849)
(Increase) Decrease in net pension asset	133	81	23	24	261
(Increase) Decrease in deferred outflows related to pension	(25,225)	(15,413)	(4,205)	(4,202)	(49,045)
Increase (Decrease) in accounts payable	(3,114)	(3,187)	4,299	(5,506)	(7,508)
Increase (Decrease) in unearned revenues	-	-	-	24,430	24,430
Increase (Decrease) in compensated absences	3,649	2,234	539	(1,836)	4,586
Increase (Decrease) in net pension liability	20,208	12,350	3,368	3,366	39,292
Increase (Decrease) in deferred inflows related to pension	1,092	667	182	184	2,125
Net cash flows from operating activities	<u>\$ 302,610</u>	<u>\$ 243,921</u>	<u>\$ 19,722</u>	<u>\$ 111,958</u>	<u>\$ 678,211</u>
Non-cash contribution of assets from developers	\$ 364,500	\$ 230,000	\$ -	\$ 233,300	\$ 827,800

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

SOUTH WEBER CITY NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Weber City (City) was incorporated on August 1, 1936. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, parks, recreation, planning and zoning, water, sewer, storm sewer, and general administrative. The financial statements of South Weber City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

(A) The Reporting Entity

For financial reporting purposes, the reporting entity includes all funds, agencies, and authorities for which the City holds corporate powers, and all component units for which the City is financially accountable. GASB has established criteria to consider in determining financial accountability. The criteria are: appointment of a majority of the voting members of an organization's governing board and, either (1) the City has the ability to impose its will on the organization or, (2) there is potential for the organization to provide specific financial benefits, or impose specific financial burdens on, the City. The City currently does not have any component units.

(B) Government-Wide and Fund Financial Statements

The Statement of Net Positions presents the City's assets and liabilities, with the difference reported as net position. Net positions are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. 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 that are clearly identifiable within a specific function. 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; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported 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.

(C) Measurement Focus and Basis of Accounting

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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are reported as assets in the government-wide financial statements, whereas those financial resources are reported as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, whereas they are reported as another financing source in the governmental fund financial statements. Amounts paid to reduce long-term debt in the government-wide financial statements are reported as a reduction of the related liability, whereas the amounts paid are reported as expenditures in the governmental fund statements.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus and Basis of Accounting (Continued)

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 (generally within sixty days) to pay liabilities of the current period. However, for the fiscal year ended June 30, 2016 the City elected to record as receivable and revenue the sixth payment for the class "C" road distribution even though it was not collected within the 60-day window after fiscal year-end. This is due to the allocation method being re-analyzed, and therefore holding the sixth and final payment for the fiscal year then ended. Expenditures are generally recorded when a liability is incurred, as under the accrual method of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded when payment is due.

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, deferred outflows, liabilities, deferred inflows, revenues, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Recreation Fund - Special Revenue Fund is used to account for the sports and recreation functions of the City.

Capital Projects Fund- The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital improvements (other than those financed by proprietary funds).

The City reports the following major enterprise funds:

Water Utility Fund - is used to account for the water services provided.

Sewer Utility Fund - is used to account for the sewer services provided.

Garbage Utility Fund - is used to account for the garbage services provided.

Storm Sewer Utility Fund - is used to account for the storm sewer services provided.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by the Enterprise Funds for providing administrative, billing, and repair services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 operation. The principal operating revenues of the enterprise funds are charges to customers to the system. 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.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgets

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required, prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Utah State allows for any undesignated fund balances in excess of 5% of total revenue of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 25% of the total estimated revenue of the general fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year to determine an appropriate use and then the excess must be included as an available resource in the general fund budget.

(E) Taxes

In connection with budget adoption, an annual tax ordinance establishing the tax rate is adopted before June 22 and the City Recorder is to certify the tax rate to the County Auditor before June 22. Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah Code Sections 10-6-109 through 10-6-135.

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.

(F) Capital Assets

Capital assets, which include land, buildings, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are carried at cost or estimated historical cost. Depreciation of these assets is computed by use of the straight-line method over their estimated useful lives as follows:

Buildings	30-40 years
Improvements, other than buildings	5-40 years
Machinery and equipment, including leased property under capital leases	5-20 years
Infrastructure roads, signals, lights, and bridges	25-40 years
Water and sewer lines	20-100 years
Vehicles	5-10 years

(G) Long-Term Obligation

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.

(H) Equity Classifications

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted 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.
- b. Restricted net position - consists of net positions 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.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements; governmental 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 governments highest level of decision making authority, the City Council. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Equity Classifications (Continued)

Assigned fund balance classifications include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council authorizes such assignments. 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 been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted. It is the City's policy to use committed funds first then assigned funds and lastly use unassigned funds when all are available for use in satisfying the expenditure.

Proprietary Fund equity is classified the same as in the government-wide statements.

(I) Cash and Cash Equivalents

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

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less when acquired by the City.

(J) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(K) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for the following items: deferred loss on refunding of debt, and items relating to the City's pension plans with the Utah Retirement Systems (URS).

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 and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition to this, the City reports deferred inflows of resources relating to the City's pension plans with the URS.

(L) 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 fair value.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) Prepaid

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits, a municipal money market account, and the Utah State Treasurer's investment pool (PTIF) which are considered demand deposits. All cash, demand deposits, money market accounts, and PTIF funds, are considered cash and cash equivalents.

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

Custodial credit risk – deposits is the risk that in the event of bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2016, \$719,743 of the City's bank balances of \$969,743 (excluding PTIF) was uninsured and uncollateralized.

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

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

For the year ended June 30, 2016, the City had cash balances of \$6,567,989 deposited in the PTIF. The fair value of the PTIF is \$6,597,920. The City has elected to report the PTIF balances at cost as it approximates fair value.

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 investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City has no formal policy regarding interest rate risk. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

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

	Carrying Amount
Cash on hand and on deposit:	
Cash on hand	\$ 1,500
Cash on deposit	925,861
Utah State Treasurer's investment pool accounts	6,567,989
Total cash on hand and deposit	\$ 7,495,350

NOTE 3 RESTRICTED ASSETS

Certain assets are restricted to use for the following purposes as of June 30, 2016:

Performance bonds	\$ 36,199
Class "C" road funds	577,508
Impact fees	920,941
Restricted assets	\$ 1,534,648

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,822,089	\$ 867,671	\$ (25,447)	\$ 2,664,313
Total capital assets, not being depreciated	1,822,089	867,671	(25,447)	2,664,313
Capital assets, being depreciated				
Buildings	3,123,210	-	(47,350)	3,075,860
Improvements other than buildings	10,625,734	1,012,600	(486,350)	11,151,984
Equipment	742,388	-	(605,567)	136,821
Office equipment	34,086	-	(34,086)	-
Vehicles	245,916	156,118	(23,579)	378,455
Total capital assets, being depreciated	14,771,334	1,168,718	(1,196,932)	14,743,120
Less accumulated depreciation for				
Buildings	(917,179)	(61,711)	37,925	(940,965)
Improvements other than buildings	(5,096,169)	(373,040)	205,642	(5,263,567)
Equipment	(598,021)	(29,623)	539,819	(87,825)
Office equipment	(27,610)	-	27,610	-
Vehicles	(245,751)	(20,025)	23,579	(242,197)
Total accumulated depreciation	(6,884,730)	(484,399)	834,575	(6,534,554)
Total capital assets, being depreciated, net	7,886,604	684,319	(362,357)	8,208,566
Governmental activities capital assets, net	\$ 9,708,693	\$ 1,551,990	\$ (387,804)	\$ 10,872,879

The Business-type Activities property, plant and equipment consist of the following at June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 8,925	\$ -	\$ (8,925)	\$ -
Total capital assets, not being depreciated	8,925	-	(8,925)	-
Capital assets, being depreciated				
Buildings	304,114	-	(5,852)	298,262
Improvements other than buildings	15,291,218	827,800	(197,133)	15,921,885
Equipment	334,523	-	(218,228)	116,295
Vehicles	228,620	-	(3,031)	225,589
Total capital assets, being depreciated	16,158,475	827,800	(424,244)	16,562,031
Less accumulated depreciation for				
Buildings	(94,330)	(7,457)	4,852	(96,935)
Improvements other than buildings	(3,598,655)	(376,643)	110,023	(3,865,275)
Equipment	(205,574)	(7,845)	134,197	(79,222)
Vehicles	(216,720)	(6,800)	3,031	(220,489)
Total accumulated depreciation	(4,115,279)	(398,745)	252,103	(4,261,921)
Total capital assets, being depreciated, net	12,043,196	429,055	(172,141)	12,300,110
Business-type activities capital assets, net	\$ 12,052,121	\$ 429,055	\$ (181,066)	\$ 12,300,110

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 26,324
Public safety	18,881
Highways and public works	347,416
Parks	53,672
Recreation	<u>38,106</u>
Total depreciation expense - governmental activities	<u>\$ 484,399</u>
Business-type Activities	
Water services	\$ 203,666
Sewer services	91,119
Storm sewer services	<u>103,960</u>
Total depreciation expense - business-type activities	<u>\$ 398,745</u>
Combined depreciation expense	<u>\$ 883,144</u>

NOTE 5 COMPENSATED ABSENCES

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). In the governmental funds (using the modified accrual basis of accounting) only the unpaid amounts due to retired or terminated employees are recorded as liabilities. The total compensated absences liability is reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based on historical estimates, the City estimates that \$27,850 of the compensated absences balance will be due in the next year.

NOTE 6 LONG-TERM DEBT NOTE

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities					
Sales Tax Revenue Bond, Series 2012	\$ 1,094,000	\$ -	\$ (78,000)	\$ 1,016,000	\$ 78,000
Total governmental bonds payable	1,094,000	-	(78,000)	1,016,000	78,000
Compensated absences	28,484	1,920	(1,251)	29,153	17,492
Net pension liability	<u>137,429</u>	<u>72,974</u>	<u>-</u>	<u>210,403</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 1,259,913</u>	<u>\$ 74,894</u>	<u>\$ (79,251)</u>	<u>\$ 1,255,556</u>	<u>\$ 95,492</u>
Business-type Activities					
Water Revenue Bond, Series 2010	\$ 3,080,000	\$ -	\$ (75,000)	\$ 3,005,000	\$ 75,000
Bond Premium, Series 2010	<u>143,319</u>	<u>-</u>	<u>(10,010)</u>	<u>133,309</u>	<u>-</u>
Total business-type bonds payable	3,223,319	-	(85,010)	3,138,309	75,000
Compensated absences	14,824	3,059	(620)	17,263	10,358
Net pension liability	<u>74,002</u>	<u>39,293</u>	<u>-</u>	<u>113,295</u>	<u>-</u>
Total business-type long-term liabilities	<u>\$ 3,312,145</u>	<u>\$ 42,352</u>	<u>\$ (85,630)</u>	<u>\$ 3,268,867</u>	<u>\$ 85,358</u>

The General Fund typically liquidates the liability for compensated absences.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

Sales Tax Revenue Refunding Bonds, Series 2012

The Sales Tax Revenue Refunding Bonds, Series 2012 were issued in February 2012. Original issuance amount of \$1,312,000 and carry interest at 2.970%. Interest payments are due semi-annually in January and July, with principal payments due annually in January, and mature in January 2027. The Sales Tax Revenue Refunding Bonds, Series 2012 were issued to refund a portion of the Sales Tax Revenue Bonds, Series 2004.

The annual debt service requirements to maturity, including principal and interest, for the Sales Tax Revenue Refunding Bonds, Series 2012, as of June 30, 2016 are as follows:

Year Ending June 30,	Sales Tax Refunding Bonds, Series 2012		
	Principal	Interest	Total
2017	\$ 78,000	\$ 30,175	\$ 108,175
2018	83,000	27,859	110,859
2019	88,000	25,394	113,394
2020	87,000	22,780	109,780
2021	91,000	20,196	111,196
2022-2026	486,000	59,133	545,133
2027	103,000	3,059	106,059
	\$ 1,016,000	\$ 188,595	\$ 1,204,595

Water Revenue Bonds, Series 2010

The Water Revenue Bonds, Series 2010 were issued in August 2010. The \$3,445,000 revenue bonds carry interest ranging from 2.0% to 5.0%. Interest payments are due semi-annually in June and December, with principal payments due annually in June, and matures in June 2040. The proceeds of the bond were used to construct a culinary water storage reservoir, a pump station, and other related infrastructure.

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

Year Ending June 30,	Water Revenue Bonds, Series 2010		
	Principal	Interest	Total
2017	\$ 75,000	\$ 140,400	\$ 215,400
2018	75,000	138,713	213,713
2019	80,000	136,650	216,650
2020	80,000	134,250	214,250
2021	85,000	131,750	216,750
2022-2026	480,000	594,400	1,074,400
2027-2031	600,000	475,000	1,075,000
2032-2036	770,000	309,250	1,079,250
2037-2040	760,000	97,500	857,500
Total	\$ 3,005,000	\$ 2,157,913	\$ 5,162,913

**SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 CONSTRUCTION COMMITMENTS

The City has active construction projects as of June 30, 2016.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid to Date</u>	<u>Commitment Outstanding</u>
2016 Street Maintenance Project	\$ 151,937	\$ -	\$ 151,937

NOTE 8 TRANSFERS

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

	<u>Out</u>	<u>In</u>
Governmental:		
General fund	\$ 609,000	\$ -
Capital improvements	-	468,000
Country Fair Days	-	1,000
Recreation fund	-	140,000
	<u>\$ 609,000</u>	<u>\$ 609,000</u>

The purpose of the interfund transfers is to meet the City's ongoing cash needs for capital projects and to provide for cash operations in the Recreation Fund and Country Fair Days funds.

NOTE 9 RETIREMENT PLAN

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. 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.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple-employer, cost sharing, public employee retirement system.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's 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 Utah State Retirement 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.

**SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 RETIREMENT PLAN (Continued)

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%
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%

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except 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 no met may be carried forward to subsequent years.

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Governmental Div - Tier 2	N/A	14.91%	1.78%
Noncontributory System			
15 - Local Governmental Div - Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%

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

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLAN (Continued)

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	\$ 85,487	N/A
Tier 2 Public Employees System	21,380	-
Tier 2 DC Only System	949	N/A
Total Contributions	<u>\$ 107,816</u>	<u>\$ -</u>

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

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

At June 30, 2016, we reported a net pension asset of \$45 and a net pension liability of \$323,697.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0572056%	\$ -	\$ 323,697
Tier 2 Public Employees System	0.0206238%	45	-
Total Net Pension Asset / Liability		<u>\$ 45</u>	<u>\$ 323,697</u>

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

For the year ended June 30, 2016, we recognized pension expense of \$87,118.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,003
Changes in assumptions	-	18,291
Net difference between projected and actual earnings on pension plan	110,479	-
Changes in proportion and differences between contributions and	31,542	-
Contributions subsequent to the measurement date	53,764	-
Total	<u>\$ 195,785</u>	<u>\$ 34,294</u>

\$53,765 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT 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,	Net Deferred Outflows (inflows) of Resources
2016	\$ 25,992
2017	25,992
2018	26,310
2019	30,173
2020	(134)
Thereafter	(605)

Actuarial Assumptions

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

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

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

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

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

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal retur		7.98%

**SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 RETIREMENT PLAN (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There was no change in the discount rate from the prior measurement date.

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

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

<u>System</u>	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Noncontributory System	\$ 683,940	\$ 323,697	\$ 22,967
Tier 2 Public Employees System	8,256	(45)	(6,337)
Total	\$ 692,196	\$ 323,652	\$ 16,630

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.

South Weber City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLAN (Continued)

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
401(k) Plan			
Employer Contributions	\$ 33,313	\$ 19,778	\$ 16,027
Employee Contributions	37,992	23,829	22,000
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	3,636	1,156	567

NOTE 10 RESTATEMENT OF NET POSITION/FUND BALANCE

During the most recent fiscal year ended June 30, 2016, it was noted expenses incurred related to the future fiscal year, as well as a similar situation was present in the prior year as well. The net effect of the adjustments was as follows:

<u>Water Fund</u>	<u>Adjustment</u>
Net position, begining	\$ (125,389)
Prepaid expenses	125,389

The effect of this adjustment is reflected in the June 30, 2016 year-end amounts reported in the Water fund, and consequently in the Business-type activities in the Statement of Net Position.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property taxes	\$ 343,300	\$ 343,300	\$ 353,886	\$ 10,586
Sales, use, and excise taxes	680,000	850,000	846,961	(3,039)
Franchise taxes	332,000	332,000	344,521	12,521
Licenses	173,000	173,000	234,237	61,237
Fines	120,000	120,000	121,390	1,390
Charges for services	11,700	11,700	80,845	69,145
Interest income	5,000	5,000	6,542	1,542
Intergovernmental	187,000	187,000	225,243	38,243
Miscellaneous revenue	5,500	5,500	15,230	9,730
Total Revenues	<u>1,857,500</u>	<u>2,027,500</u>	<u>2,228,855</u>	<u>201,355</u>
Expenditures				
General government				
Administrative	608,000	608,000	598,659	9,341
Legislative	56,000	56,000	47,696	8,304
Judicial	120,000	160,000	135,750	24,250
Public works				
Building inspection	72,500	77,500	71,224	6,276
Streets	211,000	211,000	184,320	26,680
Class "C" roads	501,500	171,500	74,549	96,951
Public safety				
Police and animal control	152,000	157,000	153,946	3,054
Fire protection	133,900	133,900	98,075	35,825
Parks	177,500	177,500	142,381	35,119
Debt service:				
Interest	22,000	22,000	22,000	-
Principal	9,100	9,100	9,098	2
Total Expenditures	<u>2,063,500</u>	<u>1,783,500</u>	<u>1,537,698</u>	<u>245,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(206,000)</u>	<u>244,000</u>	<u>691,157</u>	<u>447,157</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	(208,000)	(658,000)	(609,000)	49,000
Total Other Financing Sources (Uses)	<u>(208,000)</u>	<u>(658,000)</u>	<u>(609,000)</u>	<u>49,000</u>
Net Change in Fund Balance	<u>\$ (414,000)</u>	<u>\$ (414,000)</u>	82,157	<u>\$ 496,157</u>
Fund Balance, Beginning			836,419	
Fund Balance, Ending			<u>\$ 918,576</u>	

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – RECREATION SPECIAL REVENUE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 146,500	\$ 146,500	\$ 136,417	\$ (10,083)
Interest income	-	-	1,963	1,963
Total Revenues	<u>146,500</u>	<u>146,500</u>	<u>138,380</u>	<u>(8,120)</u>
Expenditures				
Recreation	206,900	206,900	169,767	37,133
Debt service:				
Principal	56,200	56,200	56,000	200
Interest	23,400	23,400	26,044	(2,644)
Total Expenditures	<u>286,500</u>	<u>286,500</u>	<u>251,811</u>	<u>34,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(140,000)</u>	<u>(140,000)</u>	<u>(113,431)</u>	<u>26,569</u>
Other Financing Sources (Uses)				
Transfer in	140,000	140,000	140,000	-
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	26,569	<u>\$ 26,569</u>
Fund Balance, Beginning			<u>325,767</u>	
Fund Balance, Ending			<u>\$ 352,336</u>	

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

SOUTH WEBER CITY
SCHEDULE OF PROPORTIONATE SHARE OF
THE PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2015
Last 10 Fiscal Years*

For the year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory Retirement System					
2015	0.0572056%	\$ 323,697	\$ 457,570	70.74%	87.8%
2014	0.0486916%	211,430	384,233	55.00%	90.2%
Tier 2 Public Employees Retirement System					
2015	0.0206238%	\$ (45)	\$ 133,243	-0.03%	100.2%
2014	0.2582740%	(783)	126,524	-0.06%	103.5%

* This schedule will be built out prospectively to show a 10-year history.

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

**SOUTH WEBERS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
December 31, 2015
Last 10 Fiscal Years***

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
Noncontributory System					
2016	\$ 85,487	\$ 85,487	\$ -	\$ 467,173	18.30%
2015	76,280	76,280	-	429,160	17.77%
2014	71,335	71,335	-	413,474	17.25%
Tier 2 Public Employees System*					
2016	\$ 21,380	\$ 21,380	\$ -	\$ 143,386	14.91%
2015	17,885	17,885	-	103,673	17.25%
2014	14,123	14,123	-	76,308	18.51%
Tier 2 Public Employees DC Only System*					
2016	\$ 949	\$ 949	\$ -	\$ 92,255	1.03%
2015	534	534	-	87,277	0.61%
2014	-	-	-	83,188	0.00%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

** This schedule will be built out prospectively to show a 10-year history. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

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

SOUTH WEBER CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For fiscal year ended June 30, 2016

Changes in Assumptions

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

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

SUPPLEMENTAL INFORMATION

SOUTH WEBER CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016

	<u>Park Impact Fee Fund</u>	<u>Road Impact Fee Fund</u>	<u>Country Fair Days Fund</u>	<u>Recreation Impact Fee Fund</u>	<u>Public Safety Impact Fee Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 9,575	\$ -	\$ -	\$ 9,575
Restricted cash and cash equivalents	54,791	212,171	-	141,144	35,999	444,105
Prepaid expenses	-	-	4,672	-	-	4,672
Total assets	<u>\$ 54,791</u>	<u>\$ 212,171</u>	<u>\$ 14,247</u>	<u>\$ 141,144</u>	<u>\$ 35,999</u>	<u>\$ 458,352</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 120	\$ -	\$ -	\$ 120
Unearned revenue	-	-	12,131	-	-	12,131
Total liabilities	<u>-</u>	<u>-</u>	<u>12,251</u>	<u>-</u>	<u>-</u>	<u>12,251</u>
Fund Balances:						
Nonspendable						
Prepaid expenses	-	-	4,672	-	-	4,672
Restricted:						
Impact fees	54,791	212,171	-	141,144	35,999	444,105
Unassigned			(2,676)			(2,676)
Total fund balances	<u>54,791</u>	<u>212,171</u>	<u>1,996</u>	<u>141,144</u>	<u>35,999</u>	<u>446,101</u>
Total liabilities and fund balances	<u>\$ 54,791</u>	<u>\$ 212,171</u>	<u>\$ 14,247</u>	<u>\$ 141,144</u>	<u>\$ 35,999</u>	<u>\$ 458,352</u>

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

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

	Park Impact Fee Fund	Road Impact Fee Fund	Country Fair Days Fund	Recreation Impact Fee Fund	Public Safety Impact Fee Fund	Total Nonmajor Governmental Funds
Revenues:						
Impact fees	\$ 35,088	\$ 40,687	\$ -	\$ 33,360	\$ 7,056	\$ 116,191
Charges for services	-	-	43,907	-	-	43,907
Interest income	685	1,249	45	824	214	3,017
Total Revenues	<u>35,773</u>	<u>41,936</u>	<u>43,952</u>	<u>34,184</u>	<u>7,270</u>	<u>163,115</u>
Expenditures:						
Recreation	-	-	50,029	-	-	50,029
Capital outlay	89,288	-	-	-	-	89,288
Total Expenditures	<u>89,288</u>	<u>-</u>	<u>50,029</u>	<u>-</u>	<u>-</u>	<u>139,317</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,515)</u>	<u>41,936</u>	<u>(6,077)</u>	<u>34,184</u>	<u>7,270</u>	<u>23,798</u>
Other Sources (Uses)						
Transfers in	-	-	1,000	-	-	1,000
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balance	(53,515)	41,936	(5,077)	34,184	7,270	24,798
Fund Balance, Beginning	108,306	170,235	7,073	106,960	28,729	421,303
Fund Balance, Ending	<u>\$ 54,791</u>	<u>\$ 212,171</u>	<u>\$ 1,996</u>	<u>\$ 141,144</u>	<u>\$ 35,999</u>	<u>\$ 446,101</u>

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 2,000	\$ 2,000	\$ 7,764	\$ 5,764
Contributions	-	-	1,228	1,228
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>8,992</u>	<u>6,992</u>
Expenditures				
Capital outlay	<u>407,000</u>	<u>549,000</u>	<u>319,108</u>	<u>229,892</u>
Total Expenditures	<u>407,000</u>	<u>549,000</u>	<u>319,108</u>	<u>229,892</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(405,000)</u>	<u>(547,000)</u>	<u>(310,116)</u>	<u>236,884</u>
Other Financing Sources (Uses)				
Transfer in	<u>410,000</u>	<u>552,000</u>	<u>468,000</u>	<u>(84,000)</u>
Total Other Financing Sources (Uses)	<u>410,000</u>	<u>552,000</u>	<u>468,000</u>	<u>(84,000)</u>
Net Change in Fund Balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>157,884</u>	<u>\$ 152,884</u>
Fund Balance, Beginning			<u>1,298,732</u>	
Fund Balance, Ending			<u>\$ 1,456,616</u>	

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR PARK IMPACT FEE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 34,000	\$ 34,000	\$ 35,088	\$ 1,088
Interest income	-	-	685	685
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>35,773</u>	<u>1,773</u>
Expenditures				
Capital outlay	<u>91,000</u>	<u>96,000</u>	<u>89,288</u>	<u>6,712</u>
Total Expenditures	<u>91,000</u>	<u>96,000</u>	<u>89,288</u>	<u>6,712</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(57,000)</u>	<u>(62,000)</u>	<u>(53,515)</u>	<u>8,485</u>
Net Change in Fund Balance	<u>\$ (57,000)</u>	<u>\$ (62,000)</u>	<u>(53,515)</u>	<u>\$ 8,485</u>
Fund Balance, Beginning			<u>108,306</u>	
Fund Balance, Ending			<u>\$ 54,791</u>	

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR ROAD IMPACT FEE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 20,000	\$ 25,000	\$ 40,687	\$ 15,687
Interest income	500	500	1,249	749
Total Revenues	<u>20,500</u>	<u>25,500</u>	<u>41,936</u>	<u>16,436</u>
Expenditures				
Capital outlay	-	5,000	-	5,000
Total Expenditures	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,500</u>	<u>20,500</u>	<u>41,936</u>	<u>21,436</u>
Net Change in Fund Balance	<u>\$ 20,500</u>	<u>\$ 20,500</u>	41,936	<u>\$ 21,436</u>
Fund Balance, Beginning			<u>170,235</u>	
Fund Balance, Ending			<u>\$ 212,171</u>	

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – NONMAJOR COUNTRY FAIR DAYS FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 46,850	\$ 46,850	\$ 43,907	\$ (2,943)
Interest income	-	-	45	45
Total Revenues	<u>46,850</u>	<u>46,850</u>	<u>43,952</u>	<u>(2,898)</u>
Expenditures				
Recreation	<u>48,950</u>	<u>50,950</u>	<u>50,029</u>	<u>921</u>
Total Expenditures	<u>48,950</u>	<u>50,950</u>	<u>50,029</u>	<u>921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,100)</u>	<u>(4,100)</u>	<u>(6,077)</u>	<u>(1,977)</u>
Other Financing Sources (Uses)				
Transfer in	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,100)</u>	<u>\$ (3,100)</u>	<u>(5,077)</u>	<u>\$ (1,977)</u>
Fund Balance, Beginning			<u>7,073</u>	
Fund Balance, Ending			<u>\$ 1,996</u>	

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL –
NONMAJOR RECREATION IMPACT FEE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 30,000	\$ 30,000	\$ 33,360	\$ 3,360
Interest income	-	-	824	824
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>34,184</u>	<u>4,184</u>
Expenditures				
Capital outlay	72,000.00	72,000.00	-	72,000
Total Expenditures	<u>72,000</u>	<u>72,000</u>	<u>-</u>	<u>72,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(42,000)</u>	<u>(42,000)</u>	<u>34,184</u>	<u>76,184</u>
Net Change in Fund Balance	<u>\$ (42,000)</u>	<u>\$ (42,000)</u>	<u>34,184</u>	<u>\$ 76,184</u>
Fund Balance, Beginning			<u>106,960</u>	
Fund Balance, Ending			<u>\$ 141,144</u>	

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

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL –
NONMAJOR RECREATION IMPACT FEE FUND
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 5,000	\$ 5,000	\$ 7,056	\$ 2,056
Interest income	-	-	214	214
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>7,270</u>	<u>2,270</u>
Expenditures				
Public safety	-	-	-	-
Capital outlay	22,800	22,800	-	22,800
Total Expenditures	<u>22,800</u>	<u>22,800</u>	<u>-</u>	<u>22,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,800)</u>	<u>(17,800)</u>	<u>7,270</u>	<u>25,070</u>
Net Change in Fund Balance	<u>\$ (17,800)</u>	<u>\$ (17,800)</u>	<u>7,270</u>	<u>\$ 25,070</u>
Fund Balance, Beginning			<u>28,729</u>	
Fund Balance, Ending			<u>\$ 35,999</u>	

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

SOUTH WEBER CITY
SUPPLEMENTARY REPORTS
FOR THE YEAR ENDED JUNE 30, 2016



Keddington & Christensen, LLC
Certified Public Accountants

**SOUTH WEBER CITY
SUPPLEMENTARY REPORTS
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Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

**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***

Honorable Mayor and
Members of the City Council
South Weber City
South Weber City, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Weber City, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Weber City's (the City) basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations as Finding 2016-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

South Weber City's Response to Findings

South Weber City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Keddington & Christensen, LLC

December 7, 2016
Salt Lake City, Utah



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
THE STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE
WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND
INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and
Members of the City Council
South Weber City
South Weber, Utah

Report on Compliance with General State Compliance Requirements

We have audited the South Weber City'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 or each of its major state programs for the year ended June 30, 2016.

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

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

The City did not have any state funding classified as a major program during the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying *Schedule of Findings and Recommendations*. Our opinion on compliance is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying *Schedule of Findings and Recommendations* as finding 2016-2. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

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

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 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 requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen, LLC

December 7, 2016
Salt Lake City, Utah

SOUTH WEBER CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2016

INTERNAL CONTROLS

2016-1 - Utility Billing Adjustments – Significant Deficiency

Finding

During our audit, we noted that the Finance Director performs the Utility Billing function. During our procedures over this area we also noted that billing adjustments are not reviewed by any other person (no control procedure). Without a review of these adjustments, errors may occur without notice and inappropriate billings may occur.

Recommendation

We recommend that billing adjustments be reviewed and approved by the Treasurer to ensure only appropriate adjustments are made to the utility billings.

City's Response

The City Treasurer will run a report quarterly of all utility billing adjustments. The Finance Director will verify all transactions entered by his staff. Then the City Treasurer will review and verify all adjustments on the report. The City Treasurer will sign and scan the report as an official document. Any questionable findings by the Treasurer will be brought to the attention of the City Manager.

STATE COMPLIANCE

2016-2 – Open and Public Meetings Act - Significant Deficiency

Finding

Utah State Code 54-4-203 states that within three business days after approving written minutes of an open meeting, the City shall post to the Utah Public Notice website the approved minutes. During our testing of the City's compliance we selected the December 8, 2015 work meeting. The Council approved these minutes on January 5, 2016 but did not post these minutes to the Utah Public Notice website until January 13, 2016, which is not within the required three business days.

Recommendation

We recommend the City ensure that minutes are posted to the Utah Public Notice Website within 3 days of approval.

City's Response

The City Recorder is responsible for posting the approved meeting minutes on the Utah Public Notice website. Since the time of the sample date of December 8, 2015, a new City Recorder has been appointed. The City Recorder will ensure all approved minutes are posted in the required 3 business day time frame. In the City Recorder's absence, the City Manager will be responsible for posting the approved minutes.