

PAYSON CITY CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016, 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.

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 combining and individual nonmajor fund financial statements, and budgetary comparison schedules, 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 the 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, 2016 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, 2016

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016. 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 increased in 2016 by \$4,372,539 from \$64,462,996 to \$68,835,585.
- The total net position of \$68,835,585 is made up of \$53,933,327 in net investment in capital assets, \$9,225,350 in unrestricted net position, and \$5,676,908 in restricted net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$653,574.
- Total long-term liabilities of the City went down from \$26,197,661 to \$24,898,372, which includes all debt owing (bonds, leases, compensated absences, water share liability, bond premiums, and Landfill post-closure liability), as of June 30, 2016.
- In accordance with GASB Statement No. 68, the City reported net pension obligation totaling \$3,570,337 as of June 30, 2016.

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, 2016

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, 2016

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 \$68,835,585.

By far, the largest portion of Payson City's net position (78%) is 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	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 9,020,187	\$ 7,916,753	\$ 14,690,065	\$ 12,316,616	\$ 23,710,252	\$ 20,233,369
Capital assets	29,686,219	29,824,867	46,743,064	47,016,454	76,429,283	76,841,321
Total assets	<u>38,706,406</u>	<u>37,741,620</u>	<u>61,433,129</u>	<u>59,333,070</u>	<u>100,139,535</u>	<u>97,074,690</u>
Deferred outflow of resources	<u>1,682,634</u>	<u>835,829</u>	<u>1,357,939</u>	<u>962,799</u>	<u>3,040,573</u>	<u>1,798,628</u>
Liabilities						
Other liabilities	4,003,084	3,119,365	3,929,728	3,711,640	7,932,812	6,831,005
Long-term liabilities outstanding	6,307,163	6,890,454	18,591,209	19,307,207	24,898,372	26,197,661
Total liabilities	<u>10,310,247</u>	<u>10,009,819</u>	<u>22,520,937</u>	<u>23,018,847</u>	<u>32,831,184</u>	<u>33,028,666</u>
Deferred inflow of resources	<u>1,359,836</u>	<u>1,244,816</u>	<u>153,503</u>	<u>136,840</u>	<u>1,513,339</u>	<u>1,381,656</u>
Net position:						
Net investment in capital assets	23,968,216	23,528,743	29,965,111	29,352,100	53,933,327	52,880,843
Restricted	658,474	655,344	5,018,434	5,441,902	5,676,908	6,097,246
Unrestricted	4,092,267	3,138,727	5,133,083	2,346,180	9,225,350	5,484,907
Total net position	<u>\$ 28,718,957</u>	<u>\$ 27,322,814</u>	<u>\$ 40,116,628</u>	<u>\$ 37,140,182</u>	<u>\$ 68,835,585</u>	<u>\$ 64,462,996</u>

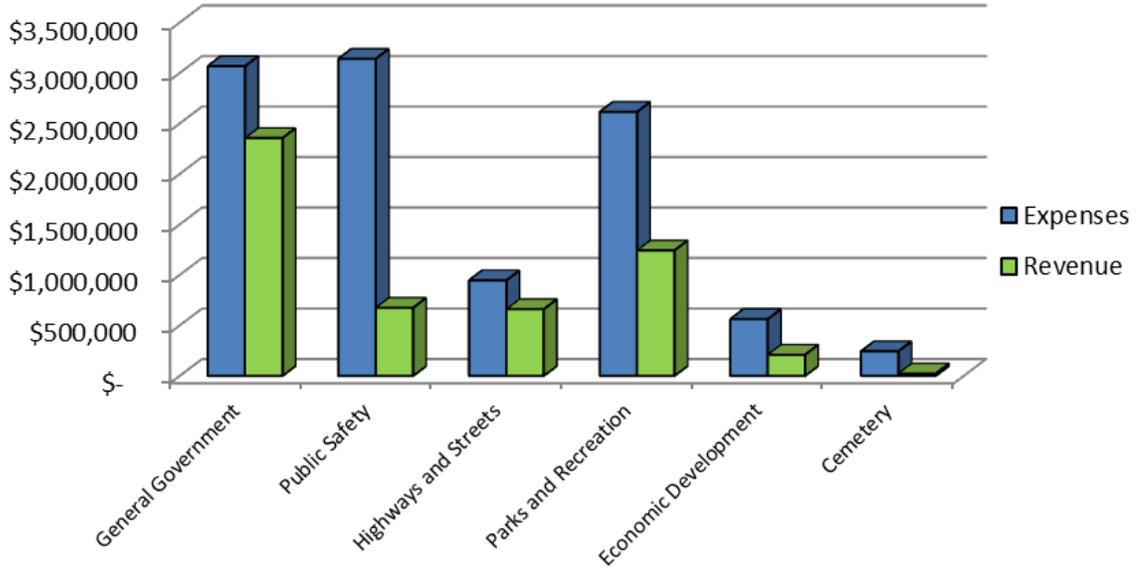
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Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

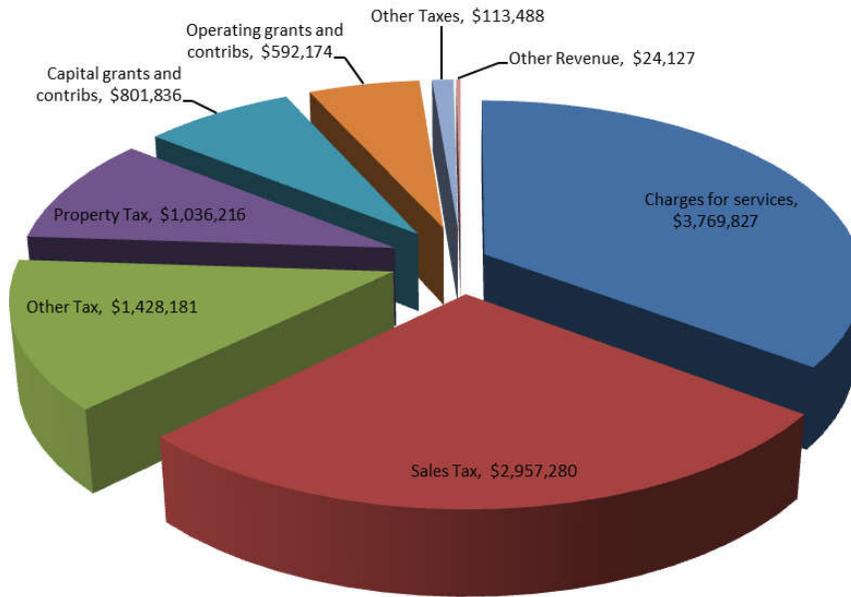
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,769,827	\$ 3,451,752	\$ 23,071,496	\$ 20,618,189	\$ 26,841,323	\$ 24,069,941
Operating grants and contribs	592,174	844,310	-	-	592,174	844,310
Capital grants and contribs	801,836	769,267	436,181	504,890	1,238,017	1,274,157
General revenues:						
Taxes	5,421,677	5,185,754	-	-	5,421,677	5,185,754
Gain (Loss) on Sale of Assets	24,127	(12,619)	75,981	691	100,108	(11,928)
Special Assessments	-	-	-	-	-	-
Unrestricted investment earnings	89,361	45,779	-	-	89,361	45,779
Transfers	1,618,018	(1,202,785)	(1,618,018)	1,202,785	-	-
Misc.	-	-	-	-	-	-
Total revenues	12,317,020	9,081,458	21,965,640	22,326,555	34,282,660	31,408,013
Expenses:						
General government	3,067,816	2,886,991	-	-	3,067,816	2,886,991
Public safety	3,140,336	2,971,816	-	-	3,140,336	2,971,816
Highways and public works	946,356	1,032,159	-	-	946,356	1,032,159
Parks and recreation	2,614,250	2,794,797	-	-	2,614,250	2,794,797
Economic Development	562,219	513,284	-	-	562,219	513,284
Cemetery	243,356	285,792	-	-	243,356	285,792
Interest on long-term debt	346,544	305,524	-	-	346,544	305,524
Water	-	-	2,027,611	2,161,446	2,027,611	2,161,446
Electric	-	-	11,630,788	12,511,300	11,630,788	12,511,300
Sewer	-	-	1,868,125	1,849,847	1,868,125	1,849,847
Solid Waste	-	-	1,570,500	1,376,526	1,570,500	1,376,526
Golf	-	-	789,007	824,719	789,007	824,719
Storm Drain	-	-	630,191	614,886	630,191	614,886
Ambulance	-	-	472,972	468,248	472,972	468,248
Total expenses	10,920,877	10,790,363	18,989,194	19,806,972	29,910,071	30,597,335
Increase in net position	1,396,143	(1,708,905)	2,976,446	2,519,583	4,372,589	810,678
Net position - beginning	27,322,814	30,817,260	37,140,182	35,524,125	64,462,996	66,341,385
Adjustment for GASB 68		(1,785,541)		(903,526)		(2,689,067)
Net position - ending	\$28,718,957	\$27,322,814	\$40,116,628	\$37,140,182	\$68,835,585	\$64,462,996

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 Management's Discussion and Analysis
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Expense and Program Revenues - Governmental Activities

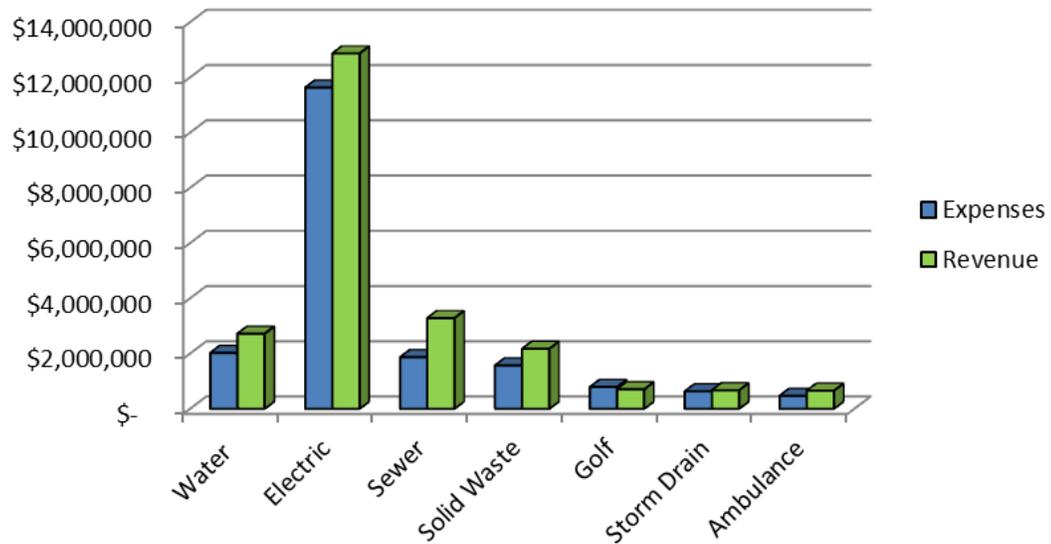


Revenues By Source - Governmental Activities

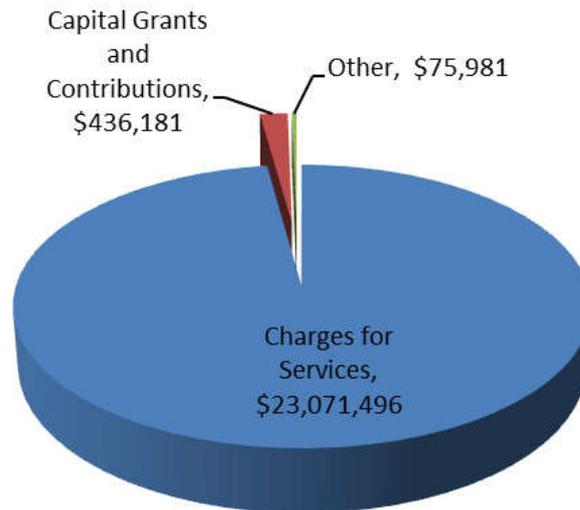


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Expense and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016, the City's governmental funds (General, Capital Projects, & Special Revenue) reported a combined fund balance of \$6,162,794 (up from \$5,336,788 last year). This represents an increase of \$826,006 from last year's ending balances, with the General Fund portion increasing by \$653,574.

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; they represent 52% 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 \$2,957,280 (or 28%) of total general fund revenues. Sales tax increased \$120,765 (or 4%) from FY2015.

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 \$11,381,488 to a final budget of \$12,064,166 in order 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, 2016, amounts to \$76,429,283 (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 2016 fiscal year included the following:

Police:	Police Special Ops Trailer	\$ 66,650
Capital Projects:	Peteetneet Amphitheater	\$ 6,175
	Peteetneet Sprinkler System	\$ 42,159
	500 South Sidewalk	\$ 23,739
	780 West Reconstruct	\$456,344
Water:	780 West Reconstruct	\$ 82,592
Solid Waste:	Cat Scraper	\$611,973
	F150 Truck	\$ 28,700
	Scale	\$ 12,386
Electrical:	780 West Reconstruct	\$ 8,044
	Padmount Transformers	\$ 69,450
	Intercoolers	\$ 74,228

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Sewer:	780 West Reconstruct	\$ 59,341
	Centrifugal Pump	\$ 45,188
	Driver for Clarifier	\$ 24,185
Storm:	780 West Reconstruct	\$179,050
	400 West Curb & Gutter	\$ 10,550
Revolving Loan:	Electric Bucket Truck	\$ 99,316

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Invested in capital assets, net						
Land	\$ 3,595,221	\$ 3,595,221	\$ 7,873,757	\$ 7,873,757	\$ 11,468,978	\$ 11,468,978
Building	5,917,070	6,135,281	414,476	431,348	6,331,546	6,566,629
Equipment	1,054,991	1,260,199	2,371,272	1,972,065	3,426,263	3,232,264
Water Shares	-	-	198,400.00	198,400	198,400	198,400
Improvements	2,162,098	2,143,373	35,143,733	36,187,976	37,305,831	38,331,349
Infrastructure	16,814,246	16,582,193	0	-	16,814,246	16,582,193
Construction in progress	142,593.00	108,600.00	741,426.00	352,908	884,019	461,508
Total net assets	\$ 29,686,219	\$ 29,824,867	\$ 46,743,064	\$ 47,016,454	\$ 76,429,283	\$ 76,841,321

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. 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.

L.O.S. 3 (Arterial)

3. Maintain 60 ft. of 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.

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Over the last five reporting years, the estimated amounts needed and the 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>
2012	392,160	366,866
2013	533,148	538,565
2014	446,620	439,389
2015	459,808	483,808
2016	593,372	573,109

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

Long-term debt – At June 30, 2016, the City had total bonded debt outstanding of \$21,285,000. This includes the following revenue bonds: the Sewer Revenue Bonds, for the eastside sewer line for \$4,500,000 (with the remaining amount owing \$3,205,000); the Sales Tax Bonds for swimming pool for \$8,865,000 (with the remaining amount owing \$5,316,000). the Sewer Revenue Refunding Bond of \$5,301,000 (with the remaining amount owing \$2,915,000); the Water Revenue & Refunding Bond for Fore Bay land and PI system of \$9,445,000 (with the remaining owing \$6,820,000), and the Water Revenue Bond of \$3,404,000 for the water tank (with the remaining owing \$3,029,000). \$201,463 in unamortized bond premium is included in "Bonds Payable" in the table below.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bonds Payable	\$ 5,316,000	\$ 5,724,000	\$ 16,170,463	\$ 17,401,243	\$ 21,486,463	\$ 23,125,243
Capital Lease	402,003	572,124	767,639	339,758	1,169,642	911,882
Accrued Compensated Absences	589,160	594,330	426,975	425,824	1,016,135	1,020,154
Water Share Liability	-	-	274,027	188,275	274,027	188,275
Closure and Postclosure Liability	-	-	952,107	952,107	952,107	952,107
Total Long Term Debt	<u>\$ 6,307,163</u>	<u>\$ 6,890,454</u>	<u>\$ 18,591,211</u>	<u>\$ 19,307,207</u>	<u>\$ 24,898,374</u>	<u>\$ 26,197,661</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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Utah unemployment rate was 3.1% in November 2016. This compares with the national rate of 4.6%. (Source: Utah Dept of Workforce Services) The State unemployment rate was 3.5% in November 2015.
- Payson City saw a dramatic drop in building permits for new residential units from 2006 to 2008, but they have steadied out since that time with 64 permits in 2009, 59 in 2010, 48 in 2011, 36 in 2012, 64

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2016

in 2013, 43 in 2014, and 71 in 2015. So far in 2016, we have issued 41 permits for new residential units.

- The General Fund budget for fiscal year ending June 30, 2016, reflects an increase in expenditures of \$682,678 over the final budget for the fiscal year ended June 30, 2015.
- The City Council voted to increase the Certified Tax Rate to .001280 for FY2016. The FY2015 rate was .001280. The County Auditor's proposed rate was .001920, but the City Council voted to increase the rate to keep it the same as the prior year FY2015.
- The City Council also voted to increase the Water monthly base rate by \$6 per month effective July 1, 2016. The rate increase will be used for the improvements needed to improve and maintain infrastructure.
- 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 FY2017 to help install water meters for the pressurized irrigation system. The meters will help monitor usage of water, thus helping 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, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 4,802,226	\$ 7,347,884	\$ 12,150,110
Accounts Receivable (Net of Allowance for Uncollectables)	2,027,786	2,289,812	4,317,598
Notes Receivable	825,529	-	825,529
Restricted Assets:			
Cash and Cash Equivalents	1,358,169	4,020,200	5,378,369
Net Pension Asset	6,477	3,236	9,713
Equity in Joint Venture		1,028,933	1,028,933
Capital Assets (Net of Accumulated Depreciation)			
Water Shares	-	198,400	198,400
Land	3,595,221	7,873,757	11,468,978
Buildings	5,917,070	414,476	6,331,546
Improvements	2,162,098	35,143,733	37,305,831
Machinery and Equipment	1,054,991	2,371,272	3,426,263
Infrastructure	16,814,246	-	16,814,246
Construction in Progress	142,593	741,426	884,019
Total Assets	38,706,406	61,433,129	100,139,535
Deferred Outflows of Resources:			
Relating to Pensions	1,282,374	652,949	1,935,323
Deferred Charge on Refunding (Net)	400,260	704,990	1,105,250
Total Deferred Outflows of Resources	1,682,634	1,357,939	3,040,573
Liabilities			
Outstanding Checks in Excess of Deposits	-	167,065	167,065
Accounts Payable	1,061,158	1,794,502	2,855,660
Interest Payable	29,281	154,732	184,013
Other Current Liabilities	544,073	611,664	1,155,737
Net Pension Liability	2,368,572	1,201,765	3,570,337
Long-Term Liabilities:			
Due Within One Year	603,654	1,443,638	2,047,292
Due In More Than One Year	5,703,509	17,147,571	22,851,080
Total Liabilities	10,310,247	22,520,937	32,831,184
Deferred Inflows of Resources			
Relating to Pensions	303,046	153,503	456,549
Property Taxes Levied for Future Year	1,056,790	-	1,056,790
Total Deferred Inflows of Resources	1,359,836	153,503	1,513,339
Net Position			
Net Investment in Capital Assets	23,968,216	29,965,111	53,933,327
Restricted for:			
Capital Projects	-	1,553,250	1,553,250
Debt Service	-	627,308	627,308
Class "C" Roads	219,668	-	219,668
Impact Fees	438,806	2,279,683	2,718,489
Landfill Closure Costs	-	558,193	558,193
Unrestricted	4,092,267	5,133,083	9,225,350
Total Net Position	\$ 28,718,957	\$ 40,116,628	\$ 68,835,585

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, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 3,067,816	\$ 2,303,596	\$ 51,817	-	\$ (712,403)	-	\$ (712,403)
Public Safety	3,140,336	336,415	313,395	24,300	(2,466,226)	-	(2,466,226)
Highways and Streets	1,154,670	-	-	660,336	(494,334)	-	(494,334)
Parks and Recreation	2,614,250	1,106,140	18,648	117,200	(1,372,262)	-	(1,372,262)
Economic Development	353,905	669	-	208,314	(144,922)	-	(144,922)
Cemetery	243,356	23,007	-	-	(220,349)	-	(220,349)
Interest on Long-Term Debt	346,544	-	-	-	(346,544)	-	(346,544)
Total Governmental Activities	<u>10,920,877</u>	<u>3,769,827</u>	<u>383,860</u>	<u>1,010,150</u>	<u>(5,757,040)</u>	<u>-</u>	<u>(5,757,040)</u>
Business-Type Activities:							
Water	2,027,611	2,719,356	-	85,647	-	\$ 777,392	777,392
Electric	11,630,788	12,865,716	-	178,816	-	1,413,744	1,413,744
Sewer	1,868,125	3,284,610	-	163,672	-	1,580,157	1,580,157
Solid Waste	1,570,500	2,173,134	-	-	-	602,634	602,634
Golf	789,007	705,608	-	-	-	(83,399)	(83,399)
Storm Drain	630,191	668,956	-	-	-	38,765	38,765
Ambulance	472,972	654,116	-	8,046	-	189,190	189,190
Total Business-Type Activities	<u>18,989,194</u>	<u>23,071,496</u>	<u>-</u>	<u>436,181</u>	<u>-</u>	<u>4,518,483</u>	<u>4,518,483</u>
Total Primary Government	<u>\$ 29,910,071</u>	<u>\$ 26,841,323</u>	<u>\$ 383,860</u>	<u>\$ 1,446,331</u>	<u>(5,757,040)</u>	<u>4,518,483</u>	<u>(1,238,557)</u>
General Revenues							
Taxes:							
Property Taxes					1,036,216	-	1,036,216
General Sales Taxes					2,957,280	-	2,957,280
Motor Vehicle Taxes					95,441	-	95,441
Utility Taxes					1,077,430	-	1,077,430
Other Taxes					255,310	-	255,310
Gain (Loss) on Sale of Capital Asset					24,127	75,981	100,108
Investment Earnings					89,361	-	89,361
Transfers					1,618,018	(1,618,018)	-
Total General Revenues and Transfers					<u>7,153,183</u>	<u>(1,542,037)</u>	<u>5,611,146</u>
Change in Net Assets					1,396,143	2,976,446	4,372,589
Net Position Beginning of Year					27,322,814	37,140,182	64,462,996
Net Position End of Year					<u>\$ 28,718,957</u>	<u>\$ 40,116,628</u>	<u>\$ 68,835,585</u>

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

PAYSON CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2016

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,278,261	\$ 101,760	\$ 1,254,187	\$ 4,634,208
Accounts Receivable (Net of Allowance for Uncollectables)	2,027,786	-	-	2,027,786
Notes Receivable	-		825,529	825,529
Restricted Assets:				
Cash and Cash Equivalents	138,480	-	1,219,689	1,358,169
Total Assets	\$ 5,444,527	\$ 101,760	\$ 3,299,405	\$ 8,845,692
Liabilities				
Accrued Liabilities	\$ 1,028,307	\$ 1,001	\$ 11,847	\$ 1,041,155
Deposits	544,073	-	-	544,073
Total Liabilities	1,572,380	1,001	11,847	1,585,228
Deferred Inflows of Resources				
Property Taxes Levied for Future Year	1,056,790	-	-	1,056,790
Unavailable Property Taxes	40,880	-	-	40,880
Total Inflows	1,097,670	-	-	1,097,670
Fund Balances				
Restricted for:				
RDA	-	-	1,049,633	1,049,633
Class "C" Roads	219,668	-	-	219,668
Impact Fees	-	-	438,806	438,806
Committed for:				
Perpetual Care	-	-	377,115	377,115
Assigned for:				
Community Events	349,112	-	-	349,112
Capital Projects	-	100,759	1,422,004	1,522,763
Unassigned	2,205,697	-	-	2,205,697
Total Fund Balances (Deficits)	2,774,477	100,759	3,287,558	6,162,794
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 5,444,527	\$ 101,760	\$ 3,299,405	\$ 8,845,692

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, 2016

Total Governmental Funds Balances	\$	6,162,794
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		29,686,219
Long-term Assets not available to pay for current period expenditures and, therefore, are deferred in the funds.		40,880
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.		148,015
Pension assets, liabilities, deferred inflows, and deferred outflows are not due and payable in the current period and, therefore, are not recored in the Governmental Funds		
Net pension assets	\$	6,477
Deferred outflows of resources relating to pensions		1,282,374
Net pension liability		(2,368,572)
Deferred inflows of resources relating to pensions		(303,046)
		(1,382,767)
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.		(5,936,184)
Net Position of Governmental Activities	\$	28,718,957

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, 2016

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property Taxes	\$ 1,030,032	\$ -	\$0	\$ 1,030,032
General Sales Taxes	2,957,280	-	-	2,957,280
Motor Vehicle Taxes	95,441	-	-	95,441
Utility Taxes	1,077,430	-	-	1,077,430
Other Taxes	255,310	-	-	255,310
Licenses and Permits	152,981	-	-	152,981
Intergovernmental	1,252,510	-	-	1,252,510
Charges for Services	3,132,326	-	23,007	3,155,333
Fines and Forfeitures	296,651	-	-	296,651
Interest	45,606	825	42,930	89,361
Miscellaneous	125,244	-	39,618	164,862
Total Revenues	10,420,811	825	105,555	10,527,191
Expenditures				
Current:				
General Government	3,051,812	-	-	3,051,812
Public Safety	3,072,049	-	-	3,072,049
Highways and Streets	861,723	-	-	861,723
Parks and Recreation	2,488,993	-	-	2,488,993
Economic Development	292,212	108	45,340	337,660
Cemetery	246,114	-	-	246,114
Debt Service:				
Principal Retirement	578,121	-	-	578,121
Interest and Fiscal Charges	201,348	-	106,000	307,348
Capital Outlay:				
Highways and Streets	232,053	-	-	232,053
Public Safety	66,650	-	-	66,650
Parks and Recreation	33,993	-	-	33,993
Economic Development	208,314	-	-	208,314
Total Expenditures	11,333,382	108	151,340	11,484,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	(912,571)	717	(45,785)	(957,639)
Other Financing Sources (Uses)				
Impact Fees	-	-	141,500	141,500
Sale of Fixed Assets	23,127	-	1,000	24,127
Capital Lease Proceeds	-	-	-	-
Bonds Issued	-	-	-	-
Transfers In	1,765,018	90,000	-	1,855,018
Transfers Out	(222,000)	-	(15,000)	(237,000)
Total Other Financing Sources (Uses)	1,566,145	90,000	127,500	1,783,645
Net Change in Fund Balances	653,574	90,717	81,715	826,006
Fund Balances Beginning of Year	2,120,903	10,042	3,205,843	5,336,788
Fund Balances End of Year	\$ 2,774,477	\$ 100,759	\$ 3,287,558	\$ 6,162,794

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 826,006
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.	(138,648)
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)	-
The issuance of long-term debt (e.g., bonds, leases) provides 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.	544,095
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.	6,184
Pension liabilities do not require current financial resources and therefore are not recorded in the governmental funds.	132,567
The internal service funds used by management to charge 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>25,939</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,396,143</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, 2016

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Major		Non Major		Total	
	Water	Electric	Sewer	Enterprise Funds		
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 1,484,518	\$ 1,980,764	\$ 845,651	\$ 3,036,951	\$ 7,347,884	\$ 168,018
Accounts Receivable (Net of Allowance for Uncollectables)	358,777	1,004,823	393,570	532,642	2,289,812	-
Total Current Assets	1,843,295	2,985,587	1,239,221	3,569,593	9,637,696	168,018
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	1,065,222	1,549,053	847,732	558,193	4,020,200	-
Net Pension Asset	330	1,435	334	1,137	3,236	382
Equity in Joint Venture	-	-	1,028,933	-	1,028,933	-
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	20,162,144	18,308,205	21,863,148	9,724,434	70,057,931	-
Machinery and Equipment	408,954	2,391,385	1,399,255	5,349,841	9,549,435	1,372,738
Construction in Progress	741,426	-	-	-	741,426	-
Less Accumulated Depreciation	(9,602,378)	(13,690,409)	(10,783,003)	(8,431,542)	(42,507,332)	(1,332,728)
Total Capital Assets, Net	18,619,985	7,405,310	12,650,081	8,067,688	46,743,064	40,010
Total Noncurrent Assets	19,685,537	8,955,798	14,527,080	8,627,018	51,795,433	40,392
Total Assets	21,528,832	11,941,385	15,766,301	12,196,611	61,433,129	208,410
Deferred Outflows of Resources						
Relating to Pensions	65,801	277,941	82,775	226,432	652,949	72,203
Deferred Charge on Refunding (Net)	480,177	-	224,813	-	704,990	-
Total Deferred Outflows of Resources	545,978	277,941	307,588	226,432	1,357,939	72,203
Liabilities						
Current Liabilities:						
Accrued Liabilities	58,095	1,527,634	81,194	127,579	1,794,502	20,003
Outstanding Checks in Excess of Deposits	-	-	-	167,065	167,065	-
Compensated Absences Payable	22,097	192,084	47,231	165,563	426,975	49,545
Bonds Payable	559,000	-	699,000	-	1,258,000	-
Interest Payable	95,980	-	58,752	-	154,732	-
Capital Leases Payable	-	19,218	-	166,420	185,638	-
Total Current Liabilities	735,172	1,738,936	886,177	626,627	3,986,912	69,548
Current Liabilities Payable from Restricted Assets:						
Customer Deposits Payable	-	611,664	-	-	611,664	-
Total Current Liabilities Payable from Restricted Assets	-	611,664	-	-	611,664	-
Noncurrent Liabilities:						
Unamortized Bond Premiums (Net)	201,463	-	-	-	201,463	-
Revenue Bonds Payable (net of current portion)	9,290,000	-	5,421,000	-	14,711,000	-
Net Pension Liability	121,392	515,568	147,076	417,729	1,201,765	134,607
Capital Leases Payable (net of current portion)	-	61,484	-	520,515	581,999	-
Closure and Postclosure Liability	-	-	-	952,107	952,107	-
Water Share Liability	274,027	-	-	-	274,027	-
Total Noncurrent Liabilities	9,886,882	577,052	5,568,076	1,890,351	17,922,361	134,607
Total Liabilities	10,622,054	2,927,652	6,454,253	2,516,978	22,520,937	204,155
Deferred Inflows of Resources						
Deferred Inflows Relating to Pensions	15,523	66,105	18,459	53,416	153,503	17,299
Net Position						
Net Investment in Capital Assets	8,666,416	7,387,527	6,530,415	7,380,753	29,965,111	(94,597)
Restricted for:						
Bond and Lease Requirements	96,894	-	530,414	-	627,308	-
Capital Projects	1,553,250	-	-	-	1,553,250	-
Landfill Closure Costs	-	-	-	558,193	558,193	-
Impact Fees	402,044	1,549,053	328,586	-	2,279,683	-
Unrestricted	718,629	288,989	2,211,762	1,913,703	5,133,083	153,756
Total Net Position	\$ 11,437,233	\$ 9,225,569	\$ 9,601,177	\$ 9,852,649	\$ 40,116,628	\$ 59,159

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, 2016

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$ -	\$ 12,563,686	\$ -	\$ 4,024,021	\$ 16,587,707	\$ 757,654
Charges Pledged as Security for Revenue Bond	2,659,057	-	3,235,655	-	5,894,712	-
Miscellaneous	28,702	123,338	44,362	170,018	366,420	951
Total Operating Revenues	<u>2,687,759</u>	<u>12,687,024</u>	<u>3,280,017</u>	<u>4,194,039</u>	<u>22,848,839</u>	<u>758,605</u>
Operating Expenses						
Costs of Sales and Services	555,186	9,592,693	560,288	1,326,551	12,034,718	382,283
Maintenance Operations and Contractual Services	428,796	1,483,037	477,606	1,379,855	3,769,294	134,685
Materials and Supplies	297,161	50,955	66,169	242,343	656,628	227,407
Depreciation	451,282	500,875	523,350	499,412	1,974,919	19,055
Amortization	-	-	19,052	-	19,052	-
Total Operating Expenses	<u>1,732,425</u>	<u>11,627,560</u>	<u>1,646,465</u>	<u>3,448,161</u>	<u>18,454,611</u>	<u>763,430</u>
Operating Income (Loss)	<u>955,334</u>	<u>1,059,464</u>	<u>1,633,552</u>	<u>745,878</u>	<u>4,394,228</u>	<u>(4,825)</u>
Non-Operating Revenues (Expenses)						
Interest Income	31,597	178,692	4,593	7,775	222,657	-
Impact Fees	85,647	178,816	163,672	-	428,135	-
Bond Refunding Cost Amortization	(35,135)	-	(3,810)	-	(38,945)	-
Grant Revenue	-	-	-	8,046	8,046	-
Gain (Loss) on Sale of Fixed Assets	800	4,348	-	70,833	75,981	10,822
Interest and Fiscal Charges	(260,051)	(3,228)	(217,850)	(14,509)	(495,638)	-
Total Non-Operating Revenues (Expenses)	<u>(177,142)</u>	<u>358,628</u>	<u>(53,395)</u>	<u>72,145</u>	<u>200,236</u>	<u>10,822</u>
Income (Loss) before Capital Contributions and Transfers	778,192	1,418,092	1,580,157	818,023	4,594,464	5,997
Capital Contributions	-	-	-	-	-	-
Transfers In	-	-	-	222,000	222,000	-
Transfers Out	(226,784)	(1,213,114)	(116,230)	(283,890)	(1,840,018)	-
Change in Net Position	551,408	204,978	1,463,927	756,133	2,976,446	5,997
Net Position Beginning of Year	10,885,825	9,020,591	8,137,250	9,096,516	37,140,182	53,162
Adjustment for GASB 68 (Note 17)	-	-	-	-	-	-
Net Position End of Year	<u>\$ 11,437,233</u>	<u>\$ 9,225,569</u>	<u>\$ 9,601,177</u>	<u>\$ 9,852,649</u>	<u>\$ 40,116,628</u>	<u>\$ 59,159</u>

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, 2016

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	\$ 2,631,898	\$ 12,877,411	\$ 3,125,940	\$ 4,149,632	\$ 22,784,881	\$ 758,605
Payments to Employees for Services	(283,574)	(987,077)	(294,702)	(855,152)	(2,420,505)	(382,283)
Payments for Goods and Services	(981,609)	(10,120,175)	(810,695)	(2,095,906)	(14,008,385)	(391,627)
Net Cash Provided by (Used in) Operating Activities	<u>1,366,715</u>	<u>1,770,159</u>	<u>2,020,543</u>	<u>1,198,574</u>	<u>6,355,991</u>	<u>(15,305)</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants Received	-	-	-	8,046	8,046	-
Transfers to Other Funds	(226,784)	(1,213,114)	(116,230)	(283,890)	(1,840,018)	-
Transfers from Other Funds	-	-	-	222,000	222,000	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(226,784)</u>	<u>(1,213,114)</u>	<u>(116,230)</u>	<u>(53,844)</u>	<u>(1,609,972)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities						
Impact Fees	85,647	178,816	163,672	-	428,135	-
Proceeds from Sale of Assets	800	4,348	-	70,833	75,981	10,822
Increase in Joint Venture	-	-	(102,050)	-	(102,050)	-
Principal Paid on Revenue Bonds	(539,000)	-	(677,000)	-	(1,216,000)	-
Interest Paid on Revenue Bonds	(260,051)	-	(217,850)	-	(477,901)	-
Principal Paid on Capital Leases	-	-	-	(165,920)	(165,920)	-
Interest Paid on Capital Leases	-	(3,228)	-	(14,509)	(17,737)	-
Payments for Capital Acquisitions	(471,110)	(170,336)	(128,715)	(337,572)	(1,107,733)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,183,714)</u>	<u>9,600</u>	<u>(961,943)</u>	<u>(447,168)</u>	<u>(2,583,225)</u>	<u>10,822</u>
Cash Flows from Investing Activities						
Interest Income Received	16,817	178,692	4,593	7,775	207,877	-
Net Increase (Decrease) in Cash and Cash Equivalents	(26,966)	745,337	946,963	705,337	2,370,671	(4,483)
Cash and Cash Equivalents Beginning of Year	2,576,706	2,784,480	746,420	2,722,742	8,830,348	172,501
Cash and Cash Equivalents End of Year	<u>\$ 2,549,740</u>	<u>\$ 3,529,817</u>	<u>\$ 1,693,383</u>	<u>\$ 3,428,079</u>	<u>\$ 11,201,019</u>	<u>\$ 168,018</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating Income (Loss)	\$ 955,334	\$ 1,059,464	\$ 1,633,552	\$ 745,878	\$ 4,394,228	\$ (4,825)
Adjustments:						
Depreciation	451,282	500,875	523,350	499,412	1,974,919	19,055
Amortization	-	-	19,052	-	19,052	-
(Increase) Decrease in Assets:						
Accounts Receivable	(55,861)	58,092	(154,077)	(44,407)	(196,253)	-
Net Pension Assets	463	1,948	599	1,593	4,603	504
Deferred Outflows of Resources Related to Pensions	(45,582)	(191,713)	(58,988)	(156,855)	(453,138)	(49,605)
Increase (Decrease) in Liabilities:						
Accrued Liabilities	(65,335)	66,504	20,811	3,117	25,097	(22,572)
Customer Deposits	-	132,295	-	-	132,295	-
Compensated Absences Payable	4,451	(16,745)	(5,945)	19,390	1,151	886
Water Share Liability	85,752	-	-	-	85,752	-
Accrued Interest	(1,697)	-	(6,868)	-	(8,565)	-
Net Pension Liability	36,232	152,388	46,888	124,679	360,187	39,428
Deferred Inflows of Resources Related to Pensions	1,676	7,051	2,169	5,767	16,663	1,824
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,366,715</u>	<u>\$ 1,770,159</u>	<u>\$ 2,020,543</u>	<u>\$ 1,198,574</u>	<u>\$ 6,355,991</u>	<u>\$ (15,305)</u>
Noncash investing, capital, and financing activities:						
Contributions of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that 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 or for 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, maintenance, billing, and collection of the water, sewer, and electrical systems. 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, if necessary, adjusted, to ensure the integrity of the funds.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 types: 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

condition levels established by City policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

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, 2016, the total liability for compensated absences is \$1,016,135.

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 on property as an enforceable lien as of January 1st. Taxes are levied on all business personal property on January 1st; real estate and improvement taxes are levied on January 1st and are payable by November 30th. 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 22nd 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 in 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2016 for the 2015-2016 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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 that 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 that 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	\$41,844,216
Accumulated depreciation	<u>(12,157,997)</u>
<i>Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities</i>	<u>\$29,686,219</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	\$ 29,281
Compensated absences	589,160
Deferred Charge on Refunding	(400,260)
Bonds, notes payable, and lease payable	<u>5,718,003</u>
<i>Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities</i>	<u>\$ 5,936,184</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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 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	\$ 634,138
Depreciation expense	(772,786)
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>	(\$ 138,648)

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	\$ 408,000
Lease Payment	170,121
Compensated absence	5,170
Change in Accrued Interest	1,508
Bond Refunding Charge Amortization	(40,704)
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>	\$ 544,095

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING *(Continued)*

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 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 22nd a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- 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 item 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 year end. 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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.

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, 2016, the City’s custodial credit risk for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance</u> <u>June 30, 2016</u>
Regular Checking Account	Insured	\$250,000
Regular Checking Account	Uninsured	1,014,481

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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2016, for the PTIF investment pool is 1.00455704. The fair value of the PTIF investment is approximately equal to the value of the pool shares (with a difference of \$72,093 which is immaterial).

Fair Value of Investments

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

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

At June 30, 2016, the District had the following recurring fair value measurements.

Investments	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Utah Public Treasurer's Investment Fund	\$15,820,084	\$ -	\$15,820,084	\$ -
Total Investments	<u>\$15,820,084</u>	<u>\$ -</u>	<u>\$15,820,084</u>	<u>\$ -</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2016, 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	\$ 15,820,084	\$ 15,820,084	\$ -	\$ -	\$ -
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.

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

Deposits and Investments	\$ 1,540,654
Investments	15,820,084
Cash on Hand	<u>676</u>
Total Cash	<u>\$17,361,414</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Government-Wide	
Cash and Cash Equivalents	\$ 12,150,110
Outstanding Checks in Excess Deposits	(167,065)
Restricted Cash and Cash Equivalents	4,602,392
Fiduciary Restricted Cash	<u>775,977</u>
Total Cash	<u>\$17,361,414</u>
Net Cash on Statement of Net Position	<u>\$17,361,414</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	\$ 18,369	\$ 358,777	\$ 1,162,523	\$ 393,570	\$ 578,835	\$ 2,512,074
Property tax	1,149,221	-	-	-	-	1,149,221
Other taxes	678,736	-	-	-	-	678,736
Intergovernmental	181,460	-	-	-	-	181,460
Less allowance for uncollectible accts	-	-	(157,700)	-	(46,193)	(203,893)
	<u>\$ 2,027,786</u>	<u>\$ 358,777</u>	<u>\$ 1,004,823</u>	<u>\$ 393,570</u>	<u>\$ 532,642</u>	<u>\$ 4,317,598</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>\$ 40,880</u>	<u>\$ 1,056,790</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, is as follows:

Inter-fund Transfers:

Transfer Out:	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Enterprise</u>	<u>Total</u>
General	\$ -	\$ -	\$ 222,000	\$ 222,000
Capital Projects	-	-	-	-
Water	226,784	-	-	226,784
Electric	1,213,114	-	-	1,213,114
Sewer	116,230	-	-	116,230
Non Major Enterprise	193,890	90,000	-	283,890
Perpetual Care	15,000	-	-	15,000
Total Transfers In	<u>\$ 1,765,018</u>	<u>\$ 90,000</u>	<u>\$ 222,000</u>	<u>\$ 2,077,018</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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 3,595,221	\$ -	\$ -	\$ 3,595,221
Infrastructure	16,582,193	232,053	-	16,814,246
Construction in Progress	108,600	33,993	-	142,593
Total capital assets not being depreciated	<u>20,286,014</u>	<u>266,046</u>	<u>-</u>	<u>20,552,060</u>
Capital assets being depreciated:				
Buildings	8,728,456	-	-	8,728,456
Improvements	6,898,169	296,364	-	7,194,533
Machinery and equipment	5,297,439	71,728	-	5,369,167
Total capital assets being depreciated	<u>20,924,064</u>	<u>368,092</u>	<u>-</u>	<u>21,292,156</u>
Less accumulated depreciation for:				
Buildings	(2,593,175)	(218,211)	-	(2,811,386)
Improvements	(4,754,796)	(277,639)	-	(5,032,435)
Machinery and equipment	(4,037,240)	(276,936)	-	(4,314,176)
Total accumulated depreciation	<u>(11,385,211)</u>	<u>(772,786)</u>	<u>-</u>	<u>(12,157,997)</u>
Total capital assets, being depreciated, net	<u>9,538,853</u>	<u>(404,694)</u>	<u>-</u>	<u>9,134,159</u>
Governmental activities capital assets, net	<u>\$ 29,824,867</u>	<u>\$ (138,648)</u>	<u>\$ -</u>	<u>\$ 29,686,219</u>
Business-type activities:	Beginning			Ending
Governmental activities:	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	352,908	388,518	-	741,426
Total capital assets not being depreciated	<u>8,425,065</u>	<u>388,518</u>	<u>-</u>	<u>8,813,583</u>
Capital assets being depreciated:				
Buildings	829,447	-	-	829,447
Improvements	69,718,355	339,576	-	70,057,931
Machinery and equipment	8,575,998	973,437	-	9,549,435
Total capital assets being depreciated	<u>79,123,800</u>	<u>1,313,013</u>	<u>-</u>	<u>80,436,813</u>
Less accumulated depreciation for:				
Buildings	(398,099)	(16,872)	-	(414,971)
Improvements	(33,530,381)	(1,383,817)	-	(34,914,198)
Machinery and equipment	(6,603,933)	(574,230)	-	(7,178,163)
Total accumulated depreciation	<u>(40,532,413)</u>	<u>(1,974,919)</u>	<u>-</u>	<u>(42,507,332)</u>
Total capital assets, being depreciated, net	<u>38,591,387</u>	<u>(661,906)</u>	<u>-</u>	<u>37,929,481</u>
Business-type activities capital assets, net	<u>\$ 47,016,452</u>	<u>\$ (273,388)</u>	<u>\$ -</u>	<u>\$ 46,743,064</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 7 – CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 109,633
Public safety	142,799
Highways and public improvements	88,237
Economic Development	18,790
Parks and recreation	394,272
Capital assets held by the government's Internal Service Fund are charged to various functions based on their usage of assets	19,055
Total depreciation expense - governmental activities	<u>\$ 772,786</u>
Business-type activities:	
Water	\$ 451,282
Electric	500,875
Sewer	523,350
Solid Waste	156,427
Golf Course	158,699
Storm Drain	136,813
Ambulance	47,473
Total depreciation expense - Business-Type Activities	<u>\$ 1,974,919</u>
Total depreciation expense	<u><u>\$ 2,747,705</u></u>

NOTE 8 - LEASE COMMITMENTS

Over the past few years, the City has executed various capital leases.

The assets acquired through capital leases are as follows:

	<u>Business Type</u>
Asset:	
Machinery and Equipment	\$1,169,640
Less: Accumulated Amortization	(489,018)
Total	<u>\$ 680,622</u>

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - LEASE COMMITMENTS (Continued)

The present values of future minimum capital lease payments under these leases as of June 30, 2016, are:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$399,150
2018	334,953
2019	220,520
2020	137,375
2021	<u>172,566</u>
Total minimum lease payments	1,264,564
Less amounts representing interest	(94,924)
Present value of minimum lease payments	<u>\$ 1,169,640</u>

At June 30, 2016, 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	\$ 402,003	\$ 767,637
Current Portion Capital Leases Payable	<u>(175,654)</u>	<u>(185,638)</u>
Long Term Capital Leases Payable	<u>\$ 226,349</u>	<u>\$ 581,999</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 the amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2016, 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>\$ 355,000</u>
Sales Tax Revenue Refunding Bonds Series 2014, Dated May 8, 2014 0.90% to 4.0% (original amount \$5,142,000)	<u>4,961,000</u>
Total Bonds and Notes	5,316,000
Less Noncurrent	<u>(4,888,000)</u>
Current Portion	<u>\$ 428,000</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – BONDS AND NOTES PAYABLE (Continued)

Capital Leases

2013 Paver & Roller 3.04% Revolving Loan Fund (org. amt \$123,004)	\$ 32,535
2013 Mower 3.04% Revolving Loan Fund (original amount \$13,635)	5,641
2013 Utility Vehicle 3.04% Revolving Loan Fund (org. amt \$9,456)	4,161
2013 Toro Mower 3.04% Revolving Loan Fund (org. amt \$32,125)	13,503
2014 Snow Plow 3.04% Revolving Loan Fund (org. amt \$185,454)	73,216
2014 Dump Truck 3.04% Revolving Loan Fund (org. amt \$95,094)	38,887
2015 Fire Truck 3.25% Revolving Loan Fund (org. amt \$307,220)	<u>234,060</u>
Total Capital lease	402,003
Less Noncurrent	(<u>226,349</u>)
Current portion	<u>\$ 175,654</u>

Business-type Activities:

As of June 30, 2016, 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)	\$ 2,915,000
Water revenue Bond, Series 2012, dated April 1, 2012 3.46% (original amount \$3,404,000)	3,029,000
Water Revenue Refunding, Series 2013, dated March 13, 2013 2.0% - 3.0% (original amount \$7,385,000)	6,820,000
Sewer Sales Tax Refunding Series 2014, dated May 8, 2014 0.90% to 4.0% (original amount \$5,142,000)	<u>3,205,000</u>
 Total Bonds & Notes	 15,969,000
Less non-current	(<u>14,711,000</u>)
Current portion	<u>\$ 1,258,000</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – BONDS AND NOTES PAYABLE (Continued)

Capital Leases

2014 Golf Carts, 3.042% (original amount \$56,760) Revolving Loan Fund	\$ 11,983
2013 Golf Equipment, 3.04% (original amount \$75,820)	15,805
From Revolving Loan Fund	
2015 Golf Turf Equip, 3.25% (original amount \$75,749)	61,552
From Revolving Loan Fund	
2015 Garbage Truck, 3.25% (original amount \$224,761)	
From Revolving Loan Fund	84,497
2016 Electric Bucket Truck, 3.25% (original amount \$99,316)	
From Revolving Loan Fund	80,702
2016 Scraper for Landfill 3.2% (original amount \$611,973)	513,098
Total Capital lease	767,637
Less Noncurrent	(581,999)
Current portion	\$ 185,638

The future annual requirements for all outstanding bond and note obligations as of June 30, 2016 are as follows:

Fiscal Year	All Bonds and Notes		
	Principal	Interest	Total
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	1,866,000	377,413	2,243,413
2022-2026	7,864,000	1,211,617	9,075,617
2027-2031	4,099,000	277,300	4,376,300
2032-2033	454,000	11,851	465,851
	\$ 21,285,000	\$ 3,791,969	\$ 25,076,969

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – BONDS AND NOTES PAYABLE (Continued)

Changes in Long Term Debt

Government Type Activities	2015	Additions	Reductions	2016	One Year
Bonds Payable					
2014 Sales Tax Revenue Refunding	\$ 5,034,000	\$ -	\$ 73,000	\$ 4,961,000	\$ 73,000
Sales Tax Revenue Bond 2006B	690,000	-	335,000	355,000	355,000
Total Bonds Payable	5,724,000	-	408,000	5,316,000	428,000
Capital Lease	572,124	-	170,121	402,003	175,654
Accrued Compensated Absences	594,330	-	5,170	589,160	-
Govt Activities Long-Term Debt	<u>\$ 6,890,454</u>	<u>\$ -</u>	<u>\$ 583,291</u>	<u>\$ 6,307,163</u>	<u>\$ 603,654</u>

Business Type Activities	2015	Additions	Reductions	2016	One Year
Bonds Payable					
2014 Sewer Sales Tax Refunding	\$ 3,249,000	\$ -	\$ 44,000	\$ 3,205,000	\$ 255,000
2013 Water Refunding Bond	7,230,000	-	410,000	6,820,000	425,000
2006 Sewer Revenue Bond	205,000	-	205,000	-	-
2012 Water Revenue Bond	3,158,000	-	129,000	3,029,000	134,000
2010 Sewer Refunding	3,343,000	-	428,000	2,915,000	444,000
Unamortized Bond Premium	216,243	-	14,780	201,463	-
Total Bonds Payable	17,401,243	-	1,230,780	16,170,463	1,258,000
Capital Lease	339,758	593,799	165,920	767,637	185,638
Accrued Compensated Absence	425,824	1,151	-	426,975	-
Water Share Liability	188,275	85,752	-	274,027	-
Closure and Postclosure Liability	952,107	-	-	952,107	-
Business activities long- term debt	<u>\$ 19,307,207</u>	<u>\$ 680,702</u>	<u>\$ 1,396,700</u>	<u>\$ 18,591,209</u>	<u>\$ 1,443,638</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 a 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, \$4,620,000 of the original debt is still outstanding

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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 that the remaining life of the landfill is 26 to 56 years. As of June 30, 2016, 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), a multiple employer, cost sharing, public employee retirement system
- Public Safety Retirement System (Public Safety System), a mixed agent and cost-sharing, multiple-employer public employee retirement system
- Tier 2 Public Employees contributory Retirement System (Tier 2 Public Employees System), a multiple employer, cost sharing, public employee retirement system
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public safety and Firefighters System), a multiple employer, cost sharing, public employee retirement system

The Tier 2 Public Employees System became effective July 1, 2011. Beginning on or after July 1, 2011, all eligible employees 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 (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 11 - STATE RETIREMENT PLANS (Continued)

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

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

System	Final average salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year 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 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.*

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 Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 11 - STATE RETIREMENT PLANS (Continued)

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	16.67%
Noncontributory			
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%
Public Safety Retirement System			
122 - Tier 2 DB Hybrid Public Safety Contributory	N/A	N/A	22.50%
43 - Other Div A with 2.5% COLA Noncontributory	N/A	N/A	34.04%
Firefighters System			
31 - Division A Tier 1	N/A	15.05%	3.99%
Tier 2 DC Only			
211 Local Government	N/A	N/A	6.69%

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

For fiscal year ended June 30, 2016, the employer and employee contribution to the Systems were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 679,179	N/A
Public Safety System	294,082	-
Firefighters System	3,525	-
Tier 2 Public Employees System	122,754	614
Tier 2 Public Safety and Firefighter	43,730	-
Tier 2 DC Only System	14,675	N/A
	<u>\$ 1,157,945</u>	<u>\$ 614</u>

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

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

At June 30, 2016, we reported a net pension asset of \$9,713 and a net pension liability of \$3,570,337.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 11 - STATE RETIREMENT PLANS (Continued)

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.4454812%	\$ -	\$ 2,520,749
Public Safety System	0.5859524%	-	1,049,588
Firefighters System	0.3236973%	5,863	-
Tier 2 Public Employees System	0.1187609%	259	-
Tier 2 Public Safety and Firefighter System	0.2458146%	3,591	-
Total Net Pension Asset/Liability		<u>\$ 9,713</u>	<u>\$ 3,570,337</u>

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

For the year ended June 30, 2016, we recognized pension expense of \$940,182.

At June 30, 2016, 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	\$ 624	\$ 233,424
Changes in assumptions	-	222,248
Net difference between projected and actual earnings on the pension plan investments	1,221,461	-
Changes in proportion and differences between contributions and proportionate shares of contributions	143,107	877
Contributions subsequent to the measurement date	570,131	-
Total	<u>\$ 1,935,323</u>	<u>\$ 456,549</u>

\$570,131 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 11 - STATE RETIREMENT PLANS (Continued)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2016	\$ 199,472
2017	199,472
2018	230,000
2019	289,052
2020	(3,286)
Thereafter	(6,073)

Actuarial assumptions – The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, and was 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

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

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

The 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 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, 2016

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 from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 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:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 5,326,093	\$ 2,520,749	\$ 178,850
Public Safety System	2,222,585	1,049,588	94,552
Firefighters System	79,804	(5,863)	(75,442)
Tier 2 Public Employees System	47,543	(259)	(36,489)
Tier 2 Public Safety and Firefighter	6,105	(3,591)	(11,037)
Total	\$ 7,682,130	\$ 3,560,624	\$ 150,434

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, 2016

NOTE 11 - STATE RETIREMENT PLANS (Continued)

Defined Contribution Savings Plans

The Defined Contribution Savings plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authored under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

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

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

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

	2016	2015	2014
401(k) Plan			
Employer Contributions	\$ 42,071	\$ 40,060	\$ 36,499
Employee Contributions	6,975	6,270	6,270
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	620	-	-
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	1,450	-	-

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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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 \$1,028,933 toward purchase of the property. This payment is shown with equity in joint venture in the sewer fund.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 \$1,097,000 as of June 30, 2016.

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, 2016, the following activity occurred in the City's redevelopment agencies:

Business Park

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

Downtown

Tax increment collection from other taxing agencies for various project areas	\$	-
Amounts expended for site improvements and preparation costs		11,347
Amounts expended for administrative costs		-

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 30, 2016, the date the financial statements were available to be issued.

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, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Property Taxes	\$ 1,019,797	\$ 1,019,797	\$ 1,030,032	\$ 10,235
General Sales Taxes	2,701,000	2,701,000	2,957,280	256,280
Motor Vehicle Taxes	95,000	95,000	95,441	441
Utility Taxes	1,031,000	1,031,000	1,077,430	46,430
Other Taxes	284,000	284,000	255,310	(28,690)
Licenses and Permits	161,750	162,440	152,981	(9,459)
Intergovernmental	1,156,713	1,235,555	1,252,510	16,955
Charges for Services	3,106,730	3,122,295	3,132,326	10,031
Fines and Forfeitures	253,000	279,500	296,651	17,151
Interest	4,500	4,500	45,606	41,106
Miscellaneous	16,800	105,947	125,244	19,297
Total Revenues	9,830,290	10,041,034	10,420,811	379,777
Expenditures				
Current:				
General Government:				
Administrative	1,307,348	1,345,391	1,298,965	46,426
Planning and Zoning	618,837	704,063	650,609	53,454
Building Maintenance	324,849	398,225	321,867	76,358
Judicial	658,460	660,888	618,723	42,165
Non-Departmental	161,139	177,215	161,648	15,567
Total General Government	3,070,633	3,285,782	3,051,812	233,970
Public Safety:				
Police Administration	2,700,346	2,733,227	2,525,558	207,669
Fire Administration	509,578	512,054	386,757	125,297
Victims Advocate	78,527	80,698	81,153	(455)
Animal Control	83,419	89,585	78,581	11,004
Total Public Safety	3,371,870	3,415,564	3,072,049	343,515
Highways and Streets:				
Streets and Sidewalks	480,795	481,271	465,874	15,397
Class "C" Road	587,478	727,478	395,849	331,629
Total Highways and Streets	1,068,273	1,208,749	861,723	347,026
Economic Development:				
Senior Citizens	148,058	159,203	131,989	27,214
Community Events	154,859	195,311	160,223	35,088
Total Economic Development	302,917	354,514	292,212	62,302
Parks and Recreation:				
Parks	447,141	474,129	459,828	14,301
Swimming Pool	391,317	391,793	357,970	33,823
Library	439,066	445,942	437,222	8,720
Ground Mowing	216,958	217,434	171,978	45,456
Recreation and Culture	594,225	695,297	611,631	83,666
Youth Sports	329,652	333,797	331,502	2,295
Adult Sports	80,189	80,189	59,622	20,567
Snack Shack	75,210	75,686	59,240	16,446
Total Culture and Recreation	2,573,758	2,714,267	2,488,993	225,274
Cemetery	278,518	282,994	246,114	36,880
Debt Service:				
Principal, Interest and Fiscal Charges	456,823	456,823	779,469	(322,646)
Capital Outlay	258,696	345,473	541,010	(195,537)
Total Expenditures	11,381,488	12,064,166	11,333,382	730,784
Excess of Revenues Over (Under) Expenditures	(1,551,198)	(2,023,132)	(912,571)	1,110,561
Other Financing Sources (Uses)				
Proceeds of Bonds & Leases	-	-	-	-
Sale of Assets	-	-	23,127	23,127
Transfers In	1,860,128	1,978,128	1,765,018	(213,110)
Transfers Out	(229,000)	(347,000)	(222,000)	125,000
Total Other Financing Sources (Uses)	1,631,128	1,631,128	1,566,145	(64,983)
Net Change in Fund Balance	79,930	(392,004)	653,574	1,045,578
Fund Balance Beginning of Year	2,120,903	2,120,903	2,120,903	-
Fund Balance End of Year	<u>\$ 2,200,833</u>	<u>\$ 1,728,899</u>	<u>\$ 2,774,477</u>	<u>\$ 1,045,578</u>

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, 2016

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. 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. of 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, 2016, 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>
2012	\$392,160	\$366,866
2013	533,148	538,563
2014	446,620	439,389
2015	459,808	483,808
2016	595,372	573,109

Payson City
 Required Supplementary Information
 Schedule of the Proportionate Share of the Net Pension Liability
 JUNE 30, 2016
 Last 10 Fiscal Years*

	December 31,	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)	2014	0.4272258%	0.5165352%	0.3133721%	0.1009340%	0.1614709%
	2015	0.4454812%	0.5859524%	0.3236973%	0.1187609%	0.2458146%
Proportionate share of the net pension liability (asset)	2014	\$ 1,855,115	\$ 649,586	\$ (17,882)	\$ (3,059)	\$ (2,389)
	2015	2,520,749	1,049,588	(5,863)	(259)	(3,591)
Covered employee payroll	2014	\$ 3,577,235	\$ 837,721	\$ 82,249	\$ 495,503	\$ 66,973
	2015	3,665,108	835,281	87,008	767,296	146,293
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2014	51.90%	77.50%	-21.70%	-0.60%	-3.60%
	2015	68.78%	125.66%	-6.74%	-0.03%	-2.45%
Plan fiduciary net position as a percentage of the total pension liability	2014	90.2%	90.5%	103.5%	103.5%	120.5%
	2015	87.8%	87.1%	101.0%	100.2%	110.7%

*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 and past year.

Payson City
Required Supplementary Information
Schedule of Contributions

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 637,097	\$ 637,097	\$ -	\$ 3,718,898	17.13%
	2015	656,897	656,897	-	3,593,565	18.28%
	2016	679,179	679,179	-	3,712,937	18.29%
Public Safety System	2014	247,752	247,752	-	859,998	28.81%
	2015	255,858	255,858	-	805,707	31.76%
	2016	294,082	294,082	-	866,267	33.95%
Firefighters System	2014	2,425	2,425	-	81,930	2.96%
	2015	3,024	3,024	-	83,828	3.61%
	2016	3,525	3,525	-	89,747	3.93%
Tier 2 Public Employees System *	2014	52,554	52,554	-	377,197	13.93%
	2015	94,658	94,658	-	632,122	14.97%
	2016	122,754	122,754	-	823,814	14.90%
Tier 2 Public Safety and Firefighter System *	2014	7,589	7,589	-	36,396	20.85%
	2015	24,801	24,801	-	109,980	22.55%
	2016	43,730	43,730	-	194,675	22.46%
Tier 2 Public Employees DC Only System *	2014	4,024	4,024	-	74,317	5.41%
	2015	9,969	9,969	-	148,351	6.72%
	2016	14,675	14,675	-	221,246	6.63%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

Payson City
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Changes in Assumptions:

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

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

SUPPLEMENTAL INFORMATION

PAYSON CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds						Total Nonmajor Governmental Funds
	RDA Downtown	RDA Business Park	Impact Fee Parks	Impact Fee Public Safety	Perpetual Care	Revolving Loan	
Assets							
Cash and Cash Equivalents	\$ 234,077	\$ 816,353	\$ 5,334	\$ 810	\$ 273	\$ 197,340	\$ 1,254,187
Notes Receivable	-	-	-	-	-	825,529	825,529
Restricted Assets:							
Cash and Cash Equivalents	-	-	269,435	174,277	376,842	399,135	1,219,689
Total Assets	<u>\$ 234,077</u>	<u>\$ 816,353</u>	<u>\$ 274,769</u>	<u>\$ 175,087</u>	<u>\$ 377,115</u>	<u>\$ 1,422,004</u>	<u>\$ 3,299,405</u>
Liabilities							
Accrued Liabilities	\$ 797	\$ -	\$ 11,050	\$ -	\$ -	\$ -	\$ 11,847
Due To Other Funds	-	-	-	-	-	-	-
Total Liabilities	<u>797</u>	<u>-</u>	<u>11,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,847</u>
Fund Balances							
Restricted for:							
RDA	233,280	816,353	-	-	-	-	1,049,633
Impact Fees	-	-	263,719	175,087	-	-	438,806
Committed for:							
Perpetual Care	-	-	-	-	377,115	-	377,115
Assigned for:							
Capital Projects	-	-	-	-	-	1,422,004	1,422,004
Special Revenue	-	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>233,280</u>	<u>816,353</u>	<u>263,719</u>	<u>175,087</u>	<u>377,115</u>	<u>1,422,004</u>	<u>3,287,558</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 234,077</u>	<u>\$ 816,353</u>	<u>\$ 274,769</u>	<u>\$ 175,087</u>	<u>\$ 377,115</u>	<u>\$ 1,422,004</u>	<u>\$ 3,299,405</u>

PAYSON CITY CORPORATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds					Revolving Loan	Total Nonmajor Governmental Funds
	RDA Downtown	RDA Business Park	Impact Fee Parks	Impact Fee Public Safety	Perpetual Care		
Revenues							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	23,007	-	23,007
Misc	-	-	39,618	-	-	-	39,618
Interest	-	-	1,404	1,167	2,707	37,652	42,930
Total Revenues	<u>-</u>	<u>-</u>	<u>41,022</u>	<u>1,167</u>	<u>25,714</u>	<u>37,652</u>	<u>105,555</u>
Expenditures							
Current:							
General Government	-	-	-	-	-	-	-
Economic Development	11,347	-	33,993	-	-	-	45,340
Debt Service:							
Principal Retirement	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	106,000	-	-	-	106,000
Total Expenditures	<u>11,347</u>	<u>-</u>	<u>139,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,340</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,347)</u>	<u>-</u>	<u>(98,971)</u>	<u>1,167</u>	<u>25,714</u>	<u>37,652</u>	<u>(45,785)</u>
Other Financing Sources (Uses)							
Impact Fees	-	-	117,200	24,300	-	-	141,500
Sale of Fixed Assets	1,000	-	-	-	-	-	1,000
Transfer In (Out)	-	-	-	-	(15,000)	-	(15,000)
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>-</u>	<u>117,200</u>	<u>24,300</u>	<u>(15,000)</u>	<u>-</u>	<u>127,500</u>
Net Change in Fund Balances	<u>(10,347)</u>	<u>-</u>	<u>18,229</u>	<u>25,467</u>	<u>10,714</u>	<u>37,652</u>	<u>81,715</u>
Fund Balances (Deficits) Beginning 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>
Fund Balances (Deficits) End of Year	<u>\$ 233,280</u>	<u>\$ 816,353</u>	<u>\$ 263,719</u>	<u>\$ 175,087</u>	<u>\$ 377,115</u>	<u>\$ 1,422,004</u>	<u>\$ 3,287,558</u>

PAYSON CITY CORPORATION
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2016

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 1,627,338	\$ 2,048	\$ 745,274	\$ 662,291	\$ 3,036,951
Accounts Receivable (Net of Allowance for Uncollectables)	211,642	-	136,228	184,772	532,642
Due From Other Funds	-	-	-	-	-
Total Current Assets	<u>1,838,980</u>	<u>2,048</u>	<u>881,502</u>	<u>847,063</u>	<u>3,569,593</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	558,193	-	-	-	558,193
Net Pension Asset	471	375	291	-	1,137
Capital Assets:					
Land	55,123	833,376	-	-	888,499
Buildings	138,136	245,950	152,370	-	536,456
Improvements	516,064	4,337,896	4,860,220	10,254	9,724,434
Machinery and Equipment	3,122,223	1,393,603	285,785	548,230	5,349,841
Less Accumulated Depreciation	<u>(2,597,115)</u>	<u>(4,130,083)</u>	<u>(1,207,285)</u>	<u>(497,059)</u>	<u>(8,431,542)</u>
Total Capital Assets, Net	<u>1,234,431</u>	<u>2,680,742</u>	<u>4,091,090</u>	<u>61,425</u>	<u>8,067,688</u>
Total Noncurrent Assets	<u>1,793,095</u>	<u>2,681,117</u>	<u>4,091,381</u>	<u>61,425</u>	<u>8,627,018</u>
Total Assets	<u>3,632,075</u>	<u>2,683,165</u>	<u>4,972,883</u>	<u>908,488</u>	<u>12,196,611</u>
Deferred Outflows of Resources					
Relating to Pensions	<u>89,619</u>	<u>78,753</u>	<u>58,060</u>	<u>-</u>	<u>226,432</u>
Liabilities					
Current Liabilities:					
Accrued Liabilities	39,758	53,597	16,117	18,107	127,579
Outstanding Checks in Excess of Deposits	-	167,065	-	-	167,065
Compensated Absences Payable	46,152	89,182	30,229	-	165,563
Performance Bond	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-
Matured Interest Payable	-	-	-	-	-
Capital Leases Payable	123,974	42,446	-	-	166,420
Total Current Liabilities	<u>209,884</u>	<u>352,290</u>	<u>46,346</u>	<u>18,107</u>	<u>626,627</u>
Noncurrent Liabilities:					
Capital Leases Payable (net of current portion)	473,621	46,894	-	-	520,515
Closure and Postclosure Liability	952,107	-	-	-	952,107
Net Pension Liability	166,740	143,879	107,110	-	417,729
Total Noncurrent Liabilities	<u>1,592,468</u>	<u>190,773</u>	<u>107,110</u>	<u>-</u>	<u>1,890,351</u>
Total Liabilities	<u>1,802,352</u>	<u>543,063</u>	<u>153,456</u>	<u>18,107</u>	<u>2,516,978</u>
Deferred Inflows of Resources					
Deferred Inflows Relating to Pensions	<u>21,408</u>	<u>18,311</u>	<u>13,697</u>	<u>-</u>	<u>53,416</u>
Net Position					
Net Investment in Capital Assets	636,836	2,591,402	4,091,090	61,425	7,380,753
Restricted for:					
Landfill Closure Costs	558,193	-	-	-	558,193
Unrestricted	702,905	(390,858)	772,700	828,956	1,913,703
Total Net Position	<u>\$ 1,897,934</u>	<u>\$ 2,200,544</u>	<u>\$ 4,863,790</u>	<u>\$ 890,381</u>	<u>\$ 9,852,649</u>

PAYSON CITY CORPORATION
Combining Statement of Revenues,
Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
Operating Revenues					
Charges for Services	\$ 2,028,988	\$ 676,937	\$ 664,456	\$ 653,640	\$ 4,024,021
Miscellaneous	140,014	28,656	872	476	170,018
Total Operating Revenues	2,169,002	705,593	665,328	654,116	4,194,039
Operating Expenses					
Costs of Sales and Services	553,616	400,011	95,513	277,411	1,326,551
Maintenance Operations and Contractual Services	776,938	97,914	392,087	112,916	1,379,855
Materials and Supplies	79,140	127,727	5,778	29,698	242,343
Depreciation	156,427	158,699	136,813	47,473	499,412
Total Operating Expenses	1,566,121	784,351	630,191	467,498	3,448,161
Operating Income (Loss)	602,881	(78,758)	35,137	186,618	745,878
Non-Operating Revenues (Expenses)					
Interest Income	4,132	15	3,628	-	7,775
Gain (Loss) on Sale of Fixed Assets	9,765	61,068	-	-	70,833
Interest and Fiscal Charges	(4,379)	(4,656)	-	(5,474)	(14,509)
Total Non-Operating Revenues (Expenses)	9,518	56,427	3,628	2,572	72,145
Income (Loss) before Capital Contributions and Transfers	612,399	(22,331)	38,765	189,190	818,023
Capital Contributions	-	-	-	-	-
Transfers In	-	222,000	-	-	222,000
Transfers Out	(244,240)	0	0	(39,650)	(283,890)
Change in Net Position	368,159	199,669	38,765	149,540	756,133
Net Position Beginning of Year	1,529,775	2,000,875	4,825,025	740,841	9,096,516
Net Position End of Year	\$ 1,897,934	\$ 2,200,544	\$ 4,863,790	\$ 890,381	\$ 9,852,649

PAYSON CITY CORPORATION
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 2,137,703	\$ 705,593	\$ 660,017	\$ 646,319	\$ 4,149,632
Receipts from Interfund Services Provided	0	-	-	-	-
Payments to Employees for Services	(350,367)	(256,876)	(59,078)	(188,831)	(855,152)
Payments for Goods and Services	(1,051,393)	(367,996)	(443,294)	(233,223)	(2,095,906)
Other Cash Payments	-	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>735,943</u>	<u>80,721</u>	<u>157,645</u>	<u>224,265</u>	<u>1,198,574</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	-	-	-	8,046	8,046
Transfers to Other Funds	(244,240)	-	-	(39,650)	(283,890)
Transfers from Other Funds	-	222,000	-	-	222,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(244,240)</u>	<u>222,000</u>	<u>-</u>	<u>(31,604)</u>	<u>(53,844)</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Capital Leases	-	-	-	-	-
Proceeds from Sale of Assets	9,765	61,068	-	-	70,833
Principal Paid on Capital Leases	(40,265)	(58,165)	-	(67,490)	(165,920)
Interest Paid on Capital Leases	(4,379)	(4,656)	-	(5,474)	(14,509)
Payments for Capital Acquisitions	(139,961)	(8,012)	(189,599)	-	(337,572)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(174,840)</u>	<u>(9,765)</u>	<u>(189,599)</u>	<u>(72,964)</u>	<u>(447,168)</u>
Cash Flows from Investing Activities					
Interest Income Received	4,132	15	3,628	-	7,775
Net Increase (Decrease) in Cash and Cash Equivalents	320,995	292,971	(28,326)	119,697	705,337
Cash and Cash Equivalents Beginning of Year	1,864,536	(457,988)	773,600	542,594	2,722,742
Cash and Cash Equivalents End of Year	<u>\$ 2,185,531</u>	<u>\$ (165,017)</u>	<u>\$ 745,274</u>	<u>\$ 662,291</u>	<u>\$ 3,428,079</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 602,881	\$ (78,758)	\$ 35,137	\$ 186,618	\$ 745,878
Adjustments:					
Depreciation	156,427	158,699	136,813	47,473	499,412
(Increase) Decrease in Assets:					
Accounts Receivable	(31,299)	-	(5,311)	(7,797)	(44,407)
Net Pension Assets	626	558	409	-	1,593
Deferred Outflows of Resources Related to Pensions Due From Other Funds	(61,670)	(54,966)	(40,219)	-	(156,855)
Increase (Decrease) in Liabilities:					
Accrued Liabilities	(187)	6,022	(689)	(2,029)	3,117
Performance Bond	-	-	-	-	-
Compensated Absences Payable	17,879	3,454	(1,943)	-	19,390
Due to Other Funds	-	-	-	-	-
Net Pension Liability	49,019	43,691	31,969	-	124,679
Deferred Inflows of Resources Related to Pensions	2,267	2,021	1,479	-	5,767
Net Cash Provided by (Used in) Operating Activities	<u>\$ 735,943</u>	<u>\$ 80,721</u>	<u>\$ 157,645</u>	<u>\$ 224,265</u>	<u>\$ 1,198,574</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, 2016, 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, 2016.

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, 2016



**INDEPENDENT AUDITORS' REPORT AS REQUIRED BY THE STATE
COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS
AND INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and City Council
Payson City
Payson, Utah

Report On Compliance with General State Compliance Requirements

We have audited Payson City's ("the City") compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2016.

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

Budgetary Compliance
Fund Balance
Utah Retirement Systems
Restricted Taxes and Related Revenues
Open and Public Meetings Act
Treasurer's Bond
Cash Management
Impact Fees

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City 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. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

In our opinion, Payson City, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2016.

Report on Internal Control over Financial Reporting

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 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 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 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 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 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

December 30, 2016