

**PAYSON CITY CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2015

**PAYSON CITY CORPORATION**  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Payson City  
Payson, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Payson City, 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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

### Emphasis of Matter

As discussed in Note 11 to the financial statements, in 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, rating of City's roads, and the required supplementary information regarding pensions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 Payson City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015 on our consideration of Payson City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Payson City's internal control over financial reporting and compliance.

***Gilbert & Stewart***

GILBERT & STEWART, CPA, PC  
Certified Public Accountants  
Provo, UT 84601  
December 30, 2015

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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As management of Payson City, we offer readers of the Payson City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. The narrative is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues including identifying changes in the City's financial position (its ability to address the next and subsequent years' challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter and the City's financial statements.

#### FINANCIAL HIGHLIGHTS

- The total net position of Payson City decreased in 2015 by \$1,878,389 from \$66,341,385 to \$64,462,996. The decrease was attributed to the \$2,689,067 prior period adjustment made in accordance with the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" which the City adopted effective July 1, 2014. Of that decrease, the governmental net position decreased by \$3,494,446 and the business-type net position increased by \$1,616,057.
- The total net position of \$64,462,996 is made up of \$52,880,843 in net investment in capital assets and \$5,484,907 in unrestricted and \$6,097,246 restricted net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$497,293.
- Total long-term liabilities of the City went down from \$26,484,052 to \$26,197,661 which includes all debt owing (bonds, leases, compensated absences, water share liability, bond premiums and Landfill post-closure liability), as of June 30, 2015.
- In accordance with GASB Statement No. 68, the City reported net pension obligation totaling \$2,504,701 as of June 30, 2015.

#### REPORTING THE CITY AS A WHOLE

The discussion and analysis is intended to serve as an introduction to Payson City's basic financial statements. Payson City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

- *The statement of net position* presents information on all of Payson City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Payson City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Payson City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities or enterprise funds).

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Payson City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Project Funds. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- Proprietary funds – Payson City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Payson City uses enterprise funds to account for its Water Utility, Electric Utility, Sewer Utility, Solid Waste Utility, Storm Drainage Utility, Golf Course Operations, and Ambulance Services. Internal service funds are an accounting device used to accumulate and allocate costs internally among Payson City's various functions. The City is using two internal service funds for maintenance of its fleet maintenance and information technology maintenance. Because these services primarily benefit governmental activities, they have been included with governmental activities in the government-wide financial statements.

As determined by generally accepted accounting principles, the Electric, Water, and Sewer enterprise funds satisfy the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

- Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds. They are included in non-major governmental funds.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Payson City, assets exceed liabilities by \$64,462,996.

By far the largest portion of Payson City's net position, (82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes Payson City's Net Position:

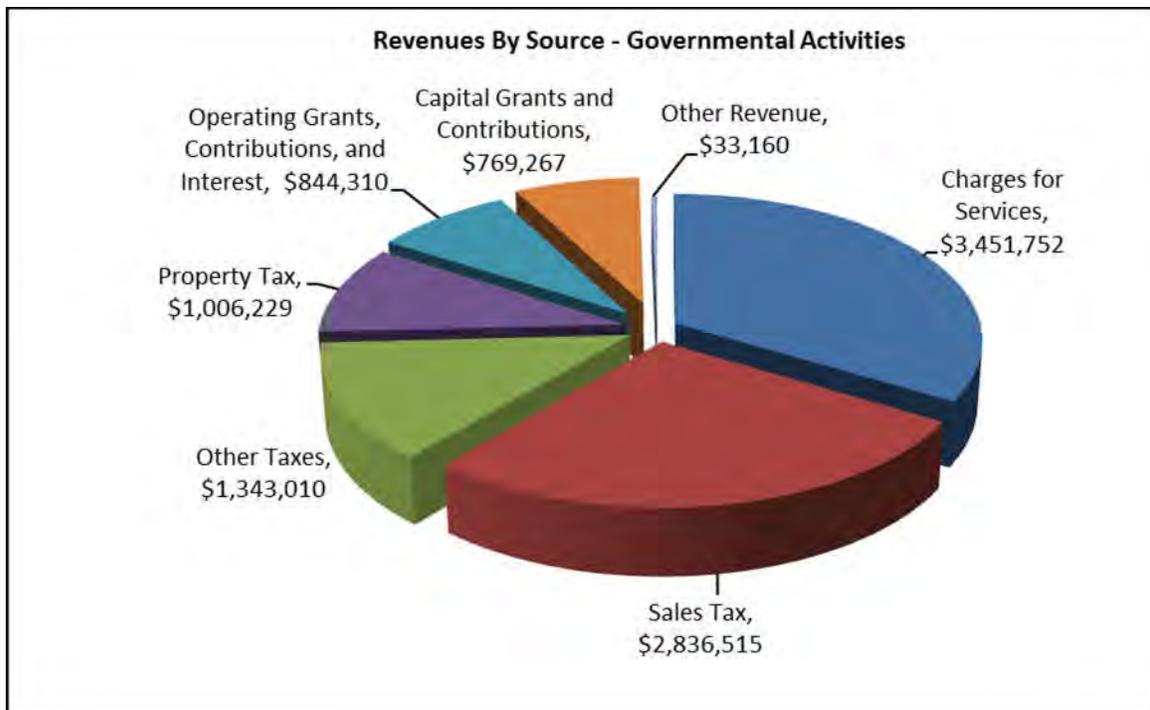
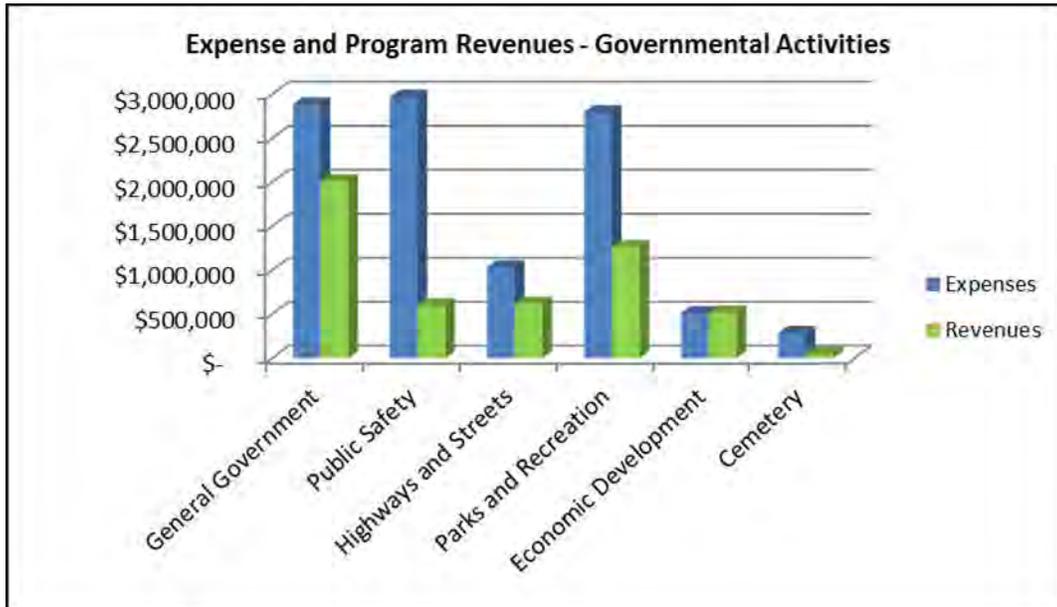
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 7,916,753	\$ 9,875,898	\$ 12,316,616	\$ 7,863,891	\$ 20,233,369	\$ 17,739,789
Capital assets	29,824,867	29,708,081	47,016,454	47,730,460	76,841,321	77,438,541
Total assets	37,741,620	39,583,979	59,333,070	55,594,351	97,074,690	95,178,330
<b>Deferred outflow of resources</b>	835,829	481,668	962,799	820,985	1,798,628	1,302,653
<b>Liabilities</b>						
Other liabilities	3,119,365	1,315,407	3,711,640	1,515,331	6,831,005	2,830,738
Long-term liabilities outstanding	6,890,454	7,108,172	19,307,207	19,375,880	26,197,661	26,484,052
Total liabilities	10,009,819	8,423,579	23,018,847	20,891,211	33,028,666	29,314,790
<b>Deferred inflow of resources</b>	1,244,816	824,808	136,840	-	1,381,656	824,808
<b>Net position:</b>						
Net investment in						
capital assets	23,528,743	23,187,134	29,352,100	29,889,713	52,880,843	53,076,847
Restricted	655,344	758,877	5,441,902	4,234,416	6,097,246	4,993,293
Unrestricted	3,138,727	6,871,249	2,346,180	1,399,996	5,484,907	8,271,245
Total net position	\$ 27,322,814	\$ 30,817,260	\$ 37,140,182	\$ 35,524,125	\$ 64,462,996	\$ 66,341,385

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

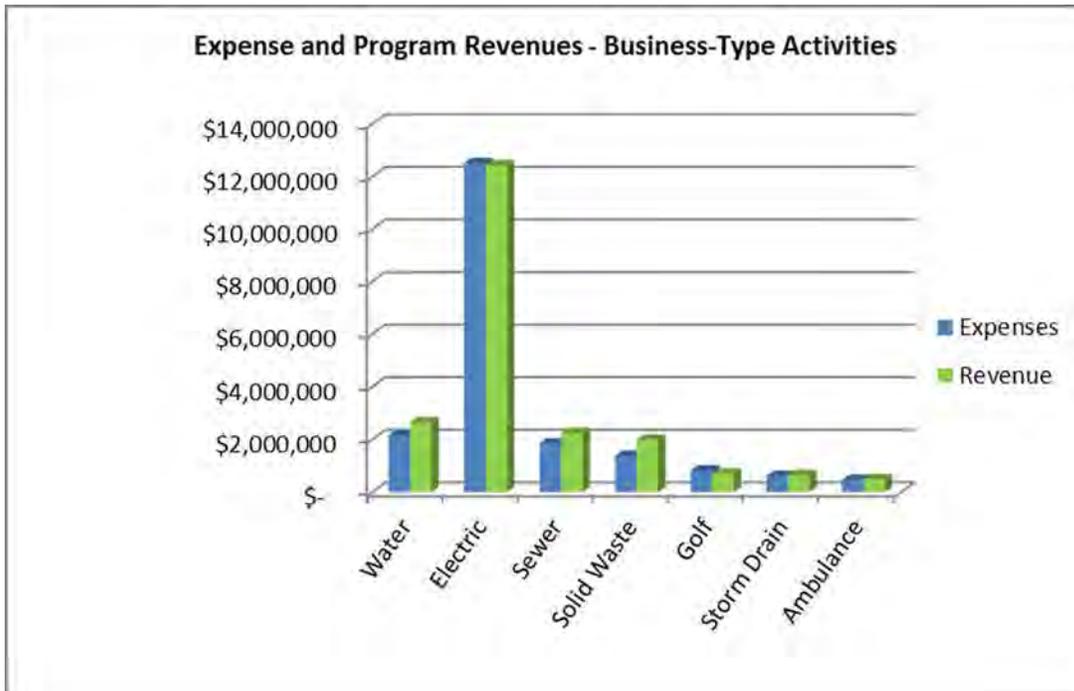
The following table summarizes Payson City's change in net position:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 3,451,752	\$ 1,698,478	\$ 20,618,189	\$ 20,041,063	\$ 24,069,941	\$ 21,739,541
Operating grants and contribs	844,310	375,048	-	-	844,310	375,048
Capital grants and contribs	769,267	787,251	504,890	634,844	1,274,157	1,422,095
General revenues:						
Taxes	5,185,754	5,604,631	-	-	5,185,754	5,604,631
Gain (Loss) on Sale of Assets	(12,619)	6,613	691	10,576	(11,928)	17,189
Special Assessments	-	-	-	-	-	-
Unrestricted investment earnings	45,779	42,165	-	-	45,779	42,165
Transfers	(1,202,785)	1,874,390	1,202,785	(1,874,390)	-	-
Misc.	-	80,781	-	-	-	80,781
Total revenues	9,081,458	10,469,357	22,326,555	18,812,093	31,408,013	29,281,450
Expenses:						
General government	2,886,991	2,692,795	-	-	2,886,991	2,692,795
Public safety	2,971,816	2,888,948	-	-	2,971,816	2,888,948
Highways and public works	1,032,159	892,763	-	-	1,032,159	892,763
Parks and recreation	2,794,797	2,419,945	-	-	2,794,797	2,419,945
Economic Development	513,284	215,119	-	-	513,284	215,119
Cemetery	285,792	263,592	-	-	285,792	263,592
Interest on long-term debt	305,524	208,504	-	-	305,524	208,504
Water	-	-	2,161,446	1,768,093	2,161,446	1,768,093
Electric	-	-	12,511,300	11,073,389	12,511,300	11,073,389
Sewer	-	-	1,849,847	1,853,251	1,849,847	1,853,251
Solid Waste	-	-	1,376,526	1,102,555	1,376,526	1,102,555
Golf	-	-	824,719	788,319	824,719	788,319
Storm Drain	-	-	614,886	305,579	614,886	305,579
Ambulance	-	-	468,248	407,065	468,248	407,065
Total expenses	10,790,363	9,581,666	19,806,972	17,298,251	30,597,335	26,879,917
Increase in net position	(1,708,905)	887,691	2,519,583	1,513,842	810,678	2,401,533
Net Position - beginning	30,817,260	29,929,569	35,524,125	34,010,283	66,341,385	63,939,852
Adjustment for GASB 68	(1,785,541)	-	(903,526)	-	(2,689,067)	-
Net position - ending	\$ 27,322,814	\$ 30,817,260	\$ 37,140,182	\$ 35,524,125	\$ 64,462,996	\$ 66,341,385

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FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2015, the City's governmental funds (General, Capital Projects, & Special Revenue) reported combined fund balance of \$5,336,788 down from \$7,607,202 last year. This represents a decrease of \$2,270,414 from last year's ending balances, with the General Fund portion increasing by \$497,293.

The General Fund is the chief operating fund of the City. All activities, which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 50% of total general fund revenues. The largest element of taxes is sales tax as it has been for the last several years. It represents 55% of total tax revenues and represents \$2,836,515 or 28% of total general fund revenues. Sales tax increased \$131,857 from FY2014.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund budget was amended from an original budget expenditure total of \$11,115,895 to a final budget of \$12,260,798 to accommodate additional expenditures needed in various departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Payson City's investment in capital assets for all activities as of June 30, 2015, amounts to \$76,841,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment.

Major capital asset events during this 2015 fiscal year included the following:

Police:	Police Vehicle	\$ 37,270
Community		
Events:	Parade Float	\$ 12,500
Capital		
Projects:	Wilcock Property	\$ 77,000
Water:	F350 Truck	\$ 39,388
	F150 Truck	\$ 24,701
	Water Line System	\$510,168
Electrical:	3 Phase Padmount Transformer	\$ 6,204
	Padmount Transformer	\$ 33,928
	4-Way Switch Transformer	\$ 25,100
	3 Phase Padmount Transformer	\$ 10,360

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Sewer:	Haskell Sewer Extension	\$ 8,816
Storm:	F250 Truck	\$ 24,400
	Haskell Storm System	\$ 19,162
	Liberty Safe Storm System	\$ 130,141
IT:	Copier for Recreation	\$ 7,137
	Copier for Plan and Zone	\$ 8,246
	Copier for Administration	\$ 13,818
	Copier for Sewer Plant	\$ 6,637
Revolving Loan:	Fire Truck	\$556,220
	Garbage Front Load Truck	\$224,761
	Golf Equipment	\$ 35,115
	Golf Greensmower	\$ 24,644
	Golf Utility Vehicles	\$ 15,990

The following table summarizes Payson City's changes in Capital Assets:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Invested in capital assets, net						
Land	\$ 3,595,221	\$ 3,518,221	\$ 7,873,757	\$ 7,873,757	\$ 11,468,978	\$ 11,391,978
Building	6,135,281	6,353,492	431,348	448,220	6,566,629	6,801,712
Equipment	1,260,199	845,762	1,972,065	2,023,113	3,232,264	2,868,875
Water Shares	-	-	198,400	198,400	198,400	198,400
Improvements	2,143,373	2,408,413	36,187,976	36,893,242	38,331,349	39,301,655
Infrastructure	16,582,193	16,582,193	-	-	16,582,193	16,582,193
Construction in progress	108,600		352,908	293,728	461,508	293,728
Total net assets	<u>\$ 29,824,867</u>	<u>\$ 29,708,081</u>	<u>\$ 47,016,454</u>	<u>\$ 47,730,460</u>	<u>\$ 76,841,321</u>	<u>\$ 77,438,541</u>

The City has adopted the modified approach for reporting, where infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City capitalizes costs related to new construction or major replacements under the modified approach.

The City Level of Service Policy for streets is:

**L.O.S 1 No curb and gutter (rural)**

1. To maintain a minimum of 24 ft. of asphalt travel with a minimum of 4 foot of gravel shoulder with adequate facility for storm water dispersion. Adequate signage to move traffic in a uniform safe manner.

**L.O.S. 2 (Residential)**

2. Maintain 40 ft. of asphalt width with adequate storm water facilities to include curb gutter and sidewalk and signage information to provide safe uninhibited flow of traffic and suitable information to negotiate the road system in a safe uniform manner.

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Management's Discussion and Analysis  
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**L.O.S. 3 (Arterial)**

3. Maintain 60 ft. asphalt width with adequate storm water facilities to include curb gutter and sidewalk and traffic control devices to allow for the safe uniform flow of traffic in the most fluid and efficient manner possible with higher volumes of traffic involving higher speeds.

The streets are assessed by the Iwork Computer program. The most recent assessment found that the City's streets were within the prescribed parameters with 80% having a pavement condition with service life of 12 years or better and 2% of the streets having a pavement condition 2 years service life or less.

Over the last five reporting years, the estimated amounts needed and actual expenditures utilized to maintain and preserve the City's road system are as follows (capital expenditures are not included):

<u>Year</u>	<u>Budgeted</u>	<u>Expenditures</u>
2011	\$161,390	\$158,999
2012	392,160	366,866
2013	533,148	538,565
2014	446,620	439,389
2015	459,808	483,808

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

**Long-term debt** – At June 30, 2015, the City had total bonded debt outstanding of \$23,508,000. Also the following revenue bonds; the Sewer Revenue Bonds, for the eastside sewer line for \$4,500,000 (with the remaining amount owing \$3,454,000); Sales Tax Bonds for swimming pool for \$8,865,000 (with the remaining amount owing \$5,724,000). The Sewer Revenue Refunding Bond of \$5,301,000 (with the remaining amount owing \$3,343,000). The Water Revenue & Refunding Bond of \$9,445,000 (with the remaining owing \$7,230,000), and the Water Revenue Bond of \$3,404,000 for the water tank (with the remaining owing \$3,158,000).

The following table summarizes Payson City's Changes in Debt:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Bonds Payable	\$ 5,724,000	\$ 6,152,000	\$ 17,401,243	\$ 17,587,021	\$ 23,125,243	\$ 23,739,021
Capital Lease	572,124	368,947	339,758	301,829	911,882	670,776
Accrued Compensated Absences	594,330	587,225	425,824	381,499	1,020,154	968,724
Water Share Liability	-	-	188,275	153,424	188,275	153,424
Closure and Postclosure Liability	-	-	952,107	952,107	952,107	952,107
Total Long Term Debt	<u>\$ 6,890,454</u>	<u>\$ 7,108,172</u>	<u>\$ 19,307,207</u>	<u>\$ 19,375,880</u>	<u>\$ 26,197,661</u>	<u>\$ 26,484,052</u>

The State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The City currently has no general obligation debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Utah County unemployment rate was 3.5% in November 2015. This compares with the national rate of 5.0%. (Source: Utah Dept of Workforce Services). The State unemployment rate was 3.6% in November 2014.
- Payson City saw a dramatic drop in building permits for new residential units from 2006 to 2008, and have steadied out since that time with 64 permits in 2009, 59 in 2010, 48 in 2011, 36 in 2012, 64 in 2013, 43 in 2014, and so far in 2015 we have issued 71 permits for new residential units.
- The General Fund budget for fiscal year ending June 30, 2015 reflects an increase in expenditures of \$1,144,903 over the final budget for the fiscal year ended June 30, 2014.
- The City Council voted to increase the Certified Tax Rate to .001280 for FY2016. The FY2015 rate was .001268.
- The City Council also voted to increase the Sewer, monthly, base rate by \$15 per month effective July 1, 2015. The rate increase will be used for the improvements needed at the Wastewater Treatment Plant to meet stringent phosphorus limits set by the EPA and the Division of Water Quality for the State of Utah that will take effect 2020.
- The City was awarded a federal grant in FY2016 for the amount of \$300,000 with a required match from the City of \$300,000. The grant and match will be used in FY2016 to help install water meters for the pressurized irrigation system. The meters will help monitor usage of water; thus, help the City improve its water conservation.
- The City administration will continue to examine utility rates and adjust them as needed to continue to best serve the citizens of Payson and to meet external requirements placed on the City.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Payson City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or request for additional financial information should be addressed to: City Recorder, Payson City, 439 W. Utah Avenue, Payson, UT 84651.

## **BASIC FINANCIAL STATEMENTS**

**PAYSON CITY CORPORATION**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,913,263	\$ 5,146,416	\$ 9,059,679
Accounts Receivable (Net of Allowance for Uncollectables)	1,896,041	2,093,558	3,989,599
Notes Receivable	1,067,474	-	1,067,474
Restricted Assets:			
Cash and Cash Equivalents	1,024,484	4,141,920	5,166,404
Net Pension Asset	15,491	7,839	23,330
Equity in Joint Venture	-	926,883	926,883
Capital Assets (Net of Accumulated Depreciation)			
Water Shares	-	198,400	198,400
Land	3,595,221	7,873,757	11,468,978
Buildings	6,135,281	431,348	6,566,629
Improvements	2,143,373	36,187,976	38,331,349
Machinery and Equipment	1,260,199	1,972,065	3,232,264
Infrastructure	16,582,193	-	16,582,193
Construction in Progress	108,600	352,908	461,508
<b>Total Assets</b>	<b>37,741,620</b>	<b>59,333,070</b>	<b>97,074,690</b>
<b>Deferred Outflows of Resources:</b>			
Relating to Pensions	394,865	199,811	594,676
Deferred Charge on Refunding (Net)	440,964	762,988	1,203,952
<b>Total Deferred Outflows of Resources</b>	<b>835,829</b>	<b>962,799</b>	<b>1,798,628</b>
<b>Liabilities</b>			
Outstanding Checks in Excess of Deposits	-	457,988	457,988
Accounts Payable	1,044,017	1,769,407	2,813,424
Interest Payable	30,789	163,298	194,087
Other Current Liabilities	381,436	479,369	860,805
Net Pension Liability	1,663,123	841,578	2,504,701
Long-Term Liabilities:			
Due Within One Year	578,121	1,345,968	1,924,089
Due In More Than One Year	6,312,333	17,961,239	24,273,572
<b>Total Liabilities</b>	<b>10,009,819</b>	<b>23,018,847</b>	<b>33,028,666</b>
<b>Deferred Inflows of Resources</b>			
Relating to Pensions	270,416	136,840	407,256
Property Taxes Levied for Future Year	974,400	-	974,400
<b>Total Deferred Inflows of Resources</b>	<b>1,244,816</b>	<b>136,840</b>	<b>1,381,656</b>
<b>Net Position</b>			
Net Investment in Capital Assets	23,528,743	29,352,100	52,880,843
Restricted for:			
Capital Projects	-	1,999,691	1,999,691
Debt Service	-	391,173	391,173
Class "C" Roads	260,234	-	260,234
Impact Fees	395,110	2,496,976	2,892,086
Landfill Closure Costs	-	554,062	554,062
Unrestricted	3,138,727	2,346,180	5,484,907
<b>Total Net Position</b>	<b>\$ 27,322,814</b>	<b>\$ 37,140,182</b>	<b>\$ 64,462,996</b>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 2,886,991	\$ 1,963,207	\$ 48,792	-	\$ (874,992)	-	\$ (874,992)
Public Safety	2,971,816	330,580	243,999	26,623	(2,370,614)	-	(2,370,614)
Highways and Streets	1,032,159	-	-	619,427	(412,732)	-	(412,732)
Parks and Recreation	2,794,797	1,109,691	30,547	123,217	(1,531,342)	-	(1,531,342)
Economic Development	513,284	(197)	520,972	-	7,491	-	7,491
Cemetery	285,792	48,471	-	-	(237,321)	-	(237,321)
Interest on Long-Term Debt	305,524	-	-	-	(305,524)	-	(305,524)
Total Governmental Activities	<u>10,790,363</u>	<u>3,451,752</u>	<u>844,310</u>	<u>769,267</u>	<u>(5,725,034)</u>	<u>-</u>	<u>(5,725,034)</u>
Business-Type Activities:							
Water	2,161,446	2,553,568	-	87,666	-	\$ 479,788	479,788
Electric	12,511,300	12,253,732	-	167,313	-	(90,255)	(90,255)
Sewer	1,849,847	2,007,400	-	237,568	-	395,121	395,121
Solid Waste	1,376,526	1,986,863	-	-	-	610,337	610,337
Golf	824,719	694,870	-	-	-	(129,849)	(129,849)
Storm Drain	614,886	650,713	-	-	-	35,827	35,827
Ambulance	468,248	471,043	-	12,343	-	15,138	15,138
Total Business-Type Activities	<u>19,806,972</u>	<u>20,618,189</u>	<u>-</u>	<u>504,890</u>	<u>-</u>	<u>1,316,107</u>	<u>1,316,107</u>
Total Primary Government	<u>\$ 30,597,335</u>	<u>\$ 24,069,941</u>	<u>\$ 844,310</u>	<u>\$ 1,274,157</u>	<u>(5,725,034)</u>	<u>1,316,107</u>	<u>(4,408,927)</u>
<b>General Revenues</b>							
Taxes:							
Property Taxes					1,006,229	-	1,006,229
General Sales Taxes					2,836,515	-	2,836,515
Motor Vehicle Taxes					92,382	-	92,382
Utility Taxes					986,971	-	986,971
Other Taxes					263,657	-	263,657
Gain (Loss) on Sale of Capital Asset					(12,619)	691	(11,928)
Investment Earnings					45,779	-	45,779
Transfers					(1,202,785)	1,202,785	-
Total General Revenues and Transfers					<u>4,016,129</u>	<u>1,203,476</u>	<u>5,219,605</u>
Change in Net Assets					(1,708,905)	2,519,583	810,678
Net Position Beginning of Year					30,817,260	35,524,125	66,341,385
Adjustment for GASB 68 (Note 17)					(1,785,541)	(903,526)	(2,689,067)
Net Position End of Year					<u>\$ 27,322,814</u>	<u>\$ 37,140,182</u>	<u>\$ 64,462,996</u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,357,855	\$ 11,043	\$ 1,371,864	\$ 3,740,762
Accounts Receivable (Net of Allowance for Uncollectables)	1,896,041	-	-	1,896,041
Notes Receivable	-		1,067,474	1,067,474
Restricted Assets:				
Cash and Cash Equivalents	255,164	-	769,320	1,024,484
<b>Total Assets</b>	<b>\$ 4,509,060</b>	<b>\$ 11,043</b>	<b>\$ 3,208,658</b>	<b>\$ 7,728,761</b>
<b>Liabilities</b>				
Accrued Liabilities	\$ 997,625	\$ 1,001	\$ 2,815	\$ 1,001,441
Deposits	381,436	-	-	381,436
<b>Total Liabilities</b>	<b>1,379,061</b>	<b>1,001</b>	<b>2,815</b>	<b>1,382,877</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for Future Year	974,400	-	-	974,400
Unavailable Property Taxes	34,696	-	-	34,696
<b>Total Inflows</b>	<b>1,009,096</b>	<b>-</b>	<b>-</b>	<b>1,009,096</b>
<b>Fund Balances</b>				
Restricted for:				
RDA	-	-	1,059,980	1,059,980
Class "C" Roads	260,234	-	-	260,234
Impact Fees	-	-	395,110	395,110
Committed for:				
Perpetual Care	-	-	366,401	366,401
Assigned for:				
Community Events	367,401	-	-	367,401
Capital Projects	-	10,042	1,384,352	1,394,394
Unassigned	1,493,268	-	-	1,493,268
<b>Total Fund Balances (Deficits)</b>	<b>2,120,903</b>	<b>10,042</b>	<b>3,205,843</b>	<b>5,336,788</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 4,509,060</b>	<b>\$ 11,043</b>	<b>\$ 3,208,658</b>	<b>\$ 7,728,761</b>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**

Total Governmental Funds Balances		\$ 5,336,788
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		29,824,867
Long-term Assets not available to pay for current period expenditures and, therefore, are deferred in the funds.		34,696
An internal service fund is used by management to charge the costs of vehicle repairs and maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		129,925
Pension assets, liabilities, deferred inflows, and deferred outflows are not due and payable in the current period and, therefore, are not reported in the Governmental Funds		
Net pension assets	15,491	
Deferred outflows of resources relating to pensions	394,865	
Net pension liability	(1,663,123)	
Deferred inflows of resources relating to pensions	<u>(270,416)</u>	(1,523,183)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(6,480,279)</u>
Net Position of Governmental Activities		<u><u>\$ 27,322,814</u></u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Property Taxes	\$ 945,514	\$ -	\$61,064	\$ 1,006,578
General Sales Taxes	2,836,515	-	-	2,836,515
Motor Vehicle Taxes	92,382	-	-	92,382
Utility Taxes	986,971	-	-	986,971
Other Taxes	263,657	-	-	263,657
Licenses and Permits	192,302	-	-	192,302
Intergovernmental	942,764	-	520,972	1,463,736
Charges for Services	2,857,329	-	48,471	2,905,800
Fines and Forfeitures	290,439	-	-	290,439
Interest	5,646	15,998	24,135	45,779
Miscellaneous	33,120	30,091	-	63,211
<b>Total Revenues</b>	<b>9,446,639</b>	<b>46,089</b>	<b>654,642</b>	<b>10,147,370</b>
<b>Expenditures</b>				
Current:				
General Government	2,945,306	-	-	2,945,306
Public Safety	3,081,300	-	-	3,081,300
Highways and Streets	950,909	-	-	950,909
Parks and Recreation	2,436,646	-	-	2,436,646
Economic Development	171,584	-	326,664	498,248
Cemetery	290,929	-	-	290,929
Debt Service:				
Principal Retirement	762,924	-	-	762,924
Interest and Fiscal Charges	151,243	-	106,000	257,243
Capital Outlay:				
Highways and Streets	-	89,764	-	89,764
Public Safety	593,490	-	-	593,490
Parks and Recreation	12,500	-	-	12,500
Economic Development	-	-	-	-
<b>Total Expenditures</b>	<b>11,396,831</b>	<b>89,764</b>	<b>432,664</b>	<b>11,919,259</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,950,192)</u>	<u>(43,675)</u>	<u>221,978</u>	<u>(1,771,889)</u>
<b>Other Financing Sources (Uses)</b>				
Impact Fees	-	-	149,840	149,840
Sale of Fixed Assets	6,200	-	-	6,200
Capital Lease Proceeds	548,220	-	-	548,220
Bonds Issued	-	-	-	-
Payments Made to Escrow Agents	-	-	-	-
Transfers In	1,893,065	412,623	308,000	2,613,688
Transfers Out	-	(3,801,473)	(15,000)	(3,816,473)
<b>Total Other Financing Sources (Uses)</b>	<b>2,447,485</b>	<b>(3,388,850)</b>	<b>442,840</b>	<b>(498,525)</b>
<b>Net Change in Fund Balances</b>	<b>497,293</b>	<b>(3,432,525)</b>	<b>664,818</b>	<b>(2,270,414)</b>
<b>Fund Balances Beginning of Year</b>	<b>1,623,610</b>	<b>3,442,567</b>	<b>2,541,025</b>	<b>7,607,202</b>
<b>Fund Balances End of Year</b>	<b>\$ 2,120,903</b>	<b>\$ 10,042</b>	<b>\$ 3,205,843</b>	<b>\$ 5,336,788</b>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (2,270,414)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	135,604
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase (decrease) net assets. (Contributions by Developers)	(18,819)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	159,318
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(349)
Pension liabilities do not require current financial resources and therefore are not recorded in the governmental funds.	247,342
The internal service funds used by management to charge the the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.	<u>38,413</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,708,905)</u></u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Major		Non Major			
	Water	Electric	Sewer	Enterprise Funds	Total	
<b>Assets</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 1,097,139	\$ 1,372,684	\$ 49,925	\$ 2,626,668	\$ 5,146,416	\$ 172,501
Accounts Receivable (Net of Allowance for Uncollectables)	302,915	1,062,915	239,494	488,234	2,093,558	-
Total Current Assets	<u>1,400,054</u>	<u>2,435,599</u>	<u>289,419</u>	<u>3,114,902</u>	<u>7,239,974</u>	<u>172,501</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	1,479,567	1,411,796	696,495	554,062	4,141,920	-
Net Pension Asset	793	3,383	933	2,730	7,839	886
Equity in Joint Venture	-	-	926,883	-	926,883	-
Capital Assets:						
Water Shares	198,400	-	-	-	198,400	-
Land	6,711,439	116,337	157,482	888,499	7,873,757	-
Buildings	-	279,792	13,199	536,456	829,447	-
Improvements	20,079,552	18,300,161	21,803,808	9,534,834	69,718,355	-
Machinery and Equipment	408,954	2,148,391	1,329,882	4,688,771	8,575,998	1,372,738
Construction in Progress	352,908	-	-	-	352,908	-
Less Accumulated Depreciation	(9,151,095)	(13,189,534)	(10,259,653)	(7,932,129)	(40,532,411)	(1,313,674)
Total Capital Assets, Net	<u>18,600,158</u>	<u>7,655,147</u>	<u>13,044,718</u>	<u>7,716,431</u>	<u>47,016,454</u>	<u>59,064</u>
Total Noncurrent Assets	<u>20,080,518</u>	<u>9,070,326</u>	<u>14,669,029</u>	<u>8,273,223</u>	<u>52,093,096</u>	<u>59,950</u>
Total Assets	<u>21,480,572</u>	<u>11,505,925</u>	<u>14,958,448</u>	<u>11,388,125</u>	<u>59,333,070</u>	<u>232,451</u>
<b>Deferred Outflows of Resources</b>						
Relating to Pensions	20,219	86,228	23,787	69,577	199,811	22,598
Deferred Charge on Refunding (Net)	515,312	-	247,676	-	762,988	-
Total Deferred Outflows of Resources	<u>535,531</u>	<u>86,228</u>	<u>271,463</u>	<u>69,577</u>	<u>962,799</u>	<u>22,598</u>
<b>Liabilities</b>						
Current Liabilities:						
Accrued Liabilities	123,429	1,461,130	60,387	124,461	1,769,407	42,576
Outstanding Checks in Excess of Deposits	-	-	-	457,988	457,988	-
Compensated Absences Payable	17,646	208,829	53,176	146,173	425,824	48,657
Bonds Payable	539,000	-	677,000	-	1,216,000	-
Interest Payable	97,678	-	65,620	-	163,298	-
Capital Leases Payable	-	-	-	129,968	129,968	-
Total Current Liabilities	<u>777,753</u>	<u>1,669,959</u>	<u>856,183</u>	<u>858,590</u>	<u>4,162,485</u>	<u>91,233</u>
Current Liabilities Payable from Restricted Assets:						
Customer Deposits Payable	-	479,369	-	-	479,369	-
Total Current Liabilities Payable from Restricted Assets	-	479,369	-	-	479,369	-
Noncurrent Liabilities:						
Unamortized Bond Premiums (Net)	216,243	-	-	-	216,243	-
Revenue Bonds Payable (net of current portion)	9,849,000	-	6,120,000	-	15,969,000	-
Net Pension Liability	85,160	363,180	100,188	293,050	841,578	95,179
Capital Leases Payable (net of current portion)	-	-	-	209,790	209,790	-
Closure and Postclosure Liability	-	-	-	952,107	952,107	-
Water Share Liability	188,275	-	-	-	188,275	-
Total Noncurrent Liabilities	<u>10,338,678</u>	<u>363,180</u>	<u>6,220,188</u>	<u>1,454,947</u>	<u>18,376,993</u>	<u>95,179</u>
Total Liabilities	<u>11,116,431</u>	<u>2,512,508</u>	<u>7,076,371</u>	<u>2,313,537</u>	<u>23,018,847</u>	<u>186,412</u>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows Relating to Pensions	13,847	59,054	16,290	47,649	136,840	15,475
<b>Net Position</b>						
Net Investment in Capital Assets	8,068,246	7,658,530	6,248,651	7,376,673	29,352,100	(36,115)
Restricted for:						
Bond and Lease Requirements	72,331	-	318,842	-	391,173	-
Capital Projects	1,999,691	-	-	-	1,999,691	-
Landfill Closure Costs	-	-	-	554,062	554,062	-
Impact Fees	460,679	1,411,796	624,501	-	2,496,976	-
Unrestricted	<u>284,878</u>	<u>(49,735)</u>	<u>945,256</u>	<u>1,165,781</u>	<u>2,346,180</u>	<u>89,277</u>
Total Net Position	<u>\$ 10,885,825</u>	<u>\$ 9,020,591</u>	<u>\$ 8,137,250</u>	<u>\$ 9,096,516</u>	<u>\$ 37,140,182</u>	<u>\$ 53,162</u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for Services	\$ -	\$ 11,882,580	\$ -	\$ 3,640,735	\$ 15,523,315	\$ 734,910
Charges Pledged as Security for Revenue Bond	2,525,576	-	1,992,754	-	4,518,330	-
Miscellaneous	3,620	224,815	10,889	157,098	396,422	5,431
<b>Total Operating Revenues</b>	<b>2,529,196</b>	<b>12,107,395</b>	<b>2,003,643</b>	<b>3,797,833</b>	<b>20,438,067</b>	<b>740,341</b>
<b>Operating Expenses</b>						
Costs of Sales and Services	530,364	10,371,421	501,338	1,217,504	12,620,627	350,823
Maintenance Operations and Contractual Services	576,977	1,556,508	482,137	1,309,505	3,925,127	71,914
Materials and Supplies	286,513	102,851	71,258	287,507	748,129	239,398
Depreciation	433,312	480,520	531,244	460,991	1,906,067	13,759
Amortization	-	-	19,052	-	19,052	-
<b>Total Operating Expenses</b>	<b>1,827,166</b>	<b>12,511,300</b>	<b>1,605,029</b>	<b>3,275,507</b>	<b>19,219,002</b>	<b>675,894</b>
<b>Operating Income (Loss)</b>	<b>702,030</b>	<b>(403,905)</b>	<b>398,614</b>	<b>522,326</b>	<b>1,219,065</b>	<b>64,447</b>
<b>Non-Operating Revenues (Expenses)</b>						
Interest Income	24,372	146,337	3,757	5,656	180,122	-
Impact Fees	87,666	167,313	237,568	-	492,547	-
Bond Refunding Cost Amortization	(35,135)	-	(3,810)	-	(38,945)	-
Gain (Loss) on Sale of Fixed Assets	-	-	-	691	691	-
Interest and Fiscal Charges	(299,145)	-	(241,008)	(8,872)	(549,025)	(308)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(222,242)</b>	<b>313,650</b>	<b>(3,493)</b>	<b>9,818</b>	<b>97,733</b>	<b>(308)</b>
<b>Income (Loss) before Capital Contributions and Transfers</b>	<b>479,788</b>	<b>(90,255)</b>	<b>395,121</b>	<b>532,144</b>	<b>1,316,798</b>	<b>64,139</b>
Capital Contributions	-	-	-	-	-	-
Transfers In	-	-	322,623	2,900,000	3,222,623	-
Transfers Out	(198,683)	(1,120,030)	(124,160)	(576,965)	(2,019,838)	-
<b>Change in Net Position</b>	<b>281,105</b>	<b>(1,210,285)</b>	<b>593,584</b>	<b>2,855,179</b>	<b>2,519,583</b>	<b>64,139</b>
<b>Net Position Beginning of Year</b>	<b>10,696,148</b>	<b>10,620,790</b>	<b>7,651,229</b>	<b>6,555,958</b>	<b>35,524,125</b>	<b>91,208</b>
Adjustment for GASB 68 (Note 17)	(91,428)	(389,914)	(107,563)	(314,621)	(903,526)	(102,185)
<b>Net Position End of Year</b>	<b>\$ 10,885,825</b>	<b>\$ 9,020,591</b>	<b>\$ 8,137,250</b>	<b>\$ 9,096,516</b>	<b>\$ 37,140,182</b>	<b>\$ 53,162</b>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**PAYSON CITY CORPORATION**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 2,641,421	\$ 12,067,807	\$ 2,017,133	\$ 3,832,903	\$ 20,559,264	\$ 740,341
Payments from Interfund Services Provided	-	-	-	1,827,071	1,827,071	-
Payments to Employees for Services	(255,505)	(905,728)	(241,963)	(791,211)	(2,194,407)	(350,823)
Payments for Goods and Services	(974,723)	(9,381,156)	(1,095,428)	(5,284,241)	(16,735,548)	(170,754)
Net Cash Provided by (Used in) Operating Activities	<u>1,411,193</u>	<u>1,780,923</u>	<u>679,742</u>	<u>(415,478)</u>	<u>3,456,380</u>	<u>218,764</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Operating Grants Received	-	-	-	12,343	12,343	-
Transfers to Other Funds	(198,683)	(1,120,030)	(124,160)	(576,965)	(2,019,838)	-
Transfers from Other Funds	-	-	322,623	2,900,000	3,222,623	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(198,683)</u>	<u>(1,120,030)</u>	<u>198,463</u>	<u>2,335,378</u>	<u>1,215,128</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Impact Fees	87,666	167,313	237,568	-	492,547	-
Proceeds from Bonds & Capital Leases	1,033,000	-	-	200,510	1,233,510	-
Proceeds from Sale of Assets	-	-	-	691	691	-
Increase in Joint Venture	-	-	(101,726)	-	(101,726)	-
Principal Paid on Revenue Bonds	(525,000)	-	(679,000)	-	(1,204,000)	-
Interest Paid on Revenue Bonds	(299,145)	-	(241,008)	-	(540,153)	-
Principal Paid on Capital Leases	-	-	-	(162,582)	(162,582)	(10,119)
Interest Paid on Capital Leases	-	-	-	(8,871)	(8,871)	(308)
Payments for Capital Acquisitions	(633,446)	(75,592)	(8,815)	(474,214)	(1,192,067)	(35,836)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(336,925)</u>	<u>91,721</u>	<u>(792,981)</u>	<u>(444,466)</u>	<u>(1,482,651)</u>	<u>(46,263)</u>
<b>Cash Flows from Investing Activities</b>						
Interest Income Received	9,592	146,337	3,757	5,656	165,342	-
Net Increase (Decrease) in Cash and Cash Equivalents	885,177	898,951	88,981	1,481,090	3,354,199	172,501
Cash and Cash Equivalents Beginning of Year	1,691,529	1,885,529	657,439	1,241,652	5,476,149	-
Cash and Cash Equivalents End of Year	<u>\$ 2,576,706</u>	<u>\$ 2,784,480</u>	<u>\$ 746,420</u>	<u>\$ 2,722,742</u>	<u>\$ 8,830,348</u>	<u>\$ 172,501</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating Income (Loss)	\$ 702,030	\$ (403,905)	\$ 398,614	\$ 522,326	\$ 1,219,065	\$ 64,447
Adjustments:						
Depreciation	433,312	480,520	531,244	460,991	1,906,067	13,759
Amortization	-	-	19,052	-	19,052	-
(Increase) Decrease in Assets:						
Accounts Receivable	112,225	(50,200)	13,490	35,070	110,585	-
Prepaid	-	136,000	-	-	136,000	-
Due From Other Funds	-	1,003,009	-	1,920,217	2,923,226	127,964
Net Pension Assets	(761)	(3,244)	(895)	(2,618)	(7,518)	(850)
Deferred Outflows of Resources Related to Pensions	(4,356)	(18,576)	(5,124)	(14,988)	(43,044)	(4,869)
Increase (Decrease) in Liabilities:						
Accrued Liabilities	104,950	634,946	45,195	69,513	854,604	31,259
Customer Deposits	-	10,612	-	-	10,612	-
Compensated Absences Payable	4,589	27,229	11,711	796	44,325	(3,649)
Water Share Liability	34,852	-	-	-	34,852	-
Accrued Interest	32,669	-	(1,136)	-	31,533	-
Due to Other Funds	-	-	(322,623)	(3,378,162)	(3,700,785)	-
Net Pension Liability	(22,164)	(94,522)	(26,076)	(76,272)	(219,034)	(24,772)
Deferred Inflows of Resources Related to Pensions	13,847	59,054	16,290	47,649	136,840	15,475
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,411,193</u>	<u>\$ 1,780,923</u>	<u>\$ 679,742</u>	<u>\$ (415,478)</u>	<u>\$ 3,456,380</u>	<u>\$ 218,764</u>
Noncash investing, capital, and financing activities:						
Contributions of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Payson City Corporation (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Financial Reporting Entity**

Payson City is a political subdivision of the State of Utah. Payson City Corporation was incorporated in 1853 under the laws of the State of Utah. The City operates under a Mayor-Council form of government. The City provides municipal services under the following organizational structure.

*Mayor and City Council:* Mayor and City Council, Community Promotion, and Advisory Boards and Commissions.

*City Administration:* City Administrator, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, and Computer Services.

*Financial Services:* Finance Director, Treasurer, Utilities, Accounting, Facilities, and Purchasing.

*City Attorney:* Legal Services, Prosecution, Civil and Environmental Law, and Personnel.

*Development Services:* Economic Development, Planning and Zoning, and Code Enforcement.

*Public Safety:* Police, Fire, Animal Control, and Emergency Medical Services.

*Public Works:* Streets, Engineering Parks, Fleet Maintenance, Water, Solid Waste Services, Water Reclamation, Street Lighting, and Storm Sewer Services.

*Recreation:* Swimming Pool Operations, Outdoor Recreation Programs, and Senior Citizen Programs.

*Library:* Library Administration, Collection Development, and Public Services.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Redevelopment Agency is governed by a separate governing board, who are the City's Mayor and Council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit.

**B. Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use 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 particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**C. Measurement Focus, Basis of Accounting and Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

**PAYSON CITY CORPORATION**  
NOTES TO THE FINANCIAL STATEMENTS  
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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

The *capital projects fund* accounts for the activities concerning the capital projects of the City.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City’s water production, treatment and distribution operations.

The *electric fund* accounts for the activities of the City’s electric generation and distribution operations.

The *sewer fund* accounts for the activities of the City’s sewer treatment operations.

Activities of the three funds include administration, operations and maintenance of the water, sewer, and electrical systems and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all water, and sewer fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Additionally the City reports the *internal service fund* to account for the costs of operating and maintaining vehicles and equipment owned by the City. The City also reports the following non-major fund type; Debt Service, Special Revenue and Proprietary.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**D. Assets, Liabilities, and Net Position or Equity**

**1. Cash and cash equivalents**

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with Federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

**2. Receivables and payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

**3. Inventories and prepaid items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted assets**

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as “restricted cash” on the Statement of Net Position and on the Balance Sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

**5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Improvements other than buildings	20-50
Infrastructure	20-40
Machinery and equipment	5-10
Furniture and fixtures	5-10

The City has adopted an allowable alternative to reporting depreciation for its roads network. Under this alternative method, referred to as the “modified approach,” the City must maintain an asset management system and demonstrate that its roads are being preserved at or above condition levels established by City policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. Compensated Absences**

Payson City Corporation's personnel policy permits employees to accumulate earned, but unused, vacation time which will be paid to employees upon termination. At June 30, 2015, the total liability for compensated absences is \$1,020,154.

**7. Taxes**

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on all business personal property on January 1<sup>st</sup> and real estate and improvement taxes are levied on January 1<sup>st</sup> and are payable by November 30<sup>th</sup>. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22<sup>nd</sup> each year. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

**8. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**9. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions

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to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**10. Deferred Outflows/inflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one deferred outflow, deferred charge on refunding reported in the government-wide statement of net position. The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *revenue for future year*, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2014 for the 2014-2015 fiscal year.

**11. Fund Equity**

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports nonspendable balances, then restricted, then committed, and so forth. The City's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.
- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:

- a) Class C Roads
  - b) Impact fees
  - c) RDA
- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the City Council. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City Council has committed perpetual care and revolving loan fund.
  - **Assigned.** This category includes General Fund balance amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the City's administration comprised of the City administrative council. This category also includes the remaining positive fund balance for other governmental funds. The City has assigned debt service requirement, special revenue and capital projects.
  - **Unassigned.** Residual balances in the governmental fund are classified as unassigned.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **12. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## **13. Use of Estimates**

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position.

This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of these assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the city as a whole.

Cost of capital assets	\$41,210,078
Accumulated depreciation	<u>( 11,385,211)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$29,824,867</u>

Long-term debt transactions

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements. All liabilities (both current and long-term) are reported in the statement of net position.

Accrued interest payable	\$ 30,789
Compensated absences	594,330
Deferred Charge on Refunding	(440,964)
Bonds, notes payable, and lease payable	<u>6,296,124</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 6,480,279</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$ 840,193
Depreciation expense	<u>( 704,589)</u>
Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 135,604</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond and Note Payments	\$ 428,000
Lease Payment	334,924
Lease Proceeds	( 548,220)
Compensated absence	( 7,105)
Decrease in Accrued Interest	( 7,577)
Bond Refunding Charge Amortization	<u>( 40,704)</u>
Net adjustments to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 159,318</u>

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a

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proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.

- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at yearend. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

**A. Deposits**

*Deposits – Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2015, the City’s custodial credit risk for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2015</u>
Regular Checking Account	Insured	\$250,000
Regular Checking Account	Uninsured	967,000

**B. Investments**

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

Statutes authorize the City to invest in negotiable or non-negotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s, bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

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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 participant's average daily balance. The GASB fair value factor at June 30, 2015 for the PTIF investment pool is 1.00496043. The fair value of the PTIF investment is approximately equal to the value of the pool shares with a difference of \$62,647 which is immaterial.

As of June 30, 2015 the government had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities In Years			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 12,629,299	\$ 12,629,299	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 12,629,299</u>	<u>\$ 12,629,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk – The City follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The PTIF is unrated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

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The deposits and investments described above are included on the Statement of Net Position as per the following reconciliation:

Deposits and Investments	\$	1,137,796
Investments		12,629,299
Cash on Hand		<u>1,000</u>
Total Cash		<u>\$13,768,095</u>
Government-Wide		
Cash and Cash Equivalents	\$	9,059,679
Outstanding Checks in Excess Deposits	(	457,988)
Restricted Cash and Cash Equivalents		4,785,784
Fiduciary Restricted Cash		<u>380,620</u>
Total Cash		<u>\$13,768,095</u>
Net Cash on Statement of Net Position		<u>\$13,768,095</u>

**NOTE 5 - RECEIVABLES**

Receivables as of year end for the government's individual major fund and non major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water	Electric	Sewer	Non Major Business Type	Total
Receivables:						
Accounts	\$ 32,574	\$ 302,915	\$ 1,220,615	\$ 239,494	\$ 532,478	\$ 2,328,076
Property tax	1,084,386	-	-	-	-	1,084,386
Other taxes	618,001	-	-	-	-	618,001
Intergovernmental	161,080	-	-	-	-	161,080
Less allowance for uncollectible accts	-	-	(157,700)	-	(44,244)	(201,944)
	<u>\$ 1,896,041</u>	<u>\$ 302,915</u>	<u>\$ 1,062,915</u>	<u>\$ 239,494</u>	<u>\$ 488,234</u>	<u>\$ 3,989,599</u>

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *deferred inflows* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	<u>\$ 34,696</u>	<u>\$ 974,400</u>

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**NOTE 6 – INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The RDA Business Park and Golf Course are not expected to be repaid within one year. The composition of interfund balances as of June 30, 2015 is as follows:

**Inter-fund Transfers:**

<b>Transfer Out:</b>	General	Capital Projects	Sewer	Non Major Enterprise	Non Major Governmental	Total
General	\$ -	\$ -	\$ -	\$ -		\$ -
Capital Projects	270,850	-	322,623	2,900,000	308,000	3,801,473
Water	198,683	-	-	-	-	198,683
Electric	1,120,030	-	-	-	-	1,120,030
Sewer	124,160	-	-	-	-	124,160
Non Major Enterprise	164,342	412,623	-	-	-	576,965
Perpetual Care	15,000	-	-	-	-	15,000
Total Transfers In	<u>\$ 1,893,065</u>	<u>\$ 412,623</u>	<u>\$ 322,623</u>	<u>\$ 2,900,000</u>	<u>\$ 308,000</u>	<u>\$ 5,836,311</u>

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

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**NOTE 7 – CAPITAL ASSETS**

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

<b>Primary Government</b>	Beginning			Ending
<b>Governmental activities:</b>	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 3,518,221	\$ 77,000	\$ -	\$ 3,595,221
Infrastructure	16,582,193		-	16,582,193
Construction in Progress	-	108,600		108,600
Total capital assets not being depreciated	<u>20,100,414</u>	<u>185,600</u>	<u>-</u>	<u>20,286,014</u>
Capital assets being depreciated:				
Buildings	8,728,456	-	-	8,728,456
Improvements	6,885,405	12,764	-	6,898,169
Machinery and equipment	4,674,429	641,829	18,819	5,297,439
Total capital assets being depreciated	<u>20,288,290</u>	<u>654,593</u>	<u>18,819</u>	<u>20,924,064</u>
Less accumulated depreciation for:				
Buildings	(2,374,964)	(218,211)	-	(2,593,175)
Improvements	(4,476,992)	(277,804)	-	(4,754,796)
Machinery and equipment	(3,828,666)	(208,574)	-	(4,037,240)
Total accumulated depreciation	<u>(10,680,622)</u>	<u>(704,589)</u>	<u>-</u>	<u>(11,385,211)</u>
Total capital assets, being depreciated, net	<u>9,607,668</u>	<u>(49,996)</u>	<u>18,819</u>	<u>9,538,853</u>
Governmental activities capital assets, net	<u>\$ 29,708,082</u>	<u>\$ 135,604</u>	<u>\$ 18,819</u>	<u>\$ 29,824,867</u>
<b>Business-type activities:</b>	Beginning			Ending
<b>Business-type activities:</b>	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 7,873,757	\$ -	\$ -	\$ 7,873,757
Water Shares	198,400	-	-	198,400
Construction in Progress	293,728	352,908	293,728	352,908
Total capital assets not being depreciated	<u>8,365,885</u>	<u>352,908</u>	<u>293,728</u>	<u>8,425,065</u>
Capital assets being depreciated:				
Buildings	829,447	-	-	829,447
Improvements	69,050,069	668,286		69,718,355
Machinery and equipment	8,111,407	464,591		8,575,998
Total capital assets being depreciated	<u>77,990,923</u>	<u>1,132,877</u>	<u>-</u>	<u>79,123,800</u>
Less accumulated depreciation for:				
Buildings	(381,227)	(16,872)	-	(398,099)
Improvements	(32,156,827)	(1,373,552)		(33,530,379)
Machinery and equipment	(6,088,290)	(515,643)		(6,603,933)
Total accumulated depreciation	<u>(38,626,344)</u>	<u>(1,906,067)</u>	<u>-</u>	<u>(40,532,411)</u>
Total capital assets, being depreciated, net	<u>39,364,579</u>	<u>(773,190)</u>	<u>-</u>	<u>38,591,389</u>
Business-type activities capital assets, net	<u>\$ 47,730,464</u>	<u>\$ (420,282)</u>	<u>\$ 293,728</u>	<u>\$ 47,016,454</u>

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 117,368
Public safety	78,723
Highways and public improvements	87,176
Economic Development	18,197
Parks and recreation	389,365
Capital assets held by the government's Internal Service Fund are charged to various functions based on their usage of assets	13,760
Total depreciation expense - governmental activities	<u>\$ 704,589</u>
Business-type activities:	
Water	\$ 433,312
Electric	480,520
Sewer	531,244
Solid Waste	97,013
Golf Course	182,245
Storm Drain	133,800
Ambulance	47,933
Total depreciation expense - Business-Type Activities	<u>\$ 1,906,067</u>
Total depreciation expense	<u>\$ 2,610,656</u>

**NOTE 8 - LEASE COMMITMENTS**

The City over the past few years has executed various capital leases.

The assets acquired through capital leases are as follows:

	Business Type
Asset:	
Machinery and Equipment	\$1,617,854
Less: Accumulated Amortization	( 385,215)
Total	<u>\$ 1,232,639</u>

Amortization of capital assets purchased under capital leases are included in depreciation.

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The present value of future minimum capital lease payments under these leases as of June 30, 2015 are:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$316,369
2017	312,566
2018	218,200
2019	99,803
2020	<u>16,658</u>
Total minimum lease payments	963,596
Less amounts representing interest	( <u>51,716</u> )
Present value of minimum lease payments	<u>\$ 911,880</u>

At June 30, 2015, the City's capital leases payable balance consisted of the following:

	<u>Total Capital Leases Payable</u>	
	<u>Governmental</u>	<u>Business Type</u>
Capital Leases Payable	\$ 572,123	\$ 339,758
Current Portion Capital Leases Payable	( <u>170,121</u> )	( <u>129,968</u> )
Long Term Capital Leases Payable	<u>\$ 402,002</u>	<u>\$ 209,790</u>

**NOTE 9 – BONDS AND NOTES PAYABLE**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

***Governmental Activities:***

As of June 30, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

Sales Tax Revenue Bonds Series 2007B, Dated July 26, 2007 5.0% to 5.8% (original amount \$7,300,000)	<u>\$ 690,000</u>
Sales Tax Revenue Refunding Bonds Series 2014, Dated May 8, 2014 0.90% to 4.0% (original amount \$5,142,000)	<u>5,034,000</u>
Total Bonds and Notes	5,724,000
Less Noncurrent	( <u>5,316,000</u> )
Current Portion	<u>\$ 408,000</u>

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***Capital Leases***

2013 Paver & Roller 3.04% Revolving Loan Fund (org. amt \$123,004)	\$ 63,601
2013 Mower 3.04% Revolving Loan Fund (original amount \$13,635)	8,386
2013 Utility Vehicle 3.04% Revolving Loan Fund (org. amt \$9,456)	5,979
2013 Toro Mower 3.04% Revolving Loan Fund (org. amt \$32,125)	19,898
2014 Snow Plow 3.04% Revolving Loan Fund (org. amt \$185,454)	109,876
2014 Dump Truck 3.04% Revolving Loan Fund (org. amt \$95,094)	57,163
2015 Fire Truck 3.25% Revolving Loan Fund (org. amt \$307,220)	<u>307,220</u>
Total Capital lease	572,123
Less Noncurrent	( <u>402,002</u> )
Current portion	<u>\$ 170,121</u>

***Business-type Activities:***

As of June 30, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

Sewer Revenue Refunding Bonds, Series 2010, dated June 21, 2010 3.64% (original amount \$5,301,000)	\$ 3,343,000
Water revenue Bond, Series 2012, dated April 1, 2012 3.46% (original amount \$3,404,000)	3,158,000
Sewer Revenue Bond, Series 2007, dated August 8, 2007 4.0%-4.5% (original amount \$4,500,000)	205,000
Water Revenue Refunding, Series 2013, dated March 13, 2013 2.0% - 3.0% (original amount \$7,385,000)	7,230,000
Sewer Sales Tax Refunding Series 2014, dated May 8, 2014 0.90% to 4.0% (original amount \$5,142,000)	<u>3,249,000</u>
Total Bonds & Notes	17,185,000
Less non-current	( <u>15,969,000</u> )
Current portion	<u>\$ 1,216,000</u>

***Capital Leases***

2011 Golf Carts, 3.05% (original amount \$52,300)	\$ 13,670
2014 Golf Carts, 3.042% (original amount \$56,760) Revolving Loan Fund	26,672
2013 Ambulance, 3.04% (original amount \$157,800)	67,490
From Revolving Loan Fund	
2013 Golf Equipment, 3.04% (original amount \$75,820)	31,415
From Revolving Loan Fund	

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2015 Golf Turf Equip, 3.25% (original amount \$75,749)	75,749
From Revolving Loan Fund	
2015 Garbage Truck, 3.25% (original amount \$224,761)	
From Revolving Loan Fund	<u>124,761</u>
 Total Capital lease	 339,757
Less Noncurrent	( <u>209,790</u> )
Current portion	<u>\$ 129,968</u>

The future annual requirements for all outstanding bond and note obligations as of June 30, 2015 are as follows:

<u>Fiscal Year</u>	All Bonds and Notes		
	Principal	Interest	Total
2016	\$ 1,624,000	\$ 596,360	\$ 2,220,360
2017	1,686,000	532,187	2,218,187
2018	1,730,000	498,928	2,228,928
2019	1,772,000	461,491	2,233,491
2020	1,814,000	421,182	2,235,182
2021-2025	8,172,000	1,430,372	9,602,372
2026-2030	5,441,000	424,368	5,865,368
2031-2035	670,000	23,422	693,422
	\$ 22,909,000	\$ 4,388,310	\$ 27,297,310

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**Changes in Long Term Debt**

Government Type Activities	2014	Additions	Reductions	2015	One Year
<b>Bonds Payable</b>					
2014 Sales Tax Revenue Refunding	\$ 5,142,000	\$ -	\$ 108,000	\$ 5,034,000	\$ 73,000
Sales Tax Revenue Bond 2006B	1,010,000	-	320,000	690,000	335,000
Total Bonds Payable	6,152,000	-	428,000	5,724,000	408,000
Capital Lease	368,947	548,220	345,043	572,124	170,121
Accrued Compensated Absences	587,225	7,105	-	594,330	-
Govt Activities Long-Term Debt	<u>\$ 7,108,172</u>	<u>\$ 555,325</u>	<u>\$ 773,043</u>	<u>\$ 6,890,454</u>	<u>\$ 578,121</u>
Business Type Activities	2014	Additions	Reductions	2015	One Year
<b>Bonds Payable</b>					
2008 Water Rev & Refunding Bond	\$ 315,000	\$ -	\$ 315,000	\$ -	-
2014 Sewer Sales Tax Refunding	3,315,000.00	-	66,000	3,249,000	44,000
2013 Water Refunding Bond	7,315,000	-	85,000	7,230,000	410,000
2006 Sewer Revenue Bond	405,000	-	200,000	205,000	205,000
2012 Water Revenue Bond	2,250,000	1,033,000	125,000	3,158,000	129,000
2010 Sewer Refunding	3,756,000	-	413,000	3,343,000	428,000
Unamortized Bond Premium	231,021	-	14,778	216,243	-
Total Bonds Payable	17,587,021	1,033,000	1,218,778	17,401,243	1,216,000
Capital Lease	301,829	300,510	262,581	339,758	129,968
Accrued Compensated Absence	381,499	44,325	-	425,824	-
Water Share Liability	153,424	34,851	-	188,275	-
Closure and Postclosure Liability	952,107	-	-	952,107	-
Business activities long- term debt	<u>\$ 19,375,880</u>	<u>\$ 1,412,686</u>	<u>\$ 1,481,359</u>	<u>\$ 19,307,207</u>	<u>\$ 1,345,968</u>

**Advance Refunding.** In 2014 the City issued \$8,457,000 in sales tax revenue bonds with an interest rate ranging between 0.9 -4.0%. The proceeds were used to advance refund \$3,020,000 of outstanding 2006 Sewer Revenue & Refunding Bonds with interest rates ranging from 4.0% to 4.5%, and \$4,620,000 of the outstanding 2006B sales tax revenue bond with interest ranging from 5.0%–5.8% The net proceeds of \$8,402,801 (after payment of \$54,199 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2006 sewer revenue bonds and the 2006 sales tax revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. As of the balance sheet date, \$7,640,000 of the original debt is still outstanding

In 2013 the City issued \$7,385,000 in revenue bonds with an interest rate ranging between 2.0 - 3.0%. The proceeds were used to advance refund \$6,820,000 of outstanding 2008 Water Revenue & Refunding Bonds with interest rates ranging from 3.0% to 5.0% The net proceeds of \$7,417,294 (after payment of \$209,672 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the

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2008 water revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. As of the balance sheet date \$6,820,000 of the original debt is still outstanding.

**NOTE 10 – ACCRUED CLOSURE AND POSTCLOSURE CARE COSTS**

Payson City is closing landfill parcels on an on-going basis as each land parcel is completely filled. State and Federal laws and regulations require Payson to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the cost to close the final cell through the end of the year. The estimated liability for landfill closure and post-closure care costs is \$952,107 as of June 30, 2015, which represents the cumulative amount reported to date based on the use of 35% of the estimated capacity of the landfill. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill are performed by Payson City. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Payson City estimated the remaining life of the landfill is 26 to 56 years. As of June 30, 2015, no cost was charged to closure and post-closure expenses.

**NOTE 11 - STATE RETIREMENT PLANS**

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

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

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 JUNE 30, 2015

**NOTE 11 - STATE RETIREMENT PLANS (Continued)**

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

The Utah Retirement System (URS) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The URS's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report which can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org)

**Benefits Provided** – URS Provides retirement, disability, and death benefits. Retirement benefits are as follows:

<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year to to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year to to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

*\*with actuarial reductions*

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

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2015

**NOTE 11 - STATE RETIREMENT PLANS (Continued)**

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

Utah Retirement Systems

	Employee Paid	Employer for Employee	Employer Contribution Rates
<b>Contributory System</b>			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
<b>Noncontributory</b>			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
<b>Public Safety Retirement System</b>			
23 - Other Division A Contributory Tier 1	N/A	12.290%	22.750%
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%
<b>Firefighters System</b>			
31 - Division A Tier 1	N/A	15.050%	3.820%
132 - Division B Tier 2	N/A	N/A	10.800%

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

At December 31, 2014, we reported a net pension asset of \$23,330 and a net pension liability of \$2,504,701.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.4272258%	\$ -	\$ 1,855,115
Public Safety System	0.5165352%	-	649,586
Firefighters System	0.3133721%	17,882	-
Tier 2 Public Employees System	0.1009340%	3,059	-
Tier 2 Public Safety and Firefighter System	0.1614709%	2,389	-
<b>Total Net Pension Asset/Liability</b>		<b>\$ 23,330</b>	<b>\$ 2,504,701</b>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2015

**NOTE 11 - STATE RETIREMENT PLANS (Continued)**

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for the pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$660,293. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78	\$ 127,054
Changes in assumptions	-	280,202
Net difference between projected and actual earnings on the pension plan investments	59,378	-
Changes in proportion and differences between contributions and proportionate shares of contributions	-	-
Contributions subsequent to the measurement date	535,220	-
Total	\$ 594,676	\$ 407,256

\$535,220 was reported as deferred outflows of resources related to pensions resulting from contributions prior to the fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$ (93,111)
2016	(93,111)
2017	(91,333)
2018	(64,230)
2019	(2,594)
Thereafter	(6,975)

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2015

**NOTE 11 - STATE RETIREMENT PLANS (Continued)**

**Actuarial assumptions** – The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.5-10.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

Active member mortality rates are a function of the member’s gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

**Retired Member Mortality**

Class of Member

---

**Educators**

Men EDUM (90%)

Womend EDUF (100%)

---

**Public Safety and Firefighters**

Men RP 2000mWC (100%)

Womend EDUF (120%)

---

**Local Government, Public Employees**

Men RP 2000mWC (100%)

Womend EDUF (120%)

---

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

---

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2015

**NOTE 11 - STATE RETIREMENT PLANS (Continued)**

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

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

**Discount rate** – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions all participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate** – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Proportion Share of	1% Decrease	Discount Rate	1%
	(6.50%)	(7.50%)	Increase (8.50%)
Net Pension (asset)/liability	\$ 6,183,218	\$ 2,481,371	\$(579,133)

**Pension plan fiduciary net position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2015

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

The City is involved in claims arising in the normal course of business. It is not possible to state the ultimate liability, if any, in these matters. In the opinion of management, such litigation will have no material effect on the financial operations of the City.

**NOTE 13 - RISK MANAGEMENT**

Payson City Corporation is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover the risk of losses related to torts at a cost it considers to be economically justifiable. The City participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. The plan covers liability, theft, damages and other losses.

The City continues to carry commercial insurance for all other risks of loss, including theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage of any of the past three fiscal years.

**NOTE 14 – EQUITY IN JOINT VENTURE**

Utah Associated Municipal Power Systems (UAMPS)

Payson City is a member of Utah Associated Municipal Power Systems (UAMPS), a separate legal entity and political subdivision of the State of Utah, which was formed pursuant to the provision of the Interlocal cooperation act. UAMPS' membership consists of 31 municipalities, including one joint action agency and one electric service district. In addition, one contract purchaser of power is also supplied by UAMPS. UAMPS was formed to plan, finance, develop, acquire, construct, improve, operate, or maintain projects for the generation, transmission, and distribution of electric energy for the benefit of its members.

The City is a 19.99% participant in the operation of a joint agency project (Craig-Mona Transmission Project). Under the terms of the agreement, the operational costs and debt service requirements are reflected in the cost of power purchased. No separate payments are made to UAMPS under this agreement.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2015

**NOTE 14 – EQUITY IN JOINT VENTURE (Continued)**

Separate compiled financial statements for UAMPS may be obtained from the Manager of Finance at 2825 East Cottonwood Parkway, suite 200, Salt Lake City, Utah 84121-7077.

South Utah Valley Municipal Water Association (SUVMWA)

Payson City is a member of South Utah Valley Municipal Water Association, a separate legal entity and political subdivision of the State of Utah, which was formed pursuant to the provision of the Interlocal cooperation act. SUVMWA membership consists of 10 municipalities. SUVMWA was formed to plan, finance, develop, acquire, construct, improve, operate, or maintain projects for the water and waste water treatment facility.

SUVMWA purchased land for the wastewater treatment facility. Payson is a 19.29% participant and paid \$936,883 toward purchase of the property. This payment is shown with equity in joint venture in the sewer fund.

Payson will have an annual payment of \$110,171 to pay for their share of the lease bond that SUVMWA incurred when they purchased the land. The lease bond is \$1,626,000 as of June 30, 2015.

Separate completed financial statements for SUVMWA may be obtained from the manager of finance at 40 South Main, Spanish Fork, UT 84660.

**NOTE 15 – REDEVELOPMENT AGENCY**

The Payson City Redevelopment Agencies were established to further public purposes in the redevelopment of certain City areas. For the year ended June 30, 2015, the following activity occurred in the City’s redevelopment agencies.

**Business Park**

Tax increment collection from other taxing agencies for various project areas	\$520,972
Amounts expended for site improvements and preparation costs	164,949
Outstanding loans to finance RDA projects	-

**Down Town**

Tax increment collection from other taxing agencies for various project areas	\$ -
Amounts expended for site improvements and preparation costs	13,029
Amounts expended for administrative costs	-

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 16 – SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 30, 2015, the date the financial statements were available to be issued.

**NOTE 17 – RESTATED NET POSITION**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 Accounting for Financial Reporting of pensions which became effective for financial statement reporting periods beginning after June 15, 2014. As a result of implementing this statement, pension related items, which were previously not recognized, are now required to be reported in the City's financial statements. In the year of implementation, the City is required to include the pension related amounts and restate the earliest Net Position presented.

Therefore the effect of adding the pension related items is reflected as a restatement of net position in the statement of Activities for Governmental Activities of \$1,785,541 as well as \$903,526 in the proprietary funds statement of Revenues, Expenses, and Change in Net Position, since these pension items do not relate to the current financial reporting period.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PAYSON CITY CORPORATION**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property Taxes	\$ 851,766	\$ 878,820	\$ 945,514	\$ 66,694
General Sales Taxes	2,600,000	2,600,000	2,836,515	236,515
Motor Vehicle Taxes	95,000	95,000	92,382	(2,618)
Utility Taxes	1,025,000	1,025,000	986,971	(38,029)
Other Taxes	300,500	300,500	263,657	(36,843)
Licenses and Permits	141,750	141,750	192,302	50,552
Intergovernmental	883,565	921,569	942,764	21,195
Charges for Services	2,711,650	2,841,864	2,857,329	15,465
Fines and Forfeitures	251,000	251,000	290,439	39,439
Interest	4,500	4,734	5,646	912
Miscellaneous	18,000	36,217	33,120	(3,097)
<b>Total Revenues</b>	<b>8,882,731</b>	<b>9,096,454</b>	<b>9,446,639</b>	<b>350,185</b>
<b>Expenditures</b>				
Current:				
General Government:				
Administrative	1,213,737	1,284,630	1,270,485	14,145
Planning and Zoning	552,162	671,140	588,751	82,389
Building Maintenance	327,235	443,702	423,382	20,320
Judicial	550,802	555,796	513,424	42,372
Non-Departmental	150,786	151,636	149,264	2,372
Total General Government	2,794,722	3,106,904	2,945,306	161,598
Public Safety:				
Police Administration	2,630,338	2,629,509	2,481,531	147,978
Fire Administration	415,730	492,492	452,465	40,027
Victims Advocate	70,669	72,087	73,364	(1,277)
Animal Control	81,727	77,552	73,940	3,612
Total Public Safety	3,198,464	3,271,640	3,081,300	190,340
Highways and Streets:				
Streets and Sidewalks	454,917	452,917	403,320	49,597
Class "C" Road	589,000	514,000	547,589	(33,589)
Total Highways and Streets	1,043,917	966,917	950,909	16,008
Economic Development:				
Senior Citizens	143,105	144,726	115,058	29,668
Community Events	53,401	83,002	56,526	26,476
Total Economic Development	196,506	227,728	171,584	56,144
Parks and Recreation:				
Parks	461,177	456,006	435,986	20,020
Swimming Pool	386,495	388,342	347,638	40,704
Library	380,578	394,243	377,757	16,486
Ground Mowing	205,579	206,145	170,998	35,147
Recreation and Culture	610,192	678,429	654,519	23,910
Youth Sports	271,306	302,582	301,828	754
Adult Sports	77,946	75,726	74,320	1,406
Snack Shack	86,749	86,749	73,600	13,149
Total Culture and Recreation	2,480,022	2,588,222	2,436,646	151,576
Cemetery	254,832	293,506	290,929	2,577
Debt Service:				
Principal, Interest and Fiscal Charges	534,974	932,423	914,167	18,256
Capital Outlay	612,458	873,458	605,990	267,468
<b>Total Expenditures</b>	<b>11,115,895</b>	<b>12,260,798</b>	<b>11,396,831</b>	<b>863,967</b>
Excess of Revenues Over (Under) Expenditures	(2,233,164)	(3,164,344)	(1,950,192)	1,214,152
<b>Other Financing Sources (Uses)</b>				
Proceeds of Bonds & Leases	-	-	548,220	548,220
Sale of Assets	-	-	6,200	6,200
Transfers In	1,622,215	2,306,923	1,893,065	(413,858)
Transfers Out	-	(5,046)	-	5,046
<b>Total Other Financing Sources (Uses)</b>	<b>1,622,215</b>	<b>2,301,877</b>	<b>2,447,485</b>	<b>145,608</b>
Net Change in Fund Balance	(610,949)	(862,467)	497,293	1,359,760
Fund Balance Beginning of Year	1,623,610	1,623,610	1,623,610	-
Fund Balance End of Year	<b>\$ 1,012,661</b>	<b>\$ 761,143</b>	<b>\$ 2,120,903</b>	<b>\$ 1,359,760</b>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

## PAYSON CITY

### Ratings for the City's Road System For the Year Ended June 30, 2015

As allowed by GASB Statement 34, the City has adopted the modified approach for reporting, where infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City capitalizes costs related to new construction or major replacements under the modified approach.

In order to utilize the modified approach, the City is required to:

1. Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
2. Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
3. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level disclosed by the City.
4. Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the City.

The City has used an inventory system that evaluates the condition and safety of its roads. This system rates good roads with a high value and poor roads with a low value by road type. Roads are re-inventoried each year to determine current condition and safety needs. Roads in each road type with low values are then targeted for maintenance in the coming budget year.

The City Level of Service (LOS) Policy for streets is:

#### **LOS 1 No curb and gutter (rural)**

1. To maintain a minimum of 24 ft. of asphalt travel with a minimum of 4 foot of gravel shoulder with adequate facility for storm water dispersion. Adequate signage to move traffic in a uniform safe manner.

#### **LOS 2 (Residential)**

2. Maintain 40 ft. of asphalt width with adequate storm water facilities to include curb gutter and sidewalk and signage information to provide safe uninhibited flow of traffic and suitable information to negotiate the road system in a safe uniform manner.

#### **LOS 3 (Arterial)**

3. Maintain 60 ft. asphalt width with adequate storm water facilities to include curb gutter and sidewalk and traffic control devices to allow for the safe uniform flow of traffic in the most fluid and efficient manner possible with higher volumes of traffic involving higher speeds.

The streets are assessed by the Iwork Computer program. The most recent assessment found that the City's streets were within the prescribed parameters with 80% having a pavement condition with service life of 12 years or better and 2% of the streets having a pavement condition 2 years service life or less.

On June 30, 2015, the City has 83.62 center lane miles of paved road.

It is the City’s policy to maintain its roads at or above the average rating for each class of roads.

Over the last five reporting years, the estimated amounts needed and actual expenditures utilized to maintain and preserve the City’s road system are as follows (capital expenditures are not included):

<u>Year</u>	<u>Budgeted</u>	<u>Expenditures</u>
2011	\$161,390	\$158,999
2012	392,160	366,866
2013	533,148	538,563
2015	446,620	439,389
2015	459,808	483,808

**Payson City**  
 Required Supplementary Information  
 Schedule of the Proportionate Share of the Net Pension Liability  
 JUNE 30, 2015  
 Last 10 Fiscal Years\*

	Noncontributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter Systems
Proportion of the net pension liability (asset)	0.4272258%	0.5165352%	0.3133721%	0.1009340%	0.1614709%
Proportionate share of the net pension liability (asset)	\$ 1,855,115	\$ 649,586	\$ (17,882)	\$ (3,059)	\$ (2,389)
Covered employee payroll	\$ 3,577,235	\$ 837,721	\$ 82,249	\$ 495,503	\$ 66,973
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.9%	77.5%	-21.7%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	90.5%	103.5%	103.5%	120.5%

\*In accordance with paragraph 81.a of GASB 68, the City will need to disclose a 10-year history of their proportionate share of the Net Pension Liability or Asset in this Schedule. However, this schedule will be populated prospectively. Thus, the schedule above is only for the current year.

**Payson City**  
 Required Supplementary Information  
 Schedule of Contributions  
 JUNE 30, 2015  
 Last 10 Fiscal Years\*

	Noncontributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Contractually required contribution	\$ 671,479	\$ 254,422	\$ 2,794	\$ 41,643	\$ 7,276
Contributions in relation to the contractually require contribution	(671,479)	(254,422)	(2,794)	(41,643)	(7,276)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,577,235	\$ 837,721	\$ 82,249	\$ 495,503	\$ 66,973
Contribution as a percentage of covered -employee payroll**	18.77%	30.37%	3.40%	8.40%	10.86%

\* The amounts presented were determined for the Calendar year January 1-December 31. Employers will be required to prospectively develop this table in future years to show 10-year information. Thus, the schedule above is only for the current year.

\*\*Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrate issues.

Notes to Required Supplementary Information

For Year Ended June 30, 2015

**Other information that is not required as part of RSI**

This information below is not required as part of GASB 68 but is provided for information purposes. The schedule below is a summary of the Defined Contribution Savings Plan for pay periods January 1 - December 31.

**Defined Contribution System**

December 31, 2014

	Employee Paid Contributions	Employer Paid Contributions
	<u>                    </u>	<u>                    </u>
401(k) Plan	\$ 6,270	\$ 46,579
457 Plan	-	-
Roth IRA Plan	-	-
Traditional IRA Plan	-	-
HRA Plan	-	-

\* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

## **SUPPLEMENTAL INFORMATION**

**PAYSON CITY CORPORATION**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	RDA Downtown	RDA Business Park	Impact Fee Parks	Impact Fee Public Safety	Perpetual Care	Revolving Loan	
<b>Assets</b>							
Cash and Cash Equivalents	\$ 246,442	\$ 816,353	\$ 5,600	\$ 810	\$ 10,326	\$ 292,333	\$ 1,371,864
Notes Receivable	-	-	-	-	-	1,067,474	1,067,474
Restricted Assets:							
Cash and Cash Equivalents	-	-	239,890	148,810	356,075	24,545	769,320
<b>Total Assets</b>	<u>\$ 246,442</u>	<u>\$ 816,353</u>	<u>\$ 245,490</u>	<u>\$ 149,620</u>	<u>\$ 366,401</u>	<u>\$ 1,384,352</u>	<u>\$ 3,208,658</u>
<b>Liabilities</b>							
Accrued Liabilities	\$ 2,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,815
Due To Other Funds	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>2,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,815</u>
<b>Fund Balances</b>							
Restricted for:							
RDA	243,627	816,353	-	-	-	-	1,059,980
Impact Fees	-	-	245,490	149,620	-	-	395,110
Committed for:							
Perpetual Care	-	-	-	-	366,401	-	366,401
Assigned for:							
Capital Projects	-	-	-	-	-	1,384,352	1,384,352
Special Revenue	-	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<u>243,627</u>	<u>816,353</u>	<u>245,490</u>	<u>149,620</u>	<u>366,401</u>	<u>1,384,352</u>	<u>3,205,843</u>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<u>\$ 246,442</u>	<u>\$ 816,353</u>	<u>\$ 245,490</u>	<u>\$ 149,620</u>	<u>\$ 366,401</u>	<u>\$ 1,384,352</u>	<u>\$ 3,208,658</u>

**PAYSON CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	RDA Downtown	RDA Business Park	Impact Fee Parks	Impact Fee Public Safety	Perpetual Care	Revolving Loan	
<b>Revenues</b>							
Taxes:							
Property	\$ -	\$ 61,064	\$ -	\$ -	\$ -	\$ -	\$ 61,064
Intergovernmental	-	520,972	-	-	-	-	520,972
Charges for Services	-	-	-	-	48,471	-	48,471
Misc	-	-	-	-	-	-	-
Interest	-	-	1,307	1,168	1,758	19,902	24,135
Total Revenues	<u>-</u>	<u>582,036</u>	<u>1,307</u>	<u>1,168</u>	<u>50,229</u>	<u>19,902</u>	<u>654,642</u>
<b>Expenditures</b>							
Current:							
General Government	-	-	-	-	-	-	-
Economic Development	13,029	164,949	-	148,686	-	-	326,664
Debt Service:							
Principal Retirement	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	106,000	-	-	-	106,000
Total Expenditures	<u>13,029</u>	<u>164,949</u>	<u>106,000</u>	<u>148,686</u>	<u>-</u>	<u>-</u>	<u>432,664</u>
Excess of Revenues Over (Under) Expenditures	<u>(13,029)</u>	<u>417,087</u>	<u>(104,693)</u>	<u>(147,518)</u>	<u>50,229</u>	<u>19,902</u>	<u>221,978</u>
<b>Other Financing Sources (Uses)</b>							
Impact Fees	-	-	123,217	26,623	-	-	149,840
Transfer In (Out)	-	-	-	-	(15,000)	308,000	293,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>123,217</u>	<u>26,623</u>	<u>(15,000)</u>	<u>308,000</u>	<u>442,840</u>
Net Change in Fund Balances	<u>(13,029)</u>	<u>417,087</u>	<u>18,524</u>	<u>(120,895)</u>	<u>35,229</u>	<u>327,902</u>	<u>664,818</u>
Fund Balances (Deficits) Beginning of Year	<u>256,656</u>	<u>399,266</u>	<u>226,966</u>	<u>270,515</u>	<u>331,172</u>	<u>1,056,450</u>	<u>2,541,025</u>
Fund Balances (Deficits) End of Year	<u>\$ 243,627</u>	<u>\$ 816,353</u>	<u>\$ 245,490</u>	<u>\$ 149,620</u>	<u>\$ 366,401</u>	<u>\$ 1,384,352</u>	<u>\$ 3,205,843</u>

**PAYSON CITY CORPORATION**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2015**

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,310,474	\$ -	\$ 773,600	\$ 542,594	\$ 2,626,668
Accounts Receivable (Net of Allowance for Uncollectables)	180,343	-	130,916	176,975	488,234
Due From Other Funds	-	-	-	-	-
<b>Total Current Assets</b>	<b>1,490,817</b>	<b>-</b>	<b>904,516</b>	<b>719,569</b>	<b>3,114,902</b>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	554,062	-	-	-	554,062
Net Pension Asset	1,097	933	700	-	2,730
Capital Assets:					
Land	55,123	833,376	-	-	888,499
Buildings	138,136	245,950	152,370	-	536,456
Improvements	516,064	4,337,896	4,670,620	10,254	9,534,834
Machinery and Equipment	2,469,164	1,385,592	285,785	548,230	4,688,771
Less Accumulated Depreciation	(2,440,689)	(3,971,384)	(1,070,470)	(449,586)	(7,932,129)
<b>Total Capital Assets, Net</b>	<b>737,798</b>	<b>2,831,430</b>	<b>4,038,305</b>	<b>108,898</b>	<b>7,716,431</b>
<b>Total Noncurrent Assets</b>	<b>1,292,957</b>	<b>2,832,363</b>	<b>4,039,005</b>	<b>108,898</b>	<b>8,273,223</b>
<b>Total Assets</b>	<b>2,783,774</b>	<b>2,832,363</b>	<b>4,943,521</b>	<b>828,467</b>	<b>11,388,125</b>
<b>Deferred Outflows of Resources</b>					
Relating to Pensions	27,949	23,787	17,841	-	69,577
<b>Liabilities</b>					
Current Liabilities:					
Accrued Liabilities	39,945	47,575	16,806	20,135	124,461
Outstanding Checks in Excess of Deposits	-	457,988	-	-	457,988
Compensated Absences Payable	28,273	85,728	32,172	-	146,173
Performance Bond	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-
Matured Interest Payable	-	-	-	-	-
Capital Leases Payable	40,264	58,166	-	31,538	129,968
<b>Total Current Liabilities</b>	<b>108,482</b>	<b>649,457</b>	<b>48,978</b>	<b>51,673</b>	<b>858,590</b>
Noncurrent Liabilities:					
Capital Leases Payable (net of current portion)	84,497	89,340	-	35,953	209,790
Closure and Postclosure Liability	952,107	-	-	-	952,107
Net Pension Liability	117,721	100,188	75,141	-	293,050
<b>Total Noncurrent Liabilities</b>	<b>1,154,325</b>	<b>189,528</b>	<b>75,141</b>	<b>35,953</b>	<b>1,454,947</b>
<b>Total Liabilities</b>	<b>1,262,807</b>	<b>838,985</b>	<b>124,119</b>	<b>87,626</b>	<b>2,313,537</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows Relating to Pensions	19,141	16,290	12,218	-	47,649
<b>Net Position</b>					
Net Investment in Capital Assets	613,037	2,683,924	4,038,305	41,407	7,376,673
Restricted for:					
Landfill Closure Costs	554,062	-	-	-	554,062
Unrestricted	362,676	(683,049)	786,720	699,434	1,165,781
<b>Total Net Position</b>	<b>\$ 1,529,775</b>	<b>\$ 2,000,875</b>	<b>\$ 4,825,025</b>	<b>\$ 740,841</b>	<b>\$ 9,096,516</b>

**PAYSON CITY CORPORATION**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Fund Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
<b>Operating Revenues</b>					
Charges for Services	\$ 1,891,615	\$ 630,186	\$ 647,891	\$ 471,043	\$ 3,640,735
Miscellaneous	92,424	64,674	0	-	157,098
Total Operating Revenues	<u>1,984,039</u>	<u>694,860</u>	<u>647,891</u>	<u>471,043</u>	<u>3,797,833</u>
<b>Operating Expenses</b>					
Costs of Sales and Services	474,180	389,593	78,428	275,303	1,217,504
Maintenance Operations and Contractual Services	724,354	91,386	394,167	99,598	1,309,505
Materials and Supplies	79,666	157,831	8,491	41,519	287,507
Depreciation	97,013	182,245	133,800	47,933	460,991
Total Operating Expenses	<u>1,375,213</u>	<u>821,055</u>	<u>614,886</u>	<u>464,353</u>	<u>3,275,507</u>
Operating Income (Loss)	<u>608,826</u>	<u>(126,195)</u>	<u>33,005</u>	<u>6,690</u>	<u>522,326</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	2,824	10	2,822	-	5,656
Gain (Loss) on Sale of Fixed Assets	-	691	-	-	691
Interest and Fiscal Charges	(1,313)	(3,664)	-	(3,895)	(8,872)
Total Non-Operating Revenues (Expenses)	<u>1,511</u>	<u>(2,963)</u>	<u>2,822</u>	<u>8,448</u>	<u>9,818</u>
Income (Loss) before Capital Contributions and Transfers	610,337	(129,158)	35,827	15,138	532,144
Capital Contributions	-	-	-	-	-
Transfers In	-	2,900,000	-	-	2,900,000
Transfers Out	(542,965)	0	0	(34,000)	(576,965)
Change in Net Position	67,372	2,770,842	35,827	(18,862)	2,855,179
Net Position Beginning of Year	1,588,789	(662,404)	4,869,870	759,703	6,555,958
Adjustment for GASB 68 (Note 17)	<u>(126,386)</u>	<u>(107,563)</u>	<u>(80,672)</u>	<u>0</u>	<u>(314,621)</u>
Net Position End of Year	<u>\$ 1,529,775</u>	<u>\$ 2,000,875</u>	<u>\$ 4,825,025</u>	<u>\$ 740,841</u>	<u>\$ 9,096,516</u>

**PAYSON CITY CORPORATION**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 1,991,647	\$ 694,860	\$ 639,552	\$ 506,844	\$ 3,832,903
Receipts from Interfund Services Provided	1,295,918	-	-	531,153	1,827,071
Payments to Employees for Services	(319,046)	(239,579)	(48,430)	(184,156)	(791,211)
Payments for Goods and Services	(966,874)	(379,082)	(335,033)	(225,090)	(1,906,079)
Other Cash Payments	-	(3,378,162)	-	-	(3,378,162)
Net Cash Provided by (Used in) Operating Activities	<u>2,001,645</u>	<u>(3,301,963)</u>	<u>256,089</u>	<u>628,751</u>	<u>(415,478)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating Grants Received	-	-	-	12,343	12,343
Transfers to Other Funds	(542,965)	-	-	(34,000)	(576,965)
Transfers from Other Funds	-	2,900,000	-	-	2,900,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(542,965)</u>	<u>2,900,000</u>	<u>-</u>	<u>(21,657)</u>	<u>2,335,378</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from Capital Leases	124,761	75,749	-	-	200,510
Proceeds from Sale of Assets	-	691	-	-	691
Principal Paid on Capital Leases	(46,892)	(55,084)	-	(60,606)	(162,582)
Interest Paid on Capital Leases	(1,313)	(3,664)	-	(3,894)	(8,871)
Payments for Capital Acquisitions	(224,761)	(75,749)	(173,704)	-	(474,214)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(148,205)</u>	<u>(58,057)</u>	<u>(173,704)</u>	<u>(64,500)</u>	<u>(444,466)</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income Received	2,824	10	2,822	-	5,656
Net Increase (Decrease) in Cash and Cash Equivalents	1,313,299	(460,010)	85,207	542,594	1,481,090
Cash and Cash Equivalents Beginning of Year	551,237	2,022	688,393	-	1,241,652
Cash and Cash Equivalents End of Year	<u>\$ 1,864,536</u>	<u>\$ (457,988)</u>	<u>\$ 773,600</u>	<u>\$ 542,594</u>	<u>\$ 2,722,742</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$ 608,826	\$ (126,195)	\$ 33,005	\$ 6,690	\$ 522,326
Adjustments:					
Depreciation	97,013	182,245	133,800	47,933	460,991
(Increase) Decrease in Assets:					
Accounts Receivable	7,608	-	(8,339)	35,801	35,070
Net Pension Assets	(1,052)	(895)	(671)	-	(2,618)
Deferred Outflows of Resources Related to Pensions Due From Other Funds	(6,020)	(5,124)	(3,844)	-	(14,988)
Due From Other Funds	1,295,918	-	93,146	531,153	1,920,217
Increase (Decrease) in Liabilities:					
Accrued Liabilities	26,973	25,923	9,443	7,174	69,513
Performance Bond					
Compensated Absences Payable	(16,123)	10,031	6,888	-	796
Due to Other Funds	-	(3,378,162)	-	-	(3,378,162)
Net Pension Liability	(30,639)	(26,076)	(19,557)	-	(76,272)
Deferred Inflows of Resources Related to Pensions	19,141	16,290	12,218	-	47,649
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,001,645</u>	<u>\$ (3,301,963)</u>	<u>\$ 256,089</u>	<u>\$ 628,751</u>	<u>\$ (415,478)</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ -

**GOVERNMENT AUDITING STANDARDS REPORT**  
**STATE COMPLIANCE REPORT**



**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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**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  
Payson City  
Payson, 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, business type activities, each major fund, and the aggregate remaining fund information of Payson City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Payson City's basic financial statements, and have issued our report thereon dated December 30, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and response that we consider to be a significant deficiency

## **Compliance and Other Matters**

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

## **Payson City's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of 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.

*Gilbert & Stewart*

GILBERT & STEWART  
Certified Public Accountants  
December 30, 2015



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**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE STATE  
COMPLIANCE AUDIT GUIDE ON:  
COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS  
COMPLIANCE FOR EACH MAJOR STATE PROGRAM  
INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and City Council  
Payson City  
Payson, Utah

***REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND  
FOR EACH MAJOR STATE PROGRAM***

We have audited Payson City's compliance with applicable general state 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 Payson City or each of its major state programs for the year ended June 30, 2015

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  
Transfers from Utility Enterprise Funds  
Restricted Taxes  
Cash Management  
Nepotism

The City did not have any state funding classified as major programs for the year ended June 30, 2015.

***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 Payson City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether

noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, Payson City complied, in all material respects, with the compliance requirements identified above that could have a direct and material effect on the City or on its major state programs for the year ended June 30, 2015.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

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

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

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

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

*Gilbert & Stewart*

GILBERT & STEWART  
*Certified Public Accountants*  
December 30, 2015