



City of Naples

Naples City Council Meeting Agenda
December 10, 2015 - 7:30 p.m.
1420 East 2850 South
Naples, UT 84078

Opening Ceremonies

1. Approval of Agenda
2. Approval of Minutes - November 12, 2015 Regular Council Meeting
3. Any follow up matters from meeting of November 12, 2015
4. Approval of Bills - Connie Patton
5. Appointment to Mosquito Abatement District - Resolution 15-284
6. Approve Ordinance 15-174 Changes to Land Use and Update Zoning
7. Ratify Agreement with Uintah County Regarding 1750 South Turnaround and Fence Project
8. Approval of Change Orders for 500 South 2000 East Project
9. Approve Payment Request for Stubbs & Stubbs - Work Completed to Date on 500 S 2000 E
10. Report on Final Inspection of 500 South 2000 East Project - Request to Release Project
11. Payment Approval for Timberline Engineering
12. Travel Approval for Police Department - Lieutenant Cox
13. Expenditure Approval for Street Light Repair - Jim Harper
14. Approval Annual Meeting Schedule for 2016 and Holiday Schedule
15. FY 2014/2015 Annual Audit Report
16. Convene into the Local Building Authority of Naples City, Utah to Authorize Payment to B.H.I. for Naples Fire Station Contract - Application No. 5
17. Discussion on Employee Christmas Bonuses
18. Other Matters/Future Council Matters
19. Annual Open and Public Meetings Training
20. Closed Session to Discuss Potential Litigation
21. Motion to Adjourn

In compliance with the Americans with Disabilities Act, individuals needing special accommodations during this meeting should notify the Naples City offices at 789-9090, 1420 East 2850 South, Naples, UT 84078 at least 48 hours in advance of the meeting. Meetings are held at 1420 East 2850 South, Naples, UT.

The undersigned, duly appointed City Recorder, does hereby certify that the above agenda was faxed or emailed to the Vernal Express. The agenda was also posted in the City Hall lobby, outside the door of the City Office building, on the City's website www.naplescitu.gov, and on the State Public Meeting Notice website <https://pmn.utah.gov>. Nikki W. Kay

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Naples: City Council

Entity: Naples

Body: [City Council](#)

Subject: Business

Notice Title: Naples City Council

Notice Type: Meeting

Event Start Date & Time: December 10, 2015 7:30 PM

Event End Date & Time: December 10, 2015 10:00 PM

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Notice of Special Accommodations:

In compliance with the Americans with Disabilities Act, individuals needing special

Meeting Location:

1420 East 2850 South
Naples , 84078

[Map this!](#)

Contact Information:

Nikki Kay
4357899090
nkay@naples.utah.gov

Audio File Address

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Notice of Electronic or telephone participation:

n/a

Other information:

This notice was posted on: December 09, 2015 03:26 PM

This notice was last edited on: December 09, 2015 03:26 PM

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Naples: Local Building Authority of Naples City, Utah

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Entity: Naples

Body: [Local Building Authority of Naples City, Utah](#)

Subject: Business

Notice Title: Naples Building Authority

Notice Type: Meeting

Event Start Date & Time: December 10, 2015 9:00 PM

Event End Date & Time: December 10, 2015 9:15 PM

Description/Agenda:

1. Rollcall
2. Approve Minutes of November 12, 2015
3. Approve Payment to B.H.I. for Naples Fire Station Contract - Application No. 5
4. Motion to Adjourn and Reconvene Back into Regular City Council meeting.

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Notice of Electronic or telephone participation:

Not applicable

Other information:

This notice was posted on: December 09, 2015 03:28 PM

This notice was last edited on: December 09, 2015 03:28 PM

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Meeting Location:

1420 East 2850 South
Naples , 84078

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Contact Information:

Nikki Kay
4357899090
nkay@naples.utah.gov

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**Naples City Council
November 12, 2015
Minutes**

The regularly scheduled meeting of the Naples City Council was held November 12, 2015, 7:30 p.m., at the Naples City Office, 1420 East 2850 South, Naples, Uintah County, Utah.

DATE, TIME & PLACE OF MEETING

Council members attending were Dean Baker, Robert Hall, Gordon Kitchen, Dennis Long, Dan Olsen and Kenneth Reynolds.

COUNCIL MEMBERS ATTENDING

Others attending were Austin McGowan, Jim Harper, Owen Smith, John Jones, Jake Aquilar, Tyler McDougal, Isaac Varela, Liberty Best, Dale Peterson, Mark Watkins, Joshua Bake, and Nikki Kay.

OTHERS ATTENDING

At 7:30 p.m. Mayor Dean Baker welcomed everyone and called the meeting to order. Mayor Baker opened the meeting with the pledge of allegiance. Councilman Robert Hall offered the invocation.

OPENING CEREMONY

Mayor Baker presented the agenda for approval. Councilman Reynolds said they could scratch item five because Mr. Howcroft would not be at the meeting. Councilman Kitchen said he had something to discuss under 'Other Matters.' Dennis Long **moved** to approve the agenda. Dan Olsen **seconded** the motion. The motion passed with all voting aye.

AGENDA APPROVED

Mayor Baker presented the minutes of the October 22, 2015-city council meeting for approval. Mayor Baker said he had something from the previous meeting about the fence on 1750 South that need to be clarified. Nikki wondered if they could do that under the next item on the agenda. Dan Olsen **moved** to approve the minutes of October 22, 2015. Kenneth Reynolds **seconded** the motion. The motion passed with all voting aye.

MINUTES APPROVED

Mayor Baker wanted to clear up some confusion regarding the discussion on the fence on 1750 South from the last meeting. Mayor Baker said the County Commissioners wanted to fence off the field of the newly purchased property on the north side so the livestock could be turned

FOLLOW UP ITEMS FROM PREVIOUS MEETING

back in and they were not asking to fence off the road. They said there was some confusion about the stop work order being on the whole project when it was really only on the fence going across the road. Councilman Kitchen voiced his concern about everything for the turn around being done without any plan ever being presented to the City. Councilman Kitchen said they have hauled dirt in and built a turn around all without any prior approval of the City and without the City knowing if any of the soil compaction or dimensions for the turn around are to City standards. Councilman Kitchen said the city will look like the bad guys because the turn around is now done. Councilman Hall said maybe that was the plan. Mayor Baker said he is hearing this for the first time tonight because he thought they were still waiting to build the fence. Councilman Kitchen said the fence is up, the fill dirt is in, and the cold mix is down. He said there is a turn around. Councilman Olsen wanted to know if it was the right size. Joshua Bake said he had a conversation with the County Attorney's today and stated what needed to happen before the turn around was built, he stated the conversation apparently took place after the turn around was put in. Joshua said he would need to have a follow up conversation about why things happened in the order they did.

Joshua said as a follow up to the conversations about the contract with Timberline for the 500 South 2000 East project, he was not able to find a signed contract but he did find emails between Craig Blunt and Timberline that reference the agreement that was approved. Nikki wanted to know if the contract had an amount listed. Joshua said it did not. Nikki also wanted to know if it was for engineering or the project management phase. Joshua said it doesn't say.

Jake Aquilar wanted to know if they were talking about the golf course corner. Mayor Baker said they were. He wanted to know what the discussion was. Mayor Baker said they were talking about trying to find the signed contract with the Engineer of the project.

A member of the audience stated the construction of the project has been very inconvenient. Mayor Baker said it has but it will be about another week and it should be complete.

Nikki Kay presented the bills in the amount of \$38,223.48. Dennis Long **moved** to approve \$38,223.48. Robert Hall

APPROVAL OF THE BILLS

seconded the motion. The motion passed with the following roll call vote:

Robert Hall	Aye
Dan Olsen	Aye
Dennis Long	Aye
Kenneth Reynolds	Aye
Gordon Kitchen	Aye

The discussion of volunteer service projects for the city was removed from the agenda.

***VOLUNTEER SERVICE
PROJECTS FOR THE CITY***

Joshua Bake presented a zoning change for the Otter Creek Subdivision from RA-1 to RA-2. He said this was brought to their attention when a single lot split near Wildwood Subdivision was presented to him. He said the Subdivision consists of five lots with differing square footage. He said the lots are very different in size but because it is a subdivision, anyone wanting to split their lot would have to go through the process of amending a subdivision. Joshua said this area is zoned RA-1 which is residential-agricultural and allows for animals and very large lot sizes. He said the recommendation is to rezone this to an RA-2 because it is more inducive for houses and not as much agricultural. Joshua said an RA-1 and RA-2 are very similar but the major difference is the size of the lots. Josh said they already have one lot in the subdivision that is non-conforming for an RA-1 and it is also non-conforming for an RA-2 but it is closer. Joshua said they held a public hearing to discuss the rezone and three members of the public came to comment on it and all three were in favor of the rezone. Joshua said the Planning Commission unanimously approved to recommend to city council the rezone of Otter Creek Subdivision from RA-1 to RA-2. Joshua said he doesn't currently have an Ordinance for this change but will have it for the next meeting if Council approves this change. Gordon Kitchen stated, if the public was in approval, he would **move** to follow the recommendation of the Planning Commission to rezone Otter Creek Subdivision from RA-1 to RA-2. Kenneth Reynolds **seconded** the motion. The motion passed with all voting in the affirmative. One of the students asked about the RA-1 and RA-2 zones. Mayor Baker explained the different zones in the City and what is allowed in each.

***PLANNING COMMISSION
REQUESTS - OTTER
CREEK SUBDIVISION***

Appointment of alternate Planning Commission member. Joshua stated they have had several Planning Commission members leave which has left them with no alternates. He

said they have a full board, just no alternates. He said the members are spread throughout the city and the new person he would like to recommend lives in Hunter Hollow subdivision. The name he presented to the Council was Mishelle Rowell. Mayor Baker's recommendation was to appoint Ms. Rowell to the Planning Commission with council approval. Robert Hall **moved** to approve the appointment. Dennis Long **seconded** the motion. The motion passed with all voting aye.

Joshua Bake presented the idea of re-branding for the City. Joshua said branding is so much more than a logo and a catch phrase, it is what a community is. Joshua said at a recent training some of the Planning Commission attended they discussed "what are the needs of the community" and "who are we?" Joshua said Casper just went through the re-branding process. He shared some of the reasons for good branding. Joshua wanted to know if the Council would be interested in moving forward with looking into it. Joshua said if they decided to move forward with doing it in-house and not hiring a consultant he does have recent experience with the process. He showed Council members some logos just to give them something to get the ideas going. Councilman Kitchen said he participated in the training Joshua talked about and felt they needed to work on identifying who we are and who do we want to become. He said recognizing that will help in moving forward with this. Gordon said the City is the heart of the energy service of Eastern Utah. Councilman Kitchen said they are on the right track but also thought it could take a while. Councilman Kitchen said they need to look at re-branding. Mayor Baker wondered if they want to do it in-house with the staff? Councilman Reynolds said he felt good with Joshua moving forward with it. Councilman Kitchen said the Planning Commission could be a resource for this also.

CITY RE-BRANDING PROPOSAL

Chief Watkins told the Council they will be retiring two of their K-9's and will be adding two new dogs. Chief Watkins said they have already been working with the new dogs and they are doing very well. He stated the cost for one of the dogs is \$3,000, which he has a grant for \$2,000 and the Police Association will pay the other \$1,000. Chief Watkins said they will be getting the other dog as part of an agreement with Oquirrburg Kennel and the agreement came from Dennis Judd's office. Chief Watkins asked for approval to surplus the two dogs and to allow him to purchase them for \$1.00 each and he will in turn hand them over to their

APPROVE PURCHASE AND SURPLUS OF K-9'S

handlers. He stated that Officer Simper will keep his dog and she will now become a house pet and he was not sure about the dog belonging to Corporal Whatcott. Chief Watkins praised Lieutenant Cox and stated they couldn't do this without an in house trainer, it is too expensive. Dan Olsen **moved** to retire the two K-9's and to proceed with the agreement with Oquirrburg Kennel to procure the one dog. Robert Hall **seconded** the motion. The motion passed with the following vote:

Robert Hall	Aye
Dan Olsen	Aye
Dennis Long	Aye
Kenneth Reynolds	Aye
Gordon Kitchen	Aye

Chief Watkins then gave two dollars for the surplus of the two dogs.

This item was taken care of with the previous motion.

***A P P R O V E K - 9
A G R E E M E N T W I T H
O Q U I R R B E R G K E N N E L***

Chief Watkins requested approval to purchase four new tires for one of the leased vehicles. He said there is quite a bit of wear on the new cars and the cost for a new set of speed rated tires is \$594.16. Dennis Long **moved** to approve the purchase. Kenneth Reynolds **seconded** the motion. The motion passed with the following roll call vote:

***A P P R O V E P U R C H A S E O F
N E W T I R E S***

Robert Hall	Aye
Dan Olsen	Aye
Dennis Long	Aye
Kenneth Reynolds	Aye
Gordon Kitchen	Aye

Chief Watkins asked for approval to attend the midwinter Chief's conference in Sandy. The approval amount was \$380. Dan Olsen **moved** to approve \$380 for the Chief. Robert Hall **seconded** the motion. The motion passed with a roll call vote as follows:

T R A V E L A P P R O V A L

Robert Hall	Aye
Dan Olsen	Aye
Dennis Long	Aye
Kenneth Reynolds	Aye
Gordon Kitchen	Aye

***DISCUSSION REGARDING
THE CERTIFICATE OF
OCCUPANCY BOND***

Joshua Bake said there has been some discussion about the \$500 occupancy bond charged along with the building permit fee. Joshua said Councilman Olsen thought it had been eliminated. Joshua said they will also be discussing the fee schedule next on the agenda. Joshua said the bond will be part of the fee schedule but they will only be reviewing that tonight and not voting on it. Joshua said the occupancy bond fee has also been held to give incentive for the home owners to finish landscaping their front yard. He said if the landscaping has not been completed in the first year then the bond is forfeited to the City.

Dale Peterson said they have had some problems in the past with the bonds because they had some that were years old. Mr. Peterson said the bond has an expiration period of one year so they went back through the old ones and forfeited that money to the City. Mr. Peterson stated one of the problems he sees is with the contractor paying the bond as part of the building permit fee. The contractor might be building for a specific person yet get the building permit in his name and when the certificate of occupancy was issued the homeowner is often not aware of the bond and there is no reason for the contractor to pursue getting the bond back as they have already passed that cost onto the homeowner. Councilman Olsen wanted to know how the bond is tracked. Mr. Peterson stated the bond is collected and noted on the building permit. Councilman Olsen wanted to know if there is a tracking system. Mr. Peterson said the permit is not closed out until the bond is either refunded or forfeited. Mr. Peterson said a couple of times a year he will get a list from Connie and they review those. Councilman Hall said the contractor makes 100% profit on this. Mr. Peterson said they need to work on setting up language that states the homeowner would get the refund of the bond when the landscaping is completed. Mr. Peterson said not all zones require a landscaping bond. Councilman Olsen said in the Ordinance it is called an occupancy bond and doesn't refer to landscaping at all. Mr. Peterson said the consolidated fee schedule does list both the occupancy and the landscaping. Councilman Olsen recommended that in the comment section they specify what the bond is. He said what is posted on the internet is very confusing and he would like to see the internet show something similar to the response Dale gave in why the bond is being charged. He said they need to clarify this and what the bond covers and if the contractor

gets the money back or the homeowner. Councilman Olsen said he doesn't have an issue with the bond he just thinks it needs to be cleaned up.

Dale Peterson submitted changes he would like the Council to consider in the Consolidated Fee Schedule. Mr. Peterson said the fee schedule for the building permits doesn't work properly, there are errors in it. He said if the Council has anything they see in the schedule they would like to change they can incorporate those in, along with the change to the calculations for the building permits. Councilman Olsen referred Mr. Peterson to page three and pointed out the performance bond only shows it is for the certificate of occupancy and nothing about the landscaping. Mr. Peterson said he didn't include it because he wasn't sure they were going to keep the bond. Mr. Peterson said the Fire District fees are according to the schedule of the Fire District. Mr. Peterson included fees for construction of infrastructure when it's completed before approval is given. A member of the public asked about the soil testing they referred to. Mr. Peterson said whenever you deal with soil, concrete or asphalt you need to run tests to determine the makeup of the soil to see how it will hold up under the compaction or construction. Councilman Hall questioned the fee being charged by the Fire District for new construction. Mr. Peterson said they do add that to the cost of the building permit fee. The next section they reviewed was for the road department. He said the road department issues between 40 to 50 road cut permits per year and there has been no charge for those. He said the County charges for those according to the classification of the road. Mr. Peterson said there is nothing in place to protect the new section of road on 500 South 2000 East. Mayor Baker said they have always required a bond for the road cut but wanted to know if this would be a fee on top of the bond. Mr. Peterson said it would. He said it won't give you a better job on the repairs but it might deter people from digging. Mayor Baker and Councilman Kitchen wanted to know how these costs compare to Vernal City because it might be good to have similar fees. Mr. Peterson said he would see what he can find on Vernal City to see if they are going in the right direction. Councilman Hall told Dale he could take out the fines under the Fire Department and just reference the Fire District fee schedule. Mayor Baker encourage Dale to see what he could find on the fees charged by the County and Vernal City. Councilman Olsen said this was a great step forward and asked Mr. Peterson to try and eliminate some of the

***APPROVAL TO AMEND
CONSOLIDATED FEE
SCHEDULE***

confusion. Mr. Peterson said he hated charging for something without having it clearly in black and white.

Nikki Kay finally presented the Resolution for the changes to the budget that were discussed in the public hearing held on October 8, 2015. Dan Olsen **moved** to adopt Resolution 15-283. Robert Hall **seconded** the motion. The motion passed with the following roll call vote:

Robert Hall	Aye
Dan Olsen	Aye
Dennis Long	Aye
Kenneth Reynolds	Aye
Gordon Kitchen	Aye

Dennis Long **moved** to convene into the Local Building Authority of Naples City to authorize payment to B.H.I. for the fire station contract. Kenneth Reynolds **seconded** the motion. The motion passed with all voting aye.

Kenneth Reynolds **moved** to close the meeting of the Local Building Authority and to reconvene back into regular city council meeting. Dennis Long **seconded** the motion. The motion passed with all voting in favor.

Councilman Kitchen reported that Club XS will be providing Thanksgiving dinner for anyone who might be in need and this was something he wanted to talk with Mr. Howcroft about because it was brought up in a previous meeting they might have people interested in doing some service projects. Councilman Kitchen said because Mr. Howcroft was not at the meeting he would get with him later.

Councilman Hall wanted to know if they need to start holding discussions on what to do with the current fire station once the new one is complete. Mayor Baker said his first thought was to tear it down and turn the area into parking but he stated the police department would like to have it for training purposes and for storage of their trailer and equipment. Mayor Baker thought they might want to start those discussions soon, maybe in March or April. Councilman Hall said he just didn't want to come to the point where it was empty and people start to use it without any guidelines.

With no other business before the Council, Dennis Long **moved** to adjourn the City Council meeting at 9:30 p.m.

***APPROVE RESOLUTION
15-283 AMENDING THE FY
2015/2016 BUDGETS***

***CONVENE INTO THE
LOCAL BUILDING
AUTHORITY OF NAPLES
CITY***

***RECONVENE BACK INTO
CITY COUNCIL MEETING***

***OTHER MATTERS OR
FUTURE COUNCIL
MATTERS***

MOTION TO ADJOURN

Robert Hall **seconded** the motion. The meeting was adjourned by all voting in favor of the motion.

APPROVED BY COUNCIL ON THE 10th DAY OF DECEMBER 2015

BY: _____

ATTEST: _____

AGREEMENT BETWEEN UINTAH COUNTY AND NAPLES CITY REGARDING 1750 S.
TURNAROUND AND AIRPORT FENCING PROJECT

COME NOW Uintah County a political subdivision of the State of Utah and Naples City a Utah municipal corporation and agree as follows:

WHEREAS County desires to construct a fence across an existing public road in the city of Naples for purposes of improving security at the Vernal Airport, and;

WHEREAS Naples city ordinances and international fire code require a turnaround, and;

WHEREAS County has begun construction of a turnaround with a 100 foot radius at the end of 1750 South St. in Naples, Utah without full compliance with city ordinances including compaction testing, and;

WHEREAS County desires to complete the fence prior to the onset of winter weather, and completion of compaction testing and surfacing of the turnaround can best be completed in the spring or early summer, and;

WHEREAS County has provided to Naples City an opinion letter from Troy Ostler of Civco C Engineering Inc. regarding the sufficiency of base material installed on the turnaround, which opinion letter is accepted and relied upon by Naples City, and;

WHEREAS the public safety interests of each of the parties hereto can be accomplished through entering into this agreement.

NOW THEREFORE It Is Agreed by Uintah County and by Naples City effective as of November 30, 2015 as follows:

1. Upon execution of this agreement by County, Naples City shall withdraw its stop work order for the construction of a fence across the 1750 South Rd. at the proposed location, being the West border of the airport land where it crosses 1750 S. in Naples City.
2. On or before June 15, 2016, County shall complete and supply to Naples City, compaction testing at two to three locations selected by the engineer hired by the County on this matter, Troy Ostler, at the depths and the methodology prescribed by that engineer, showing compaction that complies with Naples City standards.
3. Upon satisfactory compaction being achieved, the permanent asphalt surface for the 100 foot turnaround shall be installed by the County and completed in accordance with Naples ordinance standards no later than August 15, 2016.
4. County shall be responsible to maintain and promptly repair, to city ordinance standards, any failure or defects identified in the surface or subsurface of the turnaround during the period of one year after completion and acceptance of the asphalt surface. (No bond shall be required,

however otherwise the procedures followed shall be consistent with those typically utilized by City and County in addressing defects in installed improvements)

5. In the event of any default or alleged breach of this agreement the parties shall, prior to any contract enforcement action, each appoint two elected officials of that entity and an attorney representing that entity to meet and mediate and attempt to resolve the issue. This should be completed within forty-five (45) days of notice of an alleged default or breach.

This agreement shall be effective as of the day and date above written immediately upon execution by the representative of the parties hereto.

Uintah County

By:

Naples City

By:

Approved as to form and legality:

Jon Stearmer
Deputy Uintah County Attorney

Dennis L Judd
Naples City Attorney



City of Naples

PEOPLE SERVING PEOPLE

Naples City Building Authority Agenda
December 10, 2015 – 9:00 PM
1420 East 2850 South
Naples, UT 84078

1. Rollcall
2. Approve Minutes of November 12, 2015
3. Approve Payment to B.H.I. for Naples Fire Station Contract – Application No. 5
4. Motion to Adjourn and Reconvene Back into Regular City Council meeting.



Item No. _____

MEMO TO: City Council

Subject: Street light repairs

FROM: Road Department

Recommendation:

Date:

December 7, 2015

Request approval for expenditures for street light troubleshooting and repair.

Fiscal Impact:

\$673.38

Funding Source:

10-68-272

Background:

We had two street lights on hwy 40 out for quite a few months. Using the training we have on streetlight we could not find the problem. We called in a master electrician. The first day we found the fuses were blown at the base of the lights. He showed us how to check the fuses. We ordered new fuses. Second day we found the lights were not bright as the other lights. We called him the second day. That day he showed us how to check the drivers and the led fixtures. We found that the led fixtures were out. We had some used ones we used for this purpose. This saved us \$1,700. This leads us to believe these two street lights were hit by lightning this past summer.

We also called an electrician again on 2500 so . We found that the voltage at the light fixture was not right. Even though he only charged for 1 hr. We spent 3 hrs trouble shooting the fixture. And found out that the photo eye has a circuit board in it that changes voltage.

These charges have saved us buying new fixtures of \$1,700 plus the training has given us the knowledge to safely troubleshoot and repair the street lighting ourselves.

Recommendation:

To approve \$273.38 to trouble shoot and replace fuses on hwy 40. To approve \$320 to troubleshoot and replace panels on hwy 40. To approve \$80.00 to trouble shoot on 2500 so.

Recommended Motion:

"I move the City Council approve expenditures for \$673.38 from 10-68-272.

**Local Building Authority of Naples City
November 12, 2015
Minutes**

A meeting of directors of the Local Building Authority of Naples City a Utah nonprofit corporation was held at the Naples City Office on November 12, 2015, 7:45 p.m., 1420 East 2850 South, Naples, Uintah County, Utah.

DATE, TIME & PLACE OF MEETING

The following were present: Dean Baker, Robert Hall, Gordon Kitchen, Dennis Long, Dan Olsen and Kenneth Reynolds.

MEMBERS ATTENDING

Also present were Jim Harper, Jake Aquilar, Dale Peterson, Mark Watkins, Joshua Bake, and Nikki Kay.

OTHERS ATTENDING

President Dean Baker welcomed everyone and called the meeting to order. He then asked for a roll call.

WELCOME AND ROLL CALL

The minutes of the October 8, 2015 Naples Building Authority meeting were presented to the members for approval. Kenneth Reynolds **moved** to approve the minutes of October 8, 2015. Dennis Long **seconded** the motion. The motion passed with all voting aye.

APPROVE MINUTES

President Dean Baker presented the payment request for B.H.I. for work completed to date on the Naples fire station. The invoice submitted was \$538,631.32. Robert Hall **moved** to approve application No. 4 for B.H.I. Kenneth Reynolds **seconded** the motion. The motion passed with the following roll call vote:

APPROVE PAYMENT TO B.H.I. FOR NAPLES FIRE STATION CONTACT - APPLICATION NO. 2

Gordon Kitchen	Aye
Kenneth Reynolds	Aye
Dennis Long	Aye
Dean Baker	Aye
Dan Olsen	Aye
Robert Hall	Aye

Board member Gordon Kitchen wanted to know if the City addressed the need for a turn around past the fire station. He said if this is something the City requires of others then we need to make sure we are following our own rules. Joshua Bake stated there is a temporary turn around and believes that it might need to be asphalted in order to be in

OTHER MATTERS

compliance with the Ordinance. Mayor Baker said a turn around was part of the discussion regarding the Fire Station but he doesn't remember what was discussed. Board member Kitchen said they just need to be more cognizant of what is being done and make sure it meets our own requirements. He said just because we are a City it doesn't mean we don't have to conform and we need to be aware of what we are doing.

Board member Robert Hall wanted to know where things are with the utility easements and the issues with the property owners to the north. Joshua Bake said they met with Rocky Mtn Power and ran into some problems with the property owners to the north, he said they decided to try and take the power in another direction. He said they will come across the property next to the office and bore across the parking lot. Joshua said they are just waiting for Rocky Mtn Power to see if they can do it.

With no other business before the Board, Kenneth Reynolds **moved** to adjourn and reconvene back into regular City Council meeting. Dennis Long **seconded** the motion. The meeting was adjourned by all voting in favor of the motion.

MOTION TO ADJOURN

APPROVED BY THE BOARD ON THE 10th DAY OF DECEMBER 2015

BY: _____

ATTEST: _____

NOTICE TO NAPLES CITY RESIDENTS

Following is a schedule for the 2016 meetings:

All of the meetings below will be held at the Naples City Office, 1420 East 2850 South, Naples, Uintah County, Utah except as noted below. Any persons having comment or questions about the schedule may call the City Recorder at 789-9090. Meetings will be held as scheduled unless that day is a legally declared holiday or notice is otherwise given.

NAPLES CITY COUNCIL WILL HOLD THEIR REGULARLY SCHEDULED MEETINGS FOR THE YEAR OF 2016 ON THE SECOND AND FOURTH THURSDAY OF EACH MONTH AT 7:30 P.M.

NAPLES REDEVELOPMENT AGENCY WILL HOLD THEIR MEETINGS (AS NEEDED) FOR THE YEAR OF 2016 ON THE SECOND THURSDAY OF EACH MONTH AT 7:15 P.M.

PLANNING & ZONING WILL HOLD THEIR REGULARLY SCHEDULED MEETINGS ON THE THIRD TUESDAY OF EACH MONTH AT 7:30 P.M.

NAPLES FIRE DEPARTMENT WILL HOLD THEIR WEEKLY MEETINGS ON THURSDAY AT 7:00 P.M. AT THE NAPLES FIRE STATION, 1600 EAST 1901 SOUTH.

Nikki W. Kay
Naples City Recorder

PUBLISHED IN THE VERNAL EXPRESS DECEMBER 22, 2015

DRAFT

City of Naples, Utah
Annual Financial Report

June 30, 2015

CITY OF NAPLES, UTAH

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Independent Auditors' Report

Honorable Mayor and City Council
City of Naples, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Naples, Utah as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a

basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Naples, Utah as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13, and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Naples, Utah's basic financial statements.

The combining nonmajor fund financial statements on pages 48 through 49 and the schedule of expenditures of state awards on page 50 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 nonmajor fund financial statements and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December ____, 2015 on our consideration of City of Naples, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 City of Naples, Utah's internal control over financial reporting and compliance.

Pinnacle Accountancy Group, PLLC

Vernal, Utah
December ____, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Naples, Utah

Financial Statement – FY 2014/2015

Completed by: Joshua Bake, J.D. MPA

Our discussion and analysis of the City of Naples financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2015. Please read this in conjunction with the City's Financial Statements.

Purpose of Report

This annual report consists of a series of financial statements, which follow uniform governmental accounting, financial, and auditing standards. The Statement of Net Position and the Statement of Activities on pages 12 and 13 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. These statements tell how the City is financed in the short term as well as what remains for future spending. The Statement of Revenues, Expenditures, and Changes in Fund Balances on page 16, reports the City's operations in more detail by providing information about the City's most significant funding, expenditure, and revenue categories in more detail.

Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statement provides information about activities for which the City acts solely as an agent for the benefit of those outside the government.

Financial Highlights

The City of Naples' major businesses are the gas, oil, and mining industries. This year saw continued strong oil and gas activity, which resulted in sales and use tax revenue at about the same level as the prior year. The City finished a major road construction project that was begun in prior years, a drainage project, and a major addition to street lights.

The City's net position has increased about \$937,000 or 4%. This is primarily due to general sales and use taxes, highway sales taxes being accumulated for construction projects, and the expenditure of grant funds for capital assets.

Capital assets increased about \$285,000 or 2% because amounts expended for capital asset additions exceeded current depreciation expense.

Current and other assets increased about \$413,000 or 4%. This is primarily due to the accumulation of general sales and use taxes.

Long-term liabilities decreased about \$263,000 or 12% due to the scheduled retirement of long-term debt and the early payoff of a police car capital lease.

Other liabilities increased about \$14,000 or 7%.

The City's restricted net position decreased 17% and unrestricted net assets increased 40% over the prior year. Restricted net position decreased primarily because of highway sales and use tax funds and carried over grant funds being expended for road construction projects. Unrestricted net position increased primarily due to the accumulation of general sales and use taxes.

The Governmental Funding resources that increased the capital projects and assets for the City were generated mainly from the sales tax, and grant awards.

Reporting the City as a Whole

The analysis of the City as a Whole begins on page 12 and 13. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities provide an overview of the City as a whole and about its activities in a way that helps answer the above question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between the assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City. The statements indicate that the City is in good financial health and is improving.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State Law or by Bond Covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes such as the capital projects road fund. The City's most significant fund is the General Fund. All of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine what resources are available to be spent in the near future to finance the City's programs.

The City's Combined Net Position (Please refer to Table 1 below)

The City's net position has increased about \$937,000 or 4%. This is primarily due to general sales and use taxes, and the expenditure of grant funds for capital assets.

Capital assets increased about \$285,000 or 2% because amounts expended for capital asset additions exceeded current depreciation expense.

Current and other assets increased about \$413,000 or 4%. This is primarily due to the accumulation of general sales and use taxes.

Long-term liabilities decreased about \$263,000 or 12% due to the scheduled retirement of long-term debt and early retirement of the police car capital lease.

Other liabilities increased about \$14,000 or 7%.

The City's restricted net position decreased 17% and unrestricted net assets increased 40% over the prior year. Restricted net position decreased primarily because accumulated highway sales and use tax funds and carryover grant funds were expended for road construction projects. Unrestricted net position increased primarily due to the accumulation of general sales and use taxes.

Table 1
NET ASSETS

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	<u>% Change</u>
Capital Assets	\$17,342,908	\$17,342,908	\$ 285,611	2%
Current and other assets	9,774,945	9,774,945	413,133	4%
Total Assets	<u>27,117,853</u>	<u>27,117,853</u>	<u>698,744</u>	3%
Long-term liabilities	1,925,554	1,925,554	(263,363)	-12%
Other liabilities	219,898	219,898	13,591	7%
Total liabilities	<u>2,145,452</u>	<u>2,145,452</u>	<u>(249,772)</u>	-10%
Deferred in-flows of resources	<u>119,146</u>	<u>119,146</u>	<u>11,193</u>	10%
Net assets				
Invested in capital assets, net of related debt	15,455,908	15,455,908	540,611	4%
Restricted	4,619,499	4,619,499	(968,027)	-17%
Unrestricted	4,777,848	4,777,848	1,364,739	40%
Total net assets	<u>\$24,853,255</u>	<u>\$24,853,255</u>	<u>\$ 937,323</u>	4%

The City's Changes in Net Position (Please refer to Table 2 below)

The City's total revenues increased about \$21,000 over the prior year's revenues.

Expenses increased about \$38,000 or 1% over the prior year.

Table 2
CHANGES IN NET ASSETS

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	<u>% Change</u>
Program Revenues:				
Charges for services	\$ 245,837	\$ 245,837	\$ (50,562)	-17%
Operating grants and contributions	107,275	107,275	(8,056)	-7%
Capital grants and contributions	624,070	624,070	334,248	115%
General Revenues:				
Property taxes levied for:				
General purposes	137,113	137,113	26,164	24%
Redevelopment	5,542	5,542	(104)	-2%
Sales taxes	3,009,237	3,009,237	(255,919)	-8%
Franchise taxes	248,731	248,731	12,969	6%
Transient rooms tax	11,882	11,882	(2,712)	-19%
Gain (loss) on sale of capital assets	3,131	3,131	3,131	100%
Net increase (decrease) in fair value of investments	6,454	6,454	(35,455)	-85%
Miscellaneous	46,240	46,240	(2,891)	-6%
Total revenues	<u>4,445,512</u>	<u>4,445,512</u>	<u>20,813</u>	<u>0%</u>
Expenses:				
General government	768,138	768,138	50,573	7%
Public Safety				
Police	940,271	940,271	68,731	8%
Fire	101,195	101,195	(10,936)	-10%
Other	25,495	25,495	(18,434)	-42%
Environment and housing			(169,770)	-100%
Highways and public improvements	1,566,962	1,566,962	86,272	6%
Parks, recreation and public property	102,778	102,778	33,581	49%
Interest and fiscal charges on long-term debt	3,350	3,350	(1,692)	-34%
Total expenses	<u>3,508,189</u>	<u>3,508,189</u>	<u>38,325</u>	<u>1%</u>
Change in net assets	937,323	937,323	(17,512)	-2%
Net assets - beginning	<u>23,915,932</u>	<u>23,915,932</u>	<u>954,835</u>	<u>4%</u>
Net assets - ending	<u>\$ 24,853,255</u>	<u>\$ 24,853,255</u>	<u>\$ 937,323</u>	<u>4%</u>

The Statement of Activities shown on page 13 presents the cost of each of the City's largest programs and compares total costs less revenues generated by the activities. The cost shows the financial burden that was placed on the City's taxpayers by each of these functions and the amount generated by property taxes, sales taxes, and franchise taxes levied to pay for these functions. Because costs for the City's largest programs are substantial, the City made application to other governmental programs and organizations to help subsidize funding and allowed us to complete these programs. This year's capital grants and contributions totaled \$624,070, which came mainly from the Utah Permanent Community Impact Board and the Utah Department of Transportation. Streets are and will be high maintenance costs, mainly due to the heavy industrial business equipment traffic and the harsh winter months. The City management must seek outside funds to keep roads in top condition due to the City's limited revenue from sales tax, property tax, and franchise tax.

The City's Funds

As the City completed the year, its governmental funds as presented on the Balance Sheet on page 14, report a combined fund balance of \$9,418,968, which is an increase of \$391,555 compared to the prior year. These numbers confirm a healthy City.

Redevelopment Agencies

The City has two Redevelopment Agencies (RDA), RDA1 and RDA 1500 South. The larger agency, RDA1, was set up in the early 1980's for the purpose of leveling the blight conditions at the economy's bust of the mining industries. Due to the passed bust, the agencies received little income, but plan to provide the necessary infrastructure in the respective jurisdictions to help elevate the blight conditions and encourage a "Down Town" commercial development. The RDA 1 will fund a Retail Outlet to get the Down Town started. RDA 1 has matured and will no longer receive incremental property tax funding. However, funds accumulated previously will be used to complete the planned projects.

General Fund Budgetary Highlights

Over the course of the year, the City Council opened and amended the City budget a few times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect actual beginning balances. The second category includes changes that the Council made during the third quarter to take into account several increases in appropriations to prevent budget overruns. The third category includes the allocation specific grant revenues.

Transfers

Surplus revenues from the prior year in the general fund were transferred to capital projects funds to partially fund construction projects and equipment purchases, and to the debt service fund to provide for debt retirement.

Capital Asset and Debt Administration

Capital Assets (Please Refer to table 3 below)

At the end of FY2015 the City had a net investment of \$16,857,212 in a broad range of capital assets, including police equipment, fire equipment, buildings, park facilities, and roads. This year's major projects represent and include:

- Security systems for the City facilities
- Evidence lockers for the police department
- Equipment for police, and road departments
- Drainage projects

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Land	\$ 606,148	\$ 465,240	\$ 140,908	30%
Streets, sidewalks and bridges	12,881,585	13,748,827	(867,242)	-6%
Equipment	787,189	606,759	180,430	30%
Improvements	1,544,913	1,536,453	8,460	1%
Buildings	907,228	959,068	(51,840)	-5%
Construction in progress	130,149	26,561	103,588	390%
Total	<u>\$16,857,212</u>	<u>\$17,342,908</u>	<u>\$ (485,696)</u>	<u>-3%</u>

Debt Administration

The State limits the amount of debt that cities can carry to 4% of the assessed value of all taxable property within the City's corporate limits. The City has no general obligation debt. However, Ashley Valley Water and Sewer District is a district that carries a considerable amount of general obligation debt for the upgrading of sewer and water within Naples City and Uintah County. This debt is an impact to the Naples City taxpayers. They pay the taxes to pay off these general obligation bonds and this should be considered as part of our tax obligation when we are discussing debt within Naples City.

Table 4
Outstanding Debt at Year-end

	6/30/2015	6/30/2014	Increase (Decrease)	% Change
Road Revenue Bonds Series 2008	\$ 123,000	\$ 166,000	\$ (43,000)	-26%
Road Revenue Bonds Series 2009	424,000	424,000	-	0%
Road Revenue Bonds Series 2010	76,000	92,000	(16,000)	-17%
Sales Tax Revenue Bonds 2010	1,134,000	1,205,000	(71,000)	-6%
Police Car Capital Lease 2014	188,096	-	188,096	N/A
CIB Bond - Fire Station	600,000	-	600,000	N/A
Accrued Leave	40,309	38,554	1,755	5%
Total	\$ 2,585,405	\$ 1,925,554	\$ 659,851	34%

Annual payments for the respective revenue bonds were made as scheduled. The Police Car Capital Lease 2012 was paid off. A new police car capital lease became effective July 1, 2014.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the 2016 budget, tax rates, and fees. One of those factors is the economy. The City's population continues to grow and unemployment rates within the City are lower than both Utah State and national rates.

The mining industry with its supporting services provides the City's employment base and tax revenue base. The mining and government industry have the largest payrolls in the County, which are the City's primary businesses that generate sales tax revenue. Their activity since the drop in 2005 has increased, which increased the sales tax revenue. The local economy has had a gradual healthy increase. The current mining activities indicate an increased need to streamline the environmental permit process to allow the mining industry to work. Current decreases in the prices of oil and natural gas indicate that oil and gas exploration and development efforts may slow over the next several months.

These indicators were taken into account when adopting the General Fund budget for 2016.

The City will need to prioritize its proposed projects and diligently go after grants. If these estimates are realized, the City's budgeted General Fund expenditures are expected to mirror the 2015 budget. More importantly, the City realizes that the mining industry economics fluctuate from year to year. The City's management must keep close contact with local businesses in order to foretell what the mining economics and its impacts will bring from year to year. The City must be conservative in its spending and not build more than can be maintained when the mining industry is at a low.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for money it receives. If you have questions about the report or need additional financial information, contact:

Treasurers Office
1420 East 2850 South
Naples, Utah 84078
Phone: 435-789-9090
Fax: 435-789-9458

CITY OF NAPLES, UTAH
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects Roads	Municipal Building Authority	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash (Note 3.A.)	\$ 5,687,453	\$ 1,628,707		\$ 1,258,080	\$ 8,574,240
Sales taxes receivable	230,804				230,804
Property taxes receivable	82,489			6,000	88,489
Franchise taxes receivable	13,436				13,436
Due from other governments	27,911				27,911
Other accounts receivable	6,343				6,343
Restricted assets					
Restricted cash (Note 3.A.)	113,010		2,987,553	801,315	3,901,878
Special assessments receivable (Note 3.B.)				2,139	2,139
Long-term loans receivable (Note 3.C.)	23,547				23,547
Total Assets	6,184,993	1,628,707	2,987,553	2,067,534	12,868,787
LIABILITIES					
Accounts payable	76,066				76,066
Accounts payable from restricted assets					
Benefits payable	11,992				11,992
Building permit bonds	46,000				46,000
Unearned Grant Revenues		2,093,757			2,093,757
Uncollected special assessments	2,354			2,139	2,139
Uncollected property taxes	5,434				2,354
Uncollected rents					5,434
Total Liabilities	141,846	-	2,093,757	2,139	2,237,742
DEFERRED IN-FLOWS OF RESOURCES					
Property taxes received or receivable for future period	112,467			6,000	118,467
Prepaid rental income	6,388				6,388
Total Deferred In-flows of Resources	118,855	-	6,000	-	124,855
FUND BALANCES					
Fund balance:					
Restricted for:					
Parks	168				168
Rehabilitation loans	97,057				97,057
Debt service			1,091,142		1,091,142
Equipment purchase/replacement			41,628		41,628
Redevelopment			662,920		662,920
Road construction & maintenance	3,938,207				3,938,207
Fire Station Construction			893,796		893,796
Committed for:					
Equipment replacement				43,820	43,820
Parks				219,885	219,885
Roads		1,628,707			1,628,707
Unassigned	1,888,860				1,888,860
Total fund balances	5,924,292	1,628,707	893,796	2,059,395	10,506,190
Total Liabilities, Deferred In-flows of Resources, & Fund Balances	\$ 6,184,993	\$ 1,628,707	\$ 2,987,553	\$ 2,067,534	\$ 12,868,787

The accompanying notes are an integral part of these financial statements.

CITY OF NAPLES, UTAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Capital Projects Roads	Municipal Building Authority	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales and use taxes	\$ 2,734,224				\$ 2,734,224
Franchise and telecommunication taxes	237,718				237,718
Property taxes	117,960		\$ 4,435		122,395
Fee in-lieu of taxes	13,076				13,076
Transient room taxes	8,554				8,554
Licenses and permits	67,707				67,707
Intergovernmental revenue	188,734				188,734
Fees and charges for services	4,307				4,307
Fines and forfeitures	89,273				89,273
Net increase (decrease) in fair value of investments	(1,543)	(497)	14,684	(844)	11,800
Miscellaneous	44,578	6,616	1,116	10,301	62,611
Total Revenues	3,504,588	6,119	15,800	13,892	3,540,399
EXPENDITURES					
Current					
General government	732,130			9,425	741,555
Public safety	906,370				906,370
Police	33,187				33,187
Fire	42,446				42,446
Other	480,497				480,497
Highways and public improvements	1,471				1,471
Parks, recreation and public property					
Capital Outlay	145,649				145,649
General government	456,211				456,211
Public safety					
Police					
Fire					
Other	41,113				41,113
Highways and public improvements	1,900	271,743			273,643
Parks, recreation and public property				241,050	241,050
Debt Service					
Principal				178,141	178,141
Interest					
Total Expenditures	2,840,974	271,743	-	428,616	3,541,333
Excess revenues over (under) expenditures	663,614	(265,624)	15,800	(414,724)	(934)
Other financing sources (uses)					
Operating transfers in					
Operating transfers out	(1,167,890)	560,394	277,996	329,500	1,167,890
Long-term Debt Issuance	488,156		600,000		(1,167,890)
Sale of capital assets					1,088,156
Total Other Financing Sources (Uses)	(679,734)	560,394	877,996	329,500	1,088,156
Excess of revenues and other sources over (under) expenditures and other uses	(16,120)	294,770	893,796	(85,224)	1,087,222
Fund Balance - Beginning of Year	5,940,412	1,333,937	-	2,144,619	9,418,968
Fund Balance - End of Year	\$ 5,924,292	\$ 1,628,707	\$ 893,796	\$ 2,059,395	\$ 10,506,190

The accompanying notes are an integral part of these financial statements.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Naples
Blended Component Units:	Naples Redevelopment Agency Naples 1500 South Redevelopment Agency Special Assessment Improvement District No. 2000-1 Municipal Building Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Codification Sections 2100 and 2600, and includes all component units of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit; or a financial benefit or burden relationship exists.

None of the component units have issued separate financial statements.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.A. FINANCIAL REPORTING ENTITY (continued)

Blended Component Units

Component units that are blended into the reporting activity types of the City's report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Naples Redevelopment Agency	Created January 19, 1983, to accumulate resources and fund redevelopment improvements in its area as provided for in the <i>Utah Neighborhood Development Act</i> . The current City Council serves as the entire governing body.	Special Revenue Fund
Naples 1500 South Redevelopment Agency	Created October 13, 1992, to accumulate resources and fund redevelopment improvements in its area as provided for in the <i>Utah Neighborhood Development Act</i> . The current City Council serves as the entire governing body.	Special Revenue Fund
Special Improvement District No. 2000-1	Created April 26, 2001, to accumulate resources, fund street, curb and sidewalk improvements in its area, and retire special improvement bonds. The current City Council serves as the entire governing body.	Debt Service
Municipal Building Authority	Created in June 2015, to accumulate resources to fund the construction of a new fire station. Subsequent to the fire station being placed in service it will then be used to retire the associated debt. The current City Council serves as the entire governing body.	Capital Projects Fund

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
1.B. BASIS OF PRESENTATION (continued)

activities; however, since the City has no business type activities only governmental activities are shown. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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*.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. (Since the City has no proprietary funds, that category is eliminated.) An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. Since the City has no enterprise funds this 5% rule is not applicable.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
1.B. BASIS OF PRESENTATION (continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Funds

Debt service funds account for the accumulation of financial resources for the payment of interest and principal on the long-term debt of the City. The City has revenue bonds outstanding.

Capital Projects Funds

Capital projects funds are used to accumulate and expend resources for acquisition or construction of capital assets. The City has Four capital projects funds.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund. Agency funds are custodial in nature (i.e., assets equal liabilities); they do not involve the measurement of results of operations. The agency fund is as follows:

Fund	Brief Description
Justice Court Fund	Accounts for fines and forfeitures collected by the Justice Court for other government agencies, and for bail bonds posted by individuals waiting for court dates.

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

Classification	Brief Description
Major:	
General Fund	See above for description
Capital Projects	
Roads	Accumulates resources from government grants and transfers from general fund and constructs improvements to roads, bridges and related structures.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Municipal Building Authority	Accumulates resources to fund the construction of a new fire station. Subsequent to the fire station being placed in service it will then be used to retire the associated debt.
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Classification	Brief Description
Non-major:	
Special Revenue	
Naples Redevelopment Agency	Accumulates resources and funds redevelopment improvements within its area.
Naples 1500 South Redevelopment Agency	Accumulates resources and funds redevelopment improvements within its area.
Debt Service	
Debt Service	Accumulates resources and pays principal and interest on revenue bonds.
Special Assessment Improvement District No. 2000-1	Receives special assessments from property owners and pays principal and interest on special assessment bonds.
Capital Projects	
Assets Acquisition	Accumulates resources from government grants and transfers from general fund and purchases capital assets for the City's use..
Parks	Accumulates resources from government grants, private contributions, and transfers from general fund and constructs capital improvements to the City's parks.

Funds classified as *major* are separately reported in the fund financial statements, whereas funds classified as *nonmajor* are combined and reported in a single column.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the *economic resources* measurement focus as defined in item b. below.

In the fund financial statements, the *current financial resources* measurement focus is used.

- a. All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when *measurable and available*. *Measurable* means knowing or being able to reasonably estimate the amount. *Available* means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for bond principal and interest which are reported when due.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, *cash* includes all demand, and savings accounts of the City.

Investments in the Public Treasurers' Investment Fund (PTIF) are reported at fair value. Changes in the fair value are reported as "net increase (decrease) in fair value of investments." Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. No allowance for uncollectible accounts receivable has been recorded since collection of the accounts is substantially certain. In the fund financial statements receivables not collected within 60 days after year-end are not recorded as revenue, but are deferred. Major receivable balances for the governmental activities include sales taxes, property taxes, franchise taxes, grants and revenue allotments from other governmental entities.

Restricted Assets

Restricted assets include cash restricted by grantors/donors for roads, parks, rehabilitation loans and equipment replacement, by developers for drainage projects, and by bond resolutions for payment of long-term debt. Special assessments receivable are restricted for payment of special assessment bonds. And long-term rehabilitation loans, when collected, may only be used to fund future rehabilitation loans.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. The City considers individual assets (equipment, buildings, other real estate, or improvements to real estate, and infrastructure) with an acquisition cost or estimated value of \$5,000 or greater with a useful life exceeding one year to be capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets (streets, sidewalks and bridges) were not capitalized. Certain of these assets have been valued at estimated historical cost.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- | | |
|----------------------------------|-------------|
| • Buildings | 20-40 years |
| • Improvements | 10-40 years |
| • Machinery and equipment | 5-10 years |
| • Streets, sidewalks and bridges | 10-50 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

The accounting for long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. The long-term debt consists of revenue bonds, capital leases, and accrued compensated absences.

Long-term debts for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

Compensated Absences

The City's policies regarding vacation and compensatory time permit employees to accumulate earned but unused vacation and compensatory leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Inflows of Resources and Deferred Outflows of Resources

The City of Naples, Utah implemented the requirements of GASBS No. 65, *Items Previously Reported as Assets and Liabilities* for the fiscal year ended June 30, 2015. Property taxes received or receivable for future periods and prepaid rental income were reclassified from liabilities to deferred inflows of resources.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
1.D. ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding
- b. balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- c. 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.
- d. Unrestricted net position—All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

The City follows Statement No. 54 of the Governmental Accounting Standards Board – Fund Balance Reporting and Governmental Fund Type Definitions.

Governmental fund equity is classified as fund balance. Fund balance is further classified as *nonspendable, restricted, committed, assigned, or unassigned*.

The 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.

The restricted fund balance classification includes amounts where constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution or ordinance) of the city’s highest level of decision-making authority, the city council. Those committed amounts cannot be used for any other purpose unless the city council removes or changes the specified use by taking the same type of action (resolution or ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.D. ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)

obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

The assigned fund balance classification includes amounts that are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed. The authority to make an assignment may be delegated by the city council to a committee or a city official. Furthermore, the nature of the actions necessary to make, remove or modify an assignment is not as prescriptive as it is with regard to the committed fund balance classification.

The 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. If funds other than the general fund incur a deficit fund balance the negative residual amounts are also classified as unassigned fund balance.

Expenditure of Restricted, Committed, Assigned, and Unassigned Resources

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Similarly, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be used the city first expends committed resources, followed by assigned resources before spending unassigned resources.

Minimum and Maximum Fund Balance Requirements

The *Utah Code* requires that appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. Deficits in any fund are illegal.

Cities may accumulate fund balances in any fund. However, the unrestricted (committed, assigned, or unassigned) portion of the general fund may not exceed 25% of the total estimated revenue of the general fund. Furthermore, only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Taxes

The City levies a one percent sales tax on taxable sales within the City, and a one percent use tax on personal property purchased outside the City limits, but used or consumed within the City. In November 2007 voters approved a .25% highways sales and use tax. The rate was increased to .30% effective April 1, 2010. The highways sales and use tax became effective

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)

April 1, 2008. The taxes are collected by the Utah State Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is due one to three months after vendors collect the tax. Sales and use taxes are reported in the General Fund and are used by the City without restriction, except that the highways sales and use tax may only be used for road construction and maintenance or the payment of debt incurred for road construction. Sales and use taxes collected by the Tax Commission in June and July and received by the City in July and August have been accrued and are included under the caption *sales taxes receivable*.

Franchise Taxes

The City levies a franchise tax on cable television and electric utilities, a telecommunications sales tax on telephone utilities, and a municipal energy sales tax on natural gas utilities within the City. The utility companies remit the taxes directly to the City, except for municipal telecom franchise taxes, which are remitted through the Utah State Tax Commission. Taxes are reported in the General Fund and are used without restriction. Taxes received by the City in July and August for the month of June or prior months are accrued.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable on November 30. Uintah County bills and collects property taxes for all taxing districts within the County. Collections are periodically apportioned to the City with final settlement being made on March 31 of the subsequent year. In the fund financial statements, property taxes are recorded as revenue in the year for which they were levied to the extent they are collected within 60 days after year-end. In the government-wide financial statements additional accrual is made for the delinquent taxes reported by the Uintah County Treasurer that were not received within 60 days after year-end. Property taxes receivable include both property taxes and fees in-lieu of property taxes, which are collected in the same manner as property taxes. In addition to the City's property tax levy for the General Fund, the Naples 1500 South Redevelopment Agency receives property taxes based on the incremental value of assessed properties within the agency. The General Fund property taxes may be used without restriction. The redevelopment agency's property taxes are restricted to use within the redevelopment agency.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds expenditures are classified by character: current (further classified by function), debt service, and capital outlay. Governmental funds report expenditures of financial resources.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as Interfund transfers. For purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By:
Naples Redevelopment Agency	State Law
Naples 1500 South Redevelopment Agency	State Law
Special Improvement District No. 2000-1	State Law
Debt Service Fund	Bond Resolution
Capital Projects: Assets Acquisition	Grant Agreement
Municipal Building Authority	Bond Resolution

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

Deposits and investments for the local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council").

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from federal, state, and local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
"C" Road Allotment	Highways and Streets
State Liquor Tax	Liquor Law Enforcement
Rehabilitation Loan Payments	Rehabilitation Loans
Property Taxes	Redevelopment Projects
Highways sales and use taxes	Road construction /maintenance

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)
2.C. REVENUE RESTRICTIONS (continued)

Grants from State and federal agencies As specified within the respective grant documents

For the year ended June 30, 2015, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

The *Constitution of Utah, Article XIV* limits the amount of general obligation debt the City may issue to four percent of the fair market value of taxable property in its jurisdiction, plus up to an additional eight percent for the purpose of supplying the City with water, sewer or electricity when such public works are owned and controlled by the municipality, and requires the proposition to create general obligation debt be submitted to a vote of qualified electors. The city currently has no general obligation debt.

The *Constitution* allows the City to issue revenue bonds and special assessment bonds. The City has issued the following bonds. Each of the bond issues has certain sinking fund requirements as explained below.

Road Revenue Bond Series 2008

The City issued B and C Road Revenue Bonds Series 2008 on September 16, 2008 for the purpose of partially funding improvements to city streets. The bonds are payable from the City's "C" Road Allotment which is received quarterly from the State of Utah. The bonds mature in ten (10) annual payments beginning April 1, 2009 with no interest.

The bond resolution for the B and C Road Revenue Bonds Series 2008 requires quarterly deposits of 1/4 the annual bond payment into a sinking fund. Deposits are due January 10, April 10, July 10, and October 10 to service the bond payment due on April 1.

The bond resolution also requires quarterly deposits of \$1,792 into a reserve fund until a balance of \$43,000 is accumulated and maintained until the final bond payment. Deposits are due January 10, April 10, July 10, and October 10.

As of June 30, 2015 the City had deposited funds totaling \$43,000 into the sinking fund and \$43,000 into the reserve fund. These deposits equal or exceeded the required amounts.

The City also covenanted that every officer, agent, or employee having custody or control of any of the revenues or of the proceeds of the Series 2008 Bonds shall be bonded by a responsible corporate surety in an amount not less than \$86,000. The City has complied with this requirement.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)
2.D. DEBT RESTRICTIONS AND COVENANTS (continued)

Road Revenue Bond Series 2009

The City issued Sales Tax Revenue Bonds Series 2009 on February 24, 2009 for the purpose of partially funding improvements to city streets. The bonds are payable from sales taxes received by the City. The bonds mature in ten (10) annual payments beginning April 1, 2019 with no interest.

The bond resolution for the Sales Tax Revenue Bonds Series 2009 requires quarterly deposits of 1/4 the annual bond payment into a sinking fund beginning August 10, 2018. Deposits are due January 10, April 10, July 10, and October 10 to service the bond payment due on April 1.

The bond resolution also requires quarterly deposits of \$1,792 beginning September 10, 2018 into a reserve fund until a balance of \$43,000 is accumulated and maintained until the final bond payment. Deposits are due January 10, April 10, July 10, and October 10.

As of June 30, 2015 the City had deposited funds totaling \$43,000 each into the sinking fund and reserve fund. These deposits equal or exceeded the required amounts.

The City also covenanted that every officer, agent, or employee having custody or control of any of the revenues or of the proceeds of the Series 2009 Bonds shall be bonded by a responsible corporate surety in an amount not less than \$86,000. The City has complied with this requirement.

Excise Tax Road Revenue Bonds 2010

The City issued Taxable Excise Tax Road Revenue Bonds Series 2010 on March 11, 2010 for the purpose of partially funding the purchase of road department equipment. The bonds are payable from the City's "C" Road Allotment which is received quarterly from the State of Utah. The bonds mature in ten (10) annual payments beginning October 1, 2010 with no interest.

The bond resolution for Taxable Excise Tax Road Revenue Bonds Series 2010 requires quarterly deposits of 1/4 the annual bond payment into a sinking fund beginning January 10, 2010. Deposits are due January 10, April 10, July 10, and October 10 to service the bond payment due on October 1.

The bond resolution also requires quarterly deposits of \$666 beginning January 1, 2010 into a reserve fund until a balance of \$16,000 is accumulated and maintained until the final bond payment. Deposits are due January 10, April 10, July 10, and October 10.

As of June 30, 2015 the City had deposited funds totaling \$16,000 each into the sinking fund and the reserve fund. These deposits equal or exceeded the required amounts.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)
2.D. DEBT RESTRICTIONS AND COVENANTS (continued)

The City covenanted that the average annual installments of principal on the Series 2010 Bonds and all bonds on parity therewith will not exceed 80% of the total amount of the revenues received by the City during the Sinking Fund Year immediately preceding the Sinking Fund Year in which the Resolution was adopted. The City complied with this requirement.

The City also covenanted that every officer, agent, or employee having custody or control of any of the revenues or of the proceeds of the Series 2010 Bonds shall be bonded by a responsible corporate surety in an amount not less than \$32,000. The City has complied with this requirement.

Taxable Transportation Sales Tax Revenue Bonds Series 2010

The City issued Taxable Transportation Sales Tax Revenue Bonds Series 2010 on November 2, 2010 for the purpose of partially funding the construction of road improvements. The bonds are payable from the City's Highway Sales and Use Tax. The bonds mature in ten (20) annual payments beginning January 1, 2012 with no interest.

The bond resolution for the Taxable Transportation Sales Tax Revenue Bonds Series 2010 requires monthly deposits of 1/12 the annual bond payment into a sinking fund beginning

January 10, 2011. Deposits are due on or before the tenth day of each month to service the bond payment due on January 1.

The bond resolution also requires monthly deposits of \$986 beginning January 10, 2011 into a reserve fund until a balance of \$71,000 is accumulated and maintained until the final bond payment. Deposits are due on or before the tenth day of each month.

As of June 30, 2015 the City had deposited funds totaling \$71,000 each into the sinking fund and the reserve fund. These deposits equal or exceeded the required amounts.

The City covenanted that the average annual installments of principal on the Taxable Transportation Sales Tax Revenue Bonds Series 2010 and all bonds on parity therewith will not exceed 80% of the total amount of the revenues received by the City during the Sinking Fund Year immediately preceding the Sinking Fund Year in which the Resolution was adopted. The City complied with this requirement.

The City also covenanted that every officer, agent, or employee having custody or control of any of the revenues or of the proceeds of the Series 2010 Bonds shall be bonded by a responsible corporate surety in an amount not less than \$142,000. The City has complied with this requirement.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)
2.E. PURCHASING REQUIREMENTS

The Utah Uniform Fiscal Procedures Act for Cities requires cities to adopt an ordinance or resolution governing purchasing procedures, and requires that purchases be made in accordance with the established purchasing procedures. The City has adopted the required ordinance and follows those procedures.

2.F. BUDGETARY PROCEDURES AND COMPLIANCE

The *Utah Code, Section 10-6* requires that all City expenditures be made only from amounts appropriated in a legally adopted budget. The budgetary compliance level in the general fund is each department. The budgetary compliance level in all other City funds is the fund total. An annual budget is to be adopted for each governmental fund and may be amended as follows:

- Prior to May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The proposed budget is reviewed, revised and tentatively adopted by the City Council prior to public hearing.
- A public hearing is conducted to obtain taxpayer comments after which the final budget is adopted.
- The City Council is authorized to transfer budgeted amounts between departments within the general fund by resolution; however, the budget of any governmental fund may only be increased after the proper public hearing.

For the fiscal year ended June 30, 2015 expenditures in all departments of the general fund and in the other funds were within budget allotments; except for transfers from the general fund to other funds, which exceeded the budget by \$128,956 and expenditures in the debt service fund exceeded budget appropriations by \$60,128.

2.G. TRUTH IN TAXATION AND PROPERTY TAX LIMITATIONS

The *Utah Code 59-2-912* requires the City Council to adopt, on or before June 22 of each year, a proposed property tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate for the City. The City reports the rate and levy to the county auditor.

If the City Council proposes a tax rate exceeding the certified tax rate, the following requirements specified by *Utah Code 59-2-919 and 920* must be met:

- The City must notify the county that it will hold a tax increase hearing on the date previously set. The county must include the information on the proposed increase

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)
2.G. TRUTH IN TAXATION AND PROPERTY TAX LIMITATIONS (continued)

and the date and time of the hearing in its *Notice of Valuation and Tax Changes*. This notice must be mailed at least ten days prior to the hearing date

- The City must advertise its intent to exceed the certified tax rate in a newspaper of general circulation in the county. The advertisement must appear once each week for the two weeks preceding the hearing. The date of the advertisement must be at least 7 days prior to the hearing.
- The advertisement must be at least a quarter page in size and must not be placed in the portion of the newspaper where legal notices and classified advertising appear. The type used shall not be less than 18, and shall be surrounded by a ¼ inch border.
- A public hearing must be held at the date and time advertised.
- The City Council must adopt an ordinance or resolution setting the tax rate and certify that rate to the county auditor.

The City Council adopted the certified rate for tax year 2015, and complied in all other respects with law.

2.H. FUND BALANCES

Deficit Fund Balances

Utah Code 10-6-117(1) states that appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal.

As of June 30, 2015 all the City's funds had positive fund balances.

Limits on Fund Balances

Utah cities may accumulate fund balances in any fund. However, *Utah Code 10-6-116* provided minimum and maximum fund balance limitations for the general fund. Only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 25% of the total estimated revenue of the general fund.

As of June 30, 2015 the unrestricted general fund balance exceeded the allowable amount by \$2,025,651.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

2. I. JUSTICE COURT COMPLIANCE

Utah Code Section 78-5-135 requires the City's Justice Court to deposit funds it collects within three business days after receipt into an account controlled by the City Treasurer. Amounts collected are to be reported and distributed to the State and other governmental entities, including the City, by the 10th of the following month.

Utah Code Section 63-63a-1 requires the Justice Court to impose a surcharge on all criminal fines, penalties and forfeitures, and specifies the rate of the surcharge depending on the type of offence committed. The Justice Court is required to remit the surcharges collected together with the State's portion specified fines and penalties to the State. Other *Utah Code* sections specify amounts to be collected and how they are to be divided between the State, the City, and other governmental entities.

During the fiscal year ended June 30, 2015 the City complied in all material respects with the requirements governing its Justice Court.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the City's basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3. A. DEPOSITS AND INVESTMENTS

The City's policies and applicable laws regarding deposits of cash and investments are discussed in Notes 1.D. and 2.B.

- **Custodial Credit Risk**

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2015, the City's bank balances totaled \$319,299, of which \$16,366 was uninsured.

- **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)
3. A. DEPOSITS AND INVESTMENTS (continued)

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. At year-end account balances are adjusted for any unrealized increase or (decrease) in fair value.

At June 30, 2015, the local government had investments of \$9,994,806 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

- **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the fund to be invested.

Reconciliation to Government-wide Statement of Net Assets

Demand Deposits	\$ 291,579
Cash on hand	1,710
Investments in external investment pool	<u>12,188,561</u>
Total cash and investments	<u>\$ 12,481,850</u>
Cash and investments	\$ 8,574,240
Restricted cash	3,901,878
Agency fund cash (not included in government-wide statement)	<u>5,732</u>
Total	<u>\$ 12,481,850</u>

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

3. A. DEPOSITS AND INVESTMENTS (continued)

Restricted Cash

Certain funds have been placed in separate cash or investment accounts for the following restricted purposes:

Restricted for:

General Fund		
Building permit bonds	\$	39,500
Rehabilitation loans		3,510
Capital Projects		
Municipal Building Authority		2,987,553
Other Governmental Funds		
Fire equipment		41,628
Debt service		759,687
Total Restricted Cash		<u>\$ 3,831,878</u>

3.B. SPECIAL ASSESSMENTS RECEIVABLE

The Special Assessment Improvement District No. 2000-1 issued Naples City, Utah Special Assessment Bonds, Series 2002 during the fiscal year ended June 30, 2003. The bonds were to be paid from the proceeds of special assessments to property owners within the special improvement district. The City retired the bonds during the year ended June 30, 2010. Balances due from property owners at June 30, 2015 were \$2,139.

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Governmental activities:				
Land	\$ 465,240	\$ 140,908		\$ 606,148
Streets, sidewalks and bridges	21,312,620	165,867		21,478,487
Equipment	2,290,532	371,276		2,661,808
Improvements	2,187,934	108,593		2,296,527
Buildings	1,412,751	-		1,412,751
Construction in progress	26,561	103,588		130,149
Total	<u>\$27,695,638</u>	<u>\$ 890,232</u>	<u>\$ -</u>	<u>\$28,585,870</u>

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Less accumulated depreciation:

Streets, sidewalks and bridges	(7,563,793)	(1,033,109)	(8,596,902)
Equipment	(1,683,773)	(190,846)	(1,874,619)
Improvements	(651,481)	(100,133)	(751,614)
Buildings	<u>(453,683)</u>	<u>(51,840)</u>	<u>(505,523)</u>
Total	<u>(10,352,730)</u>	<u>(1,375,928)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$17,342,908</u>	<u>\$(485,696)</u>	<u>\$ -</u>

Depreciation Expense:

General government	\$ 33,003
Public safety	
Police	71,103
Fire	34,413
Highways and public improvements	1,171,938
Parks, recreation and public property	<u>65,471</u>
Total depreciation	<u>\$ 1,375,928</u>

On July 1, 2014, the Company acquired seven police vehicles under a capitalized lease. The total capitalized cost of the vehicles was \$248,542, and amortization of \$48,710 was included in police function depreciation expense during the year ended June 30, 2015. In February 2015, the City acquired real estate for \$140,809 (included in Land above), on which to build a new fire station.

Construction in progress includes \$130,149 in planning, engineering, and surveying fees incurred to build the fire station.

3.D. LONG-TERM LOANS RECEIVABLE

The City received federal grant funding for its Rehabilitation Loan Program. The City used the grant to fund loans for qualified low-income residents to renovate their homes. The loans are payable monthly at no or varying low rates of interest. The City makes additional loans to other qualified residents as funds become available from repayments on previous loans. At June 30, 2015, loans receivable totaled \$23,547. Funds available for future loans at June 30, 2015 totaled \$73,509. The total of loans receivable and program cash on hand, \$97,057, is reported in the statement of net assets as restricted for rehabilitation loans.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)
3.E. LONG-TERM DEBT

The City's long-term debt is described in Note 2.D. The following is a summary of the changes in long-term debt:

	Balance 6/30/2014	Borrowed	Retired	Balance 6/30/2015	Due Within One Year	Due in More Than One Year
Road Bonds 2008 B&C	\$ 166,000		\$ 43,000	\$ 123,000	\$ 43,000	\$ 80,000
Road Bonds 2009 Sales Tax	424,000			424,000		424,000
Road Bonds 2010 B&C Road Bonds 2010 Sales Tax	92,000 1,205,000		16,000 71,000	76,000 1,134,000	16,000 71,000	60,000 1,063,000
Police Car Capital Lease 2014	-	251,262	63,166	188,096	59,404	128,692
CIB Bond – Fire Station	-	600,000	-	600,000	-	600,000
Accrued Leave	38,554	1,755	-	40,309	40,309	-
Total	<u>\$ 1,925,554</u>	<u>\$853,017</u>	<u>\$ 193,166</u>	<u>\$ 2,585,405</u>	<u>\$ 229,713</u>	<u>\$ 2,355,692</u>

The general fund liquidates accrued leave when it is used by employees and makes payments to terminated employees. The City's debt service fund pays the Road and CIB Bonds and the capital lease as they become due.

The combined aggregate amount of debt service requirements (principal and interest) by year is as follows:

Due Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2016	\$ 189,404	\$ 3,762	\$ 193,166
2017	188,051	11,574	199,625
2018	182,891	10,493	193,384
2019	189,749	9,400	199,149
2020	143,000	8,280	151,280
2021 - 2025	657,000	37,560	694,560
2026 - 2030	572,000	30,810	602,810
2031 - 2035	171,000	23,535	194,535
2036 - 2040	110,000	15,660	125,660
2041 - 2045	118,000	7,155	125,155
2046	24,000	360	24,360
Total	<u>\$ 2,545,095</u>	<u>\$ 158,589</u>	<u>\$ 2,703,684</u>

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

3. F. INTERFUND TRANSFERS

The City transferred \$308,934 from the General fund to the Debt Service fund. The City transferred funds from the General Fund to partially fund capital expenditures in the Capital Projects Assets Acquisition Fund \$20,566, in the Municipal Building Authority Fund \$277,996, and in the Capital Projects Roads Fund \$560,394.

4. PENSION PLANS

Plan Description. The City of Naples, Utah contributes to the Local Governmental Contributory Retirement System (Contributory System) and the Public Safety Retirement System. The systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. For the year ended June 30, 2015, plan members in the Local Governmental Contributory Retirement System Tier 1 and Tier 2 were required to contribute 6.00% and 0%, respectively, of their annual covered salary (all or part may be paid by the employer for the employee) and Naples City was required to contribute 14.46% and 8.33%, respectively, of annual covered salaries. In the Public Safety Division A Contributory Tier 2 System Naples City was required to contribute 22.55% of covered salaries. In the Public Safety Division A Noncontributory Tier 1 System Naples City was required to contribute 34.04% of covered salaries. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. Naples City paid all employee contributions for its employees.

Naples City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2015, 2014, and 2013, were \$86,160, \$92,197, and \$81,351 respectively. For the Public Safety Division A Noncontributory Tier 1 Retirement System the contributions for the years ending June 30, 2015, 2014, and 2013, were \$96,415, \$96,119, and \$84,959, respectively. For the Public Safety Division A Contributory Tier 2 Retirement System the contributions for the years ending June 30, 2015, 2014, and 2013, were \$5,593, \$4,090, and \$0. The contributions were equal to the required contributions for each year.

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

4. PENSION PLANS (continued)

Defined Contribution System 401(k) Plan

Naples City also contributed \$1,577, \$16,156, and \$16,730 to the State Retirement System's 401(k) defined contribution plan for the benefit of employees for the years ended June 30, 2015, 2014, and 2013 respectively. Employee contributions for the respective years were \$43,216, \$53,422, and \$55,048. Employee contributions are voluntary salary deferrals. The City's contribution rate is determined by the City Council.

5. RISK MANAGEMENT

The City of Naples, Utah is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased through the Utah Local Governments Trust. Settled claims from these risks have not exceeded commercial insurance coverage.

6. REDEVELOPMENT AGENCIES - REQUIRED DISCLOSURES

Utah State Code Section 17A-2-1217(3) requires disclosure of certain information regarding each of the City's redevelopment agencies. The City of Naples, Utah has two redevelopment agencies. The required disclosures for the year ended June 30, 2015 for each agency are as follows:

Naples Redevelopment Agency

- The tax increment collected by the agency \$0
- The amount of tax increment paid to any taxing agency pursuant to Section 17a-2-1258 \$ 0
- The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the project areas \$ 0
- The actual amount expended for:
 - (i) acquisition of property \$ 0
 - (ii) site improvements or preparation costs \$ 0
 - (iii) installation of public utilities or other public improvements \$ 0
 - (iv) administrative costs of the agency \$ 9,425

Naples 1500 South Redevelopment Agency

- The tax increment collected by the agency \$4,435
- The amount of tax increment paid to any taxing agency pursuant to Section 17a-2-1258 \$ 0
- The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the

CITY OF NAPLES, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)
6. REDEVELOPMENT AGENCIES - REQUIRED DISCLOSURES (continued)

project areas	\$ 0
• The actual amount expended for:	
(i) acquisition of property	\$ 0
(ii) site improvements or preparation costs	\$ 0
(iii) installation of public utilities or other public improvements	\$ 0
(iv) administrative costs of the agency	\$ 0

7. INSURANCE POLICIES

The bond resolutions for the various Road Revenue Bonds Series 2008, 2009 and 2010 require the annual disclosure of insurance policies in force at the end of the Sinking Fund Year. The following list provides the required information.

Policy Number	Insurer	Risk Covered	Policy Amount	Expiration Date
12670-GL2013	Utah Local Governments Trust	Comprehensive General Liability (including Public Officials Errors & Omissions)	\$ 2,000,000	10/5/2014
12670-GL2013	Utah Local Governments Trust	Auto Liability	\$ 2,000,000	10/5/2014
12670-WC2013	Utah Local Governments Trust	Workers Compensation	\$100,000 \$500,000 \$100,000	1/1/2015
ULGT-APDP-2010	Utah Local Governments Trust	Property Damage	\$ 3,386,136	10/5/2014
ULGT-APDP-2010	Utah Local Governments Trust	Auto PD Coverage	19 Vehicles	10/5/2014
22190999	CNA Surety	Position Schedule Bond - Treasurer/Recorder	Treasurer \$211,000 Recorder \$19,000	4/1/2014
71461638	CNA Surety	Position Schedule Bond - Treasurer/Recorder	\$ 234,000	10/24/2015
71505583	CNA Surety	Position Schedule Bond - Treasurer/Recorder	\$ 284,000	3/23/2015
22191000	CNA Surety	Fidelity Blanket Bond	\$5,000 / \$14,000	4/1/2015
5011300-836858	First American Title	<hr/>	\$600,000	<hr/>

CITY OF NAPLES, UTAH
 Budgetary Comparison Schedule - General Fund
 For the year ended June 30, 2015
 Budgeted Amounts

	Original	Final	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:				
Sales and use taxes	\$ 3,055,533	\$ 3,055,533	\$ 2,734,224	\$ (321,309)
Franchise and telecommunications taxes	235,560	235,560	237,718	2,158
Property taxes	109,426	109,426	117,960	8,534
Fee in-lieu of taxes	10,000	10,000	13,076	3,076
Transient room tax	14,500	14,500	8,554	(5,946)
Licenses and permits	82,943	82,943	67,707	(15,236)
Intergovernmental revenue	119,750	198,888	188,734	(10,154)
Fees and charges for services	3,350	3,350	4,307	957
Fines and forfeitures	68,000	84,126	89,273	5,147
Miscellaneous	104,300	281,194	43,035	(238,159)
Total revenues	<u>3,803,362</u>	<u>4,075,520</u>	<u>3,504,588</u>	<u>(570,932)</u>
Expenditures:				
General government				
Legislative	58,929	60,529	60,164	365
Justice Court	91,815	92,815	75,740	17,075
City Administrator	170,013	228,451	165,120	63,331
Treasurer	58,616	58,616	55,008	3,608
Recorder	91,390	91,390	88,120	3,270
Elections	100	100	-	100
City Attorney	88,137	112,137	110,014	2,123
Independent Auditor	25,540	25,540	24,909	631
Liability Insurance	39,590	39,590	36,972	2,618
General Government Buildings	318,148	318,148	206,297	111,851
Supplies/Equipment	25,600	28,600	17,524	11,076
Planning and Zoning	134,682	76,244	25,714	50,530
Boards and Commissions	200	200	100	100
Education and Promotion	22,592	22,592	12,097	10,495
Public safety				
Police Department	994,540	1,191,612	1,338,499	(146,887)
Central Dispatch	23,682	24,082	24,082	-
Fire Protection	60,000	60,000	33,187	26,813
Building Inspector	53,386	54,286	42,446	11,840
Emergency Preparedness	38,800	45,300	41,113	4,187
Highways and public improvements				
Highways	578,482	582,358	441,795	140,563
Street Lights	242,000	111,918	40,602	71,316
Parks, recreation and public property				
Parks	9,700	7,300	1,471	5,829
Total expenditures	<u>3,125,942</u>	<u>3,231,808</u>	<u>2,840,974</u>	<u>390,834</u>
Excess of revenues over (under) expenditures	677,420	843,712	663,614	(180,098)
Other financing sources (uses):				
Transfers to other funds	(771,394)	(1,246,028)	(1,167,890)	78,138
Sale of capital assets	1,000	1,000	-	(1,000)
Long-term debt issuance			488,156	488,156
Total other financing sources (uses)	<u>(770,394)</u>	<u>(1,245,028)</u>	<u>(679,734)</u>	<u>565,294</u>
Excess of revenues and other sources over (under) expenditures and other uses	(92,974)	(401,316)	(16,120)	385,196
Fund Balance - Beginning	5,940,412	5,940,412	5,940,412	-
Fund Balance - Ending	<u>\$ 5,847,438</u>	<u>\$ 5,539,096</u>	<u>\$ 5,924,292</u>	<u>\$ 385,196</u>

CITY OF NAPLES, UTAH
 COMBINING BALANCE SHEET -- OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Naples Redevelopment Agency	Debt Service	Naples 1500 South Redevelopment Agency	Capital Projects Parks	Capital Projects Assets Acquisition	Special Assessment Improvement District No. 2000-1	Total Other Governmental Funds
ASSETS							
Cash (Note 4)	\$ 615,496	\$ 331,455	\$ 47,424	\$ 219,885	\$ 43,820	\$ -	\$ 1,258,080
Property taxes receivable			6,000				6,000
Restricted cash (Note 4)		759,687			41,628		801,315
Special assessments receivable (Note 3.B.)						\$ 2,139	2,139
Total Assets	615,496	1,091,142	53,424	219,885	85,448	2,139	2,067,534
LIABILITIES							
Uncollected special assessments						2,139	2,139
Total Liabilities	-	-	-	-	-	2,139	2,139
DEFERRED IN-FLOWS OF RESOURCES							
Property taxes receivable for future period (Note 1.D.)			6,000				6,000
Total Deferred In-flows of Resources	-	-	6,000	-	-	-	6,000
FUND BALANCES							
Fund balance:							
Restricted for:		1,091,142					1,091,142
Debt Service							41,628
Equipment replacement			47,424				662,920
Redevelopment	615,496						-
Committed for:							
Equipment replacement				219,885	43,820		43,820
Parks							219,885
Total fund balances	615,496	1,091,142	47,424	219,885	85,448	-	2,059,395
Total Liabilities, Deferred In-flows of Resources, & Fund Balances	\$ 615,496	\$ 1,091,142	\$ 53,424	\$ 219,885	\$ 85,448	\$ 2,139	\$ 2,067,534

The accompanying notes are an integral part of this financial statement.

CITY OF NAPLES, UTAH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Naples Redevelopment Agency	Debt Service	Naples 1500 South Redevelopment Agency	Capital Projects Parks	Capital Projects Assets Acquisition	Special Assessment Improvement District No. 2000-1	Total Other Governmental Funds
REVENUES							
Property taxes	\$		4,435			\$	4,435
Net increase (decrease) in fair value of investments	(362)	(430)		(66)	14		(844)
Miscellaneous	3,458	4,239	207	1,244	1,153		10,301
Total Revenues	3,096	3,809	4,642	1,178	1,167	-	13,892
EXPENDITURES							
Current							
General Government	9,425						9,425
Capital Outlay							
Public Safety							
Police							
Fire							
Parks, Recreation and Public Property				93,011	148,039		148,039
Principal							93,011
Interest		178,141					178,141
Total Expenditures	9,425	178,141	-	93,011	148,039	-	428,616
Excess revenues over (under) expenditures	(6,329)	(174,332)	4,642	(91,833)	(146,872)		(414,724)
Other financing sources (uses)							
Operating transfers in		308,934			20,566		329,500
Operating transfers out							
Total Other Financing Sources (Uses)	-	308,934	-	-	20,566	-	329,500
Excess of revenues & other sources over (under) expenditures & other uses	(6,329)	134,602	4,642	(91,833)	(126,306)		(85,224)
Fund Balance - Beginning of Year	621,825	956,540	42,782	311,718	211,754	-	2,144,619
Fund Balance - End of Year	\$ 615,496	\$ 1,091,142	\$ 47,424	\$ 219,885	\$ 85,448	\$ -	\$ 2,059,395

The accompanying notes are an integral part of this financial statement.

**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
City of Naples, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Naples, Utah as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December ____, 2015.

Internal Control over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses. See finding 2015-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Naples, Utah's financial statements are free of 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*. However, we noted certain other matters that we reported to management in the accompanying schedule of findings and responses as items 2015-2 through 2015-3.

City of Naples, Utah's Response to Findings

The City of Naples, Utah's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Naples, Utah's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

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

Pinnacle Accountancy Group, PLLC

Vernal, Utah
December ____, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Mayor and City Council
The City of Naples, Utah

REPORT ON COMPLIANCE

We have audited the City of Naples Utah's compliance with the applicable general and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City of Naples, Utah or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Tax Levy Revenue Recognition
- Restricted Taxes
- Open and Public Meetings Act
- Impact Fees
- Government Records Access Management Act (GRAMA)
- B&C Road Funds

The City received state funding from the following programs classified as major programs for the year ended June 30, 2015.

- Community Impact Grants (Department of Workforce Services)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance

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

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

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion the City of Naples, Utah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City of Naples, Utah or on each of its major State assistance programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings and responses as items 2014-2 and 2014-3.

The Company's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and responses. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a major state program compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with major state program compliance requirements 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 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 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 communication is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Naples, Utah as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December ____, 2015, 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 state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide*, 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 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 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 state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Pinnacle Accountancy Group, PLLC

Vernal, Utah
December ____, 2015