

**PAYSON CITY CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2017

**PAYSON CITY CORPORATION**  
**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1-2
Management's Discussion and Analysis.....	3-12
 <b><u>Basic Financial Statements</u></b>	
Statement of Net Position.....	13
Statement of Activities.....	14
Governmental Funds	
Balance Sheet.....	15
Balance Sheet Reconciliation to Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances.....	17
Reconciliation Statement of Changes in Fund Balances to Statement of Activities	18
Proprietary Funds	
Statement of Net Position.....	19
Statement of Revenues, Expenses and Changes in Fund Net Position.....	20
Statement of Cash Flows.....	21
Notes to the Financial Statements.....	22-52
 <b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	53
Ratings for the City's Road System.....	54-55
Schedule of the Proportionate Share of the Net Pension Liability.....	56
Schedule of Contributions.....	57
Notes to the Required Supplementary Information.....	58
 <b>Supplemental Information</b>	
Non-Major Governmental Funds	
Combining Balance Sheet.....	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	60

**PAYSON CITY CORPORATION**  
TABLE OF CONTENTS *(Continued)*

	<u>Page</u>
Non-Major Proprietary Funds	
Combining Statement of Net Position.....	61
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	62
Combining Statement of Cash Flows.....	63
 <b>Governmental Auditing Standards Report and State Compliance Report</b>	
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64-65
Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the <i>State Compliance Audit Guide</i> .....	66-67



---

## 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, 2017, 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, 2017, 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 non-major 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, 2017 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, 2017

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

---

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, 2017. 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 2017 by \$4,854,832 from \$68,835,585 to \$73,690,417.
- The total net position of \$73,690,417 is made up of \$55,542,021 in net investment in capital assets and \$12,139,840 in unrestricted and \$6,008,556 restricted net position.
- Total long-term liabilities of the City decreased in 2017 by \$1,837,299 from \$24,898,372 to \$23,061,073; which includes all debt owing (bonds, leases, compensated absences, water share liability, bond premiums and Landfill post-closure liability).
- In accordance with GASB Statement No. 68, the City reported net pension obligation totaling \$4,005,032 as of June 30, 2017.
- The General Fund (the primary operating fund) fund balance had an increase in its fund balance of \$1,135,779 from \$2,774,477 to 3,910,256.
- The General Fund Unassigned Fund Balance increased in 2017 by \$1,105,466 from \$2,205,697 to \$3,311,163.

#### 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, 2017

---

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.

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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 \$73,690,417.

By far the largest portion of Payson City's net position, (78%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes Payson City's Net Position:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 10,208,973	\$ 9,020,187	\$ 17,435,677	\$ 14,690,065	\$ 27,644,650	\$ 23,710,252
Capital assets	29,491,782	29,686,219	46,729,933	46,743,064	76,221,715	\$ 76,429,283
Total assets	39,700,755	38,706,406	64,165,610	61,433,129	103,866,365	100,139,535
<b>Deferred outflow of resources</b>	1,483,807	1,682,634	1,200,642	1,357,939	2,684,449	3,040,573
<b>Liabilities</b>						
Other liabilities	3,949,387	4,003,084	4,108,949	3,929,728	8,058,336	7,932,812
Long-term liabilities outstanding	5,823,332	6,307,163	17,237,741	18,591,209	23,061,073	24,898,372
Total liabilities	9,772,719	10,310,247	21,346,690	22,520,937	31,119,409	32,831,184
<b>Deferred inflow of resources</b>	1,525,967	1,244,816	215,021	153,503	1,740,988	1,398,319
<b>Net position:</b>						
Net investment in capital assets	24,248,776	23,968,216	31,293,245	29,965,111	55,542,021	53,933,327
Restricted	683,218	658,474	5,325,338	5,018,434	6,008,556	5,676,908
Unrestricted	4,953,882	4,092,267	7,185,958	5,133,083	12,139,840	9,225,350
Total net position	\$ 29,885,876	\$ 28,718,957	\$ 43,804,541	\$ 40,116,628	\$ 73,690,417	\$ 68,835,585

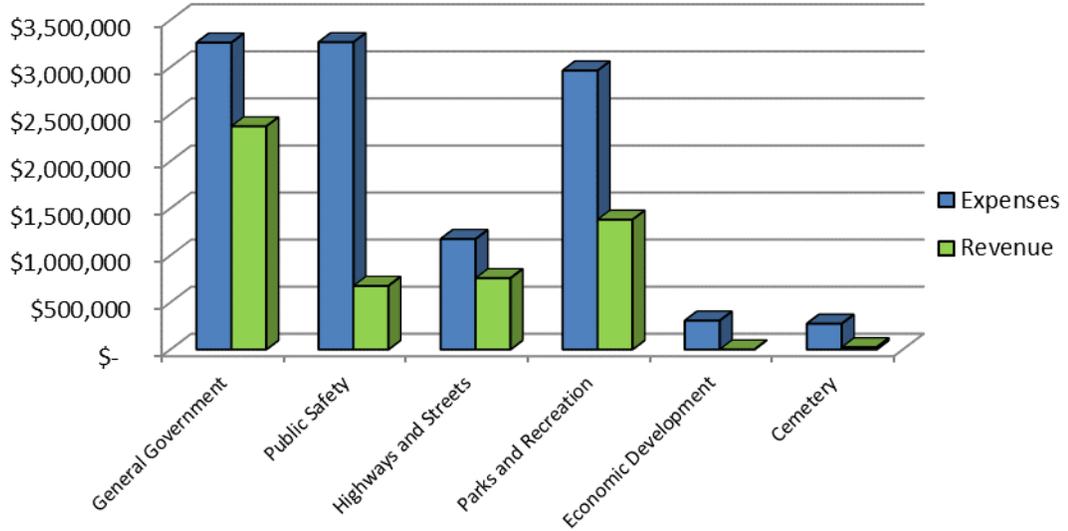
**PAYSON CITY CORPORATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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

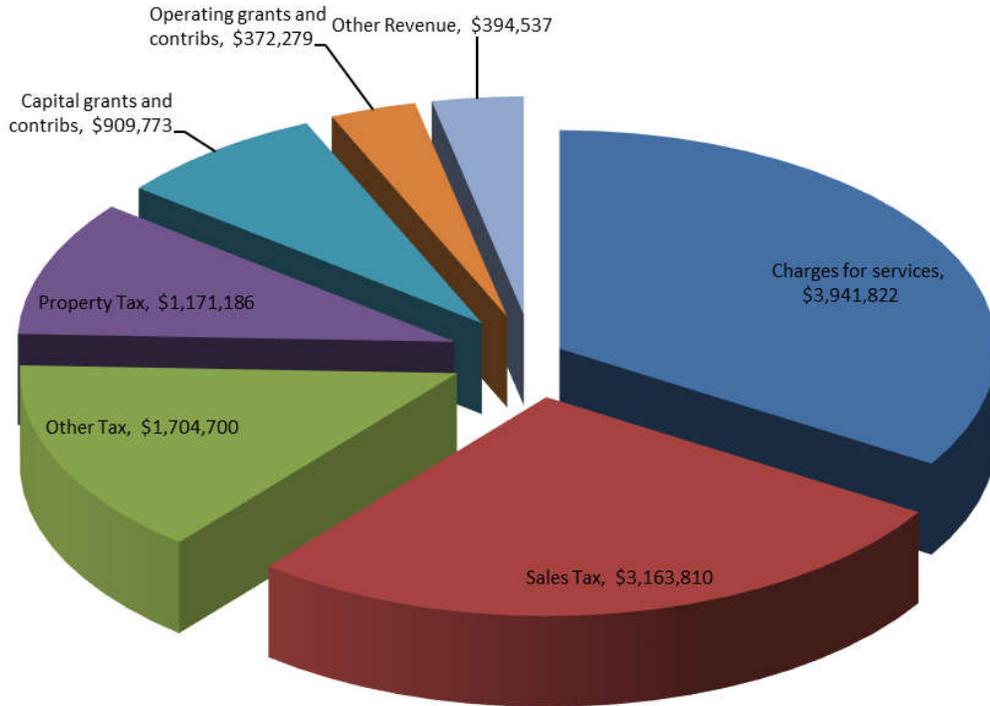
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,941,822	\$ 3,769,827	\$ 24,250,061	\$ 23,071,496	\$ 28,191,883	\$ 26,841,323
Operating grants and contribs	372,279	592,174	-	-	372,279	592,174
Capital grants and contribs	909,773	801,836	673,402	436,181	1,583,175	1,238,017
General revenues:						
Taxes	5,807,007	5,421,677	-	-	5,807,007	5,421,677
Gain (Loss) on Sale of Assets	232,689	24,127	58,132	75,981	290,821	100,108
Special Assessments	-	-	-	-	-	-
Unrestricted investment earnings	161,848	89,361	-	-	161,848	89,361
Transfers	1,646,443	1,618,018	(1,646,443)	(1,618,018)	-	-
Misc.	-	-	-	-	-	-
Total revenues	13,071,861	12,317,020	23,335,152	21,965,640	36,407,013	34,282,660
Expenses:						
General government	3,260,460	3,067,816	-	-	3,260,460	3,067,816
Public safety	3,265,865	3,140,336	-	-	3,265,865	3,140,336
Highways and public works	1,174,451	946,356	-	-	1,174,451	946,356
Parks and recreation	2,964,614	2,614,250	-	-	2,964,614	2,614,250
Economic Development	306,984	562,219	-	-	306,984	562,219
Cemetery	274,574	243,356	-	-	274,574	243,356
Interest on long-term debt	657,994	346,544	-	-	657,994	346,544
Water	-	-	2,574,571	2,027,611	2,574,571	2,027,611
Electric	-	-	11,344,166	11,630,788	11,344,166	11,630,788
Sewer	-	-	2,253,106	1,868,125	2,253,106	1,868,125
Solid Waste	-	-	1,520,544	1,570,500	1,520,544	1,570,500
Golf	-	-	817,696	789,007	817,696	789,007
Storm Drain	-	-	626,172	630,191	626,172	630,191
Ambulance	-	-	510,984	472,972	510,984	472,972
Total expenses	11,904,942	10,920,877	19,647,239	18,989,194	31,552,181	29,910,071
Increase in net position	1,166,919	1,396,143	3,687,913	2,976,446	4,854,832	4,372,589
Net position - beginning	28,718,957	27,322,814	40,116,628	37,140,182	68,835,585	64,462,996
Adjustment for GASB 68	-	-	-	-	-	-
Net position - ending	\$29,885,876	\$28,718,957	\$43,804,541	\$40,116,628	\$73,690,417	\$68,835,585

PAYSON CITY CORPORATION  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2017

**Expense and Program Revenues - Governmental Activities**



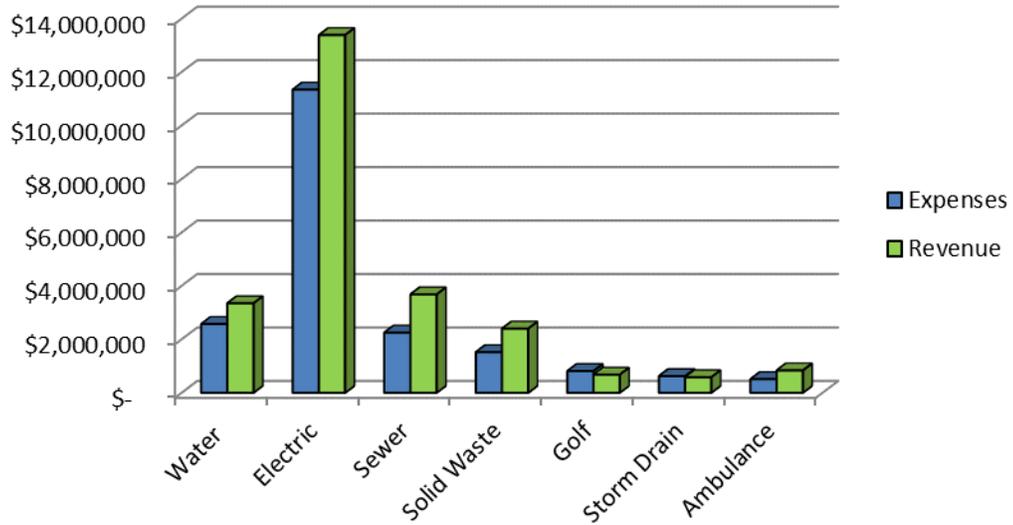
**Revenues By Source - Governmental Activities**



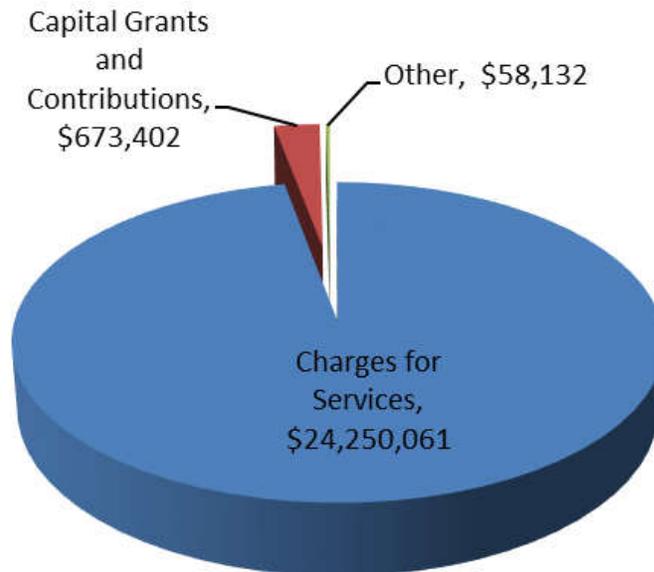
PAYSON CITY CORPORATION  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2017

---

**Expense and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

---

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, 2017, the City's governmental funds (General, Capital Projects, & Special Revenue) reported combined fund balance of \$7,565,595 up from \$6,162,794 last year. This represents an increase of \$1,402,801 from last year's ending balances, with the General Fund portion increasing by \$1,135,779.

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

Taxes continue to be the largest source of revenue in the General Fund and represent 53% 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 \$3,163,810 or 29% of total general fund revenues. Sales tax increased \$206,530 or 7% from FY2016.

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 \$11,665,513 to a final budget of \$12,656,527 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, 2017, amounts to \$76,221,715 (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 2017 fiscal year included the following:

Police:	Ford F150	\$ 37,634
Fire:	Fire Tank	\$ 15,896
	Fire House Upgrade	\$ 13,849
Capital Projects:	Reseal of Peteetneet	\$180,000
	Sign at Wagon Wheel Park	\$ 61,455
Class C Road:	Utah Ave 100-200 E	\$ 49,111
	100 S Main to 100 E	\$ 88,625
	Asphalt Roller	\$ 24,060
	Utah Avenue Milling	\$ 44,970
Water:	Golf Course Well	\$ 875,033

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

Major capital asset events during this 2017 fiscal year included the following:

Water:	Water Meters	\$125,742
	Jet Truck	\$142,567
	Mini Excavator	\$ 44,622
	Ford F250	\$ 36,869
	Utility Trailer	\$ 13,300
Electrical:	Padmounts and Transformers	\$ 84,757
Sewer:	Ridge Lane Slip Line	\$242,017
	Pumps	\$ 8,671
	AS950 AWRS Pump	\$ 6,644
	6" Pump CI Housings	\$ 22,830
Ambulance:	Ambulance	\$206,900
Revolving Loan:	Dev. Serv. F150	\$ 25,863
	Grounds Mower	\$ 31,685
	Maint. Utility Vehicle with Plow	\$ 14,430
	Parks ½ Ton	\$ 25,863
	Landfill F250	\$ 30,380
	Electric F150	\$ 28,574
	Electric F150	\$ 28,574
	Sewer Explorer	\$ 28,907
	Sewer F350	\$ 37,713
	Golf Carts	\$102,740

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Invested in capital assets, net						
Water Shares	-	-	198,400.00	198,400	198,400	198,400
Land	\$ 3,595,221	\$ 3,595,221	\$ 7,873,757	\$ 7,873,757	\$ 11,468,978	\$ 11,468,978
Building	5,698,859	5,917,070	397,604	414,476	6,096,463	6,331,546
Improvements	2,393,854	2,162,098	34,880,834	35,143,733	37,274,688	37,305,831
Equipment	951,138	1,054,991	2,756,159	2,371,272	3,707,297	3,426,263
Infrastructure	16,814,246	16,814,246	0	-	16,814,246	16,814,246
Construction in progress	38,464	142,593	623,179	741,426	661,643	884,019
Total net assets	<u>\$ 29,491,782</u>	<u>\$ 29,686,219</u>	<u>\$ 46,729,933</u>	<u>\$ 46,743,064</u>	<u>\$ 76,221,715</u>	<u>\$ 76,429,283</u>

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

The City Level of Service Policy for streets is:

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

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

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

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

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

---

**L.O.S. 3 (Arterial)**

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

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

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

<u>Year</u>	<u>Budgeted</u>	<u>Expenditures</u>
2013	533,148	538,565
2014	446,620	439,389
2015	459,808	483,808
2016	595,372	573,109
2017	508,588	485,828

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

**Long-term debt** – At June 30, 2017, the City had total bonded debt outstanding of \$19,634,000. Below is a list of the bonded debt:

<u>Purpose of Bond</u>	<u>Funding Source</u>	<u>Original Amount</u>	<u>Remaining Amount</u>	<u>Payoff Date</u>	<u>Origination Date</u>	<u>Refundings</u>
Pool	Sales Tax	\$ 8,865,000	\$ 4,940,832	2027	2007	Refunded 2016
Eastside Sewer Line	Sales Tax	\$ 4,500,000	\$ 2,977,168	2027	2007	Refunded 2016
Sewer Plant Improvements	Sewer Revenue	\$ 5,301,000	\$ 2,460,000	2022	2002	Refunded 2016
Fore Bay and Pressurized Irrigation	Water Revenue	\$ 9,445,000	\$ 6,395,000	2030	2006	Refunded 2013
Water Tank	Water Revenue	\$ 3,404,000	\$ 2,861,000	2033	2012	Refunded 2016

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Bonds Payable	\$ 4,940,832	\$ 5,316,000	\$ 14,742,992	\$ 16,170,463	\$ 19,683,824	\$ 21,486,463
Capital Lease	302,174	402,003	812,045	767,639	1,114,219	1,169,642
Accrued Compensated Absences	580,327	589,160	459,822	426,975	1,040,149	1,016,135
Water Share Liability	-	-	270,775	274,027	270,775	274,027
Closure and Postclosure Liability	-	-	952,107	952,107	952,107	952,107
Total Long Term Debt	<u>\$ 5,823,333</u>	<u>\$ 6,307,163</u>	<u>\$ 17,237,741</u>	<u>\$ 18,591,211</u>	<u>\$ 23,061,074</u>	<u>\$ 24,898,374</u>

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

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

PAYSON CITY CORPORATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

---

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Utah unemployment rate was 3.2% in November 2017. This compares with the national rate of 4.1%. (Source: Utah Dept of Workforce Services). The State unemployment rate was 3.1% in November 2016.
- Payson City saw a dramatic drop in building permits for new residential units from 2006 to 2008, and have steadied out since that time with 64 permits in 2009, 59 in 2010, 48 in 2011, 36 in 2012, 64 in 2013, 43 in 2014, 71 in 2015, 45 in 2016 and as of November 2017 so the City has issued 45 permits for new residential units.
- The General Fund budget for fiscal year ending June 30, 2017 reflects an increase in expenditures of \$592,361 over the final budget for the fiscal year ended June 30, 2016.
- The City Council voted to increase the Certified Tax Rate to .001280 for FY2017. The FY2016 rate was .001280. The County Auditor's proposed rate was .001192, but the City Council voted to increase the rate to keep it the same as the prior year FY2016.
- The City Council also voted to increase the Water, Sewer, Storm, and Solid Waste fees by 2.5% to effective July 1, 2017. The rate increase was approved based on the consumer price index, so the utility funds could keep up with rising costs.
- 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 has been used in FY2017 and will continue in FY2018 to help install water meters for the pressurized irrigation system. The meters will help monitor usage of water; thus, help the City improve its water conservation plan.
- 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, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,552,877	\$ 9,667,991	\$ 15,220,868
Accounts Receivable (Net of Allowance for Uncollectables)	2,280,547	2,304,133	4,584,680
Notes Receivable	865,642	-	865,642
Restricted Assets:			
Cash and Cash Equivalents	1,506,530	4,330,914	5,837,444
Net Pension Asset	3,377	1,655	5,032
Equity in Joint Venture		1,130,984	1,130,984
Capital Assets (Net of Accumulated Depreciation)			
Water Shares	-	198,400	198,400
Land	3,595,221	7,873,757	11,468,978
Buildings	5,698,859	397,604	6,096,463
Improvements	2,393,854	34,880,834	37,274,688
Machinery and Equipment	951,138	2,756,159	3,707,297
Infrastructure	16,814,246	-	16,814,246
Construction in Progress	38,464	623,179	661,643
<b>Total Assets</b>	<b>39,700,755</b>	<b>64,165,610</b>	<b>103,866,365</b>
<b>Deferred Outflows of Resources:</b>			
Relating to Pensions	1,483,807	755,600	2,239,407
Deferred Charge on Refunding (Net)	-	445,042	445,042
<b>Total Deferred Outflows of Resources</b>	<b>1,483,807</b>	<b>1,200,642</b>	<b>2,684,449</b>
<b>Liabilities</b>			
Outstanding Checks in Excess of Deposits	\$83,836	-	83,836
Accounts Payable	634,401	2,052,095	2,686,496
Interest Payable	33,481	77,571	111,052
Other Current Liabilities	541,142	630,778	1,171,920
Net Pension Liability	2,656,527	1,348,505	4,005,032
Long-Term Liabilities:			
Due Within One Year	619,685	1,537,677	2,157,362
Due In More Than One Year	5,203,647	15,700,064	20,903,711
<b>Total Liabilities</b>	<b>9,772,719</b>	<b>21,346,690</b>	<b>31,119,409</b>
<b>Deferred Inflows of Resources</b>			
Relating to Pensions	423,766	215,021	638,787
Property Taxes Levied for Future Year	1,102,201	-	1,102,201
<b>Total Deferred Inflows of Resources</b>	<b>1,525,967</b>	<b>215,021</b>	<b>1,740,988</b>
<b>Net Position</b>			
Net Investment in Capital Assets	24,248,776	31,293,245	55,542,021
Restricted for:			
Capital Projects	-	1,840,611	1,840,611
Debt Service	-	226,991	226,991
Class "C" Roads	241,298	-	241,298
Impact Fees	441,920	2,693,065	3,134,985
Landfill Closure Costs	-	564,671	564,671
Unrestricted	4,953,882	7,185,958	12,139,840
<b>Total Net Position</b>	<b>\$ 29,885,876</b>	<b>\$ 43,804,541</b>	<b>\$ 73,690,417</b>

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

**PAYSON CITY CORPORATION**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating Grants,		Primary Government		Total	
		Charges for Services	Contributions and Interest	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 3,260,460	\$ 2,318,610	\$ 53,370	-	\$ (888,480)	-	\$ (888,480)
Public Safety	3,265,865	366,173	277,957	32,492	(2,589,243)	-	(2,589,243)
Highways and Streets	1,174,451	-	-	758,481	(415,970)	-	(415,970)
Parks and Recreation	2,964,614	1,231,886	40,952	118,800	(1,572,976)	-	(1,572,976)
Economic Development	306,984	678	-	-	(306,306)	-	(306,306)
Cemetery	274,574	24,475	-	-	(250,099)	-	(250,099)
Interest on Long-Term Debt	657,994	-	-	-	(657,994)	-	(657,994)
Total Governmental Activities	<u>11,904,942</u>	<u>3,941,822</u>	<u>372,279</u>	<u>909,773</u>	<u>(6,681,068)</u>	<u>-</u>	<u>(6,681,068)</u>
Business-Type Activities:							
Water	2,574,571	3,242,618	-	109,330	-	\$ 777,377	777,377
Electric	11,344,166	13,094,389	-	289,688	-	2,039,911	2,039,911
Sewer	2,253,106	3,411,333	-	272,184	-	1,430,411	1,430,411
Solid Waste	1,520,544	2,401,161	-	-	-	880,617	880,617
Golf	817,696	680,350	-	-	-	(137,346)	(137,346)
Storm Drain	626,172	584,746	-	-	-	(41,426)	(41,426)
Ambulance	510,984	835,464	-	2,200	-	326,680	326,680
Total Business-Type Activities	<u>19,647,239</u>	<u>24,250,061</u>	<u>-</u>	<u>673,402</u>	<u>-</u>	<u>5,276,224</u>	<u>5,276,224</u>
Total Primary Government	<u>\$ 31,552,181</u>	<u>\$ 28,191,883</u>	<u>\$ 372,279</u>	<u>\$ 1,583,175</u>	<u>(6,681,068)</u>	<u>5,276,224</u>	<u>(1,404,844)</u>
<b>General Revenues</b>							
Taxes:							
Property Taxes					1,171,186	-	1,171,186
General Sales Taxes					3,163,810	-	3,163,810
Motor Vehicle Taxes					99,932	-	99,932
Utility Taxes					1,030,903	-	1,030,903
Other Taxes					341,176	-	341,176
Gain (Loss) on Sale of Capital Asset					232,689	58,132	290,821
Investment Earnings					161,848	-	161,848
Transfers					1,646,443	(1,646,443)	-
Total General Revenues and Transfers					<u>7,847,987</u>	<u>(1,588,311)</u>	<u>6,259,676</u>
Change in Net Assets					1,166,919	3,687,913	4,854,832
Net Position Beginning of Year					28,718,957	40,116,628	68,835,585
Net Position End of Year					<u>\$ 29,885,876</u>	<u>\$ 43,804,541</u>	<u>\$ 73,690,417</u>

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

**PAYSON CITY CORPORATION**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,780,256	\$ 922,928	\$ 632,003	\$ 5,335,187
Accounts Receivable (Net of Allowance for Uncollectables)	2,280,547	-	-	2,280,547
Notes Receivable	-		865,642	865,642
Restricted Assets:				
Cash and Cash Equivalents	186,102	-	1,320,428	1,506,530
<b>Total Assets</b>	<b>\$ 6,246,905</b>	<b>\$ 922,928</b>	<b>\$ 2,818,073</b>	<b>\$ 9,987,906</b>
<b>Liabilities</b>				
Accrued Liabilities	\$ 618,453	\$ 1,001	\$ 825	\$ 620,279
Outstanding Checks in Excess of Deposits	-	-	83,836	83,836
Deposits	541,142	-	-	541,142
<b>Total Liabilities</b>	<b>1,159,595</b>	<b>1,001</b>	<b>84,661</b>	<b>1,245,257</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for Future Year	1,102,201	-	-	1,102,201
Unavailable Property Taxes	74,853	-	-	74,853
<b>Total Inflows</b>	<b>1,177,054</b>	<b>-</b>	<b>-</b>	<b>1,177,054</b>
<b>Fund Balances</b>				
Restricted for:				
RDA	-	-	368,669	368,669
Class "C" Roads	241,298	-	-	241,298
Impact Fees	-	-	441,920	441,920
Committed for:				
Perpetual Care	-	-	406,049	406,049
Assigned for:				
Community Events	357,795	-	-	357,795
Special Revenue	-	-	52,949	52,949
Capital Projects	-	921,927	1,463,825	2,385,752
Unassigned	3,311,163	-	-	3,311,163
<b>Total Fund Balances (Deficits)</b>	<b>3,910,256</b>	<b>921,927</b>	<b>2,733,412</b>	<b>7,565,595</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b>\$ 6,246,905</b>	<b>\$ 922,928</b>	<b>\$ 2,818,073</b>	<b>\$ 9,987,906</b>

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

**PAYSON CITY CORPORATION**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2017**

Total Governmental Funds Balances		\$	7,565,595
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			29,491,782
Long-term Assets not available to pay for current period expenditures and, therefore, are deferred in the funds.			74,853
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.			203,568
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	\$	3,377	
Deferred outflows of resources relating to pensions		1,483,807	
Net pension liability		(2,656,527)	
Deferred inflows of resources relating to pensions		<u>(423,766)</u>	(1,593,109)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(5,856,813)</u>
Net Position of Governmental Activities		\$	<u><u>29,885,876</u></u>

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

**PAYSON CITY CORPORATION**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Property Taxes	\$ 1,137,213	\$ -	\$0	\$ 1,137,213
General Sales Taxes	3,163,810	-	-	3,163,810
Motor Vehicle Taxes	99,932	-	-	99,932
Utility Taxes	1,030,903	-	-	1,030,903
Other Taxes	288,227	-	52,949	341,176
Licenses and Permits	200,695	-	-	200,695
Intergovernmental	1,130,760	-	-	1,130,760
Charges for Services	3,231,275	-	35,726	3,267,001
Fines and Forfeitures	325,456	-	-	325,456
Interest	105,261	4,815	51,772	161,848
Miscellaneous	148,670	-	-	148,670
<b>Total Revenues</b>	<b>10,862,202</b>	<b>4,815</b>	<b>140,447</b>	<b>11,007,464</b>
<b>Expenditures</b>				
Current:				
General Government	3,281,080	-	-	3,281,080
Public Safety	3,009,346	-	37,281	3,046,627
Highways and Streets	1,042,612	-	41,566	1,084,178
Parks and Recreation	2,581,211	-	-	2,581,211
Economic Development	264,468	-	20,939	285,407
Cemetery	270,498	-	-	270,498
Debt Service:				
Principal Retirement	625,670	-	-	625,670
Interest and Fiscal Charges	147,534	-	106,000	253,534
Capital Outlay:				
Highways and Streets	155,743	-	-	155,743
Public Safety	67,379	-	-	67,379
Parks and Recreation	108,570	-	-	108,570
General Government	25,863	-	-	25,863
<b>Total Expenditures</b>	<b>11,579,974</b>	<b>-</b>	<b>205,786</b>	<b>11,785,760</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(717,772)	4,815	(65,339)	(778,296)
<b>Other Financing Sources (Uses)</b>				
Impact Fees	-	-	151,292	151,292
Sale of Fixed Assets	56,435	-	176,254	232,689
Capital Lease Proceeds	97,841	-	-	97,841
Bonds Issued	4,940,832	-	-	4,940,832
Payments Made From Current Refunding	(4,888,000)	-	-	(4,888,000)
Transfers In	1,866,443	906,353	-	2,772,796
Transfers Out	(220,000)	(90,000)	(816,353)	(1,126,353)
<b>Total Other Financing Sources (Uses)</b>	<b>1,853,551</b>	<b>816,353</b>	<b>(488,807)</b>	<b>2,181,097</b>
<b>Net Change in Fund Balances</b>	<b>1,135,779</b>	<b>821,168</b>	<b>(554,146)</b>	<b>1,402,801</b>
<b>Fund Balances Beginning of Year</b>	<b>2,774,477</b>	<b>100,759</b>	<b>3,287,558</b>	<b>6,162,794</b>
<b>Fund Balances End of Year</b>	<b>\$ 3,910,256</b>	<b>\$ 921,927</b>	<b>\$ 2,733,412</b>	<b>\$ 7,565,595</b>

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

**PAYSON CITY CORPORATION**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 1,402,801

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. (194,436)

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. 79,371

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. 33,973

Pension liabilities do not require current financial resources and therefore are not recorded in the governmental funds. (198,765)

The internal service funds used by management to charge the the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 43,975

Change in Net Position of Governmental Activities \$ 1,166,919

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

**PAYSON CITY CORPORATION**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Major		Non Major			
	Water	Electric	Sewer	Enterprise Funds	Total	
<b>Assets</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 1,399,941	\$ 2,820,843	\$ 1,380,525	\$ 4,066,682	\$ 9,667,991	\$ 217,690
Accounts Receivable (Net of Allowance for Uncollectables)	351,057	1,149,457	368,127	435,492	2,304,133	-
Total Current Assets	<u>1,750,998</u>	<u>3,970,300</u>	<u>1,748,652</u>	<u>4,502,174</u>	<u>11,972,124</u>	<u>217,690</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	621,242	1,858,018	1,286,983	564,671	4,330,914	-
Net Pension Asset	177	759	113	606	1,655	212
Equity in Joint Venture	-	-	1,130,984	-	1,130,984	-
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	21,037,177	18,308,205	22,105,165	9,724,434	71,174,981	-
Machinery and Equipment	772,054	2,533,289	1,504,020	5,689,861	10,499,224	1,372,738
Construction in Progress	596,411	-	26,768	-	623,179	-
Less Accumulated Depreciation	<u>(10,077,037)</u>	<u>(14,204,471)</u>	<u>(11,305,340)</u>	<u>(8,882,207)</u>	<u>(44,469,055)</u>	<u>(1,345,127)</u>
Total Capital Assets, Net	<u>19,238,444</u>	<u>7,033,152</u>	<u>12,501,294</u>	<u>7,957,043</u>	<u>46,729,933</u>	<u>27,611</u>
Total Noncurrent Assets	<u>19,859,863</u>	<u>8,891,929</u>	<u>14,919,374</u>	<u>8,522,320</u>	<u>52,193,486</u>	<u>27,823</u>
Total Assets	<u>21,610,861</u>	<u>12,862,229</u>	<u>16,668,026</u>	<u>13,024,494</u>	<u>64,165,610</u>	<u>245,513</u>
<b>Deferred Outflows of Resources</b>						
Relating to Pensions	75,736	321,848	97,137	260,879	755,600	83,290
Deferred Charge on Refunding (Net)	445,042	-	-	-	445,042	-
Total Deferred Outflows of Resources	<u>520,778</u>	<u>321,848</u>	<u>97,137</u>	<u>260,879</u>	<u>1,200,642</u>	<u>83,290</u>
<b>Liabilities</b>						
Current Liabilities:						
Accrued Liabilities	406,560	1,445,581	76,169	123,785	2,052,095	14,122
Compensated Absences Payable	19,052	220,833	62,523	157,414	459,822	54,208
Bonds Payable	582,000	-	742,104	-	1,324,104	-
Interest Payable	32,291	-	45,280	-	77,571	-
Capital Leases Payable	-	31,276	13,663	168,634	213,573	-
Total Current Liabilities	<u>1,039,903</u>	<u>1,697,690</u>	<u>939,739</u>	<u>449,833</u>	<u>4,127,165</u>	<u>68,330</u>
Current Liabilities Payable from Restricted Assets:						
Customer Deposits Payable	-	630,778	-	-	630,778	-
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>630,778</u>	<u>-</u>	<u>-</u>	<u>630,778</u>	<u>-</u>
Noncurrent Liabilities:						
Unamortized Bond Premiums (Net)	-	-	49,824	-	49,824	-
Revenue Bonds Payable (net of current portion)	8,674,000	-	4,695,064	-	13,369,064	-
Net Pension Liability	135,593	578,334	167,607	466,971	1,348,505	150,456
Capital Leases Payable (net of current portion)	-	76,140	41,257	481,075	598,472	-
Closure and Postclosure Liability	-	-	-	952,107	952,107	-
Water Share Liability	270,775	-	-	-	270,775	-
Total Noncurrent Liabilities	<u>9,080,368</u>	<u>654,474</u>	<u>4,953,752</u>	<u>1,900,153</u>	<u>16,588,747</u>	<u>150,456</u>
Total Liabilities	<u>10,120,271</u>	<u>2,982,942</u>	<u>5,893,491</u>	<u>2,349,986</u>	<u>21,346,690</u>	<u>218,786</u>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows Relating to Pensions	21,477	92,418	27,066	74,060	215,021	23,944
<b>Net Position</b>						
Net Investment in Capital Assets	9,982,524	7,002,635	7,000,752	7,307,334	31,293,245	27,611
Restricted for:						
Bond and Lease Requirements	80	-	226,911	-	226,991	-
Capital Projects	1,172,524	-	668,087	-	1,840,611	-
Landfill Closure Costs	-	-	-	564,671	564,671	-
Impact Fees	443,062	1,858,018	391,985	-	2,693,065	-
Unrestricted	391,701	1,248,064	2,556,871	2,989,322	7,185,958	58,462
Total Net Position	<u>\$ 11,989,891</u>	<u>\$ 10,108,717</u>	<u>\$ 10,844,606</u>	<u>\$ 10,861,327</u>	<u>\$ 43,804,541</u>	<u>\$ 86,073</u>

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

**PAYSON CITY CORPORATION**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for Services	\$ -	\$ 12,757,159	\$ -	\$ 4,235,239	\$ 16,992,398	\$ 764,552
Charges Pledged as Security for Revenue Bond	3,218,592	-	3,359,602	-	6,578,194	-
Miscellaneous	3,320	141,671	31,135	253,596	429,722	-
Total Operating Revenues	<u>3,221,912</u>	<u>12,898,830</u>	<u>3,390,737</u>	<u>4,488,835</u>	<u>24,000,314</u>	<u>764,552</u>
<b>Operating Expenses</b>						
Costs of Sales and Services	565,045	9,386,756	644,373	1,351,506	11,947,680	397,653
Maintenance Operations and Contractual Services	496,830	1,394,966	622,288	1,394,465	3,908,549	118,418
Materials and Supplies	933,890	45,758	84,540	255,944	1,320,132	215,539
Depreciation	474,660	514,063	522,336	450,666	1,961,725	12,398
Amortization	-	-	-	-	-	-
Total Operating Expenses	<u>2,470,425</u>	<u>11,341,543</u>	<u>1,873,537</u>	<u>3,452,581</u>	<u>19,138,086</u>	<u>744,008</u>
Operating Income (Loss)	<u>751,487</u>	<u>1,557,287</u>	<u>1,517,200</u>	<u>1,036,254</u>	<u>4,862,228</u>	<u>20,544</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest Income	20,706	195,559	20,596	12,886	249,747	-
Impact Fees	109,330	289,688	272,184	-	671,202	-
Bond Refunding Cost Amortization	(72,134)	-	(278,199)	-	(350,333)	-
Grant Revenue	-	-	-	2,200	2,200	-
Gain (Loss) on Sale of Fixed Assets	-	-	-	58,132	58,132	6,370
Interest and Fiscal Charges	(32,012)	(2,623)	(101,370)	(22,815)	(158,820)	-
Total Non-Operating Revenues (Expenses)	<u>25,890</u>	<u>482,624</u>	<u>(86,789)</u>	<u>50,403</u>	<u>472,128</u>	<u>6,370</u>
Income (Loss) before Capital Contributions and Transfers	<u>777,377</u>	<u>2,039,911</u>	<u>1,430,411</u>	<u>1,086,657</u>	<u>5,334,356</u>	<u>26,914</u>
Capital Contributions	-	-	-	-	-	-
Transfers In	-	-	-	220,000	220,000	-
Transfers Out	(224,719)	(1,156,763)	(186,982)	(297,979)	(1,866,443)	-
Change in Net Position	<u>552,658</u>	<u>883,148</u>	<u>1,243,429</u>	<u>1,008,678</u>	<u>3,687,913</u>	<u>26,914</u>
Net Position Beginning of Year	11,437,233	9,225,569	9,601,177	9,852,649	40,116,628	59,159
Adjustment for GASB 68 (Note 17)	-	-	-	-	-	-
Net Position End of Year	<u>\$ 11,989,891</u>	<u>\$ 10,108,717</u>	<u>\$ 10,844,606</u>	<u>\$ 10,861,327</u>	<u>\$ 43,804,541</u>	<u>\$ 86,073</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, 2017**

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 3,229,632	\$ 12,772,311	\$ 3,416,181	\$ 4,585,985	\$ 24,004,109	\$ 764,552
Payments to Employees for Services	(274,960)	(987,578)	(323,701)	(848,648)	(2,434,887)	(397,653)
Payments for Goods and Services	(1,431,955)	(9,846,422)	(1,015,818)	(2,129,242)	(14,423,437)	(323,597)
Net Cash Provided by (Used in) Operating Activities	<u>1,522,717</u>	<u>1,938,311</u>	<u>2,076,662</u>	<u>1,608,095</u>	<u>7,145,785</u>	<u>43,302</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Operating Grants Received	-	-	-	2,200	2,200	-
Transfers to Other Funds	(224,719)	(1,156,763)	(186,982)	(297,979)	(1,866,443)	-
Transfers from Other Funds	-	-	-	220,000	220,000	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(224,719)</u>	<u>(1,156,763)</u>	<u>(186,982)</u>	<u>(75,779)</u>	<u>(1,644,243)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Impact Fees	109,330	289,688	272,184	-	671,202	-
Proceeds from Bonds & Capital Leases	2,861,000	57,148	5,958,788	133,120	9,010,056	-
Proceeds from Sale of Assets	-	-	-	58,132	58,132	6,370
Increase in Joint Venture	-	-	(102,050)	-	(102,050)	-
Principal Paid on Revenue Bonds	(3,454,000)	-	(6,575,000)	-	(10,029,000)	-
Interest Paid on Revenue Bonds	(233,475)	-	(101,370)	-	(334,845)	-
Principal Paid on Capital Leases	-	(30,372)	(11,700)	(170,345)	(212,417)	-
Interest Paid on Capital Leases	-	(2,623)	-	(22,815)	(25,438)	-
Payments for Capital Acquisitions	(1,115,336)	(141,904)	(377,003)	(340,020)	(1,974,263)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,832,481)</u>	<u>171,937</u>	<u>(936,151)</u>	<u>(341,928)</u>	<u>(2,938,623)</u>	<u>6,370</u>
<b>Cash Flows from Investing Activities</b>						
Interest Income Received	5,926	195,559	20,596	12,886	234,967	-
Net Increase (Decrease) in Cash and Cash Equivalents	(528,557)	1,149,044	974,125	1,203,274	2,797,886	49,672
Cash and Cash Equivalents Beginning of Year	2,549,740	3,529,817	1,693,383	3,428,079	11,201,019	168,018
Cash and Cash Equivalents End of Year	<u>\$ 2,021,183</u>	<u>\$ 4,678,861</u>	<u>\$ 2,667,508</u>	<u>\$ 4,631,353</u>	<u>\$ 13,998,905</u>	<u>\$ 217,690</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating Income (Loss)	\$ 751,487	\$ 1,557,287	\$ 1,517,200	\$ 1,036,254	\$ 4,862,228	\$ 20,544
Adjustments:						
Depreciation	474,660	514,063	522,336	450,666	1,961,725	12,398
Amortization	-	-	-	-	-	-
(Increase) Decrease in Assets:						
Accounts Receivable	7,720	(144,633)	25,444	97,150	(14,319)	-
Net Pension Assets	153	676	113	531	1,473	170
Deferred Outflows of Resources Related to Pensions	(9,935)	(43,970)	(14,362)	(34,447)	(102,714)	(11,087)
Increase (Decrease) in Liabilities:						
Accrued Liabilities	348,464	(81,054)	(5,027)	(3,795)	258,588	(5,880)
Customer Deposits	-	18,114	-	-	18,114	-
Compensated Absences Payable	(3,045)	28,749	15,292	(8,150)	32,846	4,663
Water Share Liability	(3,252)	-	-	-	(3,252)	-
Accrued Interest	(63,690)	-	(13,472)	-	(77,162)	-
Net Pension Liability	14,201	62,766	20,531	49,242	146,740	15,849
Deferred Inflows of Resources Related to Pensions	5,954	26,313	8,607	20,644	61,518	6,645
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,522,717</u>	<u>\$ 1,938,311</u>	<u>\$ 2,076,662</u>	<u>\$ 1,608,095</u>	<u>\$ 7,145,785</u>	<u>\$ 43,302</u>
Noncash investing, capital, and financing activities:						
Contributions of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2017

---

**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, Human Resources, Facilities, Community and Neighborhood, and Computer Services.

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

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

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

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

*Public Works:* Streets, Engineering, Fleet Maintenance, Water, Solid Waste, Sewer, Electric, and Storm Drain Services.

*Parks:* Parks, Cemetery, Ground Services, and Golf.

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

*Library:* Library Administration and Public Services.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2017

---

**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, 2017

---

**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, 2017

---

**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, 2017

---

**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, 2017

---

**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, 2017, the total liability for compensated absences is \$1,040,149.

**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 1<sup>st</sup>. Taxes are levied on all business personal property on January 1<sup>st</sup>; real estate and improvement taxes are levied on January 1<sup>st</sup> and are payable by November 30<sup>th</sup>. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

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

**8. Long-term Obligations**

In the government-wide financial statements and 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, 2017

---

**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, 2017 for the 2016-2017 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, 2017

---

**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, 2017

**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	\$42,353,527
Accumulated depreciation	<u>( 12,861,745)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$29,491,782</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	\$ 33,481
Compensated absences	580,326
Bonds, notes payable, and lease payable	<u>5,243,006</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 5,856,813</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2017

**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	\$ 509,312
Depreciation expense	( 703,748)
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>	(\$ 194,436)

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	\$ 5,316,000
Lease Payment	197,670
Lease Proceeds	( 97,841)
Bond Proceeds on Refunding	( 4,940,832)
Compensated absence	8,834
Change in Accrued Interest	( 4,200)
Bond Refunding Charge Amortization	( 400,260)
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>	\$ 79,371

**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

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2017

---

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

formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

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

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held, at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22<sup>nd</sup> a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing, as required in 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, 2017

**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, 2017, 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, 2017</u>
Regular Checking Account	Insured	\$250,000
Regular Checking Account	Uninsured	821,638

**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, 2017

**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, 2017, for the PTIF investment pool is 1.00471926. The fair value of the PTIF investment is approximately equal to the value of the pool shares (with a difference of \$75,218 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, 2017, 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	\$15,938,545	\$ -	\$15,938,545	\$ -
Moreton Asset Management Fund	\$ 4,018,475	\$ 1,464,036	\$ 2,554,439	
Total Investments	<u>\$19,957,020</u>	<u>\$ 1,464,036</u>	<u>\$18,492,984</u>	<u>-</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2017, 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
Utah Public Treasurer's Investment Fund	\$ 15,938,545	\$ 15,938,545	\$ -	\$ -	\$ -
Moreton Asset Management Fund	4,018,475	577,150	3,441,325		
Total Fair Value	<u>\$ 19,957,020</u>	<u>\$ 16,515,695</u>	<u>\$ 3,441,325</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.

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

Deposits and Investments	\$ 1,016,826
Investments	19,957,020
Cash on Hand	<u>630</u>
Total Cash	<u>\$20,974,476</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2017

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

Government-Wide

Cash and Cash Equivalents	\$ 15,220,868
Outstanding Checks in Excess Deposits	( 83,836)
Restricted Cash and Cash Equivalents	5,037,102
Fiduciary Restricted Cash	<u>800,342</u>
Total Cash	<u>\$20,974,476</u>

Net Cash on Statement of Net Position \$20,974,476

**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	\$ 17,492	\$ 351,057	\$ 1,308,755	\$ 368,127	\$ 475,231	\$ 2,520,662
Property tax	1,251,527	-	-	-	-	1,251,527
Other taxes	760,418	-	-	-	-	760,418
Intergovernmental	251,110	-	-	-	-	251,110
Less allowance for uncollectible accts	-	-	(159,298)	-	(39,739)	(199,037)
	<u>\$ 2,280,547</u>	<u>\$ 351,057</u>	<u>\$ 1,149,457</u>	<u>\$ 368,127</u>	<u>\$ 435,492</u>	<u>\$ 4,584,680</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>\$ 74,853</u>	<u>\$ 1,102,201</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2017

**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, 2017, is as follows:

**Inter-fund Transfers:**

<b>Transfer Out:</b>	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Enterprise</u>	<u>Non Major Governmental</u>	<u>Total</u>
General	\$ -	\$ -	\$ 220,000		\$ 220,000
Capital Projects	90,000	-	-	816,353	906,353
Water	224,719	-	-	-	224,719
Electric	1,156,763	-	-	-	1,156,763
Sewer	186,982	-	-	-	186,982
Non Major Enterprise	207,979	90,000	-	-	297,979
<b>Total Transfers In</b>	<u>\$ 1,866,443</u>	<u>\$ 90,000</u>	<u>\$ 220,000</u>	<u>\$ 816,353</u>	<u>\$ 2,992,796</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, 2017**

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

<b>Primary Government</b>	Beginning			Ending
<b>Governmental activities:</b>	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 3,595,221	\$ -	\$ -	\$ 3,595,221
Infrastructure	16,814,246	-	-	16,814,246
Construction in Progress	142,593		104,129	38,464
Total capital assets not being depreciated	<u>20,552,060</u>	<u>-</u>	<u>104,129</u>	<u>20,447,931</u>
Capital assets being depreciated:				
Buildings	8,728,456	-	-	8,728,456
Improvements	7,194,533	438,009	-	7,632,542
Machinery and equipment	5,369,167	175,431	-	5,544,598
Total capital assets being depreciated	<u>21,292,156</u>	<u>613,440</u>	<u>-</u>	<u>21,905,596</u>
Less accumulated depreciation for:				
Buildings	(2,811,386)	(218,211)	-	(3,029,597)
Improvements	(5,032,435)	(206,253)	-	(5,238,688)
Machinery and equipment	(4,314,176)	(279,284)	-	(4,593,460)
Total accumulated depreciation	<u>(12,157,997)</u>	<u>(703,748)</u>	<u>-</u>	<u>(12,861,745)</u>
Total capital assets, being depreciated, net	<u>9,134,159</u>	<u>(90,308)</u>	<u>-</u>	<u>9,043,851</u>
Governmental activities capital assets, net	<u>\$ 29,686,219</u>	<u>\$ (90,308)</u>	<u>\$ 104,129</u>	<u>\$ 29,491,782</u>
	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,873,757	\$ -	\$ -	\$ 7,873,757
Water Shares	198,400	-	-	198,400
Construction in Progress	741,426	-	145,015	596,411
Total capital assets not being depreciated	<u>8,813,583</u>	<u>-</u>	<u>145,015</u>	<u>8,668,568</u>
Capital assets being depreciated:				
Buildings	829,447	-	-	829,447
Improvements	70,057,931	1,117,050	-	71,174,981
Machinery and equipment	9,549,435	949,789	-	10,499,224
Total capital assets being depreciated	<u>80,436,813</u>	<u>2,066,839</u>	<u>-</u>	<u>82,503,652</u>
Less accumulated depreciation for:				
Buildings	(414,971)	(16,872)	-	(431,843)
Improvements	(34,914,196)	(1,379,951)	-	(36,294,147)
Machinery and equipment	(7,178,163)	(564,902)	-	(7,743,065)
Total accumulated depreciation	<u>(42,507,330)</u>	<u>(1,961,725)</u>	<u>-</u>	<u>(44,469,055)</u>
Total capital assets, being depreciated, net	<u>37,929,483</u>	<u>105,114</u>	<u>-</u>	<u>38,034,597</u>
Business-type activities capital assets, net	<u>\$ 46,743,066</u>	<u>\$ 105,114</u>	<u>\$ 145,015</u>	<u>\$ 46,703,165</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2017

**NOTE 7 – CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 81,435
Public safety	147,180
Highways and public improvements	84,433
Economic Development	17,671
Parks and recreation	360,630
Capital assets held by the government's Internal Service Fund are charged to various functions based on their usage of assets	12,399
Total depreciation expense - governmental activities	<u>\$ 703,748</u>
Business-type activities:	
Water	\$ 474,660
Electric	514,063
Sewer	522,336
Solid Waste	129,610
Golf Course	142,320
Storm Drain	137,809
Ambulance	40,927
Total depreciation expense - Business-Type Activities	<u>\$ 1,961,725</u>
Total depreciation expense	<u><u>\$ 2,665,473</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:

Asset:	<u>Governmental Type</u>	<u>Business Type</u>
Machinery and Equipment	\$1,119,060	\$1,770,706
Less: Accumulated Amortization	( 552,581)	( 771,027)
Total	<u>\$ 566,479</u>	<u>\$ 999,679</u>

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

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 - LEASE COMMITMENTS (Continued)**

The present values of future minimum capital lease payments under these leases as of June 30, 2017, are:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$411,203
2019	296,770
2020	213,625
2021	247,871
2022	<u>25,209</u>
Total minimum lease payments	1,194,678
Less amounts representing interest	( 80,459)
Present value of minimum lease payments	<u>\$ 1,114,219</u>

At June 30, 2017, 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	\$ 302,174	\$ 812,045
Current Portion Capital Leases Payable	<u>( 164,789)</u>	<u>( 213,573)</u>
Long Term Capital Leases Payable	<u>\$ 137,385</u>	<u>\$ 598,472</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, 2017, the governmental long-term debt of the financial reporting entity consisted of the following:

Sales Tax Revenue Refunding Bonds Series 2016, for the Pool Dated Sept 14, 2016 1.66% (original amount \$4,940,832)	<u>4,940,832</u>
Total Bonds and Notes	4,940,832
Less Noncurrent	<u>( 4,485,936)</u>
Current Portion	<u>\$ 454,896</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – BONDS AND NOTES PAYABLE (Continued)**

***Capital Leases***

2013 Paver & Roller 3.04% Revolving Loan Fund (org. amt \$123,004)	\$ 523
2013 Mower 3.04% Revolving Loan Fund (original amount \$13,635)	2,813
2013 Utility Vehicle 3.04% Revolving Loan Fund (org. amt \$9,456)	2,288
2013 Toro Mower 3.04% Revolving Loan Fund (org. amt \$32,125)	6,914
2014 Snow Plow 3.04% Revolving Loan Fund (org. amt \$185,454)	35,448
2014 Dump Truck 3.04% Revolving Loan Fund (org. amt \$95,094)	19,841
2015 Fire Truck 3.25% Revolving Loan Fund (org. amt \$307,220)	158,521
2017 Dev. Serv. Truck 3.25% Revolving Loan Fund (org. amt \$25,863)	20,145
2017 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$31,685)	23,988
2017 Maintenance Util Veh 3.25% Revolving Loan Fund (orig. amt \$14,430)	11,329
2017 Parks ½ Ton 3.25% Revolving Loan Fund (orig. amt \$25,863)	<u>20,363</u>
Total Capital lease	302,174
Less Noncurrent	<u>( 137,385)</u>
Current portion	<u>\$ 164,789</u>

***Business-type Activities:***

As of June 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

Sewer Revenue Refunding Bonds, Series 2016, dated October 12, 2016 2.50% (original amount \$2,915,000)	\$ 2,460,000
Water Revenue Refunding Bond, Series 2016, dated Oct 2016 .95% - 3.80% (original amount \$2,861,000)	2,861,000
Water Revenue Refunding, Series 2013, dated March 13, 2013 2.0% - 3.0% (original amount \$7,385,000)	6,395,000
Sewer Sales Tax Refunding Series 2016, dated September 14, 2016 1.66% (original amount \$2,977,168)	<u>2,977,168</u>
Total Bonds & Notes	14,693,168
Less non-current	<u>( 13,369,064)</u>
Current portion	<u>\$ 1,324,104</u>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – BONDS AND NOTES PAYABLE (Continued)**

***Capital Leases***

***From Revolving Loan Fund***

2015 Golf Turf Equip, 3.25% (orig amt \$75,749)	\$ 46,894
2015 Garbage Truck, 3.25% (orig amt \$224,761)	42,924
2017 Electric Bucket Truck, 3.25% (orig amt \$99,316)	61,484
2017 Landfill F250 3.25% (orig amt \$30,380)	23,783
2017 Electric F150 3.25% (orig amt \$28,574)	22,856
2017 Electric F150 3.25% (orig amt \$28,574)	23,076
2017 Sewer Explorer 3.25% (orig amt \$28,907)	23,107
2017 Sewer F350 3.25% (orig amt \$37,713)	31,813
2017 Golf Carts 3.25% (orig amt \$102,740)	102,740

***From Outside Sources***

2017 Scraper for Landfill 3.2% (original amount \$611,973)	433,368
--	---------

Total Capital lease	812,045
Less Noncurrent	( 598,472)
Current portion	\$ 213,573

The future annual requirements for all outstanding bond and note obligations as of June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>All Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	1,779,000	405,000	2,184,000
2019	1,820,000	370,863	2,190,863
2020	1,854,000	335,677	2,189,677
2021	1,895,000	299,640	2,194,640
2022	1,935,000	262,540	2,197,540
2023-2027	7,496,000	849,932	8,345,932
2028-2032	2,641,000	222,051	2,863,051
2033	214,000	4,066	218,066
	\$ 19,634,000	\$ 2,749,769	\$ 22,383,769

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – BONDS AND NOTES PAYABLE (Continued)**

**Changes in Long Term Debt**

Government Type Activities	2016	Additions	Reductions	2017	One Year
<b>Bonds Payable</b>					
2016 Pool Sales Tax Revenue Refunding	\$ -	\$ 4,940,832	\$ -	\$ 4,940,832	\$ 454,896
2014 Pool Sales Tax Revenue Refunding	4,961,000	-	4,961,000	-	-
2006 Pool Sales Tax Revenue Bond	355,000	-	355,000	0	0
<b>Total Bonds Payable</b>	<b>5,316,000</b>	<b>4,940,832</b>	<b>5,316,000</b>	<b>4,940,832</b>	<b>454,896</b>
Capital Lease	402,003	97,841	197,670	302,174	164,789
Accrued Compensated Absences	589,160	-	8,833	580,327	-
<b>Govt Activities Long-Term Debt</b>	<b>\$ 6,307,163</b>	<b>\$ 5,038,673</b>	<b>\$ 5,522,503</b>	<b>\$ 5,823,333</b>	<b>\$ 619,685</b>

Business Type Activities	2016	Additions	Reductions	2017	One Year
<b>Bonds Payable</b>					
2016 Sewer Sales Tax Refunding	\$ -	\$ 2,977,168	\$ -	\$ 2,977,168	\$ 274,104
2014 Sewer Sales Tax Refunding	3,205,000	-	3,205,000	-	-
2013 Water Refunding Bond	6,820,000	-	425,000	6,395,000	430,000
2016 Water Tank Revenue Refunding	-	2,861,000	-	2,861,000	152,000
2012 Water Tank Revenue Bond	3,029,000	-	3,029,000	-	-
2016 Sewer Refunding	-	2,915,000	455,000	2,460,000	468,000
2010 Sewer Refunding	2,915,000	-	2,915,000	-	-
Unamortized Bond Premium	201,463	56,697	208,336	49,824	-
<b>Total Bonds Payable</b>	<b>16,170,463</b>	<b>8,809,865</b>	<b>10,237,336</b>	<b>14,742,992</b>	<b>1,324,104</b>
Capital Lease	767,639	256,888	212,482	812,045	213,573
Accrued Compensated Absence	426,975	32,847	-	459,822	-
Water Share Liability	274,027	-	3,252	270,775	-
Closure and Postclosure Liability	952,107	-	-	952,107	-
<b>Business activities long- term debt</b>	<b>\$ 18,591,211</b>	<b>\$ 9,099,600</b>	<b>\$ 10,453,070</b>	<b>\$ 17,237,741</b>	<b>\$ 1,537,677</b>

**Current Refunding.** In 2017 the City issued \$7,918,000 in sales tax revenue bonds with an interest rate of 1.660%. The proceeds (after payment of \$49,066 in issuance costs) were used to refund \$2,950,000 of outstanding 2014 Sewer Sales Tax Advance Refunding Bonds with interest rates ranging from 0.9% to 4.0%, and \$4,888,000 of the outstanding 2014 Pool Sales Tax Advance Refunding Bonds with interest ranging from 0.9%–4.0%. This transaction reduce its total debt service payments by \$592,128 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$544,298.

In 2017 the City issued \$2,915,000 in sewer revenue bonds with an interest rate of 2.50%. The proceeds (after payment of \$37,000 in issuance costs) were used to refund \$2,915,000 of outstanding 2010 Sewer Revenue Refunding Bonds with interest rates from 3.64%. These bonds also received a reoffering premiums of \$56,697. The refunding of these bonds reduces its total debt service payments by \$119,800 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$115,097.

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2017

---

**NOTE 9 – BONDS AND NOTES PAYABLE (Continued)**

In 2017 the City issued \$2,861,000 in water revenue bonds with an interest rate ranging between 0.95 -3.8%. The proceeds (after payment of \$37,000 in issuance costs) were used to refund \$3,029,000 of outstanding 2012 Water Revenue Bonds with interest rates of 3.40%. The City paid an additional \$304,044 from escrows that were in reserves for debt relating to the 2012 Water Revenue Bonds. The refunding of these bonds reduces its total debt service payments by \$317,722 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$157,765.

**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, 2017, 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 25 to 55 years. As of June 30, 2017, 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:

**Defined Benefit Plans**

- 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

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2017

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

- 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 Board, whose members are appointed by the Governor. The systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

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

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

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 iver 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 iver 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

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
<b>Contributory System</b>			
111 - Local Governmental Division Tier 2	N/A	14.91	1.78
<b>Noncontributory</b>			
15 - Local Governmental Division Tier 1	N/A	18.47	N/A
<b>Public Safety Retirement System</b>			
<b>Contributory</b>			
122 - Tier 2 DB Hybrid Public Safety Contributory	N/A	22.50	1.33
<b>Noncontributory</b>			
43 - Other Div. A with 2.5% COLA	N/A	34.04	N/A
<b>Firefighters System</b>			
31 - Division A Tier 1	15.05	3.89	N/A
132 - Tier 2 DB Hybrid Firefighters	N/A	10.75	1.33
<b>Tier 2 DC Only</b>			
211 Local Government	N/A	6.69	10.00
211 Local Government	N/A	11.83	12.00
211 Local Government	N/A	0.08	12.00

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, 2017, the employer and employee contribution to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 662,494	N/A
Public Safety System	261,580	-
Firefighters System	3,432	-
Tier 2 Public Employees System	131,980	-
Tier 2 Public Safety and Firefighter	59,095	-
Tier 2 DC Only System	17,073	N/A
<b>Total Contributions</b>	<b>\$ 1,135,654</b>	<b>\$ -</b>

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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, 2017, we reported a net pension asset of \$5,032 and a net pension liability of \$4,005,032.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$ 2,786,212	0.4339067%	0.4454812%	-0.0115745%
Public Safety System	-	1,207,734	0.5951550%	0.5859524%	0.0092026%
Firefighters System	2,459	-	0.3119508%	0.3236973%	-0.0117465%
Tier 2 Public Employees System	-	11,086	0.0993825%	0.1187609%	-0.0193784%
Tier 2 Public Safety and Firefighter System	2,573	-	0.2963545%	0.2458146%	0.0505399%
Total Net Pension Asset/Liability	\$ 5,032	\$ 4,005,032			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016, 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, 2017, we recognized pension expense of \$1,453,097.

At June 30, 2017, 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	\$ 62,421	\$ 188,361
Changes in assumptions	607,662	141,957
Net difference between projected and actual earnings on the pension plan investments	898,218	265,046
Changes in proportion and differences between contributions and proportionate shares of contributions	114,364	43,423
Contributions subsequent to the measurement date	556,742	-
Total	\$ 2,239,407	\$ 638,787

**PAYSON CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2017

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

\$556,742 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.

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
2017	\$ 321,414
2018	352,318
2019	388,426
2020	(25,944)
2021	98
Thereafter	7,566

**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	2.60 percent
Salary increases	3.35-10.35 percent, average, including inflation
Investment rate of return	7.2 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, 2016, valuation were based on the results of an actuarial experience study for the five year period ending 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, 2017

**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 equivalent	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60% and a real return of 4.60% that is net of investment expense.

**Discount rate** – The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

**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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 5,771,189	\$ 2,786,212	\$ 295,412
Public Safety System	2,511,813	1,207,734	147,696
Firefighter System	88,933	(2,459)	(76,615)
Tier 2 Public Employees System	75,459	11,086	(37,886)
Tier 2 Public Safety and Firefighter	17,998	(2,573)	(18,381)
Total	\$ 8,465,392	\$ 4,000,000	\$ 310,226

**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, 2017

**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:

**Defined Contribution System**

June 30, 2017

	2017	2016	2015	2014
<b>401(k) Plan</b>				
Employer Contributions	\$ 46,661	\$ 42,071	\$ 40,060	\$ 36,499
Employee Contributions	6,280	6,975	6,270	6,270
<b>457 Plan</b>				
Employer Contributions	-	-	-	-
Employee Contributions	3,151	620	-	-
<b>Roth IRA Plan</b>				
Employer Contributions	N/A	N/A	N/A	N/A
Employee Contributions	13,650	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, 2017

---

**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 \$1,130,984 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, 2017**

---

**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 \$555,000 as of June 30, 2017.

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, 2017, 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	41,566
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	10,550
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, 2017, 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, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes:				
Property Taxes	\$ 1,104,798	\$ 1,176,798	\$ 1,137,213	\$ (39,585)
General Sales Taxes	2,900,000	2,900,000	3,163,810	263,810
Motor Vehicle Taxes	92,000	92,000	99,932	7,932
Utility Taxes	1,005,000	1,005,000	1,030,903	25,903
Other Taxes	254,000	254,000	288,227	34,227
Licenses and Permits	151,750	151,750	200,695	48,945
Intergovernmental	1,083,470	1,121,905	1,130,760	8,855
Charges for Services	3,186,804	3,193,974	3,231,275	37,301
Fines and Forfeitures	279,500	279,500	325,456	45,956
Interest	4,500	16,500	105,261	88,761
Miscellaneous	30,800	168,689	148,670	(20,019)
<b>Total Revenues</b>	<u>10,092,622</u>	<u>10,360,116</u>	<u>10,862,202</u>	<u>502,086</u>
<b>Expenditures</b>				
Current:				
General Government:				
Administrative	1,334,769	1,401,375	1,365,220	36,155
Planning and Zoning	691,427	704,679	670,764	33,915
Building Maintenance	365,704	426,727	509,298	(82,571)
Judicial	651,036	648,732	604,551	44,181
Non-Departmental	161,209	162,672	131,247	31,425
Total General Government	<u>3,204,145</u>	<u>3,344,185</u>	<u>3,281,080</u>	<u>63,105</u>
Public Safety:				
Police Administration	2,792,360	2,828,248	2,423,867	404,381
Fire Administration	499,832	543,901	410,036	133,865
Victims Advocate	83,874	86,232	84,068	2,164
Animal Control	91,331	93,331	91,375	1,956
Total Public Safety	<u>3,467,397</u>	<u>3,551,712</u>	<u>3,009,346</u>	<u>542,366</u>
Highways and Streets:				
Streets and Sidewalks	498,484	538,511	510,227	28,284
Class "C" Road	667,453	805,329	532,385	272,944
Total Highways and Streets	<u>1,165,937</u>	<u>1,343,840</u>	<u>1,042,612</u>	<u>301,228</u>
Economic Development:				
Senior Citizens	150,126	156,332	116,565	39,767
Community Events	158,129	178,143	147,903	30,240
Total Economic Development	<u>308,255</u>	<u>334,475</u>	<u>264,468</u>	<u>70,007</u>
Parks and Recreation:				
Parks	484,473	494,394	380,986	113,408
Swimming Pool	388,967	388,975	411,635	(22,660)
Library	439,315	460,400	407,973	52,427
Ground Mowing	223,867	223,867	221,919	1,948
Recreation and Culture	644,307	634,942	659,982	(25,040)
Youth Sports	368,168	368,168	366,305	1,863
Adult Sports	78,820	78,820	56,655	22,165
Snack Shack	73,553	78,553	75,756	2,797
Total Culture and Recreation	<u>2,701,470</u>	<u>2,728,119</u>	<u>2,581,211</u>	<u>146,908</u>
Cemetery	<u>298,009</u>	<u>298,024</u>	<u>270,498</u>	<u>27,526</u>
Debt Service:				
Principal, Interest and Fiscal Charges	<u>461,000</u>	<u>461,000</u>	<u>5,661,204</u>	<u>(5,200,204)</u>
Capital Outlay	<u>59,300</u>	<u>595,172</u>	<u>357,555</u>	<u>237,617</u>
<b>Total Expenditures</b>	<u>11,665,513</u>	<u>12,656,527</u>	<u>16,467,974</u>	<u>(3,811,447)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,572,891)</u>	<u>(2,296,411)</u>	<u>(5,605,772)</u>	<u>(3,309,361)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Bonds & Leases	-	-	5,038,673	5,038,673
Sale of Assets	-	-	56,435	56,435
Transfers In	1,866,443	1,875,833	1,866,443	(9,390)
Transfers Out	<u>(220,000)</u>	<u>(229,390)</u>	<u>(220,000)</u>	<u>9,390</u>
Total Other Financing Sources (Uses)	<u>1,646,443</u>	<u>1,646,443</u>	<u>6,741,551</u>	<u>5,095,108</u>
Net Change in Fund Balance	73,552	(649,968)	1,135,779	1,785,747
Fund Balance Beginning of Year	<u>2,774,477</u>	<u>2,774,477</u>	<u>2,774,477</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 2,848,029</u>	<u>\$ 2,124,509</u>	<u>\$ 3,910,256</u>	<u>\$ 1,785,747</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, 2017

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, 2017, 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>
2013	533,148	538,563
2014	446,620	439,389
2015	459,808	483,808
2016	595,372	573,109
2017	508,588	485,828

**Payson City**  
 Required Supplementary Information  
 Schedule of the Proportionate Share of the Net Pension Liability  
 JUNE 30, 2017  
 Last 10 Fiscal Years\*

	December 31,	Noncontributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter Retirement
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%
	2016	0.4339067%	0.5951550%	0.3119508%	0.0993825%	0.2963545%
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)
	2016	2,786,212	1,207,734	(2,459)	11,086	(2,573)
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
	2016	3,659,970	828,538	87,610	815,018	244,852
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%
	2106	76.13%	145.77%	-2.81%	-1.36%	-1.05%
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%
	2016	87.3%	86.5%	100.4%	95.1%	103.6%

\*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%
	2017	662,494	662,494	-	3,677,780	18.01%
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%
	2017	261,580	261,580	-	795,404	32.89%
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%
	2017	3,432	3,432	-	88,620	3.87%
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%
	2017	131,980	131,980	-	893,315	14.77%
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%
	2017	59,095	59,095	-	267,901	22.06%
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%
	2017	17,073	17,073	-	256,771	6.65%

\* 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, 2017

**Changes in Assumptions:**

The following assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.5% to 7.2% and the assumed inflation rate was decreased from 2.75% to 2.6%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

## **SUPPLEMENTAL INFORMATION**

**PAYSON CITY CORPORATION**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds						Total Nonmajor Governmental Funds	
	RDA Downtown	RDA Business Park	Impact Fee Parks	Impact Fee Public Safety	PARC Tax	Perpetual Care		Revolving Loan
<b>Assets</b>								
Cash and Cash Equivalents	\$ 222,730	\$ 146,764	\$ -	\$ 5,670	\$ 52,949	\$ 9,475	\$ 194,415	\$ 632,003
Notes Receivable	-	-	-	-	-	-	865,642	865,642
Restricted Assets:								
Cash and Cash Equivalents	-	-	353,482	166,604	-	396,574	403,768	1,320,428
<b>Total Assets</b>	<u>\$ 222,730</u>	<u>\$ 146,764</u>	<u>\$ 353,482</u>	<u>\$ 172,274</u>	<u>\$ 52,949</u>	<u>\$ 406,049</u>	<u>\$ 1,463,825</u>	<u>\$ 2,818,073</u>
<b>Liabilities</b>								
Accrued Liabilities	\$ -	\$ 825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 825
Outstanding Checks in Excess of Deposits	-	-	83,836	-	-	-	-	83,836
<b>Total Liabilities</b>	<u>-</u>	<u>825</u>	<u>83,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,661</u>
<b>Fund Balances</b>								
Restricted for:								
RDA	222,730	145,939	-	-	-	-	-	368,669
Impact Fees	-	-	269,646	172,274	-	-	-	441,920
Committed for:								
Perpetual Care	-	-	-	-	-	406,049	-	406,049
Assigned for:								
Capital Projects	-	-	-	-	-	-	1,463,825	1,463,825
Special Revenue	-	-	-	-	52,949	-	-	52,949
Unassigned:	-	-	-	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<u>222,730</u>	<u>145,939</u>	<u>269,646</u>	<u>172,274</u>	<u>52,949</u>	<u>406,049</u>	<u>1,463,825</u>	<u>2,733,412</u>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<u>\$ 222,730</u>	<u>\$ 146,764</u>	<u>\$ 353,482</u>	<u>\$ 172,274</u>	<u>\$ 52,949</u>	<u>\$ 406,049</u>	<u>\$ 1,463,825</u>	<u>\$ 2,818,073</u>

**PAYSON CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds						Total Nonmajor Governmental Funds	
	RDA Downtown	RDA Business Park	Impact Fee Parks	Impact Fee Public Safety	PARC Tax	Perpetual Care		Revolving Loan
<b>Revenues</b>								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ 52,949	\$ -	\$ -	\$ 52,949
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	11,251	-	-	-	24,475	-	35,726
Misc	-	-	-	-	-	-	-	-
Interest	-	-	3,516	1,976	-	4,459	41,821	51,772
<b>Total Revenues</b>	<b>-</b>	<b>11,251</b>	<b>3,516</b>	<b>1,976</b>	<b>52,949</b>	<b>28,934</b>	<b>41,821</b>	<b>140,447</b>
<b>Expenditures</b>								
Current:								
Highways and Streets	-	41,566	-	-	-	-	-	41,566
Public Safety	-	-	-	37,281	-	-	-	37,281
Economic Development	10,550	-	10,389	-	-	-	-	20,939
Debt Service:								
Principal Retirement	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	106,000	-	-	-	-	106,000
<b>Total Expenditures</b>	<b>10,550</b>	<b>41,566</b>	<b>116,389</b>	<b>37,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>205,786</b>
Excess of Revenues Over (Under) Expenditures	(10,550)	(30,315)	(112,873)	(35,305)	52,949	28,934	41,821	(65,339)
<b>Other Financing Sources (Uses)</b>								
Impact Fees	-	-	118,800	32,492	-	-	-	151,292
Sale of Fixed Assets	-	176,254	-	-	-	-	-	176,254
Transfer In (Out)	-	(816,353)	-	-	-	-	-	(816,353)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(640,099)</b>	<b>118,800</b>	<b>32,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(488,807)</b>
<b>Net Change in Fund Balances</b>	<b>(10,550)</b>	<b>(670,414)</b>	<b>5,927</b>	<b>(2,813)</b>	<b>52,949</b>	<b>28,934</b>	<b>41,821</b>	<b>(554,146)</b>
Fund Balances (Deficits) Beginning of Year	233,280	816,353	263,719	175,087	-	377,115	1,422,004	3,287,558
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 222,730</b>	<b>\$ 145,939</b>	<b>\$ 269,646</b>	<b>\$ 172,274</b>	<b>\$ 52,949</b>	<b>\$ 406,049</b>	<b>\$ 1,463,825</b>	<b>\$ 2,733,412</b>

**PAYSON CITY CORPORATION**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2017**

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,312,845	\$ 29,276	\$ 923,233	\$ 801,328	\$ 4,066,682
Accounts Receivable (Net of Allowance for Uncollectables)	208,644	-	67,890	158,958	435,492
Due From Other Funds	-	-	-	-	-
Total Current Assets	<u>2,521,489</u>	<u>29,276</u>	<u>991,123</u>	<u>960,286</u>	<u>4,502,174</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	564,671	-	-	-	564,671
Net Pension Asset	269	189	148	-	606
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	3,152,603	1,496,343	285,785	755,130	5,689,861
Less Accumulated Depreciation	<u>(2,726,725)</u>	<u>(4,272,403)</u>	<u>(1,345,093)</u>	<u>(537,986)</u>	<u>(8,882,207)</u>
Total Capital Assets, Net	<u>1,135,201</u>	<u>2,641,162</u>	<u>3,953,282</u>	<u>227,398</u>	<u>7,957,043</u>
Total Noncurrent Assets	<u>1,700,141</u>	<u>2,641,351</u>	<u>3,953,430</u>	<u>227,398</u>	<u>8,522,320</u>
Total Assets	<u>4,221,630</u>	<u>2,670,627</u>	<u>4,944,553</u>	<u>1,187,684</u>	<u>13,024,494</u>
<b>Deferred Outflows of Resources</b>					
Relating to Pensions	<u>102,734</u>	<u>90,810</u>	<u>67,335</u>	<u>-</u>	<u>260,879</u>
<b>Liabilities</b>					
Current Liabilities:					
Accrued Liabilities	55,037	38,973	11,947	17,828	123,785
Compensated Absences Payable	37,629	81,831	37,954	-	157,414
Capital Leases Payable	133,918	34,716	-	-	168,634
Total Current Liabilities	<u>226,584</u>	<u>155,520</u>	<u>49,901</u>	<u>17,828</u>	<u>449,833</u>
Noncurrent Liabilities:					
Capital Leases Payable (net of current portion)	366,157	114,918	-	-	481,075
Closure and Postclosure Liability	952,107	-	-	-	952,107
Net Pension Liability	185,488	161,115	120,368	-	466,971
Total Noncurrent Liabilities	<u>1,503,752</u>	<u>276,033</u>	<u>120,368</u>	<u>-</u>	<u>1,900,153</u>
Total Liabilities	<u>1,730,336</u>	<u>431,553</u>	<u>170,269</u>	<u>17,828</u>	<u>2,349,986</u>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows Relating to Pensions	<u>29,268</u>	<u>25,537</u>	<u>19,255</u>	<u>-</u>	<u>74,060</u>
<b>Net Position</b>					
Net Investment in Capital Assets	635,126	2,491,528	3,953,282	227,398	7,307,334
Restricted for:					
Landfill Closure Costs	564,671	-	-	-	564,671
Unrestricted	<u>1,364,963</u>	<u>(187,181)</u>	<u>869,082</u>	<u>942,458</u>	<u>2,989,322</u>
Total Net Position	<u>\$ 2,564,760</u>	<u>\$ 2,304,347</u>	<u>\$ 4,822,364</u>	<u>\$ 1,169,856</u>	<u>\$ 10,861,327</u>

**PAYSON CITY CORPORATION**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Fund Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
<b>Operating Revenues</b>					
Charges for Services	\$ 2,175,509	\$ 646,467	\$ 577,799	\$ 835,464	\$ 4,235,239
Miscellaneous	219,174	33,859	563	-	253,596
Total Operating Revenues	<u>2,394,683</u>	<u>680,326</u>	<u>578,362</u>	<u>835,464</u>	<u>4,488,835</u>
<b>Operating Expenses</b>					
Costs of Sales and Services	522,330	435,033	122,493	271,650	1,351,506
Maintenance Operations and Contractual Services	769,115	110,686	356,788	157,876	1,394,465
Materials and Supplies	80,278	126,053	9,082	40,531	255,944
Depreciation	129,610	142,320	137,809	40,927	450,666
Total Operating Expenses	<u>1,501,333</u>	<u>814,092</u>	<u>626,172</u>	<u>510,984</u>	<u>3,452,581</u>
Operating Income (Loss)	<u>893,350</u>	<u>(133,766)</u>	<u>(47,810)</u>	<u>324,480</u>	<u>1,036,254</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	6,478	24	6,384	-	12,886
Grant Revenue	-	-	-	2,200	2,200
Gain (Loss) on Sale of Fixed Assets	36,983	21,149	-	-	58,132
Interest and Fiscal Charges	(19,211)	(3,604)	-	-	(22,815)
Total Non-Operating Revenues (Expenses)	<u>24,250</u>	<u>17,569</u>	<u>6,384</u>	<u>2,200</u>	<u>50,403</u>
Income (Loss) before Capital Contributions and Transfers	917,600	(116,197)	(41,426)	326,680	1,086,657
Capital Contributions	-	-	-	-	-
Transfers In	-	220,000	-	-	220,000
Transfers Out	(250,774)	0	0	(47,205)	(297,979)
Change in Net Position	666,826	103,803	(41,426)	279,475	1,008,678
Net Position Beginning of Year	<u>1,897,934</u>	<u>2,200,544</u>	<u>4,863,790</u>	<u>890,381</u>	<u>9,852,649</u>
Net Position End of Year	<u>\$ 2,564,760</u>	<u>\$ 2,304,347</u>	<u>\$ 4,822,364</u>	<u>\$ 1,169,856</u>	<u>\$ 10,861,327</u>

**PAYSON CITY CORPORATION**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 2,397,681	\$ 680,326	\$ 646,700	\$ 861,278	\$ 4,585,985
Receipts from Interfund Services Provided	0	-	-	-	-
Payments to Employees for Services	(336,224)	(261,632)	(62,327)	(188,465)	(848,648)
Payments for Goods and Services	(1,015,050)	(419,523)	(412,798)	(281,871)	(2,129,242)
Other Cash Payments	-	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>1,046,407</u>	<u>(829)</u>	<u>171,575</u>	<u>390,942</u>	<u>1,608,095</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating Grants Received	-	-	-	2,200	2,200
Transfers to Other Funds	(250,774)	-	-	(47,205)	(297,979)
Transfers from Other Funds	-	220,000	-	-	220,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(250,774)</u>	<u>220,000</u>	<u>-</u>	<u>(45,005)</u>	<u>(75,779)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from Capital Leases	30,380	102,740	-	-	133,120
Proceeds from Sale of Assets	36,983	21,149	-	-	58,132
Principal Paid on Capital Leases	(127,898)	(42,447)	-	-	(170,345)
Interest Paid on Capital Leases	(19,211)	(3,604)	-	-	(22,815)
Payments for Capital Acquisitions	(30,380)	(102,740)	-	(206,900)	(340,020)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(110,126)</u>	<u>(24,902)</u>	<u>-</u>	<u>(206,900)</u>	<u>(341,928)</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income Received	6,478	24	6,384	-	12,886
Net Increase (Decrease) in Cash and Cash Equivalents	691,985	194,293	177,959	139,037	1,203,274
Cash and Cash Equivalents Beginning of Year	2,185,531	(165,017)	745,274	662,291	3,428,079
Cash and Cash Equivalents End of Year	<u>\$ 2,877,516</u>	<u>\$ 29,276</u>	<u>\$ 923,233</u>	<u>\$ 801,328</u>	<u>\$ 4,631,353</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$ 893,350	\$ (133,766)	\$ (47,810)	\$ 324,480	\$ 1,036,254
Adjustments:					
Depreciation	129,610	142,320	137,809	40,927	450,666
(Increase) Decrease in Assets:					
Accounts Receivable	2,998	-	68,338	25,814	97,150
Net Pension Assets	202	186	143	-	531
Deferred Outflows of Resources Related to Pensions Due From Other Funds	(13,115)	(12,057)	(9,275)	-	(34,447)
-	-	-	-	-	-
Increase (Decrease) in Liabilities:					
Accrued Liabilities	15,278	(14,623)	(4,171)	(279)	(3,795)
Performance Bond					
Compensated Absences Payable	(8,524)	(7,351)	7,725	-	(8,150)
Net Pension Liability	18,748	17,236	13,258	-	49,242
Deferred Inflows of Resources Related to Pensions	7,860	7,226	5,558	-	20,644
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,046,407</u>	<u>\$ (829)</u>	<u>\$ 171,575</u>	<u>\$ 390,942</u>	<u>\$ 1,608,095</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

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA  
  
SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and 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, 2017, 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, 2017.

**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*.

## **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, 2017



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

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, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 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 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 for each state compliance requirements referred to above. 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 compliance requirements identified above for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated December 30, 2017 as items 2017-1 and 2017-2. Our opinion on compliance is not modified with respect to these matters.

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

### ***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 those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

GILBERT & STEWART  
Certified Public Accountants  
December 30, 2017