

PAYSON CITY CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2018

PAYSON CITY CORPORATION
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Payson City
Payson, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Payson City, as of and for the year ended June 30, 2018, 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, 2018, 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 28, 2018 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 28, 2018

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 2018 by \$8,318,495 from \$73,690,417 to \$82,008,912.
- The total net position of \$82,008,912 is made up of \$59,821,638 in net investment in capital assets and \$15,684,368 in unrestricted and \$6,502,906 restricted net position.
- Total long-term liabilities of the City decreased in 2018 by \$1,456,873 from \$23,061,074 to \$21,604,201; 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 \$2,726,950 as of June 30, 2018.
- The General Fund (the primary operating fund) fund balance had a decrease in its fund balance of \$238,964 from \$3,910,256 to \$3,671,292.
- The General Fund Unassigned Fund Balance increased in 2018 by \$48,079 from \$3,311,163 to \$3,263,084.

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, 2018

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, 2018

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 \$82,008,912.

By far the largest portion of Payson City's net position, (73%) 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 12,741,433	\$ 10,125,137	\$ 19,274,842	\$ 17,602,742	\$ 32,016,275	\$ 27,727,879
Capital assets	29,807,839	29,491,782	49,245,260	46,729,933	79,053,099	\$ 76,221,715
Total assets	<u>42,549,272</u>	<u>39,616,919</u>	<u>68,520,102</u>	<u>64,332,675</u>	<u>111,069,374</u>	<u>103,949,594</u>
Deferred outflow of resources	<u>1,522,563</u>	<u>1,483,807</u>	<u>1,185,500</u>	<u>1,200,642</u>	<u>2,708,063</u>	<u>2,684,449</u>
Liabilities						
Other liabilities	3,431,258	3,865,551	3,542,949	4,276,014	6,974,207	8,141,565
Long-term liabilities outstanding	5,367,323	5,823,332	16,236,878	17,237,741	21,604,201	23,061,073
Total liabilities	<u>8,798,581</u>	<u>9,688,883</u>	<u>19,779,827</u>	<u>21,513,755</u>	<u>28,578,408</u>	<u>31,202,638</u>
Deferred inflow of resources	<u>2,531,390</u>	<u>1,525,967</u>	<u>658,727</u>	<u>215,021</u>	<u>3,190,117</u>	<u>1,740,988</u>
Net position:						
Net investment in capital assets	25,012,388	24,248,776	34,809,250	31,293,245	59,821,638	55,542,021
Restricted	1,016,254	683,218	5,486,652	5,325,338	6,502,906	6,008,556
Unrestricted	6,713,222	4,953,882	8,971,146	7,185,958	15,684,368	12,139,840
Total net position	<u>\$ 32,741,864</u>	<u>\$ 29,885,876</u>	<u>\$ 49,267,048</u>	<u>\$ 43,804,541</u>	<u>\$ 82,008,912</u>	<u>\$ 73,690,417</u>

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2018

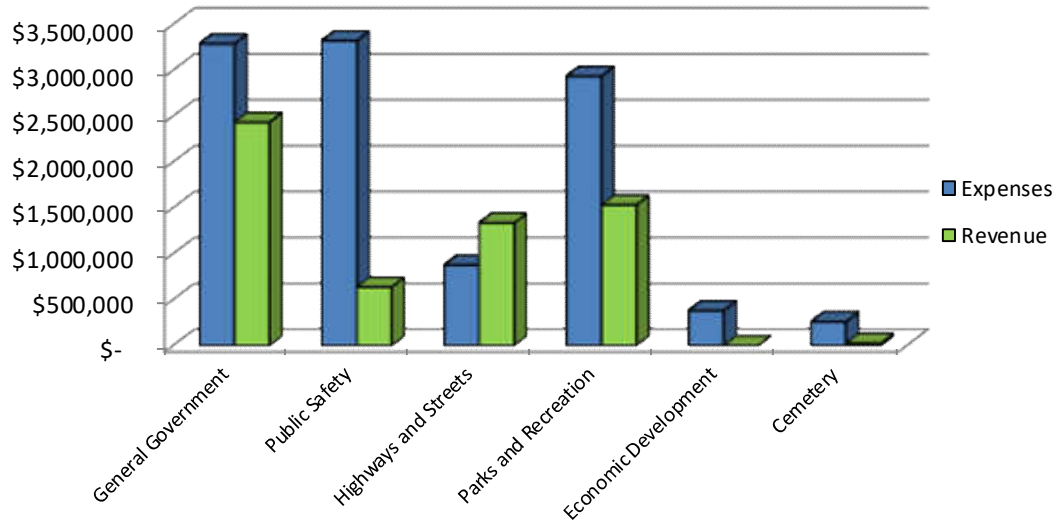
The following table summarizes Payson City's change in net position:

PAYSON CITY CORPORATION
Changes in Net Position
June 30, 2018 and 2017

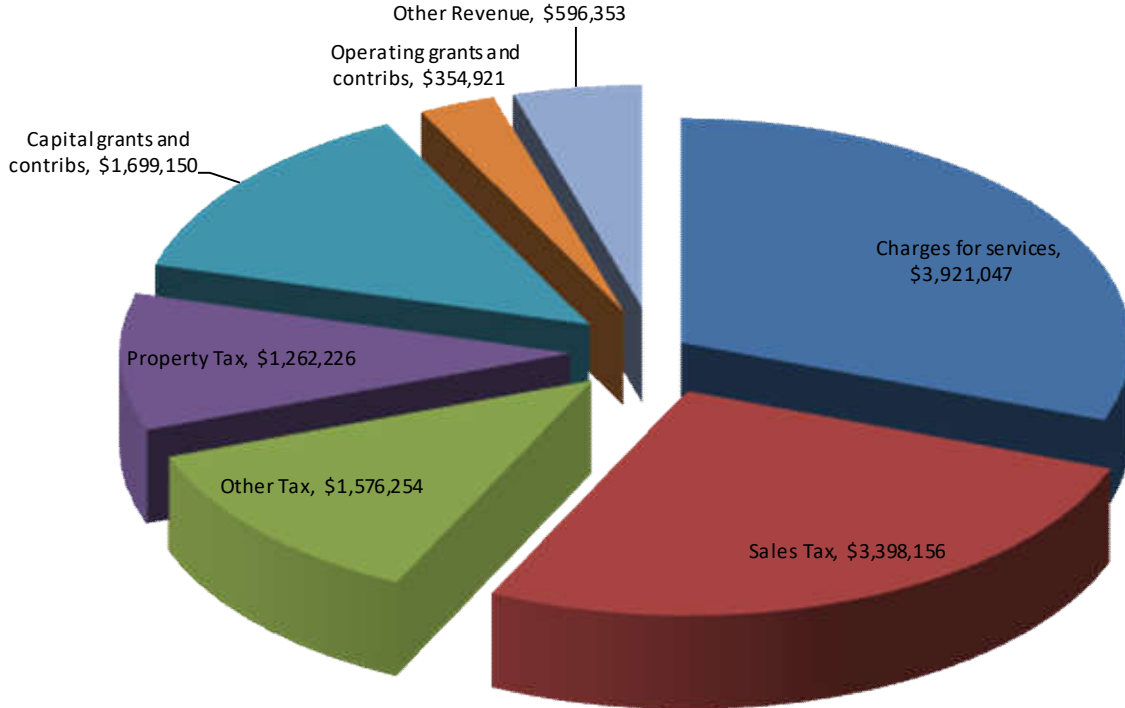
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,921,047	\$ 3,941,822	\$ 24,289,754	\$ 24,250,061	\$ 28,210,801	\$ 28,191,883
Operating grants and contribs	354,921	372,279	-	-	354,921	372,279
Capital grants and contribs	1,699,150	909,773	2,100,637	673,402	3,799,787	1,583,175
General revenues:						
Taxes	6,236,636	5,807,007	-	-	6,236,636	5,807,007
Gain (Loss) on Sale of Assets	333,826	232,689	138,829	58,132	472,655	290,821
Special Assessments	-	-	-	-	-	-
Unrestricted investment earnings	262,527	161,848	-	-	262,527	161,848
Transfers	1,250,600	1,646,443	(1,250,600)	(1,646,443)	-	-
Misc.	-	-	-	-	-	-
Total revenues	<u>14,058,707</u>	<u>13,071,861</u>	<u>25,278,620</u>	<u>23,335,152</u>	<u>39,337,327</u>	<u>36,407,013</u>
Expenses:						
General government	3,292,329	3,260,460	-	-	3,292,329	3,260,460
Public safety	3,324,655	3,265,865	-	-	3,324,655	3,265,865
Highways and public works	877,342	1,174,451	-	-	877,342	1,174,451
Parks and recreation	2,937,024	2,964,614	-	-	2,937,024	2,964,614
Economic Development	382,647	306,984	-	-	382,647	306,984
Cemetery	260,283	274,574	-	-	260,283	274,574
Interest on long-term debt	128,439	657,994	-	-	128,439	657,994
Water	-	-	2,236,166	2,574,571	2,236,166	2,574,571
Electric	-	-	11,789,974	11,344,166	11,789,974	11,344,166
Sewer	-	-	2,037,706	2,253,106	2,037,706	2,253,106
Solid Waste	-	-	1,731,024	1,520,544	1,731,024	1,520,544
Golf	-	-	840,742	817,696	840,742	817,696
Storm Drain	-	-	609,067	626,172	609,067	626,172
Ambulance	-	-	571,434	510,984	571,434	510,984
Total expenses	<u>11,202,719</u>	<u>11,904,942</u>	<u>19,816,113</u>	<u>19,647,239</u>	<u>31,018,832</u>	<u>31,552,181</u>
Increase in net position	2,855,988	1,166,919	5,462,507	3,687,913	8,318,495	4,854,832
Net position - beginning	29,885,876	28,718,957	43,804,541	40,116,628	73,690,417	68,835,585
Adjustment for GASB 68	-	-	-	-	-	-
Net position - ending	<u>\$ 32,741,864</u>	<u>\$ 29,885,876</u>	<u>\$ 49,267,048</u>	<u>\$ 43,804,541</u>	<u>\$ 82,008,912</u>	<u>\$ 73,690,417</u>

PAYSON CITY CORPORATION
 Management's Discussion and Analysis
 For the Year Ended June 30, 2018

Expense and Program Revenues - Governmental Activities

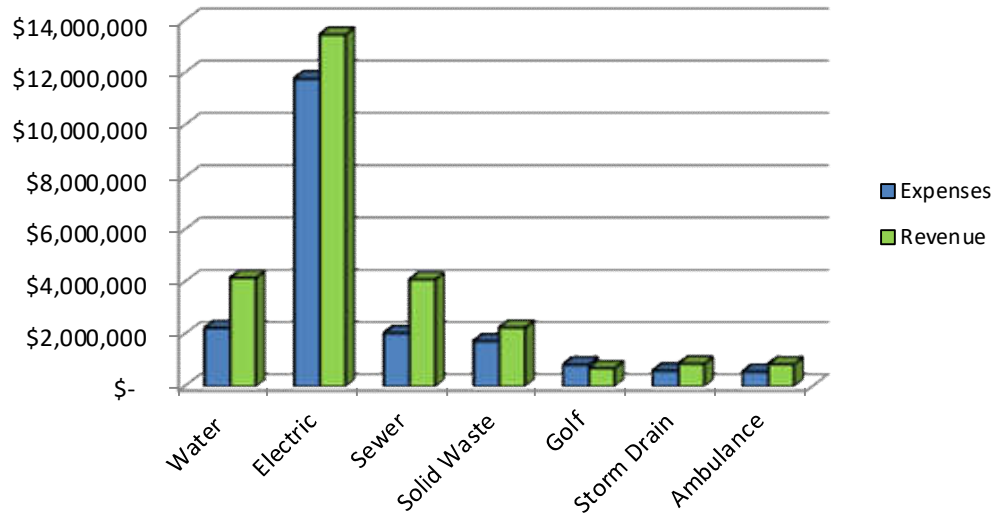


Revenues By Source - Governmental Activities

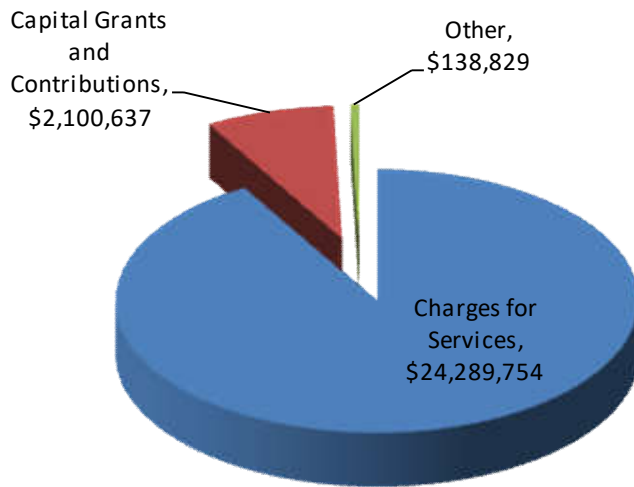


PAYSON CITY CORPORATION
 Management's Discussion and Analysis
 For the Year Ended June 30, 2018

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, 2018

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, 2018, the City's governmental funds (General, Capital Projects, & Special Revenue) reported combined fund balance of \$9,615,092 up from \$7,565,595 last year. This represents an increase of \$2,049,497 from last year's ending balances, with the General Fund portion decreasing by \$238,964; Capital Projects portion increasing by \$964,071, and the Non Major Governmental funds increasing by \$1,237,991. The Non Major Governmental funds increase was due to sale of land in the Industrial Business Park and an increase of impact fees for Public Safety and Parks Impact Fee funds.

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 42% of total general fund revenues. The largest element of taxes is sales tax as it has been for the last several years. It represents 56% of total tax revenues and represents \$3,398,156 or 30% of total general fund revenues. Sales tax increased \$234,346 or 7% from FY2017, which totaled \$3,163,810.

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 \$12,065,804 to a final budget of \$12,971,626 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, 2018, amounts to \$79,053,099 (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.

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Major capital asset events during this 2018 fiscal year included the following:

Park Impact	Kiwanis Park	\$ 44,384
	Boiler for City Center	172,100
Building Maintenance	City Center Bathroom Remodel	33,309
	City Center Roof Repair	45,204
Development Services	Survey Trimble Equipment	25,637
Police	Pole Camera Kit	7,045
Streets	Cemetery Road	213,057
	Memorial Park Pavilion	47,131
Park	Leaf Vacuum Sweeper	12,100
Industrial Park	1700 West Road	37,771
	Various Road Improvements	216,087
Class C	Tack Distributor	14,340
	One Ton Truck with Snow Plow and Spreader	63,673
Public Safety Impact Fee	AC Unit at Fire Building	11,655
Water	400 South Water Line	275,374
	Memorial Park Well House	291,524
Solid Waste	Fencing for Landfill	52,927
	Compactor	697,000
Electric	Various Electrical Projects	472,671
	East Side Lift Station	316,380
Sewer	Centrifugal Pump	29,854
	Springside Meadows Sewer Line	60,000
Ambulance	Ambulance	206,900
Golf Course	Golf Course Land	425,245
	New Roof at Club House	51,924
	Ridge Lane Detention Basin	17,700
Storm	95 South Tie In --Split with Class C	12,936
	Q90 Curb and Gutter --Split with Class C	60,000
	One Ton Truck with Snow Plow and Spreader	30,000
	Garbage Truck	258,254
	Golf Equipment - Kubota Tractor	35,281
	Golf Equipment - Mower	32,022
	Golf Equipment - Mule	7,123
	Golf Equipment - Mule	7,123
	Golf Equipment - Sand Trap Pro	11,026
Revolving Loan	Street 1/2 Ton	27,500
	Streets F350	31,550
	Electric F350	35,790
	Parks 1/2 Ton	34,400
	Recreation 1/2 Ton	30,154
	B&C Plow And Sander	20,040
	Grounds Mower	23,385
Contribution By Developers		1,368,181

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

Capital Assets

June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Invested in capital assets, net						
Water Shares	\$ -	\$ -	\$ 198,400	\$ 198,400	\$ 198,400	\$ 198,400
Land	3,033,602	3,595,221	8,299,002	7,873,757	11,332,604	11,468,978
Building	5,480,648	5,698,859	746,568	397,604	6,227,216	6,096,463
Improvements	2,631,881	2,393,854	35,541,017	34,880,834	38,172,898	37,274,688
Equipment	1,103,703	951,138	3,360,648	2,756,159	4,464,351	3,707,297
Infrastructure	17,558,005	16,814,246	0	-	17,558,005	16,814,246
Construction in progress	-	38,464	1,099,625	623,179	1,099,625	661,643
Total net assets	<u>\$ 29,807,839</u>	<u>\$ 29,491,782</u>	<u>\$ 49,245,260</u>	<u>\$ 46,729,933</u>	<u>\$ 79,053,099</u>	<u>\$ 76,221,715</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.

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 Iworqs Computer program. The most recent assessment found that the City's streets have the following results:

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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>
2014	\$ 446,620	\$ 439,389
2015	459,808	483,808
2016	481,271	465,874
2017	508,588	485,828
2018	235,662	224,644

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, 2018, the City had total bonded debt outstanding of \$17,855,000. 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	\$ 4,485,936	2027	2007	Refunded 2016
Eastside Sewer Line	Sales Tax	4,500,000	2,703,064	2027	2007	Refunded 2016
Sewer Plant Improvements	Sewer Revenue	5,301,000	1,992,000	2022	2002	Refunded 2016
Fore Bay and Pressurized Irrigation	Water Revenue	9,445,000	5,965,000	2030	2006	Refunded 2013
Water Tank	Water Revenue	3,404,000	2,709,000	2033	2012	Refunded 2016

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

See Bond Note 8 for detail

Debt

June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ 4,485,936	\$ 4,940,832	\$ 13,369,064	\$ 14,693,168	\$ 17,855,000	\$ 19,634,000
Unamortized Bond Premium	-	-	39,516	49,824	39,516	49,824
Capital Lease	309,515	302,174	1,123,899	812,045	1,433,414	1,114,219
Accrued Compensated Absences	571,872	580,327	482,112	459,822	1,053,984	1,040,149
Water Share Liability	-	-	270,180	270,775	270,180	270,775
Closure and Postclosure Liability	-	-	952,107	952,107	952,107	952,107
Total Long Term Debt	<u>\$ 5,367,323</u>	<u>\$ 5,823,333</u>	<u>\$ 16,236,878</u>	<u>\$ 17,237,741</u>	<u>\$ 21,604,201</u>	<u>\$ 23,061,074</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, 2018

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

- The Utah unemployment rate was 3.2% in November 2018. This compares with the national rate of 3.7%. (Source: Utah Dept of Workforce Services). The State unemployment rate was 3.2% in November 2017.
- Payson City saw a dramatic drop in building permits for new residential units from 2006 to 2008, and have steadied out since that time. As of November 2018, the City has issued 230 permits for new residential units. Below is a summary of residential building permits issued over the past nine years.

2009	2010	2011	2012	2013	2014	2015	2016	2017
64	59	48	36	64	43	71	45	78

- The General Fund budget for fiscal year ending June 30, 2018 reflects an increase in expenditures of \$315,099 over the final budget for the fiscal year ended June 30, 2017. The final budget amount for fiscal year ending June 30, 2018 and June 30, 2017 was \$12,971,626 and \$12,656,527 respectively.
- The City Council voted to increase the Certified Tax Rate to .001280 for FY2018. The FY2017 rate was .001280. The County Auditor's proposed rate was .001189, but the City Council voted to increase the rate to keep it the same as the prior year FY2017.
- The City Council also voted to increase the Culinary Water, Sewer, and Solid Waste fees by 2.5% effective July 1, 2018. The rate increase was approved based on the consumer price index, so the utility funds could keep up with rising costs.
- The City Council also voted to increase the Pressurized Irrigation Base fee by \$4.00 per month and the Storm Drain base fee by \$0.50 per month. The water increase will be used to bond for and complete two projects that will help with the Pressurized Irrigation pressure problems. The storm drain increase will be used to complete much needed storm drain projects throughout the city. 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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 7,822,280	\$ 10,197,661	\$ 18,019,941
Accounts Receivable (Net of Allowance for Uncollectables)	2,383,525	2,856,052	5,239,577
Notes Receivable	1,031,016	-	1,031,016
Restricted Assets:			
Cash and Cash Equivalents	1,489,890	5,082,637	6,572,527
Net Pension Asset	14,722	7,508	22,230
Equity in Joint Venture		1,130,984	1,130,984
Capital Assets (Net of Accumulated Depreciation)			
Water Shares	-	198,400	198,400
Land	3,033,602	8,299,002	11,332,604
Buildings	5,480,648	746,568	6,227,216
Improvements	2,631,881	35,541,017	38,172,898
Machinery and Equipment	1,103,703	3,360,648	4,464,351
Infrastructure	17,558,005	-	17,558,005
Construction in Progress	-	1,099,625	1,099,625
Total Assets	<u>42,549,272</u>	<u>68,520,102</u>	<u>111,069,374</u>
Deferred Outflows of Resources:			
Relating to Pensions	1,522,563	775,593	2,298,156
Deferred Charge on Refunding (Net)	-	409,907	409,907
Total Deferred Outflows of Resources	<u>1,522,563</u>	<u>1,185,500</u>	<u>2,708,063</u>
Liabilities			
Accounts Payable	918,332	1,912,192	2,830,524
Interest Payable	30,398	69,973	100,371
Other Current Liabilities	669,102	647,260	1,316,362
Net Pension Liability	1,813,426	913,524	2,726,950
Long-Term Liabilities:			
Due Within One Year	607,940	1,638,690	2,246,630
Due In More Than One Year	4,759,383	14,598,188	19,357,571
Total Liabilities	<u>8,798,581</u>	<u>19,779,827</u>	<u>28,578,408</u>
Deferred Inflows of Resources			
Relating to Pensions	1,283,776	658,727	1,942,503
Property Taxes Levied for Future Year	1,247,614	-	1,247,614
Total Deferred Inflows of Resources	<u>2,531,390</u>	<u>658,727</u>	<u>3,190,117</u>
Net Position			
Net Investment in Capital Assets	25,012,388	34,809,250	59,821,638
Restricted for:			
Capital Projects	-	1,570,125	1,570,125
Debt Service	-	223,108	223,108
Class "C" Roads	319,357	-	319,357
Impact Fees	696,897	3,118,369	3,815,266
Landfill Closure Costs	-	575,050	575,050
Unrestricted	<u>6,713,222</u>	<u>8,971,146</u>	<u>15,684,368</u>
Total Net Position	<u>\$ 32,741,864</u>	<u>\$ 49,267,048</u>	<u>\$ 82,008,912</u>

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, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		Primary Government		Total
			Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
Primary Government							
Governmental Activities:							
General Government	\$ 3,292,329	\$ 2,385,977	\$ 49,894	-	\$ (856,458)	-	\$ (856,458)
Public Safety	3,324,655	262,136	288,006	90,346	(2,684,167)	-	(2,684,167)
Highways and Streets	877,342	-	-	1,336,604	459,262	-	459,262
Parks and Recreation	2,937,024	1,245,832	17,021	272,200	(1,401,971)	-	(1,401,971)
Economic Development	382,647	1,318	-	-	(381,329)	-	(381,329)
Cemetery	260,283	25,784	-	-	(234,499)	-	(234,499)
Interest on Long-Term Debt	128,439	-	-	-	(128,439)	-	(128,439)
Total Governmental Activities	<u>11,202,719</u>	<u>3,921,047</u>	<u>354,921</u>	<u>1,699,150</u>	<u>(5,227,601)</u>	<u>-</u>	<u>(5,227,601)</u>
Business-Type Activities:							
Water	2,236,166	3,268,248	-	884,203	-	\$ 1,916,285	1,916,285
Electric	11,789,974	12,986,680	-	491,042	-	1,687,748	1,687,748
Sewer	2,037,706	3,517,907	-	578,662	-	2,058,863	2,058,863
Solid Waste	1,720,024	2,249,345	-	-	-	529,321	529,321
Golf	846,989	700,797	-	-	-	(146,192)	(146,192)
Storm Drain	613,820	717,448	-	146,730	-	250,358	250,358
Ambulance	571,434	849,329	-	-	-	277,895	277,895
Total Business-Type Activities	<u>19,816,113</u>	<u>24,289,754</u>	<u>-</u>	<u>2,100,637</u>	<u>-</u>	<u>6,574,278</u>	<u>6,574,278</u>
Total Primary Government	<u>\$ 31,018,832</u>	<u>\$ 28,210,801</u>	<u>\$ 354,921</u>	<u>\$ 3,799,787</u>	<u>(5,227,601)</u>	<u>6,574,278</u>	<u>1,346,677</u>
General Revenues							
Taxes:							
Property Taxes					1,262,226	-	1,262,226
General Sales Taxes					3,398,156	-	3,398,156
Motor Vehicle Taxes					105,494	-	105,494
Utility Taxes					1,019,824	-	1,019,824
Other Taxes					450,936	-	450,936
Gain (Loss) on Sale of Capital Asset					333,826	138,829	472,655
Investment Earnings					262,527	-	262,527
Transfers					1,250,600	(1,250,600)	-
Total General Revenues and Transfers					<u>8,083,589</u>	<u>(1,111,771)</u>	<u>6,971,818</u>
Change in Net Assets					2,855,988	5,462,507	8,318,495
Net Position Beginning of Year					29,885,876	43,804,541	73,690,417
Net Position End of Year					<u>\$ 32,741,864</u>	<u>\$ 49,267,048</u>	<u>\$ 82,008,912</u>

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

PAYSON CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2018

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,910,273	\$ 1,906,999	\$ 1,769,632	\$ 7,586,904
Accounts Receivable (Net of Allowance for Uncollectables)	2,383,525	-	-	2,383,525
Notes Receivable	-		1,031,016	1,031,016
Restricted Assets:				
Cash and Cash Equivalents	219,327	-	1,270,563	1,489,890
Total Assets	\$ 6,513,125	\$ 1,906,999	\$ 4,071,211	\$ 12,491,335
Liabilities				
Accrued Liabilities	\$ 846,320	\$ 21,001	\$ 13,409	\$ 880,730
Deposits	669,102	-	-	669,102
Total Liabilities	1,515,422	21,001	13,409	1,549,832
Deferred Inflows of Resources				
Property Taxes Levied for Future Year	1,247,614	-	-	1,247,614
Unavailable Property Taxes	78,797	-	-	78,797
Total Inflows	1,326,411	-	-	1,326,411
Fund Balances				
Restricted for:				
RDA	-	-	1,179,302	1,179,302
Class "C" Roads	319,357	-	-	319,357
Impact Fees	-	-	696,897	696,897
Committed for:				
Perpetual Care	-	-	439,412	439,412
Assigned for:				
Community Events	88,851	-	-	88,851
Special Revenue	-	-	269,224	269,224
Capital Projects	-	1,885,998	1,472,967	3,358,965
Unassigned	3,263,084	-	-	3,263,084
Total Fund Balances (Deficits)	3,671,292	1,885,998	4,057,802	9,615,092
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 6,513,125	\$ 1,906,999	\$ 4,071,211	\$ 12,491,335

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, 2018

Total Governmental Funds Balances	\$	9,615,092
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		29,807,839
Long-term Assets not available to pay for current period expenditures and, therefore, are deferred in the funds.		78,797
An internal service fund is used by management to charge the costs of vehicle and information technology repairs and maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		197,774
Pension assets, liabilities, deferred inflows, and deferred outflows are not due and payable in the current period and, therefore, are not recorded in the Governmental Funds		
Net pension assets	\$	14,722
Deferred outflows of resources relating to pensions		1,522,563
Net pension liability		(1,813,426)
Deferred inflows of resources relating to pensions		(1,283,776)
		(1,559,917)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.		(5,397,721)
Net Position of Governmental Activities	\$	32,741,864

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, 2018

	General	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property Taxes	\$ 1,258,283	\$ -	\$0	\$ 1,258,283
General Sales Taxes	3,398,156	-	-	3,398,156
Motor Vehicle Taxes	105,494	-	-	105,494
Utility Taxes	1,019,824	-	-	1,019,824
Other Taxes	234,661	-	216,275	450,936
Licenses and Permits	293,585	-	-	293,585
Intergovernmental	1,114,343	-	-	1,114,343
Charges for Services	3,280,923	-	37,260	3,318,183
Fines and Forfeitures	221,892	-	-	221,892
Interest	215,719	20,001	26,807	262,527
Miscellaneous	87,387	-	-	87,387
Total Revenues	11,230,267	20,001	280,342	11,530,610
Expenditures				
Current:				
General Government	3,233,782	-	-	3,233,782
Public Safety	3,184,435	-	-	3,184,435
Highways and Streets	892,159	-	37,771	929,930
Parks and Recreation	2,649,289	-	-	2,649,289
Economic Development	270,149	45,930	38,517	354,596
Cemetery	260,929	-	-	260,929
Debt Service:				
Principal Retirement	674,585	-	-	674,585
Interest and Fiscal Charges	25,522	-	106,000	131,522
Capital Outlay:				
Highways and Streets	584,199	-	-	584,199
Public Safety	67,379	-	-	67,379
Parks and Recreation	108,570	-	-	108,570
General Government	25,863	-	11,655	37,518
Total Expenditures	11,976,861	45,930	193,943	12,216,734
Excess (Deficiency) of Revenues Over (Under) Expenditures	(746,594)	(25,929)	86,399	(686,124)
Other Financing Sources (Uses)				
Impact Fees	-	-	362,546	362,546
Sale of Fixed Assets	20,000	-	875,445	895,445
Capital Lease Proceeds	227,030	-	-	227,030
Transfers In	1,957,430	990,000	-	2,947,430
Transfers Out	(1,696,830)	-	-	(1,696,830)
Total Other Financing Sources (Uses)	507,630	990,000	1,237,991	2,735,621
Net Change in Fund Balances	(238,964)	964,071	1,324,390	2,049,497
Fund Balances Beginning of Year	3,910,256	921,927	2,733,412	7,565,595
Fund Balances End of Year	\$ 3,671,292	\$ 1,885,998	\$ 4,057,802	\$ 9,615,092

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 2,049,497
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.	
	300,494
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets. (Contributions by Developers)	
	15,563
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.	
	459,093
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.	
	3,943
Pension liabilities do not require current financial resources and therefore are not recorded in the governmental funds.	
	31,404
The internal service funds used by management to charge the the costs of vehicle and information technology repairs and maintenance to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.	
	<u>(4,006)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,855,988</u></u>

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

PAYSON CITY CORPORATION
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Major		Non Major		Total	
	Water	Electric	Sewer	Enterprise Funds		
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 1,338,159	\$ 2,692,490	\$ 2,008,748	\$ 4,158,264	\$ 10,197,661	\$ 235,376
Accounts Receivable (Net of Allowance for Uncollectables)	665,177	1,344,801	386,748	459,326	2,856,052	-
Total Current Assets	2,003,336	4,037,291	2,395,496	4,617,590	13,053,713	235,376
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	788,919	1,914,532	1,804,136	575,050	5,082,637	-
Net Pension Asset	646	3,281	966	2,615	7,508	823
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	1,313,744	8,299,002	-
Buildings	-	279,792	329,579	588,380	1,197,751	-
Improvements	21,965,491	18,887,178	22,335,814	10,014,726	73,203,209	-
Machinery and Equipment	772,054	2,574,980	1,533,873	6,872,706	11,753,613	1,372,738
Construction in Progress	618,840	377,968	-	102,817	1,099,625	-
Less Accumulated Depreciation	(10,578,670)	(14,699,714)	(11,827,246)	(9,400,710)	(46,506,340)	(1,354,545)
Total Capital Assets, Net	19,687,554	7,536,541	12,529,502	9,491,663	49,245,260	18,193
Total Noncurrent Assets	20,477,119	9,454,354	15,465,588	10,069,328	55,466,389	19,016
Total Assets	22,480,455	13,491,645	17,861,084	14,686,918	68,520,102	254,392
Deferred Outflows of Resources						
Relating to Pensions	77,338	330,463	100,052	267,740	775,593	85,378
Deferred Charge on Refunding (Net)	409,907	-	-	-	409,907	-
Total Deferred Outflows of Resources	487,245	330,463	100,052	267,740	1,185,500	85,378
Liabilities						
Current Liabilities:						
Accrued Liabilities	65,825	1,527,804	175,188	143,375	1,912,192	37,602
Compensated Absences Payable	18,697	218,972	68,033	176,410	482,112	41,142
Bonds Payable	599,000	-	758,616	-	1,357,616	-
Interest Payable	31,327	-	38,646	-	69,973	-
Capital Leases Payable	-	38,789	13,536	228,749	281,074	-
Total Current Liabilities	714,849	1,785,565	1,054,019	548,534	4,102,967	78,744
Current Liabilities Payable from Restricted Assets:						
Customer Deposits Payable	-	647,260	-	-	647,260	-
Total Current Liabilities Payable from Restricted Assets	-	647,260	-	-	647,260	-
Noncurrent Liabilities:						
Unamortized Bond Premiums (Net)	-	-	39,516	-	39,516	-
Revenue Bonds Payable (net of current portion)	8,075,000	-	3,936,448	-	12,011,448	-
Net Pension Liability	100,740	390,916	104,189	317,679	913,524	105,046
Capital Leases Payable (net of current portion)	-	64,341	27,721	750,763	842,825	-
Closure and Postclosure Liability	-	-	-	952,107	952,107	-
Water Share Liability	270,180	-	-	-	270,180	-
Total Noncurrent Liabilities	8,445,920	455,257	4,107,874	2,020,549	15,029,600	105,046
Total Liabilities	9,160,769	2,888,082	5,161,893	2,569,083	19,779,827	183,790
Deferred Inflows of Resources						
Deferred Inflows Relating to Pensions	57,029	283,595	91,756	226,347	658,727	70,265
Net Position						
Net Investment in Capital Assets	11,013,714	7,501,033	7,782,352	8,512,151	34,809,250	18,193
Restricted for:						
Bond and Lease Requirements	160	-	222,948	-	223,108	-
Capital Projects	585,388	-	984,737	-	1,570,125	-
Landfill Closure Costs	-	-	-	575,050	575,050	-
Impact Fees	607,386	1,914,532	596,451	-	3,118,369	-
Unrestricted	1,543,254	1,234,866	3,120,999	3,072,027	8,971,146	67,522
Total Net Position	\$ 13,749,902	\$ 10,650,431	\$ 12,707,487	\$ 12,159,228	\$ 49,267,048	\$ 85,715

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, 2018

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$ -	\$ 12,648,367	\$ -	\$ 4,389,417	\$ 17,037,784	\$ 788,793
Charges Pledged as Security for Revenue Bond	3,242,277	-	3,443,390	-	6,685,667	-
Miscellaneous	3,050	138,299	32,980	102,011	276,340	-
Total Operating Revenues	<u>3,245,327</u>	<u>12,786,666</u>	<u>3,476,370</u>	<u>4,491,428</u>	<u>23,999,791</u>	<u>788,793</u>
Operating Expenses						
Costs of Sales and Services	600,797	9,890,198	643,842	1,397,471	12,532,308	374,216
Maintenance Operations and Contractual Services	535,843	1,339,530	673,825	1,440,764	3,989,962	164,187
Materials and Supplies	343,410	62,138	87,041	296,058	788,647	244,025
Depreciation	501,632	495,243	521,906	610,455	2,129,236	9,418
Amortization	-	-	-	-	-	-
Total Operating Expenses	<u>1,981,682</u>	<u>11,787,109</u>	<u>1,926,614</u>	<u>3,744,748</u>	<u>19,440,153</u>	<u>791,846</u>
Operating Income (Loss)	<u>1,263,645</u>	<u>999,557</u>	<u>1,549,756</u>	<u>746,680</u>	<u>4,559,638</u>	<u>(3,053)</u>
Non-Operating Revenues (Expenses)						
Interest Income	22,921	200,014	41,537	25,491	289,963	-
Impact Fees	227,786	378,839	408,012	-	1,014,637	-
Bond Refunding Cost Amortization	(35,135)	-	-	-	(35,135)	-
Grant Revenue	295,000	-	-	-	295,000	-
Gain (Loss) on Sale of Fixed Assets	103,250	8,151	-	27,428	138,829	2,695
Interest and Fiscal Charges	(219,349)	(2,865)	(111,092)	(7,519)	(340,825)	-
Total Non-Operating Revenues (Expenses)	<u>394,473</u>	<u>584,139</u>	<u>338,457</u>	<u>45,400</u>	<u>1,362,469</u>	<u>2,695</u>
Income (Loss) before Capital Contributions and Transfers	1,658,118	1,583,696	1,888,213	792,080	5,922,107	(358)
Capital Contributions	361,417	112,203	170,650	146,730	791,000	-
Transfers In	-	-	-	680,830	680,830	-
Transfers Out	(259,524)	(1,154,185)	(195,982)	(321,739)	(1,931,430)	-
Change in Net Position	<u>1,760,011</u>	<u>541,714</u>	<u>1,862,881</u>	<u>1,297,901</u>	<u>5,462,507</u>	<u>(358)</u>
Net Position Beginning 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>
Net Position End of Year	<u>\$ 13,749,902</u>	<u>\$ 10,650,431</u>	<u>\$ 12,707,487</u>	<u>\$ 12,159,228</u>	<u>\$ 49,267,048</u>	<u>\$ 85,715</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, 2018

	Business Type Activities - Enterprise Funds					Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	\$ 2,931,207	\$ 12,607,804	\$ 3,457,749	\$ 4,467,594	\$ 23,464,354	\$ 788,793
Payments to Employees for Services	(276,832)	(1,009,153)	(348,445)	(882,755)	(2,517,185)	(374,216)
Payments for Goods and Services	(1,547,237)	(10,209,730)	(960,862)	(2,218,827)	(14,936,656)	(399,586)
Net Cash Provided by (Used in) Operating Activities	<u>1,107,138</u>	<u>1,388,921</u>	<u>2,148,442</u>	<u>1,366,012</u>	<u>6,010,513</u>	<u>14,991</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants Received	295,000	-	-	-	295,000	-
Transfers to Other Funds	(259,524)	(1,154,185)	(195,982)	(321,739)	(1,931,430)	-
Transfers from Other Funds	-	-	-	680,830	680,830	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>35,476</u>	<u>(1,154,185)</u>	<u>(195,982)</u>	<u>359,091</u>	<u>(955,600)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities						
Impact Fees	227,786	378,839	408,012	-	1,014,637	-
Proceeds from Bonds & Capital Leases	-	35,790	-	1,047,829	1,083,619	-
Proceeds from Sale of Assets	103,250	8,151	(10,308)	37,335	138,428	2,695
Principal Paid on Revenue Bonds	(582,000)	-	(742,104)	-	(1,324,104)	-
Interest Paid on Revenue Bonds	(219,349)	-	(111,092)	-	(330,441)	-
Principal Paid on Capital Leases	-	(40,076)	(13,663)	(718,025)	(771,764)	-
Interest Paid on Capital Leases	-	(2,865)	-	(7,519)	(10,384)	-
Payments for Capital Acquisitions	(589,327)	(886,428)	(379,466)	(2,008,253)	(3,863,474)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,059,640)</u>	<u>(506,589)</u>	<u>(848,621)</u>	<u>(1,648,633)</u>	<u>(4,063,483)</u>	<u>2,695</u>
Cash Flows from Investing Activities						
Interest Income Received	22,921	200,014	41,537	25,491	289,963	-
Net Increase (Decrease) in Cash and Cash Equivalents	105,895	(71,839)	1,145,376	101,961	1,281,393	17,686
Cash and Cash Equivalents Beginning of Year	2,021,183	4,678,861	2,667,508	4,631,353	13,998,905	217,690
Cash and Cash Equivalents End of Year	<u>\$ 2,127,078</u>	<u>\$ 4,607,022</u>	<u>\$ 3,812,884</u>	<u>\$ 4,733,314</u>	<u>\$ 15,280,298</u>	<u>\$ 235,376</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating Income (Loss)	\$ 1,263,645	\$ 999,557	\$ 1,549,756	\$ 746,680	\$ 4,559,638	\$ (3,053)
Adjustments:						
Depreciation	501,632	495,243	521,906	610,455	2,129,236	9,418
(Increase) Decrease in Assets:						
Accounts Receivable	(314,120)	(195,344)	(18,621)	(23,834)	(551,919)	-
Net Pension Assets	(469)	(2,522)	(853)	(2,009)	(5,853)	(611)
Deferred Outflows of Resources Related to Pensions	(1,602)	(8,615)	(2,915)	(6,861)	(19,993)	(2,088)
Increase (Decrease) in Liabilities:						
Accrued Liabilities	(340,735)	82,221	99,020	19,589	(139,905)	23,480
Customer Deposits	-	16,482	-	-	16,482	-
Compensated Absences Payable	(355)	(1,860)	5,511	18,997	22,293	(13,066)
Water Share Liability	(594)	-	-	-	(594)	-
Accrued Interest	(963)	-	(6,634)	-	(7,597)	-
Net Pension Liability	(34,853)	(187,418)	(63,418)	(149,292)	(434,981)	(45,410)
Deferred Inflows of Resources Related to Pensions	35,552	191,177	64,690	152,287	443,706	46,321
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,107,138</u>	<u>\$ 1,388,921</u>	<u>\$ 2,148,442</u>	<u>\$ 1,366,012</u>	<u>\$ 6,010,513</u>	<u>\$ 14,991</u>
Noncash investing, capital, and financing activities:						
Contributions of capital assets from developers	\$ 361,417	\$ 112,203	\$ 170,650	\$ 146,730	\$ 791,000	\$ -

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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 Activities) 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, 2018

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, 2018

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, equipment, and information technology 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, 2018

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2018, the total liability for compensated absences is \$1,053,985.

7. Taxes

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

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

8. Long-term Obligations

In the government-wide financial statements and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financing uses. Issuance costs, whether or not withheld from the accrual debt proceeds received, are reported as debt service expenditures.

9. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions 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, 2018 for the 2017-2018 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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

13. Use of Estimates

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

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	\$43,394,693
Accumulated depreciation	<u>(13,586,854)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$29,807,839</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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

Long-term debt transactions

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

Accrued interest payable	\$ 30,398
Compensated absences	571,872
Bonds, notes payable, and lease payable	<u>4,795,451</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 5,397,721</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds 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	\$ 1,025,603
Depreciation expense	<u>(725,109)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 300,494</u>

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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

Bond and Note Payments	\$ 454,896
Lease Payment	219,689
Lease Proceeds	(227,030)
Compensated absence	8,455
Change in Accrued Interest	<u>3,083</u>
Net adjustments to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	
	<u>\$ 459,093</u>

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- 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.

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, 2018, 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, 2018</u>
Regular Checking Account	Insured	\$ 0
Regular Checking Account	Uninsured	\$ 0

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (*Continued*)

B. Investments

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

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

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

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

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

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

daily balance. The GASB fair value factor at June 30, 2018 for the PTIF investment pool is 1.00378796. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares (with a difference of \$75,932 which is immaterial).

Fair Value of Investments

Payson 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:* Valuations based on quoted prices in active markets for identical assets or liabilities that the City has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.;
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and “brokered” or securitized certificates of deposit; and,
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

Investments	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Utah Public Treasur Investment Fund	\$ 20,045,739	\$ -	\$ 20,045,739	\$ -
Morten Asset Management Account				
Agency	1,187,473	1,187,473	-	-
Corporate	2,841,093	-	2,841,093	-
Currency	10	10	-	-
MMFund	19,292	19,292	-	-
Total	4,047,868	1,206,775	2,841,093	-
Total Investments	\$ 24,093,607	\$ 1,206,775	\$ 22,886,832	\$ -

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS *(Continued)*

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

For securities that generally have market prices from multiple sources, it can be difficult to select the best individual price, and the best source one day may not be the best source on the following day. The solution is to report a “consensus price” or a weighted average price for each security. Payson City receives market prices for these securities from a variety of industry standard data providers (e.g., Bloomberg), security master files from large financial institutions, and other third-party sources. Through the help of an investment advisor, Payson City uses these multiple prices as inputs into a distribution-curve based algorithm to determine the daily market value.

- U.S. Treasuries, U.S. Agencies: quoted prices for identical securities in markets that are active;

Debt securities classified in Level 2 are valued using the following approaches

- Corporate and Municipal Bonds and Commercial Paper: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities’ relationship to benchmark quoted prices;
- Money Market, and Bond Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers’ Investment Fund: application of the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to Payson City’s average daily balance in the Fund; and,
- Donated Real Estate: recent appraisals of the real estate’s value.

Interest Rate Risk

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

Investments	Investment Maturities (in Years)			
	Less Than 1	1-5	6-10	More than 10
Utah Public Treasurer's Investment Fund	\$ 20,045,739	\$ -	\$ -	\$ -
Morten Asset Management Account				
Agency	-	1,219,692	-	-
Corporate	750,199	2,091,354	-	-
Currency	10	-	-	-
MMFund	19,292	-	-	-
Total	769,501	3,311,046	-	-
Total Investments	\$ 20,815,240	\$ 3,311,046	\$ -	\$ -

Credit Risk

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

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

Investments	Fair Value	Quality Ratings				
		AAA	AA	A	Less than A	Unrated
Utah Public Treasurer's Investment Fund	\$20,045,739	\$ -	\$ -	\$ -	\$ -	\$ 20,045,739
Morten Asset Management Account						
Agency	1,187,473	-	1,187,473	-	-	-
Corporate	2,841,093	-	505,624	1,759,030	576,439	-
Currency	10	10	-	-	-	-
MMFund	19,292	-	-	-	-	19,292
Total	4,047,868	10	1,693,097	1,759,030	576,439	19,292
Total Investments	\$24,093,607	\$ 10	\$ 1,693,097	\$ 1,759,030	\$ 576,439	\$ 20,065,031

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Payson City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

At June 30, 2018, Payson City does not hold more than 5 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies and the State PTIF .

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Payson City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Payson City does have a formal policy for custodial credit risk. All investments other than bank deposits or funds invested in the State Treasurers fund are to be held by a third party with securities delivered on a delivery vs. purchase basis. As of June 30, 2018, Payson City safe kept all investments with custodian counterparty Wells Fargo Bank, NA and all investments which was/were held by the counterparty’s trust department or agent are registered in Payson City’s name.

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

Deposits and Investments	\$ 465,532
Investments	24,126,286
Cash on Hand	<u>650</u>
Total Cash	<u>\$ 24,592,468</u>
Government-Wide	
Cash and Cash Equivalents	\$ 18,019,941
Restricted Cash and Cash Equivalents	5,849,310
Fiduciary Restricted Cash	<u>723,217</u>
Total Cash	<u>\$24,592,468</u>
Net Cash on Statement of Net Position	<u>\$24,592,468</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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	\$ 50,514	\$ 665,177	\$ 1,502,501	\$ 386,749	\$ 505,651	\$ 3,110,592
Property tax	1,371,508	-	-	-	-	1,371,508
Other taxes	784,611	-	-	-	-	784,611
Intergovernmental	176,892	-	-	-	-	176,892
Less allowance for uncollectible accts	-	-	(157,700)	-	(46,325)	(204,025)
	<u>\$ 2,383,525</u>	<u>\$ 665,177</u>	<u>\$ 1,344,801</u>	<u>\$ 386,749</u>	<u>\$ 459,326</u>	<u>\$ 5,239,578</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>\$ 78,797</u>	<u>\$ 1,168,817</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Inter-fund Transfers:

Transfer Out:	General	Capital Projects	Non Major Enterprise	Total
General	\$ 116,000	\$ 900,000	\$ 680,830	\$ 1,696,830
Water	259,524	-	-	259,524
Electric	1,154,185	-	-	1,154,185
Sewer	195,982	-	-	195,982
Non Major Enterprise	231,739	90,000	-	321,739
Total Transfers In	<u>\$ 1,957,430</u>	<u>\$ 990,000</u>	<u>\$ 680,830</u>	<u>\$ 3,628,260</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, 2018

NOTE 7 – CAPITAL ASSETS

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

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 3,595,221	\$ -	\$ 561,619	\$ 3,033,602
Infrastructure	16,814,246	743,759	-	17,558,005
Construction in Progress	38,464	-	38,464	-
Total capital assets not being depreciated	<u>20,447,931</u>	<u>743,759</u>	<u>600,083</u>	<u>20,591,607</u>
Capital assets being depreciated:				
Buildings	8,728,456	-	-	8,728,456
Improvements	7,632,542	435,541	-	8,068,083
Machinery and equipment	5,544,598	461,949	-	6,006,547
Total capital assets being depreciated	<u>21,905,596</u>	<u>897,490</u>	<u>-</u>	<u>22,803,086</u>
Less accumulated depreciation for:				
Buildings	(3,029,597)	(218,211)	-	(3,247,808)
Improvements	(5,238,688)	(197,514)	-	(5,436,202)
Machinery and equipment	(4,593,460)	(309,384)	-	(4,902,844)
Total accumulated depreciation	<u>(12,861,745)</u>	<u>(725,109)</u>	<u>-</u>	<u>(13,586,854)</u>
Total capital assets, being depreciated, net	<u>9,043,851</u>	<u>172,381</u>	<u>-</u>	<u>9,216,232</u>
Governmental activities capital assets, net	<u>\$ 29,491,782</u>	<u>\$ 916,140</u>	<u>\$ 600,083</u>	<u>\$ 29,807,839</u>
Business-type activities:	Beginning			Ending
Capital assets not being depreciated:	Balance	Increases	Decreases	Balance
Land	\$ 7,873,757	\$ 425,245	\$ -	\$ 8,299,002
Water Shares	198,400	-	-	198,400
Construction in Progress	596,411	1,202,442	596,411	1,202,442
Total capital assets not being depreciated	<u>8,668,568</u>	<u>1,627,687</u>	<u>596,411</u>	<u>9,699,844</u>
Capital assets being depreciated:				
Buildings	829,447	368,304	-	1,197,751
Improvements	71,174,981	2,028,228	-	73,203,209
Machinery and equipment	10,499,224	1,356,249	101,860	11,753,613
Total capital assets being depreciated	<u>82,503,652</u>	<u>3,752,781</u>	<u>101,860</u>	<u>86,154,573</u>
Less accumulated depreciation for:				
Buildings	(431,843)	(19,340)	-	(451,183)
Improvements	(36,294,147)	(1,368,045)	-	(37,662,192)
Machinery and equipment	(7,743,065)	(741,852)	(91,952)	(8,392,965)
Total accumulated depreciation	<u>(44,469,055)</u>	<u>(2,129,237)</u>	<u>(91,952)</u>	<u>(46,506,340)</u>
Total capital assets, being depreciated, net	<u>38,034,597</u>	<u>1,623,544</u>	<u>9,908</u>	<u>39,648,233</u>
Business-type activities capital assets, net	<u>\$ 46,703,165</u>	<u>\$ 3,251,231</u>	<u>\$ 606,319</u>	<u>\$ 49,348,077</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 64,203
Public safety	155,088
Highways and public improvements	88,448
Economic Development	28,698
Parks and recreation	379,254
Capital assets held by the government's Internal Service Fund are charged to various functions based on their usage of assets	<u>9,418</u>
Total depreciation expense - governmental activities	<u>\$ 725,109</u>

Business-type activities:

Water	\$ 501,632
Electric	495,243
Sewer	521,906
Solid Waste	224,030
Golf Course	154,996
Storm Drain	129,820
Ambulance	<u>101,609</u>
Total depreciation expense - Business-Type Activities	<u>\$ 2,129,236</u>
Total depreciation expense	<u><u>\$ 2,854,345</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:

	Governmental Type	Business Type
Asset:		
Machinery and Equipment	\$ 873,091	\$ 2,127,544
Less: Accumulated Amortization	<u>(443,493)</u>	<u>(422,082)</u>
Total	<u>\$ 429,598</u>	<u>\$ 1,705,462</u>

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LEASE COMMITMENTS (Continued)

The present values of future minimum capital lease payments under these leases as of June 30, 2018, are:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$456,682
2020	368,636
2021	329,244
2022	415,897
2023	<u>0</u>
Total minimum lease payments	1,570,459
Less amounts representing interest	(137,045)
Present value of minimum lease payments	<u>\$ 1,433,414</u>

At June 30, 2018, 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	\$ 309,515	\$ 1,123,899
Current Portion Capital Leases Payable	(145,556)	(281,074)
Long Term Capital Leases Payable	<u>\$ 163,959</u>	<u>\$ 842,825</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, 2018, 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>\$ 4,485,936</u>
Total Bonds and Notes	4,485,936
Less Noncurrent	(4,023,552)
Current Portion	<u>\$ 462,384</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – BONDS AND NOTES PAYABLE (Continued)

Capital Leases

2015 Fire Truck 3.25% Revolving Loan Fund (org. amt \$307,220)	80,528
2017 Dev. Serv. Truck 3.25% Revolving Loan Fund (org. amt \$25,863)	15,126
2017 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$31,685)	18,041
2017 Maintenance Util Veh 3.25% Revolving Loan Fund (orig. amt \$14,430)	8,443
2017 Parks ½ Ton 3.25% Revolving Loan Fund (orig. amt \$25,863)	15,248
2018 Streets ½ Ton 3.25% Revolving Loan Fund (orig. amt \$27,500)	20,500
2018 Streets F350 3.25% Revolving Loan Fund (orig. amt \$31,550)	22,750
2018 Parks ½ Ton 3.25% Revolving Loan Fund (orig. amt \$34,400)	27,400
2018 Recreation ½ Ton 3.25% Revolving Loan Fund (orig. amt \$30,154)	23,154
2018 B&C Plow and Sander 3.25% Revolving Loan Fund (orig. amt \$20,040)	14,940
2018 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$23,385)	16,385
2018 Gymnastic Addition 3.25% Revolving Loan Fund (orig. amt \$60,000)	<u>47,000</u>
 Total Capital lease	 309,515
Less Noncurrent	(<u>163,959</u>)
Current portion	<u>\$ 145,556</u>

Business-type Activities:

As of June 30, 2018, 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)	\$ 1,992,000
Water Revenue Refunding Bond, Series 2016, dated Oct 2016 .95% - 3.80% (original amount \$2,861,000)	2,709,000
Water Revenue Refunding, Series 2013, dated March 13, 2013 2.0% - 3.0% (original amount \$7,385,000)	5,965,000
Sewer Sales Tax Refunding Series 2016, dated September 14, 2016 1.66% (original amount \$2,977,168)	<u>2,703,064</u>
 Total Bonds & Notes	 13,369,064
Less non-current	(<u>12,011,448</u>)
Current portion	<u>\$ 1,357,616</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – BONDS AND NOTES PAYABLE (Continued)

Capital Leases

From Revolving Loan Fund

2015 Golf Turf Equip, 3.25% (orig amt \$75,749)	\$ 31,760
2017 Electric Bucket Truck, 3.25% (orig amt \$99,316)	41,642
2017 Landfill F250 3.25% (orig amt \$30,380)	17,881
2017 Electric F150 3.25% (orig amt \$28,574)	17,187
2017 Electric F150 3.25% (orig amt \$28,574)	17,311
2017 Sewer Explorer 3.25% (orig amt \$28,907)	17,343
2017 Sewer F350 3.25% (orig amt \$37,713)	23,914
2017 Golf Carts 3.25% (orig amt \$102,740)	83,158
2018 Garbage Truck 3.25% Revolving Loan Fund (orig. amt \$258,254)	204,254
2018 Golf Equipment 3.25% Revolving Loan Fund (orig. amt \$92,575)	71,075
2018 Electric F350 3.25% Revolving Loan Fund (orig. amt \$35,790)	26,990

From Outside Sources

2018 Compactor for Landfill 3.2% (original amount \$670,900)	571,384
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Total Capital lease	1,123,899
Less Noncurrent	(842,825)
Current portion	\$ 281,074

The future annual requirements for all outstanding bond and note obligations as of June 30, 2018 are as follows:

Fiscal Year	All Bonds and Notes		
	Principal	Interest	Total
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	1,438,000	224,570	1,662,570
2024-2028	6,783,000	710,656	7,493,656
2029-2033	2,130,000	140,824	2,270,824
2034	-	-	-
	\$ 17,855,000	\$ 2,344,770	\$ 20,199,770

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – BONDS AND NOTES PAYABLE (Continued)

Changes in Long Term Debt

Government Type Activities	2017	Additions	Reductions	2018	One Year
Bonds Payable					
2016 Pool Sales Tax Revenue Refunding	\$ 4,940,832	\$ -	\$ 454,896	\$ 4,485,936	\$ 462,384
	-	-	-	-	-
Total Bonds Payable	4,940,832	-	454,896	4,485,936	462,384
Capital Lease	302,174	227,030	219,689	309,515	145,556
Accrued Compensated Absences	580,327	-	8,455	571,872	-
Govt Activities Long-Term Debt	<u>\$ 5,823,333</u>	<u>\$ 227,030</u>	<u>\$ 683,040</u>	<u>\$ 5,367,323</u>	<u>\$ 607,940</u>

Business Type Activities	2017	Additions	Reductions	2018	One Year
Bonds Payable					
2016 Sewer Sales Tax Refunding	\$ 2,977,168	\$ -	\$ 274,104	\$ 2,703,064	\$ 278,616
2013 Water Refunding Bond	6,395,000	-	430,000	5,965,000	440,000
2016 Water Tank Revenue Refunding	2,861,000	-	152,000	2,709,000	159,000
2016 Sewer Refunding	2,460,000	-	468,000	1,992,000	480,000
Unamortized Bond Premium	49,824	-	10,309	39,515	-
Total Bonds Payable	14,742,992	-	1,334,413	13,408,579	1,357,616
Capital Lease	812,045	1,083,619	771,765	1,123,899	281,074
Accrued Compensated Absence	459,822	22,290	-	482,112	-
Water Share Liability	270,775	-	595	270,180	-
Closure and Postclosure Liability	952,107	-	-	952,107	-
Business activities long- term debt	<u>\$ 17,237,741</u>	<u>\$ 1,105,909</u>	<u>\$ 2,106,773</u>	<u>\$ 16,236,877</u>	<u>\$ 1,638,690</u>

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, 2018, 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, 2018, no cost was charged to closure and post-closure expenses.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - STATE RETIREMENT PLANS

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

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System),
- Firefighters Retirement System (Firefighters System);
are multiple employer, cost sharing, retirement systems
- Public Safety Retirement System (Public Safety System), is a mixed agent and cost-sharing, multiple-employer public employee retirement system
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System), is a multiple employer, cost sharing, public employee retirement system
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System), is a multiple employer, cost sharing, public employee retirement system

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

The Utah Retirement 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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - STATE RETIREMENT PLANS (Continued)

Summary of Benefits by System

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
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 Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2018 are as follows:

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - STATE RETIREMENT PLANS (Continued)

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Division Tier 2	N/A	15.11	1.58
Noncontributory			
15 - Local Governmental Division Tier 1	N/A	18.47	N/A
Public Safety Retirement System			
Contributory			
122 - Tier 2 DB Hybrid Public Safety Contributory	N/A	22.57	1.26
Noncontributory			
43 - Other Div. A with 2.5% COLA	N/A	34.04	N/A
Firefighters System			
31 - Division A Tier 1	15.05	3.93	N/A
132 - Tier 2 DB Hybrid Firefighters	N/A	10.82	1.26
Tier 2 DC Only			
211 Local Government	N/A	6.69	10.00
222 Public Safety	N/A	11.83	12.00
232 Firefighters	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, 2018, the employer and employee contribution to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 662,381	N/A
Public Safety System	237,709	-
Firefighters System	3,554	-
Tier 2 Public Employees System	161,582	-
Tier 2 Public Safety and Firefighter	79,133	-
Tier 2 DC Only System	18,600	N/A
Total Contributions	\$ 1,162,959	\$ -

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, we reported a net pension asset of \$22,230 and a net pension liability of \$2,726,950.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$ 1,889,380	0.4312374%	0.4339067%	-0.0026693%
Public Safety System	-	828,746	0.5283152%	0.5951550%	-0.0668398%
Firefighters System	18,996	-	0.3041595%	0.3119508%	-0.0077913%
Tier 2 Public Employees System	-	8,824	0.1000834%	0.0993825%	0.0007009%
Tier 2 Public Safety and Firefighter System	3,234	-	0.2795099%	0.2963545%	-0.0168446%
	\$ 22,230	\$ 2,726,950			
Total Net Pension Asset/Liability					

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to 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, 2018, we recognized pension expense of \$1,111,494.

At June 30, 2018, 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	\$ 44,162	\$ 254,419
Changes in assumptions	1,028,715	62,852
Net difference between projected and actual earnings on the pension plan investments	571,880	1,501,245
Changes in proportion and differences between contributions and proportionate shares of contributions	71,840	123,987
Contributions subsequent to the measurement date	581,559	-
Total	\$ 2,298,156	\$ 1,942,503

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - STATE RETIREMENT PLANS (Continued)

\$581,559 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, 2016.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2018	\$ 140,737
2019	175,061
2020	(236,366)
2021	(324,556)
2022	1,521
Thereafter	17,698

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

Inflation	2.50 percent
Salary increases	3.25-9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment 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, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 11 - STATE RETIREMENT PLANS (Continued)

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

Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

Discount rate – The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was reduced to 6.95 percent from 7.20 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 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 5,109,771	\$ 1,889,380	\$ (788,215)
Public Safety System	2,088,067	828,746	(191,920)
Firefighter System	81,052	(18,996)	(99,837)
Tier 2 Public Employees System	103,899	8,824	(64,493)
Tier 2 Public Safety and Firefighter	28,640	(3,234)	(27,586)
Total	\$ 7,411,429	\$ 2,704,720	\$ (1,172,051)

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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:

	2018	2017	2016	2015	2014
401(k) Plan					
Employer Contributions	\$ 52,766	\$ 46,661	\$ 42,071	\$ 40,060	\$ 36,499
Employee Contributions	6920	6,280	6,975	6,270	6,270
457 Plan					
Employer Contributions	-	-	-	-	-
Employee Contributions	3007	3,151	620	-	-
Roth IRA Plan					
Employer Contributions	N/A	N/A	N/A	N/A	N/A
Employee Contributions	22,490	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, 2018

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, 2018

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

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, 2018, 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	64,642
Outstanding loans to finance RDA projects	-

Downtown

Tax increment collection from other taxing agencies for various project areas	\$ -
Amounts expended for site improvements and preparation costs	11,646
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 28, 2018, 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, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Favorable (Unfavorable)
Revenues				
Taxes:				
Property Taxes	\$ 1,201,081	\$ 1,201,081	\$ 1,258,283	\$ 57,202
General Sales Taxes	3,025,000	3,099,100	3,398,156	299,056
Motor Vehicle Taxes	92,000	92,000	105,494	13,494
Utility Taxes	1,070,000	1,070,000	1,019,824	(50,176)
Other Taxes	249,000	249,000	234,661	(14,339)
Licenses and Permits	151,750	154,780	293,585	138,805
Intergovernmental	1,013,231	1,158,112	1,114,343	(43,769)
Charges for Services	3,118,070	3,156,577	3,280,923	124,346
Fines and Forfeitures	296,000	296,000	221,892	(74,108)
Interest	40,300	66,600	215,719	149,119
Miscellaneous	40,000	80,164	87,387	7,223
Total Revenues	10,296,432	10,623,414	11,230,267	606,853
Expenditures				
Current:				
General Government:				
Administrative	1,385,380	1,399,770	1,395,281	4,489
Planning and Zoning	732,159	743,659	675,685	67,974
Building Maintenance	435,610	359,573	286,175	73,398
Judicial	681,390	727,106	667,794	59,312
Non-Departmental	203,961	228,058	208,847	19,211
Total General Government	3,438,500	3,458,166	3,233,782	224,384
Public Safety:				
Police Administration	2,807,563	2,700,419	2,636,770	63,649
Fire Administration	511,629	433,883	368,358	65,525
Victims Advocate	88,695	90,468	79,904	10,564
Animal Control	101,560	101,560	99,403	2,157
Total Public Safety	3,509,447	3,326,330	3,184,435	141,895
Highways and Streets:				
Streets and Sidewalks	490,378	465,903	491,782	(25,879)
Class "C" Road	668,787	444,887	400,377	44,510
Total Highways and Streets	1,159,165	910,790	892,159	18,631
Economic Development:				
Senior Citizens	141,344	149,695	119,594	30,101
Community Events	183,840	186,050	150,555	35,495
Total Economic Development	325,184	335,745	270,149	65,596
Parks and Recreation:				
Parks	555,199	468,880	463,492	5,388
Swimming Pool	427,356	414,726	409,454	5,272
Library	445,163	452,532	412,934	39,598
Ground Mowing	237,974	240,299	207,521	32,778
Recreation and Culture	676,875	675,266	668,118	7,148
Youth Sports	401,763	394,251	368,489	25,762
Adult Sports	75,355	75,355	48,905	26,450
Snack Shack	73,566	77,566	70,376	7,190
Total Culture and Recreation	2,893,251	2,798,875	2,649,289	149,586
Cemetery				
	319,257	306,957	260,929	46,028
Debt Service:				
Principal, Interest and Fiscal Charges	421,000	775,588	700,107	75,481
Capital Outlay				
	-	1,059,175	786,011	273,164
Total Expenditures	12,065,804	12,971,626	11,976,861	994,765
Excess of Revenues Over (Under) Expenditures	(1,769,372)	(2,348,212)	(746,594)	1,601,618
Other Financing Sources (Uses)				
Proceeds of Bonds & Leases	-	-	227,030	227,030
Sale of Assets	-	341,089	20,000	(321,089)
Transfers In	1,848,430	3,589,281	1,957,430	(1,631,851)
Transfers Out	(252,830)	(1,605,830)	(1,696,830)	(91,000)
Total Other Financing Sources (Uses)	1,595,600	2,324,540	507,630	(1,816,910)
Net Change in Fund Balance	(173,772)	(23,672)	(238,964)	(215,292)
Fund Balance Beginning of Year	3,910,256	3,910,256	3,910,256	-
Fund Balance End of Year	<u>\$ 3,736,484</u>	<u>\$ 3,886,584</u>	<u>\$ 3,671,292</u>	<u>\$ (215,292)</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, 2018

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 Iworq 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, 2018, 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>
2014	\$ 446,620	\$ 439,389
2015	459,808	483,808
2016	595,372	573,109
2017	508,588	485,828
2018	235,662	224,644

Payson City
 Required Supplementary Information
 Schedule of the Proportionate Share of the Net Pension Liability
 JUNE 30, 2018
 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%
	2017	0.4312374%	0.5283152%	0.3041595%	0.1000834%	0.2749510%
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)
	2017	\$ 1,889,380	\$ 828,746	\$ (18,996)	\$ 8,824	\$ (3,234)
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
	2017	\$ 3,588,586	\$ 723,310	\$ 88,982	\$ 979,520	\$ 294,965
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%
	2016	76.13%	145.77%	-2.81%	-1.36%	-1.05%
	2017	52.65%	114.58%	-21.35%	0.90%	-1.10%
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%
	2017	91.9%	90.2%	103.0%	97.4%	103.0%

*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 past four years.

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%
	2018	662,381	662,381	-	3,651,113	18.14%
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%
	2018	237,709	237,709	-	702,489	33.84%
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%
	2018	3,554	3,554	-	90,470	3.93%
Tier 2 Public Employees System *	2014	52,554	52,554	-	377,197	13.93%
	2015	94,658	94,658	-	632,122	14.97%
	2016	122,754	122,754	-	823,814	14.90%
	2017	131,980	131,980	-	893,315	14.77%
	2018	161,582	161,582	-	1,076,653	15.01%
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%
	2018	79,133	79,133	-	355,653	22.25%
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%
	2018	18,600	18,600	-	279,730	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, 2018

Changes in Assumptions:

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

SUPPLEMENTAL INFORMATION

PAYSON CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	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
Assets								
Cash and Cash Equivalents	\$ 211,823	\$ 968,218	\$ 132,136	\$ 17,415	\$ 269,224	\$ 5,975	\$ 164,841	\$ 1,769,632
Notes Receivable	-	-	-	-	-	-	1,031,016	1,031,016
Restricted Assets:								
Cash and Cash Equivalents	-	-	310,154	237,192	-	433,437	289,780	1,270,563
Total Assets	<u>\$ 211,823</u>	<u>\$ 968,218</u>	<u>\$ 442,290</u>	<u>\$ 254,607</u>	<u>\$ 269,224</u>	<u>\$ 439,412</u>	<u>\$ 1,485,637</u>	<u>\$ 4,071,211</u>
Liabilities								
Accrued Liabilities	\$ 739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,670	\$ 13,409
Due To Other Funds	-	-	-	-	-	-	-	-
Total Liabilities	<u>739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,670</u>	<u>13,409</u>
Fund Balances								
Restricted for:								
RDA	211,084	968,218	-	-	-	-	-	1,179,302
Impact Fees	-	-	442,290	254,607	-	-	-	696,897
Committed for:								
Perpetual Care	-	-	-	-	-	439,412	-	439,412
Assigned for:								
Capital Projects	-	-	-	-	-	-	1,472,967	1,472,967
Special Revenue	-	-	-	-	269,224	-	-	269,224
Unassigned:	-	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>211,084</u>	<u>968,218</u>	<u>442,290</u>	<u>254,607</u>	<u>269,224</u>	<u>439,412</u>	<u>1,472,967</u>	<u>4,057,802</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 211,823</u>	<u>\$ 968,218</u>	<u>\$ 442,290</u>	<u>\$ 254,607</u>	<u>\$ 269,224</u>	<u>\$ 439,412</u>	<u>\$ 1,485,637</u>	<u>\$ 4,071,211</u>

PAYSON CITY CORPORATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	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
Revenues								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ 216,275	\$ -	\$ -	\$ 216,275
Charges for Services	-	11,476	-	-	-	25,784	-	37,260
Interest	-	-	6,444	3,642	-	7,579	9,142	26,807
Total Revenues	<u>-</u>	<u>11,476</u>	<u>6,444</u>	<u>3,642</u>	<u>216,275</u>	<u>33,363</u>	<u>9,142</u>	<u>280,342</u>
Expenditures								
Current:								
Highways and Streets	-	37,771	-	-	-	-	-	37,771
Economic Development	11,646	26,871	-	-	-	-	-	38,517
Debt Service:								
Interest and Fiscal Charges	-	-	106,000	-	-	-	-	106,000
Capital Outlay:								
Economic Development	-	-	-	11,655	-	-	-	11,655
Total Expenditures	<u>11,646</u>	<u>64,642</u>	<u>106,000</u>	<u>11,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,943</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,646)</u>	<u>(53,166)</u>	<u>(99,556)</u>	<u>(8,013)</u>	<u>216,275</u>	<u>33,363</u>	<u>9,142</u>	<u>86,399</u>
Other Financing Sources (Uses)								
Impact Fees	-	-	272,200	90,346	-	-	-	362,546
Sale of Fixed Assets	-	875,445	-	-	-	-	-	875,445
Transfer In (Out)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>875,445</u>	<u>272,200</u>	<u>90,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,237,991</u>
Net Change in Fund Balances	<u>(11,646)</u>	<u>822,279</u>	<u>172,644</u>	<u>82,333</u>	<u>216,275</u>	<u>33,363</u>	<u>9,142</u>	<u>1,324,390</u>
Fund Balances (Deficits) Beginning of Year	<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>
Fund Balances (Deficits) End of Year	<u>\$ 211,084</u>	<u>\$ 968,218</u>	<u>\$ 442,290</u>	<u>\$ 254,607</u>	<u>\$ 269,224</u>	<u>\$ 439,412</u>	<u>\$ 1,472,967</u>	<u>\$ 4,057,802</u>

PAYSON CITY CORPORATION
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2018

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 2,081,634	\$ 128,133	\$ 1,052,943	\$ 895,554	\$ 4,158,264
Accounts Receivable (Net of Allowance for Uncollectables)	198,430	-	75,598	185,298	459,326
Due From Other Funds	-	-	-	-	-
Total Current Assets	<u>2,280,064</u>	<u>128,133</u>	<u>1,128,541</u>	<u>1,080,852</u>	<u>4,617,590</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	575,050	-	-	-	575,050
Net Pension Asset	1,074	871	670	-	2,615
Capital Assets:					
Land	55,123	1,258,621	-	-	1,313,744
Buildings	138,136	297,874	152,370	-	588,380
Improvements	568,991	4,337,896	5,097,585	10,254	10,014,726
Machinery and Equipment	4,107,857	1,588,918	315,761	860,170	6,872,706
Less Accumulated Depreciation	<u>(2,950,755)</u>	<u>(4,427,399)</u>	<u>(1,474,914)</u>	<u>(547,642)</u>	<u>(9,400,710)</u>
Total Capital Assets, Net	<u>1,919,352</u>	<u>3,158,727</u>	<u>4,090,802</u>	<u>322,782</u>	<u>9,491,663</u>
Total Noncurrent Assets	<u>2,495,476</u>	<u>3,159,598</u>	<u>4,091,472</u>	<u>322,782</u>	<u>10,069,328</u>
Total Assets	<u>4,775,540</u>	<u>3,287,731</u>	<u>5,220,013</u>	<u>1,403,634</u>	<u>14,686,918</u>
Deferred Outflows of Resources					
Relating to Pensions	<u>105,483</u>	<u>93,140</u>	<u>69,117</u>	<u>-</u>	<u>267,740</u>
Liabilities					
Current Liabilities:					
Accrued Liabilities	42,583	59,000	19,162	22,630	143,375
Compensated Absences Payable	50,176	86,242	39,992	-	176,410
Capital Leases Payable	175,635	53,114	-	-	228,749
Total Current Liabilities	<u>268,394</u>	<u>198,356</u>	<u>59,154</u>	<u>22,630</u>	<u>548,534</u>
Noncurrent Liabilities:					
Capital Leases Payable (net of current portion)	617,884	132,879	-	-	750,763
Closure and Postclosure Liability	952,107	-	-	-	952,107
Net Pension Liability	125,674	110,401	81,604	-	317,679
Total Noncurrent Liabilities	<u>1,695,665</u>	<u>243,280</u>	<u>81,604</u>	<u>-</u>	<u>2,020,549</u>
Total Liabilities	<u>1,964,059</u>	<u>441,636</u>	<u>140,758</u>	<u>22,630</u>	<u>2,569,083</u>
Deferred Inflows of Resources					
Deferred Inflows Relating to Pensions	<u>79,282</u>	<u>83,515</u>	<u>63,550</u>	<u>-</u>	<u>226,347</u>
Net Position					
Net Investment in Capital Assets	1,125,833	2,972,734	4,090,802	322,782	8,512,151
Restricted for:					
Landfill Closure Costs	575,050	-	-	-	575,050
Unrestricted	<u>1,136,799</u>	<u>(117,014)</u>	<u>994,020</u>	<u>1,058,222</u>	<u>3,072,027</u>
Total Net Position	<u>\$ 2,837,682</u>	<u>\$ 2,855,720</u>	<u>\$ 5,084,822</u>	<u>\$ 1,381,004</u>	<u>\$ 12,159,228</u>

PAYSON CITY CORPORATION
Combining Statement of Revenues,
Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2018

	Business Type Activities - Enterprise Funds				Total
	Solid Waste	Golf Course	Storm Drain	Ambulance	
Operating Revenues					
Charges for Services	\$ 2,164,578	\$ 673,637	\$ 701,873	\$ 849,329	\$ 4,389,417
Miscellaneous	74,389	27,122	500	-	102,011
Total Operating Revenues	<u>2,238,967</u>	<u>700,759</u>	<u>702,373</u>	<u>849,329</u>	<u>4,491,428</u>
Operating Expenses					
Costs of Sales and Services	535,592	443,609	154,607	263,663	1,397,471
Maintenance Operations and Contractual Services	844,909	116,139	320,299	159,417	1,440,764
Materials and Supplies	112,416	127,803	9,094	46,745	296,058
Depreciation	224,030	154,996	129,820	101,609	610,455
Total Operating Expenses	<u>1,716,947</u>	<u>842,547</u>	<u>613,820</u>	<u>571,434</u>	<u>3,744,748</u>
Operating Income (Loss)	<u>522,020</u>	<u>(141,788)</u>	<u>88,553</u>	<u>277,895</u>	<u>746,680</u>
Non-Operating Revenues (Expenses)					
Interest Income	10,378	38	15,075	-	25,491
Gain (Loss) on Sale of Fixed Assets	-	16,735	12,100	(1,407)	27,428
Interest and Fiscal Charges	(3,077)	(4,442)	-	-	(7,519)
Total Non-Operating Revenues (Expenses)	<u>7,301</u>	<u>12,331</u>	<u>27,175</u>	<u>(1,407)</u>	<u>45,400</u>
Income (Loss) before Capital Contributions and Transfers	529,321	(129,457)	115,728	276,488	792,080
Capital Contributions	-	-	146,730	-	146,730
Transfers In	-	680,830	-	-	680,830
Transfers Out	(256,399)	0	0	(65,340)	(321,739)
Change in Net Position	272,922	551,373	262,458	211,148	1,297,901
Net Position Beginning 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>
Net Position End of Year	<u>\$ 2,837,682</u>	<u>\$ 2,855,720</u>	<u>\$ 5,084,822</u>	<u>\$ 1,381,004</u>	<u>\$ 12,159,228</u>

PAYSON CITY CORPORATION
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business Type Activities - Enterprise Funds				
	Solid Waste	Golf Course	Storm Drain	Ambulance	Total
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 2,249,181	\$ 700,759	\$ 694,665	\$ 822,989	\$ 4,467,594
Receipts from Interfund Services Provided	0	-	-	-	-
Payments to Employees for Services	(346,064)	(266,999)	(86,995)	(182,697)	(882,755)
Payments for Goods and Services	(1,160,115)	(391,862)	(384,524)	(282,326)	(2,218,827)
Other Cash Payments	-	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	<u>743,002</u>	<u>41,898</u>	<u>223,146</u>	<u>357,966</u>	<u>1,366,012</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	-	-	-	-	-
Transfers to Other Funds	(256,399)	-	-	(65,340)	(321,739)
Transfers from Other Funds	-	680,830	-	-	680,830
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(256,399)</u>	<u>680,830</u>	<u>-</u>	<u>(65,340)</u>	<u>359,091</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Capital Leases	955,254	92,575	-	-	1,047,829
Proceeds from Sale of Assets	-	16,735	12,100	8,500	37,335
Principal Paid on Capital Leases	(661,809)	(56,216)	-	-	(718,025)
Interest Paid on Capital Leases	(3,077)	(4,442)	-	-	(7,519)
Payments for Capital Acquisitions	(1,008,181)	(672,561)	(120,611)	(206,900)	(2,008,253)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(717,813)</u>	<u>(623,909)</u>	<u>(108,511)</u>	<u>(198,400)</u>	<u>(1,648,633)</u>
Cash Flows from Investing Activities					
Interest Income Received	10,378	38	15,075	-	25,491
Net Increase (Decrease) in Cash and Cash Equivalents	(220,832)	98,857	129,710	94,226	101,961
Cash and Cash Equivalents Beginning of Year	2,877,516	29,276	923,233	801,328	4,631,353
Cash and Cash Equivalents End of Year	<u>\$ 2,656,684</u>	<u>\$ 128,133</u>	<u>\$ 1,052,943</u>	<u>\$ 895,554</u>	<u>\$ 4,733,314</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 522,020	\$ (141,788)	\$ 88,553	\$ 277,895	\$ 746,680
Adjustments:					
Depreciation	224,030	154,996	129,820	101,609	610,455
(Increase) Decrease in Assets:					
Accounts Receivable	10,214	-	(7,708)	(26,340)	(23,834)
Net Pension Assets	(805)	(682)	(522)	-	(2,009)
Deferred Outflows of Resources Related to Pensions Due From Other Funds	(2,749)	(2,330)	(1,782)	-	(6,861)
-	-	-	-	-	-
Increase (Decrease) in Liabilities:					
Accrued Liabilities	(12,456)	20,027	7,216	4,802	19,589
Performance Bond					
Compensated Absences Payable	12,548	4,411	2,038	-	18,997
Net Pension Liability	(59,814)	(50,714)	(38,764)	-	(149,292)
Deferred Inflows of Resources Related to Pensions	50,014	57,978	44,295	-	152,287
Net Cash Provided by (Used in) Operating Activities	<u>\$ 743,002</u>	<u>\$ 41,898</u>	<u>\$ 223,146</u>	<u>\$ 357,966</u>	<u>\$ 1,366,012</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	\$ -	\$ -	\$ 146,730	\$ -	\$ 146,730

GOVERNMENT AUDITING STANDARDS REPORT
STATE COMPLIANCE REPORT



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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

Honorable Mayor and City Council
Payson City
Payson, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of American 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, 2018, 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 28, 2018.

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 on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
December 28, 2018



**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

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

State compliance requirements were tested for the year ended June 30, 2018 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
Tax Levy Recognition

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 Compliance

In our opinion, Payson City, complied, in all material respects, with the compliance requirements identified above for the year ended June 30, 2018.

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 28, 2018 as items 2018-1 and 2018-2. 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 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 28, 2018