

SOUTH WEBER CITY

FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

Together With Independent Auditor's Report

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Weber City, Utah (the City) as of and for the year ended June 30, 2019, 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, Utah as of June 30, 2019, 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 inquires 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 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

December 30, 2019
Salt Lake City, Utah

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2019**

South Weber City's (the City) 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, 2019. 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 \$31,708,814 (net position). Of this amount, \$7,243,578 (unrestricted position) is available to meet ongoing obligations of citizens and creditors. Net position increased by \$1,810,584 from the prior year.

The City's Governmental activities reported a combined ending net position of \$14,974,682. Of that amount, \$1,965,924 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, 2019, totaled \$568,950 and is 24% of the general fund total revenues for the year.

During the year, several projects were completed by the City. In addition, several developments were completed as well, upon which the related infrastructure was contributed to the City. Capital assets were added in the water, sewer, and storm sewer funds, as well as the general fixed assets of the City.

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 assets, liabilities and deferred outflows and inflows of resources, 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, 2019**

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 six nonmajor funds which are the park impact special revenue, road impact special revenue, Country Fair Days special revenue, recreation impact special revenue, public safety impact special revenue, and transportation fee 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, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative Summary of Net Position

	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 5,203,828	\$ 4,707,878	\$ 6,197,144	\$ 5,126,435	\$ 11,400,972	\$ 9,834,313	15.9%
Capital assets	12,495,528	11,779,821	13,911,990	13,667,529	26,407,518	25,447,350	3.8%
Total assets	17,699,356	16,487,699	20,109,134	18,793,964	37,808,490	35,281,663	7.2%
Total deferred outflows of resources	145,827	158,938	138,097	146,830	283,924	305,768	-7.1%
Long-term liabilities outstanding	1,017,444	1,021,620	3,094,195	3,177,886	4,111,639	4,199,506	-2.1%
Other liabilities	1,124,802	697,910	404,229	292,525	1,529,031	990,435	54.4%
Total liabilities	2,142,246	1,719,530	3,498,424	3,470,411	5,640,670	5,189,941	8.7%
Total deferred inflows of resources	728,255	440,714	14,675	58,546	742,930	499,260	48.8%
Net position:							
Net investment in capital assets	11,760,879	10,961,216	10,940,883	10,583,867	22,701,762	21,545,083	5.4%
Restricted	1,247,879	1,153,244	515,595	480,036	1,763,474	1,633,280	8.0%
Unrestricted	1,965,924	2,371,933	5,277,654	4,347,934	7,243,578	6,719,867	7.8%
Total net position	\$ 14,974,682	\$ 14,486,393	\$ 16,734,132	\$ 15,411,837	\$ 31,708,814	\$ 29,898,230	6.1%

By far the largest component of South Weber City's net position (72%) is its investment in capital assets. This figure 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.

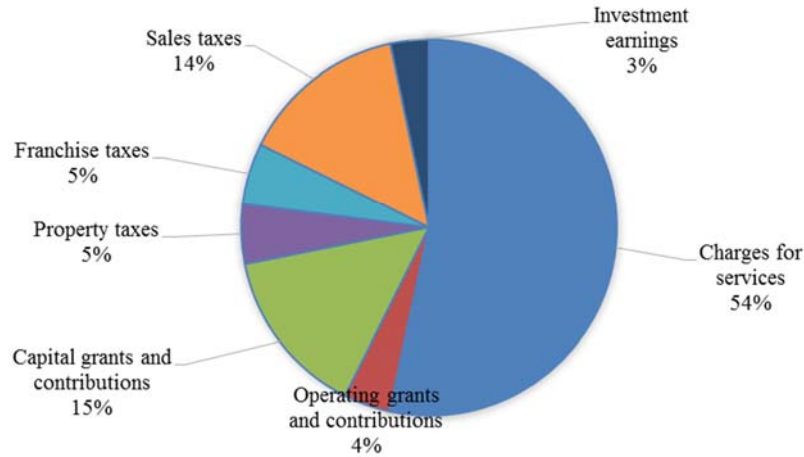
An additional part of net position, 5%, is assets that are subject to external restrictions on how they may be expended. The remaining 23% of net position can be used to meet the City's ongoing obligations to its creditors and to citizens.

Comparative Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2019	2018	2019	2018	2019	2018	
Revenues:							
Program revenues:							
Charges for services	\$ 924,889	\$ 732,390	\$ 2,962,881	\$ 2,560,713	\$ 3,887,770	\$ 3,293,103	18.1%
Operating grants and contributions	290,911	322,431	-	-	290,911	322,431	-9.8%
Capital grants and contributions	521,464	1,174,737	531,838	1,050,569	1,053,302	2,225,306	-52.7%
General revenues:							
Property taxes	375,506	351,895	-	-	375,506	351,895	6.7%
Franchise taxes	386,795	410,902	-	-	386,795	410,902	-5.9%
Sales taxes	1,047,072	986,346	-	-	1,047,072	986,346	6.2%
Other revenue	-	13,612	-	-	-	13,612	-100.0%
Gain on sale of assets	1,890	-	24,000	-	25,890	-	100.0%
Investment earnings	103,560	59,645	137,048	78,488	240,608	138,133	74.2%
Total revenues	\$ 3,652,087	\$ 4,051,958	\$ 3,655,767	\$ 3,689,770	\$ 7,307,854	\$ 7,741,728	-5.6%

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2019**

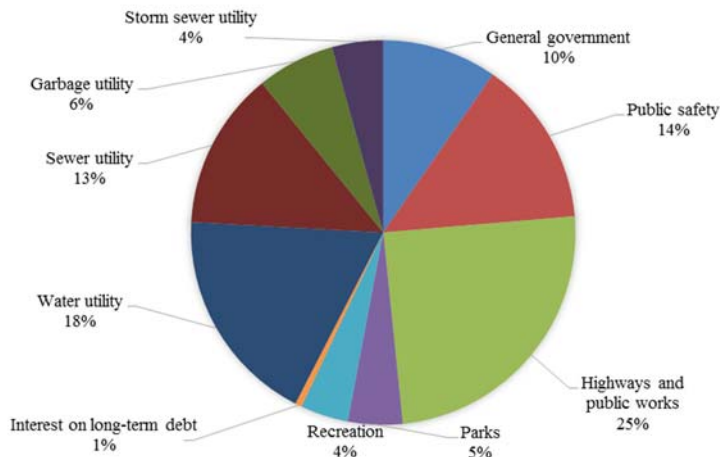
GOVERNMENT TOTAL REVENUES



Comparative Changes in Net Position (Continued)

	Governmental Activities		Business-type Activities		Total Activities		Total % Change From Prior Year
	2019	2018	2019	2018	2019	2018	
Expenses:							
General government	\$ 530,723	\$ 527,100	\$ -	\$ -	\$ 530,723	\$ 527,100	0.7%
Public safety	769,084	575,260	-	-	769,084	575,260	33.7%
Highways and public works	1,359,146	977,892	-	-	1,359,146	977,892	39.0%
Parks	252,354	192,371	-	-	252,354	192,371	31.2%
Recreation	221,649	271,692	-	-	221,649	271,692	-18.4%
Interest on long-term debt	30,842	33,319	-	-	30,842	33,319	-7.4%
Water services	-	-	1,006,664	1,154,353	1,006,664	1,154,353	-12.8%
Sewer services	-	-	730,395	725,901	730,395	725,901	0.6%
Garbage services	-	-	359,736	344,831	359,736	344,831	4.3%
Storm sewer services	-	-	236,677	196,036	236,677	196,036	20.7%
Total expenses	3,163,798	2,577,634	2,333,472	2,421,121	5,497,270	4,998,755	10.0%
Change in net position before transfers	488,289	1,474,324	1,322,295	1,268,649	1,810,584	2,742,973	51.5%
Change in net position	488,289	1,474,324	1,322,295	1,268,649	1,810,584	2,742,973	-34.0%
Net position - beginning	14,486,393	13,012,069	15,411,837	14,143,188	29,898,230	27,155,257	10.1%
Net position - end of year	\$ 14,974,682	\$ 14,486,393	\$ 16,734,132	\$ 15,411,837	\$ 31,708,814	\$ 29,898,230	6.1%

GOVERNMENT TOTAL EXPENDITURES/EXPENSES



**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2019**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities net position increased by \$488,289 for the year ended June 30, 2019. The major reason for the increase resulted from assets contributed to the City from developers, and increases in charges for services.

Business-type activities contributed an increase of \$1,322,295 in net position. The most significant reason for this increase in business-type activities is contributed assets from developers, and charges from services for water, sewer, and garbage utilities.

The City received \$240,607 in investment earnings and \$831,151 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, 2019.

For the period ended June 30, 2019, the City's governmental funds reported combined fund balances in the amount of \$3,389,416. Of the total balance at year-end, \$568,950 is unassigned. The governmental funds also have portions of the fund balance restricted, committed and assigned for various reasons, class "C" road, and impact fee funds.

The special revenue recreation fund has a fund balance of \$335,382, a decrease of \$3,658 from the prior year due to projects undertaken during the fiscal year. The capital projects fund has a fund balance of \$1,125,602, a decrease of \$421,987 from the prior year, due to projects exceeding the current year revenues.

The General Fund is the main operating fund for South Weber City. At June 30, 2019, the general fund's unassigned fund balance was \$568,950. Total fund balance of the general fund for South Weber City decreased by \$138,624. 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 general fund was 27% 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 \$5,277,655. Discussions about the finances of these funds are addressed in the City's business-type activities.

BUDGETARY HIGHLIGHTS

The general fund budget had some significant budget changes in public safety that increased from the preliminary budget. First was a renegotiated contract with the Davis County Sheriff's Office for law enforcement services in the city. Second was a change in EMS service levels in the Fire department. Over the last 4 years, the fire department has changed from an all-volunteer, on-call department to a fully staffed, 24/7/365 fire department. For fiscal year 2019 this department added its own ambulance service and added additional employees to allow 24/7 staffing using part-time employees who are full-time Fire/EMS personnel with other government agencies. Overall, the general fund was under budgeted expenditures by approximately \$196,297.

The capital projects fund budget was increased for additional planned projects. Ultimately several of these projects were not completed by fiscal year end and are re-budgeted for the 2020 fiscal year. This resulted in the actual expenditures in this fund to be \$1,479,634 less than the budgeted amounts.

The rates in the Water fund budget were restructured and increased. The new rates were effective for the 2019 fiscal year.

Most of the city's impact fees saw an increase as new Impact Fee Analyses were completed.

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2019**

The special revenue recreation fund budget was not amended during the year, and actual expenditures were less than budgeted expenditures by \$39,806.

The remaining special revenue funds budgeted expenditures did not see any significant increases besides transfers out to the general and capital projects funds as reimbursement of impact fee qualifying expenses in those funds.

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 \$26,407,518 (net of \$13,504,678 accumulated depreciation) at June 30, 2019. 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 72% of total assets.

Major capital asset activities are included in the following table:

	Comparative Summary of Capital Assets						Total % Change From Prior Year
	Governmental Activities		Business-type Activities		Total Activities		
	2019	2018	2019	2018	2019	2018	
Land and water rights	\$ 3,374,977	\$ 3,279,377	\$ -	\$ -	\$ 3,374,977	\$ 3,279,377	2.9%
Buildings	3,075,860	3,075,860	298,262	298,262	3,374,122	3,374,122	0.0%
Improvements other than buildings	12,212,628	12,102,460	18,296,220	17,856,727	30,508,848	29,959,187	1.8%
Vehicles	1,206,744	412,454	109,473	177,473	1,316,217	589,927	123.1%
Machinery and equipment	217,408	150,084	218,705	123,955	436,113	274,039	59.1%
Construction in process	469,721	234,619	432,198	231,976	901,919	466,595	100.0%
Less: Accumulated Depreciation	(8,061,810)	(7,475,033)	(5,442,868)	(5,020,862)	(13,504,678)	(12,495,895)	8.1%
Net Book Value	\$ 12,495,528	\$ 11,779,821	\$ 13,911,990	\$ 13,667,531	\$ 26,407,518	\$ 25,447,352	3.8%

At June 30, 2019, South Weber City's total debt amounted to \$3,738,107 of which \$2,971,107 was incurred by the City's business-type activities and the remaining \$767,000 was incurred by the City's governmental units. 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.

	Comparative of Debt Outstanding						Total % Change From Prior Year
	Governmental Activities		Business-type Activities		Total Activities		
	2019	2018	2019	2018	2019	2018	
Debt Outstanding							
Revenue Bonds	\$ 767,000	\$ 855,000	\$ 2,971,107	\$ 3,083,662	\$ 3,738,107	\$ 3,938,662	-5.1%
Total debt outstanding	\$ 767,000	\$ 855,000	\$ 2,971,107	\$ 3,083,662	\$ 3,738,107	\$ 3,938,662	-5.1%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of October 2019, the state unemployment rate was 2.6%, an improvement from 3.2% the previous year. This is consistent with the nationwide decrease in unemployment rates as the economy continues to improve. Currently, South Weber City is experiencing moderate economic growth consistent with the rest of the nation. The City is expecting some additional 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 2019 compared with fiscal year 2018. A major change to the water rate structure and increase in fees went into effect July 1, 2018.

In August 2019, the city raised its property tax rate by 99.8% to fund the increased public safety costs and provide additional resources for capital projects. The previous increase in the city property tax rate was in 1971. The increase brought the city's property tax rate back to a similar level as it was in 1994

**SOUTH WEBER CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2019**

The Sanitation fees have been increased for fiscal year 2020 due to an increase in disposal costs. The Transportation Utility fees for 2020 reflect the final increase as part of a three-year tiered rate plan.

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, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,901,619	\$ 5,288,478	\$ 8,190,097
Receivables:			
Property, franchise, and excise taxes	965,494	-	965,494
Accounts receivable	23,306	249,225	272,531
Prepaid expenses	700	142,758	143,458
Restricted:			
Cash and cash equivalents	1,253,452	516,683	1,770,135
Receivables - Class "C" road funds	59,257	-	59,257
Capital assets not being depreciated:			
Land and water rights	3,374,977	-	3,374,977
Construction in process	469,721	432,198	901,919
Capital assets, net of accumulated depreciation:			
Buildings	1,950,330	178,956	2,129,286
Improvements other than buildings	5,754,971	13,147,461	18,902,432
Machinery and equipment	97,480	142,719	240,199
Vehicles	848,049	10,656	858,705
Total Assets	17,699,356	20,109,134	37,808,490
Deferred Outflows of Resources			
Deferred loss on refunding	32,351	76,995	109,346
Deferred outflows relating to pensions	113,476	61,102	174,578
Total Deferred Outflows of Resources	145,827	138,097	283,924
Total Assets and Deferred Outflows of Resources	\$ 17,845,183	\$ 20,247,231	\$ 38,092,414

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

SOUTH WEBER CITY
STATEMENT OF NET POSITION (Continued)
June 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Liabilities:			
Accounts payable	\$ 404,932	\$ 268,686	\$ 673,618
Accrued liabilities	81,588	5,676	87,264
Accrued interest	11,390	9,892	21,282
Unearned revenue	562,062	118,887	680,949
Restricted liabilities:			
Developer and customer deposits	64,830	1,088	65,918
Noncurrent liabilities:			
Due within one year	111,688	101,234	212,922
Due in more than one year	696,458	2,880,262	3,576,720
Net pension liability	209,298	112,699	321,997
	<u>2,142,246</u>	<u>3,498,424</u>	<u>5,640,670</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	701,000	-	701,000
Deferred inflows relating to pensions	27,255	14,675	41,930
	<u>728,255</u>	<u>14,675</u>	<u>742,930</u>
Net Position			
Net investment in capital assets	11,760,879	10,940,883	22,701,762
Restricted for:			
Impact fees	715,819	515,595	1,231,414
Roads	532,060	-	532,060
Unrestricted	1,965,924	5,277,654	7,243,578
	<u>14,974,682</u>	<u>16,734,132</u>	<u>31,708,814</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 17,845,183</u>	<u>\$ 20,247,231</u>	<u>\$ 38,092,414</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, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Government Activities							
General government	\$ 530,723	\$ 506,417	\$ -	\$ -	\$ (24,306)	\$ -	\$ (24,306)
Public safety	769,084	-	7,060	12,636	(749,388)	-	(749,388)
Highways and public works	1,359,146	258,091	283,851	222,017	(595,187)	-	(595,187)
Parks	252,354	1,640	-	210,369	(40,345)	-	(40,345)
Recreation	221,649	158,741	-	76,442	13,534	-	13,534
Interest on long-term debt	30,842	-	-	-	(30,842)	-	(30,842)
Total Governmental Activities	3,163,798	924,889	290,911	521,464	(1,426,534)	-	(1,426,534)
Business-type Activities							
Water utility	1,006,664	1,503,672	-	170,723	-	667,731	667,731
Sewer utility	730,395	921,003	-	327,392	-	518,000	518,000
Garbage utility	359,736	359,363	-	-	-	(373)	(373)
Storm sewer utility	236,677	178,843	-	33,723	-	(24,111)	(24,111)
Total Business-type Activities	2,333,472	2,962,881	-	531,838	-	1,161,247	1,161,247
Total Government	\$ 5,497,270	\$ 3,887,770	\$ 290,911	\$ 1,053,302	(1,426,534)	1,161,247	(265,287)
General Revenues:							
Property taxes					375,506	-	375,506
Franchise taxes					386,795	-	386,795
Sales taxes					1,047,072	-	1,047,072
Investment earnings					103,560	137,048	240,608
Gain on sale of capital assets					1,890	24,000	25,890
Transfers					-	-	-
Total General Revenues and Transfers					1,914,823	161,048	2,075,871
Changes in Net Position					488,289	1,322,295	1,810,584
Net Position, Beginning					14,486,393	15,411,837	29,898,230
Net Position, Ending					\$ 14,974,682	\$ 16,734,132	\$ 31,708,814

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

SOUTH WEBER CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	<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	\$ 1,039,761	\$ 341,729	\$ 1,441,480	\$ 78,649	\$ 2,901,619
Accounts receivable	-	-	-	23,306	23,306
Property, franchise, and excise tax receivable	924,972	-	-	-	924,972
Receivables, other	26,172	-	-	14,350	40,522
Prepays	-	700	-	-	700
Restricted assets:					
Cash and cash equivalents	537,633	-	-	715,819	1,253,452
Receivables - Class "C" road monies	59,257	-	-	-	59,257
Total Assets	<u>\$ 2,587,795</u>	<u>\$ 342,429</u>	<u>\$ 1,441,480</u>	<u>\$ 832,124</u>	<u>\$ 5,203,828</u>
Liabilities					
Accounts payable	\$ 83,730	\$ 4,878	\$ 311,622	\$ 4,702	\$ 404,932
Accrued liabilities	79,419	2,169	-	-	81,588
Unearned revenue	557,806	-	4,256	-	562,062
Restricted liabilities:					
Developer and customer deposits	64,830	-	-	-	64,830
Total Liabilities	<u>785,785</u>	<u>7,047</u>	<u>315,878</u>	<u>4,702</u>	<u>1,113,412</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	701,000	-	-	-	701,000
Fund Balances					
Nonspendable					
Prepays	-	700	-	-	700
Restricted					
Class "C" roads	532,060	-	-	-	532,060
Impact fees	-	-	-	715,819	715,819
Assigned					
Capital projects	-	334,682	1,125,602	111,603	1,571,887
Unassigned	568,950	-	-	-	568,950
Total Fund Balances	<u>1,101,010</u>	<u>335,382</u>	<u>1,125,602</u>	<u>827,422</u>	<u>3,389,416</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,587,795</u>	<u>\$ 342,429</u>	<u>\$ 1,441,480</u>	<u>\$ 832,124</u>	<u>\$ 5,203,828</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, 2019

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

Total fund balance - governmental funds	\$ 3,389,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,495,528
Deferred outflows of resources relating to refunding are not financial resources and, therefore, are not reported in the funds.	32,351
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.	(808,146)
Accrued interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(11,390)
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.	(123,077)
 Net position - governmental activities	 <u>\$ 14,974,682</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, 2019

	General	Special Revenue Recreation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
Revenues					
General property taxes	\$ 375,506	\$ -	\$ -	\$ -	\$ 375,506
Sales, use, and excise taxes	641,287	-	330,000	75,785	1,047,072
Franchise taxes	386,795	-	-	-	386,795
Impact fees	-	-	-	369,312	369,312
Licenses	391,268	-	-	-	391,268
Fines	90,779	-	-	-	90,779
Charges for services	85,762	158,741	-	258,091	502,594
Interest income	50,497	8,330	25,155	19,578	103,560
Intergovernmental	290,911	-	-	-	290,911
Miscellaneous revenue	24,370	-	1,890	-	26,260
Total Revenues	2,337,175	167,071	357,045	722,766	3,584,057
Expenditures					
Current:					
General government	603,716	-	-	-	603,716
Public safety	698,306	-	-	-	698,306
Public works	557,338	-	-	352,660	909,998
Parks	219,231	-	-	-	219,231
Recreation	-	181,599	-	-	181,599
Capital expenditures	-	-	1,156,366	-	1,156,366
Debt service:					
Principal	24,640	63,360	-	-	88,000
Interest and fiscal charges	7,870	20,235	-	-	28,105
Total Expenditures	2,111,101	265,194	1,156,366	352,660	3,885,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	226,074	(98,123)	(799,321)	370,106	(301,264)
Other Financing Sources (Uses)					
Transfer in	12,636	94,465	377,334	-	484,435
Transfer out	(377,334)	-	-	(107,101)	(484,435)
Total Other Financing Sources (Uses)	(364,698)	94,465	377,334	(107,101)	-
Net Change in Fund Balances	(138,624)	(3,658)	(421,987)	263,005	(301,264)
Fund Balance, Beginning	1,239,634	339,040	1,547,589	564,417	3,690,680
Fund Balance, Ending	\$ 1,101,010	\$ 335,382	\$ 1,125,602	\$ 827,422	\$ 3,389,416

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, 2019

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

Net change in fund balances - total governmental funds	\$ (301,264)
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.	(606,777)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	1,322,484
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	88,000
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.	1,307
The accumulation of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	(9,192)
Changes in the pension asset and liability accounts are not recorded in the funds rather they recorded in the statement of activities	(2,225)
Change in net position - governmental activities	\$ 488,289

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, 2019

	<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	\$ 2,144,212	\$ 2,365,452	\$ 397,177	\$ 381,637	\$ 5,288,478
Accounts receivable	128,038	71,753	32,902	16,532	249,225
Prepaid expenses	142,758	-	-	-	142,758
Restricted cash and cash equivalents	107,719	373,168	-	35,796	516,683
Total Current Assets	<u>2,522,727</u>	<u>2,810,373</u>	<u>430,079</u>	<u>433,965</u>	<u>6,197,144</u>
Noncurrent Assets:					
Property and equipment					
Construction in process	7,729	130,216	-	294,253	432,198
Buildings	298,262	-	-	-	298,262
Improvements, other than buildings	7,840,781	6,401,328	-	4,054,111	18,296,220
Machinery and equipment	218,705	-	-	-	218,705
Vehicles	109,473	-	-	-	109,473
Less: Accumulated depreciation	<u>(2,233,414)</u>	<u>(1,860,090)</u>	<u>-</u>	<u>(1,349,364)</u>	<u>(5,442,868)</u>
Total property and equipment	<u>6,241,536</u>	<u>4,671,454</u>	<u>-</u>	<u>2,999,000</u>	<u>13,911,990</u>
Total Assets	<u>8,764,263</u>	<u>7,481,827</u>	<u>430,079</u>	<u>3,432,965</u>	<u>20,109,134</u>
Deferred Outflows of Resources:					
Deferred loss on refunding	76,995	-	-	-	76,995
Deferred outflows relating to pensions	31,424	19,204	5,237	5,237	61,102
Total Deferred Outflows of Resources	<u>108,419</u>	<u>19,204</u>	<u>5,237</u>	<u>5,237</u>	<u>138,097</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,872,682</u>	<u>\$ 7,501,031</u>	<u>\$ 435,316</u>	<u>\$ 3,438,202</u>	<u>\$ 20,247,231</u>
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 156,395	\$ 69,995	\$ 40,199	\$ 2,097	\$ 268,686
Accrued liabilities	3,303	1,165	330	878	5,676
Accrued interest	9,892	-	-	-	9,892
Unearned revenue	-	-	-	118,887	118,887
Restricted liabilities:					
Developer and customer deposits	1,088	-	-	-	1,088
Current portion of compensated absences	3,011	2,082	445	696	6,234
Current portion of bonds payable	95,000	-	-	-	95,000
Total Current Liabilities	<u>268,689</u>	<u>73,242</u>	<u>40,974</u>	<u>122,558</u>	<u>505,463</u>
Noncurrent Liabilities:					
Compensated absences	2,007	1,388	296	464	4,155
Bonds payable	2,876,107	-	-	-	2,876,107
Net pension liability	57,959	35,420	9,660	9,660	112,699
Total Noncurrent Liabilities	<u>2,936,073</u>	<u>36,808</u>	<u>9,956</u>	<u>10,124</u>	<u>2,992,961</u>
Total Liabilities	<u>3,204,762</u>	<u>110,050</u>	<u>50,930</u>	<u>132,682</u>	<u>3,498,424</u>
Deferred Inflows of Resources:					
Deferred inflows relating to pensions	7,547	4,612	1,258	1,258	14,675
Net Position:					
Net investment in capital assets	3,270,429	4,671,454	-	2,999,000	10,940,883
Restricted:					
Impact fees	106,631	373,168	-	35,796	515,595
Unrestricted	2,283,313	2,341,747	383,128	269,466	5,277,654
Total Net Position	<u>5,660,373</u>	<u>7,386,369</u>	<u>383,128</u>	<u>3,304,262</u>	<u>16,734,132</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 8,872,682</u>	<u>\$ 7,501,031</u>	<u>\$ 435,316</u>	<u>\$ 3,438,202</u>	<u>\$ 20,247,231</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, 2019

	<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	\$ 1,503,672	\$ 921,003	\$ 359,363	\$ 178,843	\$ 2,962,881
Total Operating Revenues	<u>1,503,672</u>	<u>921,003</u>	<u>359,363</u>	<u>178,843</u>	<u>2,962,881</u>
Operating Expenses:					
Personnel services	195,228	101,312	41,202	61,476	399,218
Supplies	420,418	16,948	313,066	8,963	759,395
Purchased services	41,444	479,597	5,468	23,510	550,019
Capital outlay	26,469	3,143	-	-	29,612
Depreciation and amortization	217,883	129,395	-	142,728	490,006
Total operating expenses	<u>901,442</u>	<u>730,395</u>	<u>359,736</u>	<u>236,677</u>	<u>2,228,250</u>
Operating income	<u>602,230</u>	<u>190,608</u>	<u>(373)</u>	<u>(57,834)</u>	<u>734,631</u>
Nonoperating revenue (expense):					
Interest income	51,989	64,355	9,080	11,624	137,048
Impact fee income	126,604	301,512	-	33,723	461,839
Gain (loss) on disposal of assets	24,000	-	-	-	24,000
Interest expense	(105,222)	-	-	-	(105,222)
Total nonoperating revenues (expenses)	<u>97,371</u>	<u>365,867</u>	<u>9,080</u>	<u>45,347</u>	<u>517,665</u>
Income (loss) before capital contributions and transfers	<u>699,601</u>	<u>556,475</u>	<u>8,707</u>	<u>(12,487)</u>	<u>1,252,296</u>
Capital Contributions:					
Grants and other contributions	44,119	25,880	-	-	69,999
Total Capital Contributions	<u>44,119</u>	<u>25,880</u>	<u>-</u>	<u>-</u>	<u>69,999</u>
Change in net position	743,720	582,355	8,707	(12,487)	1,322,295
Net position, beginning	<u>4,916,653</u>	<u>6,804,014</u>	<u>374,421</u>	<u>3,316,749</u>	<u>15,411,837</u>
Net position, ending	<u>\$ 5,660,373</u>	<u>\$ 7,386,369</u>	<u>\$ 383,128</u>	<u>\$ 3,304,262</u>	<u>\$ 16,734,132</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, 2019

	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	\$ 1,477,040	\$ 923,868	\$ 357,857	\$ 177,916	\$ 2,936,681
Payments to suppliers and service providers	(378,788)	(509,803)	(317,714)	(29,699)	(1,236,004)
Payments to employees and related benefits	(201,531)	(103,818)	(42,069)	(61,924)	(409,342)
Net cash flows from operating activities	896,721	310,247	(1,926)	86,293	1,291,335
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	(314,702)	(130,216)	-	(219,550)	(664,468)
Principal paid on bonds and leases	(95,000)	-	-	-	(95,000)
Proceeds from sale of assets	24,000	-	-	-	24,000
Interest Paid	(119,085)	-	-	-	(119,085)
Impact fees received	126,604	301,512	-	33,723	461,839
Net cash flows from capital and related financing activities	(378,183)	171,296	-	(185,827)	(392,714)
Cash Flows From Investing Activities					
Interest on deposits	51,989	64,355	9,080	11,624	137,048
Net cash flows from investing activities	51,989	64,355	9,080	11,624	137,048
Net Increase (Decrease) In Cash and Cash Equivalents	570,527	545,898	7,154	(87,910)	1,035,669
Cash and Cash Equivalents, Beginning	1,681,404	2,192,722	390,023	505,343	4,769,492
Cash and Cash Equivalents, Ending	\$ 2,251,931	\$ 2,738,620	\$ 397,177	\$ 417,433	\$ 5,805,161
Reconciliation of operating income to net cash flows from operating activities					
Operating income (loss)	\$ 602,230	\$ 190,608	\$ (373)	\$ (57,834)	\$ 734,631
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation expense	217,883	129,395	-	142,728	490,006
(Increase) Decrease in accounts receivables	(26,632)	2,865	(1,506)	(927)	(26,200)
(Increase) Decrease in prepaids	(8,841)	-	-	-	(8,841)
(Increase) Decrease in deferred outflows related to pension	2,511	1,534	419	419	4,883
Increase (Decrease) in accounts payable	115,081	(11,280)	490	1,896	106,187
Increase (Decrease) in accrued liabilities	3,303	1,165	330	878	5,676
Increase (Decrease) in compensated absences	(6,918)	(2,882)	(971)	(552)	(11,323)
Increase (Decrease) in net pension liability	20,667	12,630	3,445	3,445	40,187
Increase (Decrease) in deferred inflows related to pension	(22,563)	(13,788)	(3,760)	(3,760)	(43,871)
Net cash flows from operating activities	\$ 896,721	\$ 310,247	\$ (1,926)	\$ 86,293	\$ 1,291,335
Non-cash contribution of assets from developers	\$ 44,119	\$ 25,880	\$ -	\$ -	\$ 69,999

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

SOUTH WEBER CITY NOTES TO FINANCIAL STATEMENTS

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. 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 of 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 includes 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 the budget process to determine when restricted resources will be used. Although restricted resources may be available for an eligible expenditure, other resources may be used if the city considers a different expenditure would be a more appropriate use of the restricted resources. It is the City's policy to generally use committed funds first then assigned funds and lastly use unassigned funds when all are available for use in satisfying the expenditure. Exceptions to this may be made during the budget process.

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.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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, 2019, \$695,569 of the City's bank balances of \$945,569 (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.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS

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

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

For the year ended June 30, 2019, the City had cash balances of \$9,210,655 deposited in the PTIF. The fair value of the PTIF is \$9,248,675. 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.

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, 2019:

	Carrying Amount
Cash on hand and on deposit:	
Cash on hand	\$ 1,651
Cash on deposit	747,926
Utah State Treasurer's investment pool accounts	9,210,655
Total cash on hand and deposit	\$ 9,960,232

NOTE 3 RESTRICTED ASSETS

Certain assets are restricted to use for the following purposes as of June 30, 2019:

Performance bonds	\$ 65,918
Class "C" road funds	532,060
Impact fees	1,231,414
Restricted assets	\$ 1,829,392

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, 2019, is as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 3,279,377	\$ 95,600	\$ -	\$ 3,374,977
Construction in process	234,619	692,776	(457,674)	469,721
Total capital assets, not being depreciated	<u>3,513,996</u>	<u>788,376</u>	<u>(457,674)</u>	<u>3,844,698</u>
Capital assets, being depreciated				
Buildings	3,075,860	-	-	3,075,860
Improvements other than buildings	12,102,460	110,168	-	12,212,628
Equipment	150,084	67,324	-	217,408
Vehicles	412,454	814,290	(20,000)	1,206,744
Total capital assets, being depreciated	<u>15,740,858</u>	<u>991,782</u>	<u>(20,000)</u>	<u>16,712,640</u>
Less accumulated depreciation for				
Buildings	(1,064,008)	(61,522)	-	(1,125,530)
Improvements other than buildings	(6,016,704)	(440,953)	-	(6,457,657)
Equipment	(94,898)	(25,030)	-	(119,928)
Vehicles	(299,423)	(79,272)	20,000	(358,695)
Total accumulated depreciation	<u>(7,475,033)</u>	<u>(606,777)</u>	<u>20,000</u>	<u>(8,061,810)</u>
Total capital assets, being depreciated, net	<u>8,265,825</u>	<u>385,005</u>	<u>-</u>	<u>8,650,830</u>
Governmental activities capital assets, net	<u>\$11,779,821</u>	<u>\$ 1,173,381</u>	<u>\$ (457,674)</u>	<u>\$12,495,528</u>

The Business-type Activities property, plant and equipment consist of the following at June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-type Activities				
Capital assets, not being depreciated				
Construction in process	\$ 231,976	\$ 200,222	\$ -	\$ 432,198
Total capital assets, not being depreciated	<u>231,976</u>	<u>200,222</u>	<u>-</u>	<u>432,198</u>
Capital assets, being depreciated				
Buildings	298,262	-	-	298,262
Improvements other than buildings	17,856,727	439,493	-	18,296,220
Equipment	123,955	94,750	-	218,705
Vehicles	177,473	-	(68,000)	109,473
Total capital assets, being depreciated	<u>18,456,417</u>	<u>534,243</u>	<u>(68,000)</u>	<u>18,922,660</u>
Less accumulated depreciation for				
Buildings	(111,849)	(7,457)	-	(119,306)
Improvements other than buildings	(4,684,666)	(464,093)	-	(5,148,759)
Equipment	(61,980)	(14,006)	-	(75,986)
Vehicles	(162,367)	(4,450)	68,000	(98,817)
Total accumulated depreciation	<u>(5,020,862)</u>	<u>(490,006)</u>	<u>68,000</u>	<u>(5,442,868)</u>
Total capital assets, being depreciated, net	<u>13,435,555</u>	<u>44,237</u>	<u>-</u>	<u>13,479,792</u>
Business-type activities capital assets, net	<u>\$13,667,531</u>	<u>\$ 244,459</u>	<u>\$ -</u>	<u>\$13,911,990</u>

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs for the year ended June 30, 2019 as follows:

Governmental Activities		
General government	\$	5,154
Public safety		57,644
Highways and public works		420,116
Parks		85,757
Recreation		<u>38,106</u>
Total depreciation expense - governmental activities	\$	<u>606,777</u>
Business-type Activities		
Water services	\$	217,883
Sewer services		129,395
Storm sewer services		<u>142,728</u>
Total depreciation expense - business-type activities	\$	<u>490,006</u>
Combined depreciation expense	\$	<u>1,096,783</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 \$30,922 of the compensated absences balance will be due in the next year. The General fund typically liquidates the liability for compensated absences.

NOTE 6 LONG-TERM DEBT NOTE

The following is summary of long-term debt transactions of the City for the year ended June 30, 2019:

	<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	\$ 855,000	\$ -	\$ (88,000)	\$ 767,000	\$ 87,000
Total governmental bonds payable	855,000			767,000	87,000
Compensated absences	31,954	28,364	(19,172)	41,146	24,688
Net pension liability	<u>134,666</u>	<u>-</u>	<u>74,632</u>	<u>209,298</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 166,620</u>	<u>\$ 28,364</u>	<u>\$ 55,460</u>	<u>\$ 1,017,444</u>	<u>\$ 111,688</u>

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities					
Water Revenue Refunding, Series 2017	\$ 2,715,000	\$ -	\$ (95,000)	2,620,000	\$ 95,000
Bond Premium, Series 2017	368,662	-	(17,555)	351,107	-
Total business-type bonds payable	3,083,662			2,971,107	95,000
Compensated absences	21,712	1,704	(13,027)	10,389	6,234
Net pension liability	72,512	-	40,187	112,699	-
Total business-type long-term liabilities	<u>\$ 3,177,886</u>	<u>\$ 1,704</u>	<u>\$ 27,160</u>	<u>\$ 3,094,195</u>	<u>\$ 101,234</u>

The direct placement revenue bonds contain a significant default provision wherein if the City does not pay the scheduled principal and interest payments the bondholder may require the City to increase rates sufficient to comply with the bond requirements or may petition the court to appoint a receiver. In addition, the bonds have an acceleration clause wherein upon default the bonds shall bear an interest at the rate of 18% until the default is cured. The City does not have any unused lines of credit.

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, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Sales Tax Refunding Bonds, Series 2012</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	87,000	22,780	109,780
2021	91,000	20,196	111,196
2022	95,000	17,493	112,493
2023	93,000	14,672	107,672
2024	97,000	11,910	108,910
2025-2027	304,000	18,117	322,117
Total	<u>\$ 767,000</u>	<u>\$ 105,168</u>	<u>\$ 872,168</u>

Water Revenue Bonds, Series 2010

The Water Revenue Bonds, Series 2010 were issued in August 2010. The \$3,445,000 revenue bonds carried 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. During the year, the City refunded the Series 2010 bonds by issuing Water Revenue Refunding Bonds, Series 2017. The proceeds of the Series 2017 bond were deposited into an escrow which shall be used to redeem the Series 2010 bonds on June 1, 2020.

The current balance of the Series 2010 Water Revenue Bonds defeased bonds outstanding is \$80,000 See next paragraph for additional information on the Series 2017 Water Revenue Refunding Bonds.

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

Water Revenue Refunding Bonds, Series 2017

The Water Revenue Refunding Bonds, Series 2017 were issued in December 2017 to refund the Series 2010 Water Revenue Bonds. The \$2,800,000 refunding 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 2039. The issuance of the Series 2017 bonds generated a premium of \$386,217. The bond proceeds, including the premium, together with funds from the debt service reserve account for the Series 2010 bonds were deposited into an escrow account which will be used to pay down the balance of the Series 2010 bonds, and ultimately retire those bonds when those bonds mature in June 2020. The advance refunding resulted in a deferred loss on refunding of \$84,695. The premium and deferred loss on refunding will be amortized over the life of the bonds.

The annual debt service requirements to maturity as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Water Revenue Bonds, Series 2017</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	95,000	134,250	229,250
2021	100,000	131,750	231,750
2022	100,000	127,500	227,500
2023	100,000	123,000	223,000
2024	100,000	118,500	218,500
2025-2029	600,000	528,150	1,128,150
2030-2034	745,000	380,500	1,125,500
2035-2039	780,000	188,250	968,250
Total	\$ 2,620,000	\$ 1,731,900	\$ 4,351,900

NOTE 7 CONSTRUCTION COMMITMENTS

The City has active construction projects as of June 30, 2019.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid to Date</u>	<u>Commitment Outstanding</u>
2019 Street Maintenance Project Section A	\$ 300,074	\$ -	\$ 300,074
2019 Street Maintenance Project Section B	79,379	-	79,379
	\$ 379,453	\$ -	\$ 379,453

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

NOTE 8 TRANSFERS

During the year transfers were made which will not be repaid. Interfund transfers for the year ended June 30, 2019 are as follows:

	Out	In
Governmental funds:		
General fund	\$ 377,334	\$ 12,636
Capital improvements fund	-	377,334
Recreation fund	-	94,465
Recreation impact fee fund	94,465	-
Public safety impact fee fund	12,636	-
Totals	\$ 484,435	\$ 484,435

The purpose of the interfund transfers is to make payments on the City's bonds.

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:

Defined Benefit Plans

- 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:

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.

Contribution Rate Summary

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 as of June 30, 2019 are as follows:

	<u>Employee Paid</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Government Div - Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15 - Local Government 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, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 50,305	N/A
Tier 2 Public Employees System	46,657	-
Tier 2 DC Only System	2,817	N/A
Total Contributions	<u>\$ 99,779</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.

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

At June 30, 2019, we reported a net pension asset of \$0 and a net pension liability of \$321,997.

	(Measurement Date): December 31, 2018				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 312,136	0.0423883%	0.0469185%	-0.0045302%
Tier 2 Public Employees System	-	9,861	0.0230247%	0.0183092%	0.0047155%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 321,997</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019, we recognized pension expense of \$103,156.

At June 30, 2019, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,084	\$ 7,860
Changes in assumptions	44,286	177
Net difference between projected and actual earnings on pension plan investments	68,163	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,415	33,892
Contributions subsequent to the measurement date	<u>49,631</u>	<u>-</u>
Total	<u>\$ 174,579</u>	<u>\$ 41,929</u>

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLAN (Continued)

\$ 49,631 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, 2018.

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
2019	\$ 35,707
2020	7,511
2021	5,147
2022	32,349
2023	298
Thereafter	2,006

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.25 – 9.75 percent, average, including inflation
Investment Rate of Return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. 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%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

SOUTH WEBER CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 RETIREMENT PLAN (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

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

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

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
Noncontributory System	\$ 639,710	\$ 312,136	\$ 39,353
Tier 2 Public Employees System	39,505	9,861	(13,017)
Total	<u>\$ 679,215</u>	<u>\$ 321,997</u>	<u>\$ 26,336</u>

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>2019</u>	<u>2018</u>	<u>2017</u>
401(k) Plan			
Employer Contributions	\$ 43,366	\$ 39,838	\$ 36,735
Employee Contributions	43,507	39,908	40,752
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	-	1,313	4,323

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH WEBER CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2019

	<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	\$ 377,000	\$ 377,000	\$ 375,506	\$ (1,494)
Sales, use, and excise taxes	848,000	924,000	641,287	(282,713)
Franchise taxes	350,000	350,000	386,795	36,795
Licenses	308,000	308,000	391,268	83,268
Fines	90,000	90,000	90,779	779
Charges for services	60,000	75,000	85,762	10,762
Interest income	10,000	10,000	50,497	40,497
Intergovernmental	123,000	123,000	290,911	167,911
Miscellaneous revenue	3,000	3,000	24,370	21,370
Total Revenues	<u>2,169,000</u>	<u>2,260,000</u>	<u>2,337,175</u>	<u>77,175</u>
Expenditures				
General government				
Administrative	560,000	560,000	465,628	94,372
Legislative	58,000	64,000	52,409	11,591
Judicial	94,000	94,000	85,679	8,321
Public works				
Building inspection	294,000	329,000	321,942	7,058
Streets	249,000	249,000	235,396	13,604
Public safety				
Police and animal control	173,000	173,000	165,820	7,180
Fire protection	545,500	553,500	532,486	21,014
Parks	223,000	253,000	219,231	33,769
Debt service:				
Interest	24,700	24,700	24,640	60
Principal	7,200	7,200	7,870	(670)
Total Expenditures	<u>2,228,400</u>	<u>2,307,400</u>	<u>2,111,101</u>	<u>196,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,400)</u>	<u>(47,400)</u>	<u>226,074</u>	<u>273,474</u>
Other Financing Sources (Uses)				
Transfer in	40,000	40,000	12,636	(27,364)
Transfer out	(74,000)	(74,000)	(377,334)	(303,334)
Total Other Financing Sources (Uses)	<u>(34,000)</u>	<u>(34,000)</u>	<u>(364,698)</u>	<u>(330,698)</u>
Net Change in Fund Balance	<u>\$ (93,400)</u>	<u>\$ (81,400)</u>	<u>(138,624)</u>	<u>\$ (57,224)</u>
Fund Balance, Beginning			<u>1,239,634</u>	
Fund Balance, Ending			<u>\$ 1,101,010</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 130,000	\$ 130,000	\$ 158,741	\$ 28,741
Interest income	2,000	2,000	8,330	6,330
Total Revenues	<u>132,000</u>	<u>132,000</u>	<u>167,071</u>	<u>35,071</u>
Expenditures				
Recreation	215,400	215,400	181,599	33,801
Debt service:				
Principal	64,900	64,900	63,360	1,540
Interest	24,700	24,700	20,235	4,465
Total Expenditures	<u>305,000</u>	<u>305,000</u>	<u>265,194</u>	<u>39,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(173,000)</u>	<u>(173,000)</u>	<u>(98,123)</u>	<u>74,877</u>
Other Financing Sources (Uses)				
Transfer in	<u>106,000</u>	<u>106,000</u>	<u>94,465</u>	<u>(11,535)</u>
Total Other Financing Sources (Uses)	<u>106,000</u>	<u>106,000</u>	<u>94,465</u>	<u>(11,535)</u>
Net Change in Fund Balance	<u>\$ (67,000)</u>	<u>\$ (67,000)</u>	<u>(3,658)</u>	<u>\$ 63,342</u>
Fund Balance, Beginning			<u>339,040</u>	
Fund Balance, Ending			<u>\$ 335,382</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
Measurement Date of December 31, 2018
June 30, 2019
Last 10 Fiscal Years*

<u>For the year ended December 31,</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability(asset)</u>
Noncontributory Retirement System					
2018	0.0423883%	\$ 312,136	\$ 290,780	107.34%	87.0%
2017	0.0469185%	205,564	352,474	58.32%	91.9%
2016	0.0504895%	324,204	399,151	81.22%	87.3%
2015	0.0572056%	323,697	457,570	70.74%	87.8%
2014	0.0486916%	211,430	384,233	55.03%	90.2%
Tier 2 Public Employees Retirement System					
2018	0.0230247%	\$ 9,861	\$ 268,358	3.67%	90.8%
2017	0.0183092%	1,614	179,039	0.90%	97.4%
2016	0.0180146%	2,010	147,733	1.36%	95.1%
2015	0.0206238%	(45)	133,243	-0.03%	100.2%
2014	0.2582740%	(783)	126,524	-0.62%	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 WEBER CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2019
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 payroll	Contributions as a percentage of covered payroll
Noncontributory System					
2019	\$ 50,305	\$ 50,305	\$ -	\$ 272,670	18.45%
2018	62,139	62,139	-	336,430	18.47%
2017	63,880	63,880	-	345,860	18.47%
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*					
2019	\$ 46,657	\$ 46,657	\$ -	\$ 300,889	15.51%
2018	32,651	32,651	-	216,091	15.11%
2017	22,503	22,503	-	150,925	14.91%
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*					
2019	\$ 2,817	\$ 2,817	\$ -	\$ 42,110	6.69%
2018	2,760	2,760	-	41,251	6.69%
2017	4,040	4,040	-	60,469	6.68%
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, 2019

URS Pension Plan - Changes in Assumptions

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

SUPPLEMENTAL INFORMATION

SOUTH WEBER CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	Park Impact Fee Fund	Road Impact Fee Fund	Country Fair Days Fund	Recreation Impact Fee Fund	Public Safety Impact Fee Fund	Transportation Fund	Total Nonmajor Governmental Funds
Assets:							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,649	\$ 78,649
Restricted cash and cash equivalents	396,904	318,103	-	-	812	-	715,819
Receivables	-	-	-	-	-	23,306	23,306
Other Receivable	-	-	-	-	-	14,350	14,350
Total assets	<u>\$ 396,904</u>	<u>\$ 318,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812</u>	<u>\$ 116,305</u>	<u>\$ 832,124</u>
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,702	\$ 4,702
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,702</u>	<u>4,702</u>
Fund Balances:							
Restricted:							
Impact fees	396,904	318,103	-	-	812	-	715,819
Assigned for capital improvements	-	-	-	-	-	111,603	111,603
Total fund balances	<u>396,904</u>	<u>318,103</u>	<u>-</u>	<u>-</u>	<u>812</u>	<u>111,603</u>	<u>827,422</u>
Total liabilities and fund balances	<u>\$ 396,904</u>	<u>\$ 318,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812</u>	<u>\$ 116,305</u>	<u>\$ 832,124</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, 2019

	Park Impact Fee Fund	Road Impact Fee Fund	Country Fair Days Fund	Recreation Impact Fee Fund	Public Safety Impact Fee Fund	Transportation Fund	Total Nonmajor Governmental Funds
Revenues:							
Sales tax - local option	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,785	\$ 75,785
Impact fees	210,369	69,865	-	76,442	12,636	-	369,312
Charges for services	-	-	-	-	-	258,091	258,091
Interest income	7,561	7,066	-	850	812	3,289	19,578
Total Revenues	<u>217,930</u>	<u>76,931</u>	<u>-</u>	<u>77,292</u>	<u>13,448</u>	<u>337,165</u>	<u>722,766</u>
Expenditures:							
Public works	-	-	-	-	-	352,660	352,660
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,660</u>	<u>352,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>217,930</u>	<u>76,931</u>	<u>-</u>	<u>77,292</u>	<u>13,448</u>	<u>(15,495)</u>	<u>370,106</u>
Other Sources (Uses)							
Transfers out	-	-	-	(94,465)	(12,636)	-	(107,101)
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,465)</u>	<u>(12,636)</u>	<u>-</u>	<u>(107,101)</u>
Net Change in Fund Balance	217,930	76,931	-	(17,173)	812	(15,495)	263,005
Fund Balance, Beginning	178,974	241,172	-	17,173	-	127,098	564,417
Fund Balance, Ending	<u>\$ 396,904</u>	<u>\$ 318,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812</u>	<u>\$ 111,603</u>	<u>\$ 827,422</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, 2019

	<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				
Sales tax	\$ 21,000	\$ 21,000	\$ 330,000	\$ 309,000
Interest income	6,000	6,000	25,155	19,155
Intergovernmental	42,000	445,250	-	(445,250)
Other revenue	-	-	1,890	1,890
Total Revenues	<u>69,000</u>	<u>472,250</u>	<u>357,045</u>	<u>(115,205)</u>
Expenditures				
Capital outlay	<u>2,100,000</u>	<u>2,636,000</u>	<u>1,156,366</u>	<u>1,479,634</u>
Total Expenditures	<u>2,100,000</u>	<u>2,636,000</u>	<u>1,156,366</u>	<u>1,479,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,031,000)</u>	<u>(2,163,750)</u>	<u>(799,321)</u>	<u>1,364,429</u>
Other Financing Sources (Uses)				
Transfer in	<u>710,000</u>	<u>710,000</u>	<u>377,334</u>	<u>(332,666)</u>
Total Other Financing Sources (Uses)	<u>710,000</u>	<u>710,000</u>	<u>377,334</u>	<u>(332,666)</u>
Net Change in Fund Balance	<u>\$ (1,321,000)</u>	<u>\$ (1,453,750)</u>	<u>(421,987)</u>	<u>\$ 1,031,763</u>
Fund Balance, Beginning			<u>1,547,589</u>	
Fund Balance, Ending			<u>\$ 1,125,602</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 80,000	\$ 80,000	\$ 210,369	\$ 130,369
Interest income	1,000	1,000	7,561	6,561
Total Revenues	<u>81,000</u>	<u>81,000</u>	<u>217,930</u>	<u>136,930</u>
Expenditures				
Capital outlay	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total Expenditures	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,000)</u>	<u>(79,000)</u>	<u>217,930</u>	<u>296,930</u>
Net Change in Fund Balance	<u>\$ (79,000)</u>	<u>\$ (79,000)</u>	217,930	<u>\$ 296,930</u>
Fund Balance, Beginning			<u>178,974</u>	
Fund Balance, Ending			<u>\$ 396,904</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 40,000	\$ 40,000	\$ 69,865	\$ 29,865
Interest income	-	-	7,066	7,066
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>76,931</u>	<u>36,931</u>
Expenditures				
Capital outlay	<u>250,000</u>	<u>250,000</u>	-	<u>250,000</u>
Total Expenditures	<u>250,000</u>	<u>250,000</u>	-	<u>250,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(210,000)</u>	<u>(210,000)</u>	<u>76,931</u>	<u>286,931</u>
Other Financing Sources (Uses)				
Transfer out	<u>(31,000)</u>	<u>(31,000)</u>	-	<u>31,000</u>
Total Other Financing Sources (Uses)	<u>(31,000)</u>	<u>(31,000)</u>	-	<u>31,000</u>
Net Change in Fund Balance	<u>\$ (241,000)</u>	<u>\$ (241,000)</u>	76,931	<u>\$ 317,931</u>
Fund Balance, Beginning			<u>241,172</u>	
Fund Balance, Ending			<u>\$ 318,103</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 65,000	\$ 65,000	\$ 76,442	\$ 11,442
Interest income	1,000	1,000	850	(150)
Total Revenues	<u>66,000</u>	<u>66,000</u>	<u>77,292</u>	<u>11,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,000</u>	<u>66,000</u>	<u>77,292</u>	<u>11,292</u>
Other Financing Sources (Uses)				
Transfer out	<u>(66,000)</u>	<u>(66,000)</u>	<u>(94,465)</u>	<u>(28,465)</u>
Total Other Financing Sources (Uses)	<u>(66,000)</u>	<u>(66,000)</u>	<u>(94,465)</u>	<u>(28,465)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(17,173)</u>	<u>\$ (17,173)</u>
Fund Balance, Beginning			<u>17,173</u>	
Fund Balance, Ending			<u>\$ -</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 PUBLIC SAFETY IMPACT FEE FUND
For The Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact fees	\$ 10,000	\$ 10,000	\$ 12,636	\$ 2,636
Interest income	-	-	812	812
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>13,448</u>	<u>3,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,000</u>	<u>10,000</u>	<u>13,448</u>	<u>3,448</u>
Other Financing Sources (Uses)				
Transfer out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(12,636)</u>	<u>(2,636)</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(12,636)</u>	<u>(2,636)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	812	<u>\$ 812</u>
Fund Balance, Beginning			<u>-</u>	
Fund Balance, Ending			<u>\$ 812</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 TRANSPORTATION FUND
For The Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales tax - local option	\$ 62,000	\$ 62,000	\$ 75,785	\$ 13,785
Intergovernmental	150,000	150,000	-	(150,000)
Charges for services - road fee	252,000	252,000	258,091	6,091
Interest income	1,000	1,000.00	3,289	2,289
Total Revenues	<u>465,000</u>	<u>465,000</u>	<u>337,165</u>	<u>(127,835)</u>
Expenditures				
Public safety	813,000	813,000	352,660	460,340
Total Expenditures	<u>813,000</u>	<u>813,000</u>	<u>352,660</u>	<u>460,340</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(348,000)</u>	<u>(348,000)</u>	<u>(15,495)</u>	<u>332,505</u>
Other Financing Sources (Uses)				
Contributions	150,000	150,000	-	(150,000)
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net Change in Fund Balance	<u>\$ (198,000)</u>	<u>\$ (198,000)</u>	<u>(15,495)</u>	<u>\$ 182,505</u>
Fund Balance, Beginning			<u>127,098</u>	
Fund Balance, Ending			<u>\$ 111,603</u>	

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

SUPPLEMENTAL REPORTS



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, 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 South Weber City, Utah (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Keddington & Christensen, LLC

December 30, 2019
Salt Lake City, Utah



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

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

Report on Compliance

We have audited South Weber City, Utah's (the City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2019.

State compliance requirements were tested for the year ended June 30, 2019 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 and Related Restricted Revenue	

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, South Weber City, Utah complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the State Compliance Audit Guide and which is described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002. Our opinion on compliance is not modified with respect to this matter.

South Weber City's response to the noncompliance findings identified in our audit is described in the same accompanying schedule of findings and recommendations as mentioned above. South Weber City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

South Weber City's response to the internal control over compliance findings identified in our audit is described in the same accompanying schedule of findings and recommendations mentioned above. South Weber City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 30, 2019
Salt Lake City, Utah

SOUTH WEBER CITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2019

STATE COMPLIANCE

2019-001: Open and Public Meetings Act (Significant Deficiency)

Finding:

Utah Code Annotated (UCA) 52-4-203(4)(e)(ii)(A) states that a “state public body shall within three business days after approving written minutes of an open meeting, post to the [Utah Public Notice Website] a copy of the approved minutes and any public materials distributed at the meeting.” During our test work we noted that the March 12, 2019 City Council Meeting’s Minutes were approved on March 26, 2019 and was not posted to the Utah Public Notice Website until May 20, 2019 (55 days after approval). The April 16, 2019 city council meeting minutes were approved on May 14, 2019 and not posted to the Utah Public Notice website until May 20, 2019 (6 days after approval).

Recommendations:

We recommend that the City provide the necessary training to those responsible for posting the approved City Council minutes and, if necessary, put procedures in place to ensure compliance with the requirement to upload to the Utah Public Notice Website the written minutes within three business days of approval by the City Council.

City Response:

During the 2019 fiscal year, several duties with the office were re-assigned. The deputy city recorder was responsible to upload the minutes. The staff member assigned to verify the upload of the minutes was also assigned different responsibilities and the verification was not done. The deputy recorder assigned to upload the minutes terminated employment with the city after the date of the last finding. The current city recorder is trained and has been uploading the minutes since the time of the last finding. A new deputy recorder will be trained. The recorder and deputy recorder will verify each other’s uploading of the minutes to the web within 2 days after approval.

2019-002: Cash Management (Significant Deficiency)

Finding

Utah Code 51-7-15(3) states that “(a) A public treasurer shall file a written report with the council on or before January 31 and July 31 of each year. (b) The report shall contain: (i) the information about the deposits and investments of that public treasurer during the preceding six months ending December 31 and June 30, respectively, that the council requires by rule; and (ii) information detailing the nature and extent of interest rate contracts permitted by Subsection 51-7-17(3).” During our audit procedures, we noted that the information about the deposits and investments of the city’s public treasurer is not correct.

Recommendation

We recommend the City complies with Utah Code 51-7-15(3).

City Response

In using the State of Utah’s new process for uploading the June 2019 report, a mistake was made that caused the previously loaded report to also show as the current report. Several other cities in the state made the same mistake. After the deadline, the mistake was found, and the city contacted the State Treasurer’s office to correct the report. The incorrect 6-30-19 report has been purged and the correct data has been entered.