

BLANDING CITY
FINANCIAL STATEMENTS
JUNE 30, 2018

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	19
Statement of Activities	20
FUND FINANCIAL STATEMENTS:	
Balance Sheet – Governmental Funds	21
Governmental Balance Sheet Reconciliation to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position – Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	26
Statement of Cash Flows – Proprietary Fund	27
NOTES TO THE FINANCIAL STATEMENTS	28
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
Notes to Required Supplementary Information – Budgets	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	63
Schedule of the Proportionate Share of the Net Pension Liability	65
Schedule of Contributions	66
Notes to the Required Supplementary Information – Utah Retirement Systems	67
COMBINING FINANCIAL STATEMENTS AND SCHEDULES:	
Nonmajor Proprietary Funds	69
Combining Balance Sheet – Nonmajor Proprietary Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Nonmajor Proprietary Funds	71
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	72

TABLE OF CONTENTS

Page

COMPLIANCE SECTION:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	76
Schedule of Findings and Questioned Costs	79
Schedule of Expenditures of Federal Awards	80
Prior Audit Findings	82
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance As Required by the <i>State Compliance Audit Guide</i>	83

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

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 Blanding City as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

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 Blanding City at June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, condition assessment of the City's infrastructure, budgetary comparison information, and Utah Retirement Systems pension liability and contribution information on pages 6 through 17, 62 through 64, and 65 through 67 respectively, be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blanding City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Blanding City. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018, on our consideration of Blanding 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 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 Blanding City's internal control over financial reporting and compliance.

Kimball & Roberts, PC

Certified Public Accountants

September 11, 2018
Richfield, Utah

**BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2018**

This discussion of Blanding City's (City) financial performance provided an overview of the City's financial activities for the year ending June 30, 2018. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and airport.

Financial Highlights

- * The assets of Blanding City exceeded its liabilities as of the close of the most recent year by \$51,258,995 (net position). Of this amount, \$9,788,894 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net position increased. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the General Fund.
- * At the close of the current year, the City's governmental funds reported ending fund balance of \$4,302,478 an increase of \$10,069 in comparison with the prior year. Approximately 56 percent of this total amount, \$2,391,144, is available for spending at the government's discretion (unassigned and assigned fund balances).
- * At the end of the current year, unassigned fund balance for the General Fund was \$1,228,823 or 65 percent of total General Fund expenditures.
- * Blanding City's total debt increased by a net amount of \$1,936,697 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Blanding City's basic financial statements. Blanding City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Blanding City's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of Blanding City's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Blanding City is improving or deteriorating.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Blanding City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Blanding City include general government, public safety, highways and public improvements, parks and recreation, and airport. The business-type activities of Blanding City are water, sewer, electric, natural gas, solid waste, storm water operations and the EDA arts and conference center.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blanding City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blanding City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Blanding City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is always considered to be a major fund, and the Capital Projects Fund.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018

Blanding City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Blanding City maintains seven types of proprietary funds. Enterprise funds are used to report the same function presented as *business-type activities* in the government-wide financial statements. A combining statement for these seven funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Electric, and Natural Gas Funds, which are all considered to be major funds of Blanding City. There are also three nonmajor funds, Solid Waste, Storm Water, and the EDA Arts and Conference Center.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Blanding City.

The combining statement referred to earlier in connection with the four major and three nonmajor proprietary funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Blanding City, assets exceeded liabilities by \$51,258,995 at the close of the most recent fiscal year. By far the largest portion of Blanding City's net position (74 percent) reflects its investment in capital position (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, *these assets are not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018

Blanding City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 6,491,657	\$ 4,561,844	\$ 10,784,069	\$ 8,922,600	\$ 17,275,726	\$ 13,484,444
Capital Assets	18,681,514	16,724,579	27,773,034	26,180,184	46,454,548	42,904,763
Total Assets	25,173,171	21,286,423	38,557,103	35,102,784	63,730,274	56,389,207
Deferred Outflows of Resources	255,446	220,632	230,594	198,458	486,040	419,090
Long-Term Liabilities	1,816,421	2,048,810	6,986,596	5,142,063	8,803,017	7,190,873
Other Liabilities	2,123,905	222,170	1,420,279	536,695	3,544,184	758,865
Total Liabilities	3,940,326	2,270,980	8,406,875	5,678,758	12,347,201	7,949,738
Deferred Inflows of Resources	422,234	272,987	187,884	66,788	610,118	272,987
Net Position:						
Net Investment in Capital Assets	17,140,514	15,024,579	20,690,028	21,182,919	37,830,542	36,207,498
Restricted	1,911,334	2,217,839	1,728,225	1,545,025	3,639,559	3,762,864
Unrestricted	2,014,209	1,720,670	7,774,685	6,827,752	9,788,894	8,548,422
Total Net Position	\$21,066,057	\$18,963,088	\$30,192,938	\$29,555,696	\$51,258,995	\$48,518,784

A portion of Blanding City's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,788,624, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Blanding City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased Blanding City's net position by \$2,102,969.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018

Blanding City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 646,213	\$ 570,833	\$ 5,196,763	\$ 5,100,805	\$ 5,842,976	\$ 5,671,638
Operating Grants	360,983	434,834	-	-	360,983	434,834
Capital Grants	2,259,694	304,655	-	8,382	2,259,694	313,037
General Revenues:						
Property Taxes	263,066	260,585	-	-	263,066	260,585
Other Taxes	807,809	737,644	-	-	807,809	737,644
Impact Fees	-	-	15,125	8,750	15,125	8,750
Other	73,015	22,789	-	26,365	73,015	49,154
Loss On Disposition of Capital Asset	(42,665)	-	-	-	(42,665)	-
Unrestricted Investment Earnings	111,407	88,806	84,287	34,765	195,694	123,571
Total Revenues	4,479,522	2,420,146	5,296,175	5,179,067	9,775,697	7,599,213
Expenses:						
General Government	201,265	265,535	-	-	201,265	265,535
Public Safety	736,366	748,699	-	-	736,366	748,699
Highways and Public Improvements	491,376	476,583	-	-	491,376	476,583
Parks and Recreation	784,858	761,961	-	-	784,858	761,961
Airport	162,688	181,411	-	-	162,688	181,411
Water	-	-	951,347	868,631	951,347	868,631
Sewer	-	-	346,319	342,261	346,319	342,261
Electric	-	-	2,362,168	2,307,058	2,362,168	2,307,058
Natural Gas	-	-	678,790	749,138	678,790	749,138
Solid Waste	-	-	28,141	28,092	28,141	28,092
Storm Water	-	-	185,598	174,501	185,598	174,501
Interest	-	-	106,570	79,862	106,570	79,862
Total Expenses	2,376,553	2,434,189	4,658,933	4,549,543	7,035,486	6,983,732
Increase in Net Position	2,102,969	(14,043)	637,242	629,524	2,740,211	615,481
Net Position - Beginning	18,963,088	18,977,131	29,555,696	28,926,172	48,518,784	47,903,303
Net Position - Ending	\$21,066,057	\$18,963,088	\$30,192,938	\$29,555,696	\$51,258,995	\$48,518,784

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018

- * The City received capital grants from the State, Federal and local governments of \$2,259,694 to assist in the purchase of equipment and construction costs for airports, parks, roads, recreation, and water projects.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Blanding City's net position by \$637,242, accounting for 23 percent of the total increase in the government's net position. Key elements of this increase are noted above on page 10.

- * The total increase in the governmental activities can be partly attributed to capital grants of \$2,259,694.

Financial Analysis of the Government's Funds

As noted earlier, Blanding City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Blanding City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Blanding City's governmental funds reported combined ending fund balances of \$4,302,478, an increase of \$10,069 in comparison with the prior year. Approximately 29 percent of this amount, \$1,228,823, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or assigned* to indicate that it is not available for new spending because it has already been restricted for: 1) Debt Service, \$100,000; 2) Public Safety \$10,770; 3) Road Trust Account, \$1,400,000; and 4) Roads, \$400,564. Funds were also assigned to Capital Outlay, \$1,162,321.

Proprietary Funds

Blanding City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the Water, Sewer, Electric, Natural Gas, Solid Waste, Storm Water and EDA Funds at the end of the year were \$7,774,685. Other factors concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018

General Fund Budgetary Highlights

There was an increase of \$116,992 from the original to the final budget for the General Fund.

Amounts funded out of prior year unassigned fund balance was \$0. During the year, however, actual revenues were less than budgeted revenues by \$60,725, and actual expenditures were less than budgeted expenditures by \$431,294, resulting in a net increase in fund balance of \$370,569. The difference in projected revenues and expenses is largely due to the timing difference in projects being completed, including grant money being received and the actual expenditures for the projects.

Capital Asset and Debt Administration

Capital Assets

Blanding City's investment in capital assets for its governmental activities as of June 30, 2018, was \$18,681,514 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways, sidewalks, curb and gutter.

The total additions in Blanding City's investment in capital assets, governmental activities, for the current year was \$2,778,365.

Blanding City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 806,779	\$ 806,779	\$ 665,801	\$ 665,801	\$ 1,472,580	\$ 1,472,580
Water Rights	-	-	1,714,655	1,714,655	1,714,655	1,714,655
Buildings	3,249,451	3,326,163	3,009,357	3,065,092	6,258,808	6,391,255
Improvements and Infrastructure	11,704,775	12,138,675	19,678,766	20,408,382	31,383,541	32,547,057
Vehicles & Equipment	837,140	169,837	228,883	186,522	1,066,023	356,359
Construction in Progress	2,083,369	283,125	2,475,572	139,732	4,558,941	422,857
Total	\$18,681,514	\$16,724,579	\$27,773,034	\$26,180,184	\$46,454,548	\$42,904,763

Additional information on Blanding City's capital assets can be found in the notes to the financial statements.

**BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2018**

Long -Term Debt

At the end of the current year, Blanding City had total long-term debt outstanding of \$8,633,006. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), general obligation bonds and notes payable.

Blanding City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Notes Payable	\$ -	\$ -	\$ 35,997	\$ 41,140	\$ 35,997	\$ 41,140
Revenue Bonds	1,550,000	1,700,000	7,047,009	4,955,169	8,597,009	6,655,169
Total	\$ 1,550,000	\$ 1,700,000	\$ 7,083,006	\$ 4,996,309	\$ 8,633,006	\$ 6,696,309

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of its total fair market value of taxable property in the City. The maximum general obligation debt allowed is approximately \$3,200,000. The present general obligation debt outstanding is \$0.

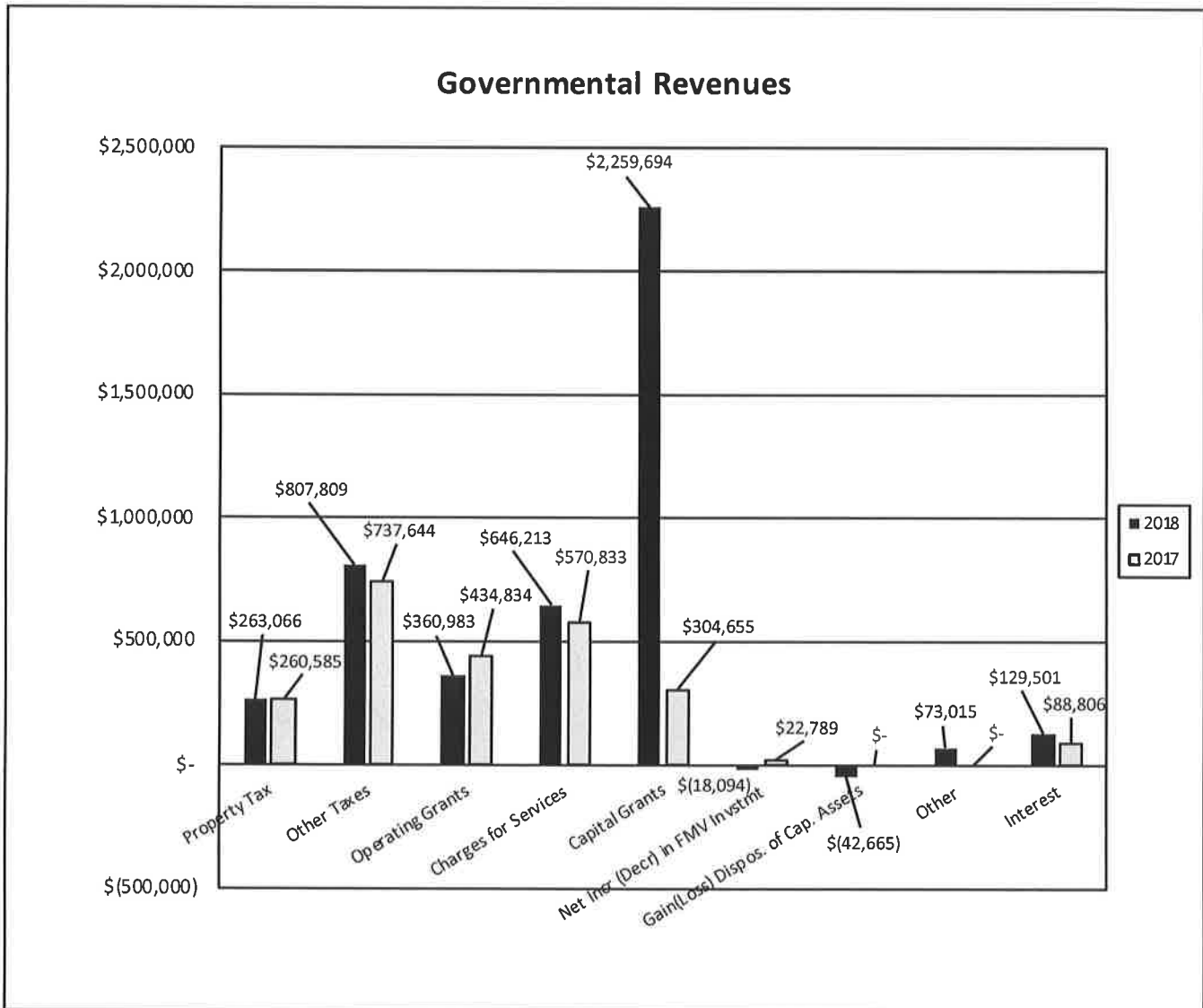
Additional information on Blanding City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Blanding City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Blanding City Manager, 50 West 100 South, Blanding, Utah, 84511.

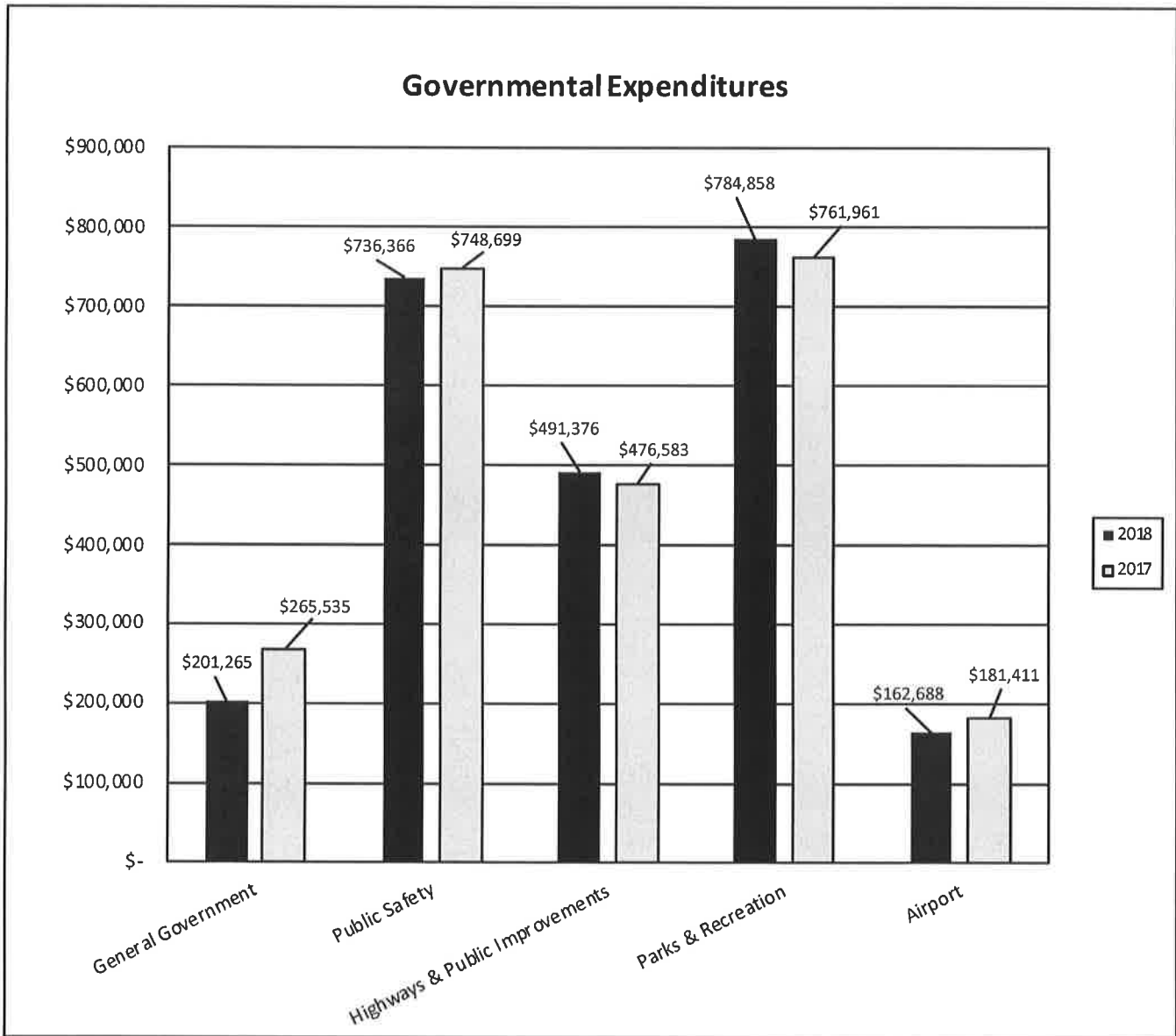
**Blanding City
Governmental Revenues
For The Fiscal Years Ending June 30, 2018 and 2017**

	2018	2017
Property Tax	\$ 263,066	\$ 260,585
Other Taxes	807,809	737,644
Operating Grants	360,983	434,834
Charges for Services	646,213	570,833
Capital Grants	2,259,694	304,655
Net Incr (Decr) in FMV Invstmt	(18,094)	22,789
Gain(Loss) Dispos. of Cap. Assets	(42,665)	-
Other	73,015	-
Interest	129,501	88,806
Total Revenues	\$ 4,479,522	\$ 2,420,146



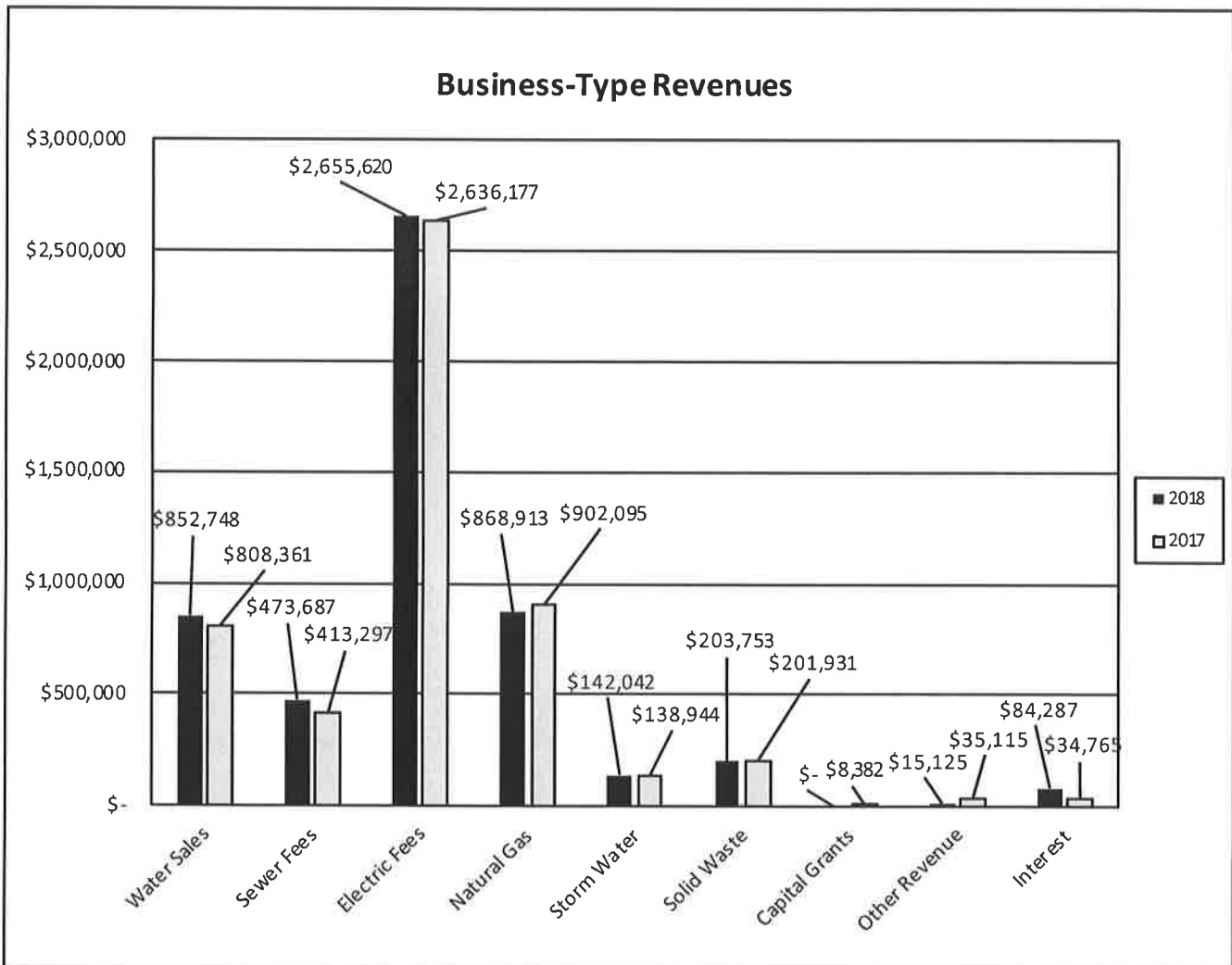
**Blanding City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2018 and 2017**

	2018	2017
General Government	\$ 201,265	\$ 265,535
Public Safety	736,366	748,699
Highways & Public Improvements	491,376	476,583
Parks & Recreation	784,858	761,961
Airport	162,688	181,411
Total Revenues	\$ 2,376,553	\$ 2,434,189



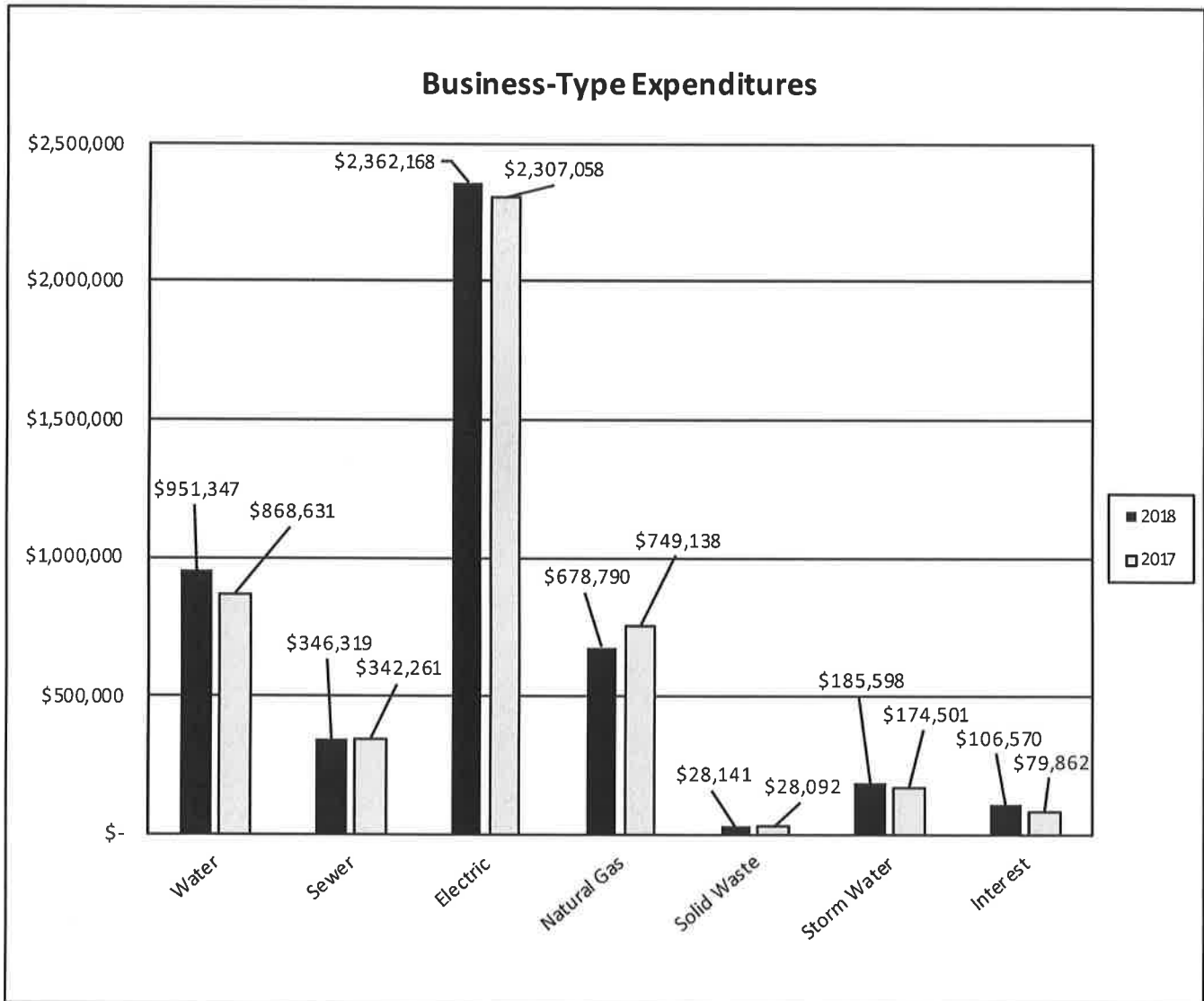
**Blanding City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2018 and 2017**

	2018	2017
Water Sales	\$ 852,748	\$ 808,361
Sewer Fees	473,687	413,297
Electric Fees	2,655,620	2,636,177
Natural Gas	868,913	902,095
Storm Water	142,042	138,944
Solid Waste	203,753	201,931
Capital Grants	-	8,382
Other Revenue	15,125	35,115
Interest	84,287	34,765
Total Revenues	\$ 5,296,175	\$ 5,179,067



**Blanding City
Business-Type Expenditures
For The Fiscal Years Ending June 30, 2018 and 2017**

	2018	2017
Water	\$ 951,347	\$ 868,631
Sewer	346,319	342,261
Electric	2,362,168	2,307,058
Natural Gas	678,790	749,138
Solid Waste	28,141	28,092
Storm Water	185,598	174,501
Interest	106,570	79,862
Total Revenues	\$ 4,658,933	\$ 4,549,543



BASIC FINANCIAL STATEMENTS

BLANDING CITY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Investments	\$ 2,376,675	\$ 7,288,616	\$ 9,665,291
Accounts Receivable (Net)	29,824	479,066	508,890
Property Taxes Receivable	215,059	-	215,059
Due From Other Government Units	1,958,550	1,288,000	3,246,550
Total Current Assets	<u>4,580,108</u>	<u>9,055,682</u>	<u>13,635,790</u>
Noncurrent Assets:			
Restricted Cash and Investments	1,911,334	1,728,225	3,639,559
Net Pension Asset	215	162	377
Capital Assets:			
Not Being Depreciated	2,890,148	6,088,865	8,979,013
Net of Accumulated Depreciation	15,791,366	21,684,169	37,475,535
Total Noncurrent Assets	<u>20,593,063</u>	<u>29,501,421</u>	<u>50,094,484</u>
TOTAL ASSETS	<u>25,173,171</u>	<u>38,557,103</u>	<u>63,730,274</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>255,446</u>	<u>230,594</u>	<u>486,040</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,428,617</u>	<u>\$ 38,787,697</u>	<u>\$ 64,216,314</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 1,797,247	\$ 779,549	\$ 2,576,796
Accrued Liabilities	176,658	9,025	185,683
Deposits Payable	-	140,679	140,679
Bond Interest Payable	-	12,859	12,859
Loans Payable - Due Within One Year	-	5,143	5,143
Revenue Bonds Payable - Due Within One Year	150,000	473,024	623,024
Total Current Liabilities	<u>2,123,905</u>	<u>1,420,279</u>	<u>3,544,184</u>
Noncurrent Liabilities:			
Loans Payable - More Than One Year	-	30,854	30,854
Revenue Bonds Payable - More Than One Year	1,400,000	6,573,985	7,973,985
Net Pension Liability	308,755	264,756	573,511
Compensated Absences	107,666	117,001	224,667
Total Noncurrent Liabilities	<u>1,816,421</u>	<u>6,986,596</u>	<u>8,803,017</u>
TOTAL LIABILITIES	<u>3,940,326</u>	<u>8,406,875</u>	<u>12,347,201</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	207,175	187,884	395,059
Unearned Property Taxes	215,059	-	215,059
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>422,234</u>	<u>187,884</u>	<u>610,118</u>
NET POSITION			
Net Investment in Capital Assets	17,140,514	20,690,028	37,830,542
Restricted For:			
Bond Retirement	100,000	143,624	243,624
Capital Projects	-	1,584,601	1,584,601
Roads	400,564	-	400,564
Public Safety - Courts	10,770	-	10,770
Road Trust Account	1,400,000	-	1,400,000
Unrestricted	<u>2,014,209</u>	<u>7,774,685</u>	<u>9,788,894</u>
TOTAL NET POSITION	<u>21,066,057</u>	<u>30,192,938</u>	<u>51,258,995</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 25,428,617</u>	<u>\$ 38,787,697</u>	<u>\$ 64,216,314</u>

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

BLANDING CITY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2018

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services		Governmental Activities	Primary Government		Total
		Operating Grants/Contributions	Capital Grants/Contributions		Business-Type Activities		
Governmental Activities:							
General Government	\$ 201,265	\$ -	\$ -	\$ 162,771	\$ -	\$ -	\$ 162,771
Public Safety	736,366	15,726	-	(720,640)	-	-	(720,640)
Highways and Public Improvements	491,376	245,566	505,000	259,190	-	-	259,190
Parks and Recreation	784,858	282,177	99,691	(402,990)	-	-	(402,990)
Airport	162,688	-	1,754,694	1,592,006	-	-	1,592,006
Total Governmental Activities	2,376,553	646,213	360,983	890,337	-	-	890,337
Business-Type Activities:							
Water	986,806	852,748	-	-	(134,058)	-	(134,058)
Sewer	352,464	473,687	-	-	121,223	-	121,223
Electric	2,395,429	2,655,620	-	-	260,191	-	260,191
Natural Gas	697,140	868,913	-	-	171,773	-	171,773
Storm Water	41,496	142,042	-	-	100,546	-	100,546
Solid Waste	185,598	203,753	-	-	18,155	-	18,155
Total Business-Type Activities	4,658,933	5,196,763	-	-	537,830	-	537,830
Total Primary Government	\$ 7,035,486	\$ 5,842,976	\$ 360,983	890,337	537,830	537,830	1,428,167
General Revenues:							
Property Taxes				263,066	-	-	263,066
Sales Taxes				761,499	-	-	761,499
Room Tax				35,853	-	-	35,853
Franchise Taxes				10,457	-	-	10,457
Impact Fees				-	15,125	-	15,125
Other				73,015	-	-	73,015
Gain (Loss) Disposition of Capital Assets				(42,665)	-	-	(42,665)
Unrestricted Investment Earnings				111,407	84,287	-	195,694
Total General Revenues and Transfers				1,212,632	99,412	-	1,312,044
Change in Net Position				2,102,969	637,242	-	2,740,211
Net Position - Beginning				18,963,088	29,555,696	-	48,518,784
Net Position - Ending				\$ 21,066,057	\$ 30,192,938	-	\$ 51,258,995

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

**BLANDING CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 2,665,346	\$ 1,622,663	\$ 4,288,009
Accounts Receivable	29,824	-	29,824
Retention Receivable	-	170,604	170,604
Property Taxes Receivable	215,059	-	215,059
Due From Other Government Units	75,000	1,712,946	1,787,946
	<u>2,985,229</u>	<u>3,506,213</u>	<u>6,491,442</u>
TOTAL ASSETS			
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 24,523	\$1,772,724	\$ 1,797,247
Accrued Liabilities	6,054	170,604	176,658
	<u>30,577</u>	<u>1,943,328</u>	<u>1,973,905</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Property Taxes	215,059	-	215,059
	<u>215,059</u>	<u>-</u>	<u>215,059</u>
FUND BALANCES			
Restricted For:			
Public Safety-Courts	10,770	-	10,770
Road Trust Account	1,400,000	-	1,400,000
Roads	-	400,564	400,564
Debt Service	100,000	-	100,000
Assigned For:			
Capital Outlay	-	1,162,321	1,162,321
Unassigned:			
General Fund	1,228,823	-	1,228,823
	<u>1,228,823</u>	<u>-</u>	<u>1,228,823</u>
Total Fund Balance	<u>2,739,593</u>	<u>1,562,885</u>	<u>4,302,478</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,985,229</u>	<u>\$ 3,506,213</u>	<u>\$ 6,491,442</u>

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

BLANDING CITY
GOVERNMENTAL BALANCE SHEET RECONCILIATION TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Fund Types \$ 4,302,478

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	\$ 806,779	
Buildings	3,249,451	
Improvements Other than Buildings	11,704,775	
Equipment	837,140	
Construction In Progress	<u>2,083,369</u>	
Total		18,681,514

To recognize resources associated with pension assets and deferred outflows of pension resources:

Net Pension Asset	\$ 215	
Deferred Outflows of Resources Related to Pensions	<u>255,446</u>	
Total Pension Assets and Deferred Outflows of Resources		255,661

To recognize obligations associated with pension liabilities which are not current obligations and not recorded in the fund statements:

Net Pension Liability	\$ (308,755)	
Deferred Inflows of Resources Related to Pensions	<u>(207,175)</u>	
Total Pension Liability and Deferred Inflows of Resources		(515,930)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Sales Tax Revenue Bonds	\$ (1,550,000)	
Compensated Absences	<u>(107,666)</u>	
Total		<u>(1,657,666)</u>

Net Position of Governmental Activities \$21,066,057

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

BLANDING CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Total
Revenues:			
Taxes	\$ 1,070,875	\$ -	\$ 1,070,875
Licenses and Permits	74,607	-	74,607
Intergovernmental Revenue	360,983	2,259,694	2,620,677
Charges for Services	189,193	-	189,193
Fines and Forfeitures	127,383	-	127,383
Interest	134,196	-	134,196
Wellness Center	196,220	-	196,220
Net Increase (Decrease) in FMV of Investments	(18,094)	(4,695)	(22,789)
Miscellaneous Revenues	131,824	-	131,824
	<u>2,267,187</u>	<u>2,254,999</u>	<u>4,522,186</u>
Total Revenues			
	<u>2,267,187</u>	<u>2,254,999</u>	<u>4,522,186</u>
Expenditures:			
Current:			
General Government	210,936	-	210,936
Public Safety	715,907	-	715,907
Highways and Public Improvements	132,240	114,561	246,801
Parks and Recreation	728,072	-	728,072
Airport	9,463	1,800,244	1,809,707
Debt Service - Principal	100,000	-	100,000
Capital Outlay	-	700,694	700,694
	<u>1,896,618</u>	<u>2,615,499</u>	<u>4,512,117</u>
Total Expenditures			
	<u>1,896,618</u>	<u>2,615,499</u>	<u>4,512,117</u>
Excess Revenues Over (Under) Expenditures	370,569	(360,500)	10,069
Fund Balance - Beginning	<u>2,369,024</u>	<u>1,923,385</u>	<u>4,292,409</u>
Fund Balance - Ending	<u><u>\$ 2,739,593</u></u>	<u><u>\$ 1,562,885</u></u>	<u><u>\$ 4,302,478</u></u>

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

BLANDING CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2018

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 10,069
---	-----------

The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.	6,861
---	-------

Governmental funds report capital outlays 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. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	\$2,778,365	
Loss on Disposition of Capital Assets	(42,664)	
Depreciation Expense	<u>(778,765)</u>	
Total		1,956,936

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payment on Bonds	\$ 150,000	
Increase in Compensated Absences	<u>(20,897)</u>	
Total		<u>129,103</u>

Changes In Net Position of Governmental Activities	<u><u>\$2,102,969</u></u>
--	---------------------------

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

BLANDING CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Electric Fund	Natural Gas Fund	Nonmajor Funds	Total
ASSETS:						
Current Assets:						
Cash and Investments	\$ 1,532,404	\$1,181,605	\$3,905,669	\$ -	\$ 668,938	\$ 7,288,616
Accounts Receivable	96,737	47,988	242,489	56,255	35,597	479,066
Bond Receivable	-	1,288,000	-	-	-	1,288,000
Due From Other Funds	-	-	347,733	-	-	347,733
Total Current Assets	1,629,141	2,517,593	4,495,891	56,255	704,535	9,403,415
Noncurrent Assets:						
Cash and Investments - Restricted	621,586	1,106,639	-	-	-	1,728,225
Net Pension Asset	45	37	45	28	7	162
Capital Assets:						
Not Being Depreciated	1,987,338	469,787	2,315,312	-	1,316,428	6,088,865
Net of Accumulated Depreciation	14,243,607	2,166,559	1,619,606	3,024,921	629,476	21,684,169
Total Noncurrent Assets	16,852,576	3,743,022	3,934,963	3,024,949	1,945,911	29,501,421
TOTAL ASSETS	18,481,717	6,260,615	8,430,854	3,081,204	2,650,446	38,904,836
Deferred Outflows of Resources	57,800	53,557	72,411	43,903	2,923	230,594
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$18,539,517	\$6,314,172	\$8,503,265	\$3,125,107	\$2,653,369	\$39,135,430
LIABILITIES:						
Current Liabilities:						
Accounts Payable	\$ 10,141	\$ 2,439	\$ 723,698	\$ 30,300	\$ 12,971	\$ 779,549
Accrued Liabilities	-	-	4,512	4,513	-	9,025
Due to Other Funds	-	-	-	347,733	-	347,733
Deposits Payable	-	-	140,679	-	-	140,679
Accrued Interest Payable	33	2,005	7,746	3,075	-	12,859
Note Pay. - Due Within One Year	5,143	-	-	-	-	5,143
Bonds Pay. - Due Within One Year	101,764	13,000	128,000	225,000	5,260	473,024
Total Current Liabilities	117,081	17,444	1,004,635	610,621	18,231	1,768,012
Noncurrent Liabilities:						
Note Pay. - More Than One Year	30,854	-	-	-	-	30,854
Bonds Pay. - More Than One Year	1,950,765	2,945,000	1,147,000	225,000	306,220	6,573,985
Net Pension Liability	70,470	61,292	79,676	47,232	6,086	264,756
Compensated Absences	29,703	29,894	32,648	21,799	2,957	117,001
Total Noncurrent Liabilities	2,081,792	3,036,186	1,259,324	294,031	315,263	6,986,596
TOTAL LIABILITIES	2,198,873	3,053,630	2,263,959	904,652	333,494	8,754,608
Deferred Inflows of Resources	47,568	43,314	59,298	33,991	3,713	187,884
NET POSITION:						
Net Investment in Capital Assets	14,142,419	(321,654)	2,659,918	2,574,921	1,634,424	20,690,028
Restricted for:						
Bond Reserves	115,423	28,201	-	-	-	143,624
Capital Projects	506,163	1,078,438	-	-	-	1,584,601
Unrestricted	1,529,071	2,432,243	3,520,090	(388,457)	681,738	7,774,685
TOTAL NET POSITION	16,293,076	3,217,228	6,180,008	2,186,464	2,316,162	30,192,938
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$18,539,517	\$6,314,172	\$8,503,265	\$3,125,107	\$2,653,369	\$39,135,430

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

BLANDING CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For The Fiscal Year Ended June 30, 2018

	Water Fund	Sewer Fund	Electric Fund	Natural Gas Fund	Nonmajor Funds	Total
Operating Revenues:						
Charges for Sales and Services:						
Water	\$ 796,998	\$ -	\$ -	\$ -	\$ -	\$ 796,998
Sewer	-	469,962	-	-	-	469,962
Electric	-	-	2,624,100	-	-	2,624,100
Natural Gas	-	-	-	858,248	-	858,248
Sanitation	-	-	-	-	203,753	203,753
Storm Water	-	-	-	-	142,042	142,042
Connection Fees	9,410	1,300	32,049	7,400	-	50,159
Other	46,340	2,425	(529)	3,265	-	51,501
Total Operating Revenues	852,748	473,687	2,655,620	868,913	345,795	5,196,763
Operating Expenses:						
Salaries	178,093	167,974	212,472	125,474	16,312	700,325
Fringe Benefits	81,013	70,990	79,688	55,213	4,668	291,572
Power and Gas Purchases	-	-	1,519,556	305,966	-	1,825,522
Materials and Supplies	66,203	11,151	211,954	35,266	704	325,278
Administrative Fees	24,000	9,000	90,000	30,000	7,500	160,500
Utilities	30,309	5,594	6,366	1,835	-	44,104
Insurance	7,000	9,000	30,000	8,000	1,500	55,500
Professional and Technical	21,008	8,600	52,267	8,379	162,094	252,348
Other	1,753	-	10,715	1,300	-	13,768
Depreciation	538,203	62,909	135,404	106,648	20,249	863,413
Total Operating Expenses	947,582	345,218	2,348,422	678,081	213,027	4,532,330
Operating Income	(94,834)	128,469	307,198	190,832	132,768	664,433
Nonoperating Revenues (Expenses):						
Interest Expense	(35,459)	(6,145)	(33,261)	(18,350)	(13,355)	(106,570)
Impact Fees	8,900	6,225	-	-	-	15,125
Interest Earned	24,675	15,120	36,394	8,098	-	84,287
Net Incr. (Decr.) FMV of Invest.	(5,348)	(2,557)	(15,772)	(1,849)	(839)	(26,365)
Benefit Expense GASB 68	28,828	26,521	36,900	20,756	2,307	115,312
Pension Expense GASB 68	(27,245)	(25,065)	(34,874)	(19,616)	(2,180)	(108,980)
Total Nonoperating Revenues (Expenses)	(5,649)	14,099	(10,613)	(10,961)	(14,067)	(27,191)
Change in Net Position	(100,483)	142,568	296,585	179,871	118,701	637,242
Net Position - Beginning	16,393,559	3,074,660	5,883,423	2,006,593	2,197,461	29,555,696
Net Position - Ending	\$16,293,076	\$3,217,228	\$6,180,008	\$2,186,464	\$2,316,162	\$30,192,938

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

BLANDING CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2018

	Water Fund	Sewer Fund	Electric Fund	Natural Gas Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities:						
Receipts From Customers	\$ 837,621	\$ 472,299	\$ 2,657,386	\$ 880,420	\$ 347,638	\$ 5,195,364
Payments to Suppliers	(146,229)	(43,331)	(1,216,973)	(371,249)	(160,027)	(1,937,809)
Payments to Employees	(257,481)	(239,179)	(292,938)	(181,477)	(21,143)	(992,218)
Net Cash Provided by Operating Activities	<u>433,911</u>	<u>189,789</u>	<u>1,147,475</u>	<u>327,694</u>	<u>166,468</u>	<u>2,265,337</u>
Cash Flows from Noncapital Financing Activities:						
Due to Other Funds	-	-	357,032	347,733	-	704,765
Due (From) Other Funds	-	-	(347,733)	(357,032)	-	(704,765)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>9,299</u>	<u>(9,299)</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:						
Note Receivable Collection	2,500	-	-	-	-	2,500
Impact Fees	8,900	6,225	-	-	-	15,125
Capital Asset Additions	(64,861)	-	(46,336)	(9,226)	-	(120,423)
Construction In Progress	(101)	(304,998)	(1,955,962)	(74,779)	-	(2,335,840)
Revenue Bond Proceeds	-	1,269,000	-	-	-	1,269,000
Interest Payment on Long-Term Debt	(35,476)	(6,210)	(34,020)	(19,639)	(13,355)	(108,700)
Principal Payment on Long-Term Debt	(106,262)	(13,000)	(125,000)	(221,000)	(5,041)	(470,303)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(195,300)</u>	<u>951,017</u>	<u>(2,161,318)</u>	<u>(324,644)</u>	<u>(18,396)</u>	<u>(1,748,641)</u>
Cash Flows from Investing Activities:						
Interest Earned on Investments	24,675	15,120	36,394	8,098	-	84,287
Net Increase (Decrease) FMV of Invstmnts	(5,348)	(2,557)	(15,772)	(1,849)	(839)	(26,365)
Net Cash Provided from Investing Activities	<u>19,327</u>	<u>12,563</u>	<u>20,622</u>	<u>6,249</u>	<u>(839)</u>	<u>57,922</u>
Increase (Decrease) Cash and Investments	257,938	1,153,369	(983,922)	-	147,233	574,618
Cash and Investments - Beginning	1,896,052	1,134,875	4,889,591	-	521,705	8,442,223
Cash and Investments - Ending	<u>\$ 2,153,990</u>	<u>\$ 2,288,244</u>	<u>\$ 3,905,669</u>	<u>\$ -</u>	<u>\$ 668,938</u>	<u>\$ 9,016,841</u>
Reconciliation of Oper. Income to Net Cash Provided By Operating Activities:						
Operating Income (Loss)	\$ (94,834)	\$ 128,469	\$ 307,198	\$ 190,832	\$ 132,768	\$ 664,433
Adjustment to Reconcile Oper. Income To Net Cash Prov. By Oper. Activities:						
Depreciation	538,203	62,909	135,404	106,648	20,249	863,413
Increase (Decr.) in Operating Assets:						
Accounts Receivable	(15,127)	(1,388)	1,766	11,507	1,843	(1,399)
Accounts Payable	4,044	14	704,596	26,514	11,771	746,939
Accrued Liabilities	-	-	(712)	(7,017)	-	(7,729)
Compensated Absences	1,625	(215)	(777)	(790)	(163)	(320)
Total Adjustments	<u>528,745</u>	<u>61,320</u>	<u>840,277</u>	<u>136,862</u>	<u>33,700</u>	<u>1,600,904</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 433,911</u>	<u>\$ 189,789</u>	<u>\$ 1,147,475</u>	<u>\$ 327,694</u>	<u>\$ 166,468</u>	<u>\$ 2,265,337</u>

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

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Blanding City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2018.

The following is a summary of the more significant policies:

A. Reporting Entity

Blanding City is a municipal corporation in San Juan County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Blanding City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Blanding City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The government reports the following major proprietary funds:

The Water, Sewer, Electric, Natural Gas, Solid Waste, Storm Water, and EDA Arts Funds account for the activities of the City. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for services. Operating expenses for proprietary 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
D. Assets, Liabilities and Net Position or Equity

Deposits and Investments:

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The City's investments are reported at amortized cost, which approximates fair value at year-end. The Utah Public Treasurers' Investment Fund (PTIF) operates in accordance with appropriate Utah state laws. Investments are recorded at amortized cost, which approximates fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of the City's position in the PTIF investment pool is the same as the value of the pool shares. Changes in the fair value in investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to funds based on the average earnings of each participating fund.

Cash and Investments:

The City considers cash and cash equivalents to be cash on hand and demand deposits, and considers investments to be short-term investments with original maturities of three months or less from the date of acquisition, including the PTIF.

Capital Assets:

Capital assets, which include 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 \$5,000 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 date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	40 - 75 Years
Buildings	40 - 57 Years
Machinery and Equipment	10 - 15 Years
Furniture and Fixtures	10 - 20 Years
Vehicles	5 - 10 Years

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations:

In the government-wide financial statements governmental long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 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 s 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 classification 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 government's highest level of decision making authority.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the City by San Juan County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 25% of the next year's budgeted revenues must be appropriated within the following two years.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category, deferred outflows as relating to pensions as described in Note 11.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes and deferred inflows as relating to pensions as described in Note 11. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

I. Pensions

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

J. Date of Subsequent Event Evaluation

Blanding City's subsequent events have been evaluated through the day of the financial statement issuance of September 11, 2018.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS

Deposits:

Deposits and Investments are carried at amortized cost, which approximates fair value. A reconciliation of cash and investments at June 30, 2018, as shown on the financial statements is as follows:

	Carrying at Fair Value
Cash on Hand	\$ 1,413
Demand Deposits	1,172,543
Investments - PTIF	12,130,894
Total Cash and Investments	\$13,304,850
Governmental Activities - Unrestricted	\$ 2,376,675
Governmental Activities - Restricted	1,911,334
Business-Type Activities - Unrestricted	7,288,616
Business-Type Activities - Restricted	1,728,225
Total Cash and Investments	\$13,304,850

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, \$995,378 of the City's bank balances of \$1,248,119 was uninsured and uncollateralized.

Investments:

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

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

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

Fair Value of Investments

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

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

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

<u>Investments By Fair Value Level</u>	June 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities:				
Public Treasurers' Investment Fund	\$12,130,894	\$ -	\$12,130,894	\$ -
 Total Investments - Fair Value Level	 \$12,130,894	 \$ -	 \$12,130,894	 \$ -

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

- * Utah Public Treasurers' Investment Fund: application of the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.

Interest Rate Risk

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

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Public Treasurers' Investment Fund	\$12,130,894	\$12,130,894	\$ -	\$ -	\$ -
Total	\$12,130,894	\$12,130,894	\$ -	\$ -	\$ -

Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Public Treasurers' Investment Fund	\$12,130,894	\$ -	\$ -	\$ -	\$12,130,894
Total	\$12,130,894	\$ -	\$ -	\$ -	\$12,130,894

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments with a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have a formal policy for custodial credit risk. As of June 30, 2018, the City had \$12,130,894 in debt security investments, level 2, which were held by the investment's counterparty. The City places no other limits on the amount of investments to be held by counterparties.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 806,779	\$ -	\$ -	\$ 806,779
Construction In Progress	<u>283,125</u>	<u>2,663,838</u>	<u>863,594</u>	<u>2,083,369</u>
 Total Capital Assets Not Being Depreciated	 <u>1,089,904</u>	 <u>2,663,838</u>	 <u>863,594</u>	 <u>2,890,148</u>
Capital Assets Being Depreciated:				
Buildings	4,584,638	69,483	-	4,654,121
Improvements	19,288,469	124,562	-	19,413,031
Equipment	<u>1,844,169</u>	<u>784,076</u>	<u>44,520</u>	<u>2,583,725</u>
 Total Capital Assets Being Depreciated	 <u>25,717,276</u>	 <u>978,121</u>	 <u>44,520</u>	 <u>26,650,877</u>
Less Accumulated Depreciation For:				
Buildings	1,258,475	146,195	-	1,404,670
Improvements	7,149,794	558,462	-	7,708,256
Equipment	<u>1,674,332</u>	<u>74,108</u>	<u>1,855</u>	<u>1,746,585</u>
 Total Accumulated Depreciation	 <u>10,082,601</u>	 <u>778,765</u>	 <u>1,855</u>	 <u>10,859,511</u>
 Total Capital Assets Being Depreciated (Net)	 <u>15,634,675</u>	 <u>199,356</u>	 <u>42,665</u>	 <u>15,791,366</u>
 Governmental Activities Capital Assets, Net	 <u>\$16,724,579</u>	 <u>\$ 2,863,194</u>	 <u>\$ 906,259</u>	 <u>\$18,681,514</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 665,801	\$ -	\$ -	\$ 665,801
Water Stock	1,714,655	-	-	1,714,655
Construction In Progress	139,732	2,544,676	208,836	2,475,572
Total Capital Assets Not Being Depreciated	<u>2,520,188</u>	<u>2,544,676</u>	<u>4,261,540</u>	<u>4,856,028</u>
Capital Assets Being Depreciated:				
Buildings	3,789,280	-	-	3,789,280
Utility Systems	33,628,803	26,580	-	33,655,383
Equipment	1,513,585	93,843	-	1,607,428
Total Capital Assets Being Depreciated	<u>38,931,668</u>	<u>120,423</u>	<u>-</u>	<u>39,052,091</u>
Less Accumulated Depreciation For:				
Buildings	724,188	55,735	-	779,923
Utility Systems	13,220,421	756,196	-	13,976,617
Equipment	1,327,063	51,482	-	1,378,545
Total Accumulated Depreciation	<u>15,271,672</u>	<u>863,413</u>	<u>-</u>	<u>16,135,085</u>
Total Capital Assets Being Depreciated (Net)	<u>23,659,996</u>	<u>(742,990)</u>	<u>-</u>	<u>22,917,006</u>
Business-Type Activities Capital Assets, Net	<u>26,180,184</u>	<u>1,801,686</u>	<u>4,261,540</u>	<u>27,773,034</u>
Total Assets - Government Wide	<u>\$42,904,763</u>	<u>\$ 4,664,880</u>	<u>\$ 5,167,799</u>	<u>\$46,454,548</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities
General Government	\$ 23,965
Public Safety	69,332
Highways and Public Improvements	369,137
Parks and Recreation	163,106
Airport	153,225
Total Depreciation Expense	\$ 778,765

NOTE 4 - NATURAL GAS SYSTEM

The number of properties connected to the natural gas system at June 30, 2018, was 1,178. The number of unconnected homes within the City limits was 521 and the number of applications for natural gas service on hand was 0.

Because of the volatility of the natural gas markets and country wide energy crisis, the Blanding City Council passed a resolution approving rate adjustments to match the changing markets to maintain a mark-up of \$5.00 per dekatherm over City costs. The rate at the end of the year was \$0.7681 per therm.

NOTE 5 - LONG TERM DEBT

Governmental Long-Term Debt

Sales Tax Revenue Bond, Series 2009:

The City issued \$1,500,000 of Sales Tax Revenue Bonds, Series 2009 to be used in the construction of a Wellness Center. Bonds are secured by sales tax revenues. The Bonds are interest free and require annual principal payments of \$50,000, starting July 1, 2012 and ending July 1, 2041.

The following is a summary of debt service charges for the Sales Tax Revenue Bond, Series 2009:

	Principal	Interest	Total
July 1,			
2019	\$ 50,000	\$ -	\$ 50,000
2020	50,000	-	50,000
2021	50,000	-	50,000
2022	50,000	-	50,000
2023	50,000	-	50,000
2024-2028	250,000	-	250,000
2029-2033	250,000	-	250,000
2037-2038	250,000	-	250,000
2039-2041	150,000	-	150,000
	\$ 1,150,000	\$ -	\$ 1,150,000

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)
CIB Street Bonds, Series 2013:

The City issued \$1,000,000 of Street Bonds, Series 2013, to be used on city streets. The bonds are interest free and require annual principal payments of \$100,000 beginning January 1, 2013, and ending January 1, 2022. The bonds are secured by an Interlocal Contract with San Juan Transportation Special Service District that has agreed to pay the City \$100,000 per year for ten years to enable the City to make the debt service payment on the bonds.

The following is a summary of debt service charges for the CIB Street Bonds, Series 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1,			
2019	\$ 100,000	\$ -	\$ 100,000
2020	100,000	-	100,000
2021	100,000	-	100,000
2022	100,000	-	100,000
	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>

The following is a summary of debt service charges for Governmental Long-Term Debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 150,000	\$ -	\$ 150,000
2020	150,000	-	150,000
2021	150,000	-	150,000
2022	150,000	-	150,000
2023	50,000	-	50,000
2024-2028	250,000	-	250,000
2029-2033	250,000	-	250,000
2037-2038	250,000	-	250,000
2039-2041	150,000	-	150,000
	<u>\$ 1,550,000</u>	<u>\$ -</u>	<u>\$ 1,550,000</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

Business-Type Long-Term Debt

Water System:

Water Revenue Bonds constitute special obligations of the City, solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 1.25 times the average annual debt service requirements. For fiscal year 2018, the "pledged revenues" were 5.62 times the average annual debt service. Therefore, the City was in compliance with this covenant. The ordinances also contain provisions which, along with other items, restrict the issuance of additional revenue bonds unless the sinking reserve funds contain the required amounts and the pledged revenues are equal or greater than 1.25 times the average annual debt service requirements after giving effect to the issuance of the proposed additional bonds.

1983 San Juan Water Conservancy District Agreement:

During December of 1983, the City entered into an agreement with the San Juan Water Conservancy District for the perpetual right to 500 acre feet of District water per water year from the Recapture Dam Project. The terms of the agreement require payment of \$20,000 per year from the City with no interest. The balance at year end was \$140,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,000	\$ -	\$ 20,000
2020	20,000	-	20,000
2021	20,000	-	20,000
2022	20,000	-	20,000
2023	20,000	-	20,000
2024-2025	40,000	-	40,000
	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>
Total	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

1997 Contract with San Juan Water Conservancy District:

During fiscal year 1997, the City entered into a long-term contract in the amount of \$144,000, in connection with the purchase of 300 acre feet of water from the San Juan County Conservancy District. The contract is non-interest bearing and is payable in 28 annual installments of \$5,143. The contract matures in 2025. The balance at year end was \$35,997.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2019	\$ 5,143	\$ -	\$ 5,143
2020	5,143	-	5,143
2021	5,143	-	5,143
2022	5,143	-	5,143
2023	5,143	-	5,143
2024-2025	10,282	-	10,282
Total	\$ 35,997	\$ -	\$ 35,997

1999 Drinking Water Board Bonds:

During July of 1999, the City issued Water Revenue Bonds in the amount of \$200,000 for the purpose of construction of a two (2) million gallon water tank and distribution lines. The bonds require yearly payments of \$10,000 for twenty (20) years with interest at the rate of .33%. The balance at year end was \$20,000.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2019	\$ 10,000	\$ 66	\$ 10,066
2020	10,000	33	10,033
Total	\$ 20,000	\$ 99	\$ 20,099

USDA 2009 Parity Water Revenue Bonds:

During 2009 the City issued \$266,000 of 2009 Parity Water Revenue Bonds through the United States Department of Agriculture. The bonds have an interest rate of 4.25%. Monthly payments of \$1,166 begin August 1, 2012 and mature June 1, 2049. The balance at year end was \$240,764.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of debt service charges for the 2009 USDA Parity Water Revenue Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,833	\$ 10,159	\$ 13,992
2020	4,000	9,992	13,992
2021	4,173	9,819	13,992
2022	4,354	9,638	13,992
2023	4,543	9,449	13,992
2024-2028	25,842	44,118	69,960
2029-2033	31,949	38,011	69,960
2034-2038	39,499	30,461	69,960
2039-2043	48,833	21,127	69,960
2044-2048	60,371	9,589	69,960
2049	13,367	303	13,670
	<u>\$ 240,764</u>	<u>\$ 192,666</u>	<u>\$ 433,430</u>

USDA 2012A Parity Water Revenue Bonds:

During 2012 Blanding City issued \$686,000 of 2012A Parity Water Revenue Bonds through the United States Department of Agriculture for the purpose of financing water improvements and \$485,000 was used to replace existing debt of \$504,413. The bond requires monthly payments of \$2,491 for 437 months with a 3.375% interest rate. The bonds mature May 19, 2049. The balance at year end was \$621,672.

The following is a summary of debt service charges for 2012A USDA Parity Water Revenue Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 12,959	\$ 16,933	\$ 29,892
2020	13,319	16,573	29,892
2021	13,691	16,201	29,892
2022	14,071	15,821	29,892
2023	14,464	15,428	29,892
2024-2028	78,588	70,872	149,460
2029-2033	90,159	59,301	149,460
2034-2038	103,432	46,028	149,460
2039-2043	118,659	30,801	149,460
2044-2048	136,129	13,331	149,460
2049	26,201	352	26,553
	<u>\$ 621,672</u>	<u>\$ 301,641</u>	<u>\$ 923,313</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

USDA 2012B Parity Water Revenue Bonds:

During 2012 the City issued \$74,000 of 2012B Parity Water Revenue Bonds for the purpose of improving the City's water system. The bonds require monthly payments of \$269 for 436 months with a 3.00% interest rate. The bonds mature April 19, 2049. Balance at year end was \$67,040.

The following is a summary of debt service charges for 2012B USDA Parity Water Revenue Bonds:

	Principal	Interest	Total
2019	\$ 1,402	\$ 1,826	\$ 3,228
2020	1,441	1,787	3,228
2021	1,481	1,747	3,228
2022	1,522	1,706	3,228
2023	1,565	1,663	3,228
2024-2028	8,502	7,638	16,140
2029-2033	9,754	6,386	16,140
2034-2038	11,191	4,949	16,140
2039-2043	12,837	3,303	16,140
2044-2048	14,728	1,412	16,140
2049	2,617	33	2,650
	\$ 67,040	\$ 32,450	\$ 99,490

CIB Parity Water Revenue Bond, Series 2012A:

On September 11, 2012, the City issued \$250,000 of Parity Water Revenue Bonds, Series 2012A with 0% interest. The bonds were purchased by the Utah Permanent Community Impact Fund Board. Bonds are secured by the water revenues of the City. Bonds are payable annually on October 1 of each year beginning October 1, 2013 and continuing until October 1, 2032. A reserve fund of \$13,000 is required to be funded over 72 months, beginning December 2013. The balance of the reserve fund at June 30, 2018 is \$8,794.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of debt service charges for the 2012A CIB Parity Water Revenue Bonds:

	Principal	Interest	Total
October 1,			
2019	\$ 12,000	\$ -	\$ 12,000
2020	12,000	-	12,000
2021	12,000	-	12,000
2022	12,000	-	12,000
2023	12,000	-	12,000
2024-2028	65,000	-	65,000
2029-2033	65,000	-	65,000
	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>

CIB Parity Water Revenue Bonds, 2013A:

On April 18, 2013, the City issued \$750,000 of Parity Water Revenue Bonds, Series 2013A with 0% interest. The bonds were purchased by the Utah Permanent Community Fund Board. The bonds are secured by the water revenues of the City. The bonds are payable annually on April 1 of each year beginning April 1, 2014 and continuing until April 1, 2033. A reserve fund of \$38,000 is required to be funded over 72 months beginning May of 2014. The balance of the reserve fund at June 30, 2018 is \$32,721.

The following is a summary of debt service charges for the 2013A CIB Parity Water Revenue Bonds:

	Principal	Interest	Total
April 1,			
2019	\$ 38,000	\$ -	\$ 38,000
2020	38,000	-	38,000
2021	38,000	-	38,000
2022	38,000	-	38,000
2023	38,000	-	38,000
2024-2028	190,000	-	190,000
2029-2033	180,000	-	180,000
	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ 560,000</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

CIB Parity Water Revenue Bonds, Series 2014:

On March 14, 2014, the City issued \$224,000 of Parity Water Revenue Bonds, Series 2014 with 3.5% interest. The bonds were purchased by the Utah Permanent Community Fund Board. The bonds are secured by the water revenues of the City. The bonds are payable monthly beginning April 14, 2015 and ending February 14, 2054. A reserve fund of \$9,384 is required to be funded over 72 months beginning May of 2014. The balance of the reserve fund at June 30, 2018 is \$9,384.

The following is a summary of debt service charges for the 2014 CIB Parity Water Revenue Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,570	\$ 5,814	\$ 9,384
2020	3,669	5,715	9,384
2021	3,772	5,612	9,384
2022	3,876	5,508	9,384
2023	3,986	5,398	9,384
2024-2028	21,649	25,271	46,920
2029-2033	24,837	22,083	46,920
2034-2038	28,494	18,426	46,920
2039-2043	32,688	14,232	46,920
2044-2048	37,501	9,419	46,920
2049-2053	43,021	3,899	46,920
2054	5,990	61	6,051
	<u>\$ 213,053</u>	<u>\$ 121,438</u>	<u>\$ 334,491</u>

The Water Revenue and Parity Revenue Bonds are secured by revenues from water sales. The following is a summary of total debt service charges for the water system:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 106,907	\$ 34,798	\$ 141,705
2020	107,572	34,100	141,672
2021	98,260	33,379	131,639
2022	98,966	32,673	131,639
2023	99,701	31,938	131,639
2024-2028	439,863	147,899	587,762
2029-2033	401,699	125,781	527,480
2034-2038	182,616	99,864	282,480
2039-2043	213,017	69,463	282,480
2044-2048	248,729	33,751	282,480
2049-2053	85,206	4,587	89,793
2054	5,990	61	6,051
	<u>\$ 2,088,526</u>	<u>\$ 648,294</u>	<u>\$ 2,736,820</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)
Sewer System:

CIB Wastewater Revenue Bond, Series 2013:

On May 14, 2013 the City issued Wastewater Revenue Bonds in the amount of \$450,000 for the purpose of paying the cost of wastewater improvements. The bond dated March 1, 2013 and maturing March 1, 2044 carries an interest rate of 1.5% and requires yearly payments of \$12,000 to \$18,000. The bonds are secured from revenues generated by the wastewater system.

The following is a summary of debt service charges for the Wastewater Revenue Bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 1,			
2019	\$ 13,000	\$ 6,015	\$ 19,015
2020	13,000	5,820	18,820
2021	13,000	5,625	18,625
2022	13,000	5,430	18,430
2023	14,000	5,235	19,235
2024-2028	71,000	23,025	94,025
2029-2033	76,000	17,550	93,550
2034-2038	82,000	11,685	93,685
2039-2043	88,000	5,355	93,355
2044	18,000	270	18,270
	<u>\$ 401,000</u>	<u>\$ 86,010</u>	<u>\$ 487,010</u>

CIB DWQ Wastewater Revenue Bond, Series 2018:

On April 26, 2018 the City issued DWQ Wastewater Revenue Bonds in the amount of \$2,557,000 for the purpose of paying the cost of wastewater improvements. The bond dated April 26, 2018 and maturing October 1, 2049 carries an interest rate of 1.5% and requires yearly payments of \$106,000 to \$108,000. The bonds are secured from revenues generated by the wastewater system.

The following is a summary of debt service charges for the DWQ Wastewater Revenue Bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1,			
2019	\$ -	\$ -	\$ -
2020	-	47,944	47,944
2021	68,000	38,355	106,355
2022	69,000	37,335	106,335
2023	70,000	36,300	106,300
2024-2028	366,000	165,450	531,450
2029-2033	395,000	137,100	532,100
2034-2038	426,000	106,575	532,575
2039-2043	459,000	73,680	532,680
2044-2048	494,000	38,205	532,205
2049-2050	210,000	4,740	214,740
	<u>\$ 2,557,000</u>	<u>\$ 685,684</u>	<u>\$ 3,242,684</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)
Storm Water System:

2008 Storm Water Revenue Bond:

On June 16, 2008, the City issued Storm Water Revenue Bonds in the amount of \$350,000 for the purpose of paying the cost of construction of storm water system improvements. The bond dated June 16, 2008, and maturing June 16, 2048, carries an annual interest rate of 4.25% and requires monthly payments of \$1,533. The bonds are secured from revenues generated by the storm water system. The balance at year end was \$311,480.

The following is a summary of debt service charges for the Storm Water Revenue Bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 16,			
2019	\$ 5,260	\$ 13,136	\$ 18,396
2020	5,488	12,908	18,396
2021	5,725	12,671	18,396
2022	5,974	12,422	18,396
2023	6,233	12,163	18,396
2024-2028	35,456	56,524	91,980
2029-2033	43,835	48,145	91,980
2034-2038	54,192	37,788	91,980
2039-2043	67,000	24,980	91,980
2044-2048	82,317	9,150	91,467
	<u>\$ 311,480</u>	<u>\$ 239,887</u>	<u>\$ 551,367</u>

Natural Gas System:

2013 Natural Gas Refund Revenue Bonds:

Blanding City did an advance refunding of Kemper Bonds in the Natural Gas Fund with State Bank at no additional cost to the City. The amount refunded was \$1,529,000. The bonds require yearly payments with interest at .095% to 2.15%. The total amount owed on the old debt service bonds was \$1,498,701. The difference in debt service charges to maturity between the old and new bonds was \$76,284. The actual economic gain based on present values was also \$76,284.

The following is a summary of debt service charges to maturity for 2013 Natural Gas Refunding Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	225,000	9,225	234,225
2020	225,000	4,838	229,838
	<u>\$ 450,000</u>	<u>\$ 14,063</u>	<u>\$ 464,063</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG TERM DEBT (CONTINUED)

Electric System:

Electric Revenue Bond, Series 2018:

On March 30, 2018 the City issued Electric Revenue Bonds in the amount of \$1,400,000 for the purpose of paying the cost of electric power system improvements. The bond dated March 30, 2018 and maturing April 1, 2027 carries an interest rate of 2.43% and requires yearly payments of \$125,000 to \$156,000. The bonds are secured from revenues generated by the electric system.

The following is a summary of debt service charges for the Electric System Revenue Bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 1,			
2019	\$ 128,000	\$ 30,983	\$ 158,983
2020	132,000	27,872	159,872
2021	135,000	24,665	159,665
2022	138,000	21,384	159,384
2023	141,000	18,031	159,031
2024-2027	<u>601,000</u>	<u>36,960</u>	<u>637,960</u>
	<u>\$ 1,275,000</u>	<u>\$ 159,895</u>	<u>\$ 1,434,895</u>

The following is a summary of total debt service charges to maturity for business-type activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 478,167	\$ 94,157	\$ 572,324
2020	483,060	133,482	616,542
2021	319,985	114,695	434,680
2022	324,940	109,244	434,184
2023	330,934	103,667	434,601
2024-2028	1,218,319	429,858	1,648,177
2029-2033	893,534	328,576	1,222,110
2034-2038	719,808	255,912	975,720
2039-2043	800,017	173,478	973,495
2044-2048	815,046	81,376	896,422
2049-2053	587,206	9,327	596,533
2054	<u>111,990</u>	<u>61</u>	<u>112,051</u>
	<u>\$ 7,083,006</u>	<u>\$ 1,833,833</u>	<u>\$ 8,916,839</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt at June 30, 2018:

Bond Issue:	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2017	Current Year Changes		Outstanding June 30, 2018	Due Within One Year
					Issued	Matured		
Governmental Long-Term Debt:								
Sales Tax Revenue Bond	2010	0.0%	\$ 1,500,000	\$ 1,200,000	\$ -	\$ 50,000	\$ 1,150,000	\$ 50,000
CIB Street Bond	2011	0.0%	1,000,000	500,000	-	100,000	400,000	100,000
Total Governmental Bonds			2,500,000	1,700,000	-	150,000	1,550,000	150,000
Business-Type Long-Term Debt:								
Water:								
SJWCD Bond	1983	0.0%	800,000	160,000	-	20,000	140,000	20,000
SJWCD Contract	1997	0.0%	144,000	41,140	-	5,143	35,997	5,143
DWB Bond	1999	3.5%	200,000	30,000	-	10,000	20,000	10,000
USDA Parity Revenue Bond	2009	4.3%	266,000	244,439	-	3,675	240,764	3,833
2012A Parity Revenue Bond	2012	3.375%	686,000	634,279	-	12,607	621,672	12,959
2012B Parity Revenue Bond	2012	3.0%	74,000	68,404	-	1,364	67,040	1,402
2012A Parity Revenue Bond	2012	0.0%	250,000	202,000	-	12,000	190,000	12,000
2013A Parity Revenue Bond	2013	0.0%	750,000	598,000	-	38,000	560,000	38,000
2014 Parity Revenue Bond	2014	3.5%	224,000	216,526	-	3,473	213,053	3,570
Total Water System			3,394,000	2,194,788	-	106,262	2,088,526	106,907
Sewer								
Wastewater Revenue Bond	2013	1.50%	450,000	414,000	-	13,000	401,000	13,000
DWQ Wastewater Revenue Bond	2018	1.50%	2,557,000	-	2,557,000	-	2,557,000	-
Total Sewer System			3,007,000	414,000	2,557,000	13,000	2,958,000	13,000
Storm Water:								
Rural Development	2008	4.25%	350,000	316,521	-	5,041	311,480	5,260
Natural Gas:								
Natural Gas Refunding Bond	2013	.95% - 2.15%	1,529,000	671,000	-	221,000	450,000	225,000
Electricity:								
Electric Revenue Bond	2017	2.43%	1,400,000	1,400,000	-	125,000	1,275,000	128,000
Total Business-Type Bonds			9,680,000	4,996,309	2,557,000	470,303	7,083,006	478,167
Total Bond Issues			\$12,180,000	\$ 6,696,309	\$ 2,557,000	\$ 620,303	\$ 8,633,006	\$ 628,167

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - BOND RESERVES

The following is a summary of changes in Bond Reserves:

	<u>Maximum Required</u>	<u>Balance June 30, 2017</u>	<u>Annual Deposit</u>	<u>Balance June 30, 2018</u>
Governmental Funds:				
CIB Street Bonds, 2013	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Total Bond Reserves - Gov.	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Business-Type Funds:				
USDA Water Bonds, 2012A	\$ 29,892	\$ 22,463	\$ 7,429	\$ 29,892
USDA Water Bonds, 2012A - M	31,704	23,778	7,926	31,704
USDA Water Bonds, 2012B	3,228	2,421	807	3,228
CIB Water Bonds, 2012A	13,000	6,627	2,167	8,794
CIB Water Bonds, 2013A	38,000	26,388	6,333	32,721
CIB Water Bonds, 2014	9,384	9,384	-	9,384
CIB Waste Water Bonds, 2013	19,235	12,824	3,206	16,030
CIB Waste Water Bonds, 2013-S	19,015	-	6,338	6,338
CIB Waste Water Bonds, 2018	106,471	-	1,774	1,774
CIB Waste Water Bonds, 2018-S	3,173	-	3,173	3,173
CIB Waste Water Bonds, 2018-E	53,236	-	586	586
Total Bond Reserves - Bus.	<u>\$ 326,338</u>	<u>\$ 103,885</u>	<u>\$ 39,739</u>	<u>\$ 143,624</u>

NOTE 7 - COMPENSATED ABSENCES

Compensated absences of Blanding City in the proprietary fund and the governmental fund represent accrued vacation at year end in the amount of \$224,667.

The following is a schedule of changes in compensated absences:

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental	\$ 86,770	\$ 20,896	\$ -	\$ 107,666
Proprietary Fund	<u>117,322</u>	<u>-</u>	<u>321</u>	<u>117,001</u>
Total Compensated Absences	<u>\$ 204,092</u>	<u>\$ 20,896</u>	<u>\$ 321</u>	<u>\$ 224,667</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - CLASS C ROAD FUND

The following schedule outlines the transactions in the Class C Road Fund for the fiscal year ended June 30, 2018:

Balance - Beginning of Year		\$ 552,200
Receipts:		
Class C Road Allotment	\$ 245,566	
Interest Earnings	<u>5,661</u>	
Total Receipts		251,227
Disbursements		<u>(514,715)</u>
Balance - End of Year		<u><u>\$ 288,712</u></u>

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries and disasters. The City maintains insurance coverage for most all risks through the Utah Local Government Trust including general liability, errors and omissions, property damage, and other coverages. The Trust also provides medical and health coverage for the City.

Claims have not exceeded coverage in any of the last three calendar years.

NOTE 10 - ROUNDING CONVENTION

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN

General Information about the Pension Plan

Plan Description:

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

Defined Benefit Plans:

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.

The Public Safety Retirement System (Public Safety System) is a mixed agent and cost sharing, multi-employer retirement system.

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employee retirement system.

Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

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

The Utah retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The 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 Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

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

Benefits Provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as shown on the following page.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN (CONTINUED)

Summary of Benefits By System:

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service Required and/or Age Eligible for Benefit</u>	<u>Benefit Percent Per Year of Service</u>	<u>COLA**</u>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

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 URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the cost 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, 2018, are as shown on following page:

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN (CONTINUED)

Utah Retirement Systems:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k) Plan</u>
Contributory System			
111 - Local Governmental Division - Tier 2	N/A	15.11%	1.58%
Noncontributory System			
15 - Local Governmental Division - Tier 1	N/A	18.47%	N/A
Public Safety System:			
Contributory:			
23 - Other Division A with 2.5% COLA	12.29%	22.75%	N/A
122 - Tier 2 DB Hybrid Public Safety	N/A	22.57%	1.26%
Noncontributory:			
43 - Other Division A with 2.5% COLA	N/A	34.04%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%
222 - Public Safety	N/A	11.83%	12.00%

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

For fiscal year ended June 30, 2018 the employer and employee contributions to the Systems were as follows:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 127,892	N/A
Public Safety System	76,583	-
Tier 2 Public Employees System	28,095	-
Tier 2 Public Safety and Firefighter	7,922	-
	<u> </u>	<u> </u>
Total Contributions	<u>\$ 240,492</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.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN (CONTINUED)

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

At June 30, 2018, we reported a net pension asset of \$377 and a net pension liability of \$573,511.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share - 2017	Proportionate Share - 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 354,383	0.0818853%	0.0818853%	-0009999%
Public Safety System	-	217,660	0.1387556%	0.1207075%	.0180481%
Tier 2 Public Employees System	-	1,468	0.0166501%	0.0123761%	.0042740%
Tier 2 Public Safety/ Firefighter System	377	-	0.0325426%	0.0544802%	-.0219376%
Total	\$ 377	\$ 573,511			

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

For the year ended June 30, 2018, we recognized pension expense of \$277,041.

At June 30, 2018 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	\$ 8,156	\$ 54,988
Changes in assumptions	210,244	11,460
Net difference between projected and actual earnings on pension plan investments	116,010	303,645
Changes in proportion and differences between contributions and proportionate share of contributions	28,760	24,966
Contributions subsequent to the measurement date	122,870	-
Total	\$ 486,040	\$ 395,059

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN (CONTINUED)

\$122,870 was reported as deferred outflows of resources to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

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,	<u>Deferred Outflows (Inflows) of Resources (Net)</u>
2018	\$ 29,933
2019	\$ 45,473
2020	\$ (43,817)
2021	\$ (65,999)
2022	\$ (334)
Thereafter	\$ 2,855

Actuarial Assumptions:

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

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

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

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

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN (CONTINUED)

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

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity Securities	40.00%	6.15%	2.46%
Debt Securities	20.00%	0.40%	0.08%
Real Assets	15.00%	5.75%	0.86%
Private Equity	9.00%	9.95%	0.89%
Absolute Return	16.00%	2.85%	0.46%
Cash and Cash Equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
			Inflation 2.50%
			Expected arithmetic nominal return 7.25%

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

Discount Rate:

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

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, 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%) or 1-percentage-point higher (7.95%) than the current rate shown on the following page:

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 11 - PENSION PLAN (CONTINUED)

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95)</u>
Noncontributory System	\$ 958,419	\$ 354,383	\$ (147,842)
Public Safety System	548,406	217,660	(50,405)
Tier 2 Public Employees System	17,285	1,468	(10,729)
Tier 2 Public Safety and Firefighter	3,335	(377)	(3,212)
	<u>\$ 1,527,445</u>	<u>\$ 573,134</u>	<u>\$ (212,188)</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 section 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provision is available in the separately issued URS financial report.

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

- * 401(k) Plan
- * Roth IRA Plan

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
401(K) Plan:			
Employer Contributions	\$ 11,554	\$ 10,585	\$ 8,319
Employee Contributions	\$ 14,707	\$ 11,127	\$ 4,840
Roth IRA Plan:			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 1,650	\$ 3,150	\$ -

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

BLANDING CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS
For The Fiscal Year Ended June 30, 2018

Budgetary Comparison Schedules:

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual presented in this section of the report are for the City's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the 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.

Current Year Budgetary Compliance:

For the year ended June 30, 2018, spending for all funds and departments of the City was within the approved budgets.

BLANDING CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	(Budgetary Basis)	
Revenues:				
Taxes:				
General Property Taxes	\$ 260,000	\$ 260,000	\$ 263,066	\$ 3,066
General Sales and Use Taxes	646,361	707,462	761,499	54,037
Room Tax	28,160	31,250	35,853	4,603
Franchise Taxes	9,500	9,500	10,457	957
Total Taxes	<u>944,021</u>	<u>1,008,212</u>	<u>1,070,875</u>	<u>62,663</u>
Licenses and Permits	<u>23,200</u>	<u>25,000</u>	<u>74,607</u>	<u>49,607</u>
Intergovernmental Revenue:				
Class C Road	177,074	225,000	245,566	20,566
State Liquor Allotment	10,000	10,000	6,338	(3,662)
State Grants	134,500	134,500	4,138	(130,362)
Federal Grants	50,000	50,000	5,250	(44,750)
Contributions from County	203,000	203,000	99,691	(103,309)
Total Intergovernmental Revenue	<u>574,574</u>	<u>622,500</u>	<u>360,983</u>	<u>(261,517)</u>
Charges for Services:				
Airport	28,925	29,000	28,693	(307)
Fire Revenue	10,000	10,000	-	(10,000)
Administrative Fees	160,500	160,500	160,500	-
Total Charges for Services	<u>199,425</u>	<u>199,500</u>	<u>189,193</u>	<u>(10,307)</u>
Fines and Forfeitures	<u>85,400</u>	<u>85,400</u>	<u>127,383</u>	<u>41,983</u>
Miscellaneous:				
Interest	42,000	70,000	134,196	64,196
Net Incr. (Decr.) FMV of Investments	-	-	(18,094)	(18,094)
Recreation Revenue	34,800	34,800	37,618	2,818
Visitor's Center	13,000	14,000	19,646	5,646
Wellness Center Revenue	175,000	175,000	196,220	21,220
Sale of Surplus Property	25,000	25,000	1,546	(23,454)
Miscellaneous	47,500	47,500	73,014	25,514
Use of Fund Balance	47,000	21,000	-	(21,000)
Total Miscellaneous Revenue	<u>384,300</u>	<u>387,300</u>	<u>444,146</u>	<u>56,846</u>
Total Revenues	<u>\$ 2,210,920</u>	<u>\$ 2,327,912</u>	<u>\$ 2,267,187</u>	<u>\$ (60,725)</u>

BLANDING CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	(Budgetary Basis) (See Note A)	
Expenditures:				
General Government:				
Legislative	\$ 27,028	\$ 21,556	\$ 20,829	\$ 727
Judicial	48,255	49,622	49,757	(135)
Administration	73,862	74,210	60,870	13,340
Attorney	28,000	28,000	24,230	3,770
Planning and Zoning	54,372	56,497	55,250	1,247
Total General Government	<u>231,517</u>	<u>229,885</u>	<u>210,936</u>	<u>18,949</u>
Public Safety:				
Police	756,020	753,476	644,595	108,881
Fire	185,557	137,550	71,312	66,238
Total Public Safety	<u>941,577</u>	<u>891,026</u>	<u>715,907</u>	<u>175,119</u>
Highway and Public Improvements:				
Construction and Maintenance	106,104	109,271	110,576	(1,305)
City Engineer	23,288	24,069	21,664	2,405
Class C Roads	100,000	100,000	100,000	-
Total Highways and Public Improvements	<u>229,392</u>	<u>233,340</u>	<u>232,240</u>	<u>1,100</u>
Parks and Recreation:				
Visitor's Center	133,230	177,890	163,054	14,836
Parks	224,293	247,671	247,846	(175)
Wellness Center	307,378	317,565	317,172	393
Total Parks and Recreation	<u>664,901</u>	<u>743,126</u>	<u>728,072</u>	<u>15,054</u>
Miscellaneous:				
Airport	10,310	10,310	9,463	847
Increase in Fund Balance	-	60,000	-	60,000
Total Miscellaneous	<u>10,310</u>	<u>70,310</u>	<u>9,463</u>	<u>60,847</u>
Transfers Out	133,223	160,225	-	160,225
Total Expenditures	<u>2,210,920</u>	<u>2,327,912</u>	<u>1,896,618</u>	<u>431,294</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	370,569	<u>\$ 370,569</u>
Fund Balance - Beginning			<u>2,369,024</u>	
Fund Balance - Ending			<u>\$ 2,739,593</u>	

BLANDING CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
June 30, 2018
Last 10 Fiscal Years*

	<u>Noncontributory Retirement System</u>	<u>Public Safety Retirement System</u>	<u>Tier 2 Public Employees Retirement System</u>	<u>Tier 2 Public Safety and Firefighter Retirement System</u>
Proportion of the Net Pension Liability (Asset)				
2014	0.0926158%	0.1104256%	0.0082119%	0.0186931%
2015	0.0820545%	0.1153445%	0.0106732%	0.0621595%
2016	0.0818853%	0.1207075%	0.0123761%	0.0544802%
2017	0.0808854%	0.1387556%	0.0166501%	0.0325426%
Proportionate Share of the Net Pension Liability (Asset)				
2014	\$ 402,160	\$ 138,869	\$ (249)	\$ (277)
2015	\$ 464,304	\$ 206,611	\$ (23)	\$ (908)
2016	\$ 525,804	\$ 244,949	\$ 1,381	\$ (473)
2017	\$ 354,383	\$ 217,660	\$ 1,468	\$ (377)
Covered Employee Payroll				
2014	\$ 800,386	\$ 219,959	\$ 40,260	\$ 7,799
2015	\$ 706,198	\$ 166,174	\$ 68,956	\$ 36,991
2016	\$ 720,519	\$ 169,646	\$ 101,493	\$ 45,013
2017	\$ 692,549	\$ 204,843	\$ 162,721	\$ 34,377
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll				
2014	50.20%	63.10%	-0.60%	-3.60%
2015	65.75%	124.33%	-0.03%	-2.45%
2016	72.98%	144.39%	1.36%	-1.05%
2017	51.17%	106.26%	0.90%	-1.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				
2014	90.20%	90.50%	103.50%	120.50%
2015	87.80%	87.10%	100.20%	110.70%
2016	87.30%	86.50%	95.10%	103.60%
2017	91.90%	90.20%	97.40%	103.00%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. This schedule will need to be built prospectively. The schedule above is for 2014 through 2017.

BLANDING CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2018

	As of Fiscal Year Ended <u>June 30,</u>	Actuarial Determined <u>Contributions</u>	Contributions in Relation to The Contractually Required <u>Contributions</u>	Contribution Deficiency <u>(Excess)</u>	Covered Employee <u>Payroll</u>	Contributions As a Percentage of Covered Employee <u>Payroll</u>
Noncontributory System	2014	\$ 138,514	\$ 138,514	\$ -	\$ 798,679	17.34%
	2015	\$ 138,801	\$ 138,801	\$ -	\$ 834,169	16.64%
	2016	\$ 131,110	\$ 131,110	\$ -	\$ 709,855	18.47%
	2017	\$ 131,299	\$ 131,299	\$ -	\$ 710,880	18.47%
	2018	\$ 127,892	\$ 127,892	\$ -	\$ 692,429	18.47%
Public Safety System	2014	\$ 49,467	\$ 49,467	\$ -	\$ 237,737	20.81%
	2015	\$ 57,601	\$ 57,601	\$ -	\$ 202,205	28.49%
	2016	\$ 52,093	\$ 52,093	\$ -	\$ 153,036	34.04%
	2017	\$ 64,779	\$ 64,779	\$ -	\$ 192,591	33.64%
	2018	\$ 76,583	\$ 76,583	\$ -	\$ 224,978	34.04%
Tier 2 Public Employees System*	2014	\$ 2,826	\$ 2,826	\$ -	\$ 20,200	13.99%
	2015	\$ 7,896	\$ 7,896	\$ -	\$ 52,851	14.94%
	2016	\$ 10,999	\$ 10,999	\$ -	\$ 73,759	14.91%
	2017	\$ 19,304	\$ 19,304	\$ -	\$ 129,468	14.91%
	2018	\$ 28,095	\$ 28,095	\$ -	\$ 185,937	15.11%
Tier 2 Public Safety and Firefighter System*	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	\$ 5,548	\$ 5,548	\$ -	\$ 24,601	22.55%
	2016	\$ 9,587	\$ 9,587	\$ -	\$ 42,603	22.50%
	2017	\$ 9,701	\$ 9,701	\$ -	\$ 43,115	22.50%
	2018	\$ 7,922	\$ 7,922	\$ -	\$ 35,099	22.57%

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

Paragraph 81b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues. The schedule above is for 2014, 2015, 2016, 2017, and 2018.

BLANDING CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
For The Fiscal Year Ended June 30, 2018

Changes in Assumptions:

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

**COMBINING FINANCIAL
STATEMENTS**

**BLANDING CITY
NONMAJOR PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2018**

PROPRIETARY FUNDS

Proprietary Funds are used to account for revenues and expenses resulting from providing services and producing and delivering goods in connection with the funds principal ongoing operations.

Storm Water Fund:

This fund is used to account for revenues and expenditures relating to storm water.

Solid Waste Fund:

This fund is used to account for revenues and expenditures relating to solid waste management in the City.

EDA Arts Fund:

This fund accounts for the City's participation in the EDA Arts building on the college campus.

BLANDING CITY
COMBINING BALANCE SHEET
NONMAJOR PROPRIETARY FUNDS
June 30, 2018

	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>	<u>EDA Arts Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Current Assets:				
Cash and Investments:				
Unrestricted	\$ 312,604	\$ 356,334	\$ -	\$ 668,938
Accounts Receivable - Net	16,344	19,253	-	35,597
Total Current Assets	<u>328,948</u>	<u>375,587</u>	<u>-</u>	<u>704,535</u>
Noncurrent Assets:				
Net Pension Asset	2	5	-	7
Capital Assets:				
Not Being Depreciated	8,813	-	1,307,615	1,316,428
Net of Accumulated Depreciation	<u>612,360</u>	<u>17,116</u>	<u>-</u>	<u>629,476</u>
Total Noncurrent Assets	<u>621,175</u>	<u>17,121</u>	<u>1,307,615</u>	<u>1,945,911</u>
TOTAL ASSETS	<u>950,123</u>	<u>392,708</u>	<u>1,307,615</u>	<u>2,650,446</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	<u>951</u>	<u>1,972</u>	<u>-</u>	<u>2,923</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 951,074</u>	<u>\$ 394,680</u>	<u>\$ 1,307,615</u>	<u>\$ 2,653,369</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -	\$ 12,971	\$ -	\$ 12,971
Bonds Payable - Due Within One Year	<u>5,260</u>	<u>-</u>	<u>-</u>	<u>5,260</u>
Total Current Liabilities	<u>5,260</u>	<u>12,971</u>	<u>-</u>	<u>18,231</u>
Noncurrent Liabilities:				
Bonds Payable - Due More Than One Year	306,220	-	-	306,220
Net Pension Liability	1,978	4,108	-	6,086
Compensated Absences	<u>1,807</u>	<u>1,150</u>	<u>-</u>	<u>2,957</u>
Total Noncurrent Liabilities	<u>310,005</u>	<u>5,258</u>	<u>-</u>	<u>315,263</u>
TOTAL LIABILITIES	<u>315,265</u>	<u>18,229</u>	<u>-</u>	<u>333,494</u>
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	<u>1,272</u>	<u>2,441</u>	<u>-</u>	<u>3,713</u>
NET POSITION				
Net Investment In Capital Assets	309,693	17,116	1,307,615	1,634,424
Unrestricted	<u>324,844</u>	<u>356,894</u>	<u>-</u>	<u>681,738</u>
TOTAL NET POSITION	<u>634,537</u>	<u>374,010</u>	<u>1,307,615</u>	<u>2,316,162</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 951,074</u>	<u>\$ 394,680</u>	<u>\$ 1,307,615</u>	<u>\$ 2,653,369</u>

BLANDING CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For The Year Ended June 30, 2018

	Storm Water Fund	Solid Waste Fund	EDA Arts Fund	Total Nonmajor Funds
Operating Revenues:				
Charges for Services:				
Sanitation	\$ -	\$ 203,753	\$ -	\$ 203,753
Storm Water	142,042	-	-	142,042
 Total Operating Revenues	 142,042	 203,753	 -	 345,795
Operating Expenses:				
Salaries	5,056	11,256	-	16,312
Fringe Benefits	1,320	3,348	-	4,668
Materials and Supplies	150	554	-	704
Insurance	500	1,000	-	1,500
Administrative Fees	1,500	6,000	-	7,500
Professional and Technical	-	162,094	-	162,094
Depreciation	19,659	590	-	20,249
 Total Operating Expenses	 28,185	 184,842	 -	 213,027
 Operating Income	 113,857	 18,911	 -	 132,768
Nonoperating Revenues (Expenses):				
Interest Expense	(13,355)	-	-	(13,355)
Net Increase (Decrease) FMV of Invstmnts	-	(839)	-	(839)
Benefit Expense related to Pensions	807	1,500	-	2,307
Pension Expense	(763)	(1,417)	-	(2,180)
 Total Nonoperating Revenue (Expense)	 (13,311)	 (756)	 -	 (14,067)
 Change in Net Position	 100,546	 18,155	 -	 118,701
Net Position - Beginning	533,991	355,855	1,307,615	2,197,461
Net Position - Ending	<u>\$ 634,537</u>	<u>\$ 374,010</u>	<u>\$ 1,307,615</u>	<u>\$ 2,316,162</u>

BLANDING CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For The Year Ended June 30, 2018

	Storm Water Fund	Solid Waste Fund	Total Nonmajor Funds
Cash Flows From Operating Activities:			
Receipts From Customers	\$ 141,611	\$ 206,027	\$ 347,638
Payments to Supplies	(2,150)	(157,877)	(160,027)
Payments to Employees	(6,147)	(14,996)	(21,143)
	<u>133,314</u>	<u>33,154</u>	<u>166,468</u>
Net Cash Provided by Operating Activities			
Cash Flows From Capital and Related Financing Activities			
Principal Payment on Long-Term Debt	(5,041)	-	(5,041)
Interest Paid	(13,355)	-	(13,355)
	<u>(18,396)</u>	<u>-</u>	<u>(18,396)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Net Increase (Decrease) in FMV of Investments	-	(839)	(839)
	<u>-</u>	<u>(839)</u>	<u>(839)</u>
Net Cash Provided From Investing Activities			
Increase (Decrease) Cash and Investments	114,918	32,315	147,233
Cash and Investments - Beginning	<u>197,686</u>	<u>324,019</u>	<u>521,705</u>
Cash and Investments - Ending	<u>\$ 312,604</u>	<u>\$ 356,334</u>	<u>\$ 668,938</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating Income	\$ 113,857	\$ 18,911	\$ 132,768
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Depreciation	19,659	590	20,249
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(431)	2,274	1,843
Accounts Payable	-	11,771	11,771
Compensated Absences	229	(392)	(163)
	<u>19,457</u>	<u>14,243</u>	<u>33,700</u>
Total Adjustments			
Net Cash Provided (Used) by Operating Activities	<u>\$ 133,314</u>	<u>\$ 33,154</u>	<u>\$ 166,468</u>

COMPLIANCE SECTION

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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 City Council
Blanding City
Blanding, Utah 84511

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental-type activities, the business-type activities, each major fund and the aggregate remaining fund information of Blanding City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Blanding City's financial statements, and have issued our report thereon dated September 11, 2018.

Internal Control Over Financial Reporting

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

We noted a certain matter that we reported to the management of Blanding City in the accompanying *Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing or 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.

Kimball & Roberts, PC

Certified Public Accountants

September 11, 2018
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

Report on Compliance for Each Major Federal Program

We have audited Blanding City's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of Blanding City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 11, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kimball & Roberts, PC
Certified Public Accountants

September 11, 2018
Richfield, Utah

BLANDING CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of independent auditor's report issued: Unmodified

Internal control over financial reporting:

- * Material weakness identified? Yes No
- * Significant deficiency identified that is not considered to be a material weakness? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

- * Material weaknesses identified? Yes No
- * Significant deficiency identified that are not considered to be material weaknesses? Yes None Reported

Type of independent auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Yes No

Identification of major programs.

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No significant matters were noted.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No significant matters were noted.

BLANDING CITY
SCHEDULE OF FEDERAL AWARDS EXPENDED
For The Fiscal Year Ended June 30, 2018

<u>Federal Grantor/Pass through Grantor</u>	<u>State Pass-Through #</u>	<u>Federal Catalogue #</u>	<u>Disbursements/ Expenditures</u>
DIRECT ASSISTANCE			
Department of Transportation:			
Division of Aeronautics:			
Airport Improvement Program	N/A	20.106 *	1,773,641
Total Department of Transportation:			1,773,641
TOTAL DIRECT ASSISTANCE			1,773,641
TOTAL FEDERAL AWARDS EXPENDED			1,773,641

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Blanding City under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Blanding City, it is not intended to and does not present the financial position, changes in net position, or cash flows of Blanding City.

Basis of Accounting:

The accompanying Schedule of Federal Awards Expended is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to Blanding City's basic financial statements.

Federal awards received and expended through proprietary funds are presented using the accrual basis of accounting which is described in Note 1 to Blanding City's basic financial statements.

*Denotes program tested as a Major Program.

BLANDING CITY
SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2018

There were no prior audit findings.

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

Report on Compliance with General State Compliance Requirements

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

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

Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems

Restricted Taxes and Related Revenues
Open and Public Meetings Act
Public Treasurer's Bond
Cash Management

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 General State Compliance Requirements

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described below. Our opinion on compliance is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described below. The 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.

Finding: State Compliance – General Fund Balance

Cities are permitted to accumulate fund balances with a limit of 25% of the total General Fund revenues and a minimum of 5% of total revenues.

Total General Fund Revenues for 2018	\$ 2,327,912
Allowable Percentage – Unassigned Balance	<u> x .25</u>
Total Maximum Fund Balance Allowed	\$ 581,978
Present Unassigned Fund Balance	<u>\$ 1,228,823</u>
Excess (Deficit) Fund Balance	<u>\$ 646,845</u>

The City has a fund balance in the General Fund in excess of the amount allowed by State Law.

Recommendation:

We recommend that the City budget and transfer the excess amount to the Capital Projects Fund for future planned capital projects.

City's Response:

The City has established, by ordinance, a Capital Projects Fund. The excess fund balance will be budgeted for and transferred to the Capital Projects Fund for planned capital projects.

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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Kimball & Roberts, PC
Certified Public Accountants

September 11, 2018
Richfield, Utah