

PAYSON CITY CORPORATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' OPINION

JUNE 30, 2019

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, 2019, 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, 2019, 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, 2019 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 31, 2019

BASIC FINANCIAL STATEMENTS

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. 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 2019 by \$16,039,014 from \$82,008,912 to \$98,047,926.
- The total net position of \$98,047,926 is made up of \$70,957,452 in net investment in capital assets and \$13,808,716 in unrestricted and \$13,281,758 restricted net position.
- Total long-term liabilities of the City increased in 2019 by \$731,879 from \$21,604,200 to \$22,336,079; which includes all debt owing (bonds, leases, compensated absences, water share liability, bond premiums and Landfill post-closure liability).
- In accordance with GASB Statement No. 68, the City reported net pension obligation totaling \$4,664,162 as of June 30, 2019.
- The General Fund (the primary operating fund) fund balance had an increase in its fund balance of \$223,881 from \$3,671,292 to 3,895,173.
- The General Fund Unassigned Fund Balance decreased in 2019 by \$860,395 from \$3,263,084 to \$2,402,689.

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, 2019

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, 2019

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 \$98,047,926.

By far the largest portion of Payson City's net position, (72%) 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 16,266,889	\$ 12,741,433	\$ 21,704,229	\$ 19,274,842	\$ 37,971,118	\$ 32,016,275
Capital assets	34,656,493	29,807,839	56,606,041	49,245,260	91,262,534	79,053,099
Total assets	<u>50,923,382</u>	<u>42,549,272</u>	<u>78,310,270</u>	<u>68,520,102</u>	<u>129,233,652</u>	<u>111,069,374</u>
Deferred outflow of resources	<u>1,513,658</u>	<u>1,522,563</u>	<u>1,145,774</u>	<u>1,185,500</u>	<u>2,659,432</u>	<u>2,708,063</u>
Liabilities						
Other liabilities	5,744,634	3,431,258	3,996,774	3,542,949	9,741,408	6,974,207
Long-term liabilities outstanding	5,055,747	5,367,323	17,365,163	16,236,878	22,420,910	21,604,201
Total liabilities	<u>10,800,381</u>	<u>8,798,581</u>	<u>21,361,937</u>	<u>19,779,827</u>	<u>32,162,318</u>	<u>28,578,408</u>
Deferred inflow of resources	<u>1,610,319</u>	<u>2,531,390</u>	<u>72,521</u>	<u>658,727</u>	<u>1,682,840</u>	<u>3,190,117</u>
Net position:						
Net investment in capital assets	30,227,782	25,012,388	40,729,670	34,809,250	70,957,452	59,821,638
Restricted	4,574,919	1,016,254	8,706,839	5,486,652	13,281,758	6,502,906
Unrestricted	5,223,639	6,713,222	8,585,077	8,971,146	13,808,716	15,684,368
Total net position	<u>\$ 40,026,340</u>	<u>\$ 32,741,864</u>	<u>\$ 58,021,586</u>	<u>\$ 49,267,048</u>	<u>\$ 98,047,926</u>	<u>\$ 82,008,912</u>

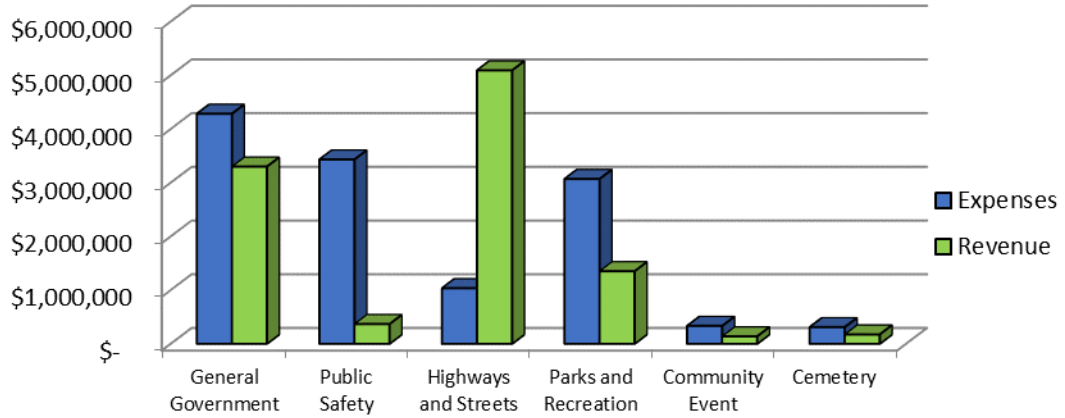
PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

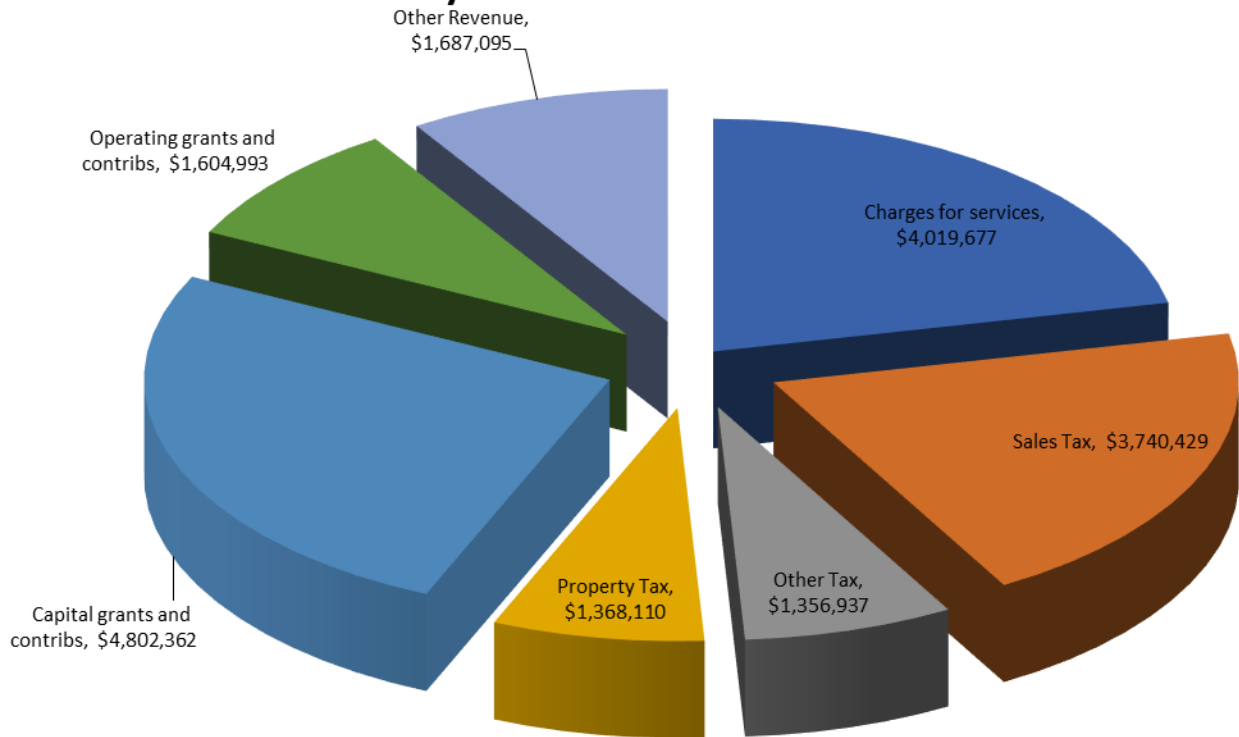
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 4,019,677	\$ 3,921,047	\$ 25,040,246	\$ 24,289,754	\$ 29,059,923	\$ 28,210,801
Operating grants and contribs	1,604,993	354,921	2,602	-	1,607,595	354,921
Capital grants and contribs	4,802,362	1,699,150	6,372,780	2,100,637	11,175,142	3,799,787
General revenues:						
Taxes	6,465,476	6,236,636	-	-	6,465,476	6,236,636
Gain (Loss) on Sale of Assets	987,512	333,826	143,231	138,829	1,130,743	472,655
Special Assessments	-	-	-	-	-	-
Unrestricted investment earnings	494,520	262,527	407,793	-	902,313	262,527
Transfers	1,483,553	1,250,600	(1,483,553)	(1,250,600)	-	-
Misc.	205,063	-	420,460	-	625,523	-
Total revenues	<u>20,063,156</u>	<u>14,058,707</u>	<u>30,903,559</u>	<u>25,278,620</u>	<u>50,966,715</u>	<u>39,337,327</u>
Expenses:						
General government	4,283,956	3,292,329	-	-	4,283,956	3,292,329
Public safety	3,433,551	3,324,655	-	-	3,433,551	3,324,655
Highways and public works	1,035,941	877,342	-	-	1,035,941	877,342
Parks, recreation, and culture	3,071,220	2,937,024	-	-	3,071,220	2,937,024
Community events	333,597	382,647	-	-	333,597	382,647
Cemetery	310,425	260,283	-	-	310,425	260,283
Interest on long-term debt	309,990	128,439	-	-	309,990	128,439
Water	-	-	2,552,214	2,236,166	2,552,214	2,236,166
Electric	-	-	13,483,383	11,789,974	13,483,383	11,789,974
Sewer	-	-	2,101,889	2,037,706	2,101,889	2,037,706
Solid Waste	-	-	1,860,842	1,731,024	1,860,842	1,731,024
Golf	-	-	894,244	840,742	894,244	840,742
Storm Drain	-	-	577,844	609,067	577,844	609,067
Ambulance	-	-	678,605	571,434	678,605	571,434
Total expenses	<u>12,778,680</u>	<u>11,202,719</u>	<u>22,149,021</u>	<u>19,816,113</u>	<u>34,927,701</u>	<u>31,018,832</u>
Increase in net position	<u>7,284,476</u>	<u>2,855,988</u>	<u>8,754,538</u>	<u>5,462,507</u>	<u>16,039,014</u>	<u>8,318,495</u>
Net position - beginning	<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>
Net position - ending	<u>\$ 40,026,340</u>	<u>\$ 32,741,864</u>	<u>\$ 58,021,586</u>	<u>\$ 49,267,048</u>	<u>\$ 98,047,926</u>	<u>\$ 82,008,912</u>

PAYSON CITY CORPORATION
 Management's Discussion and Analysis
 For the Year Ended June 30, 2019

Expense and Program Revenues - Governmental Activities

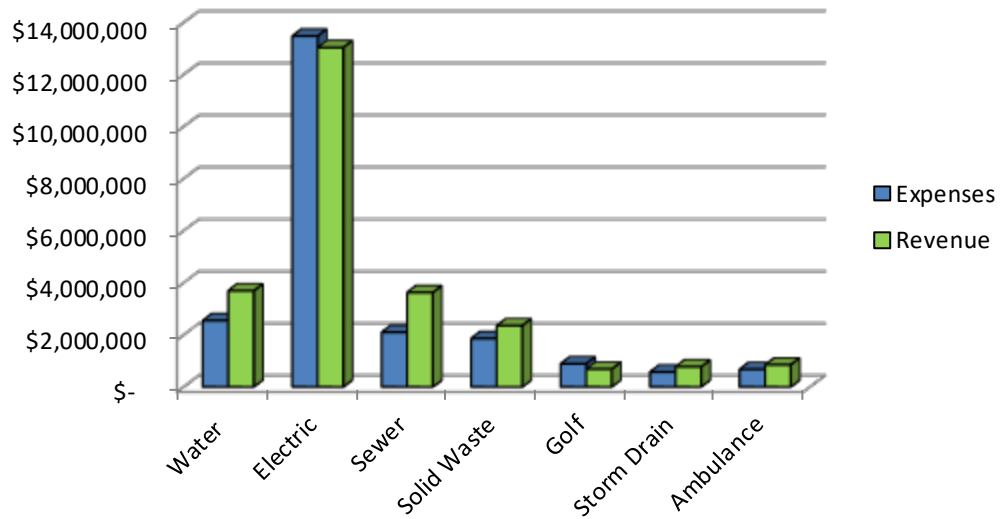


Revenues By Source - Governmental Activities

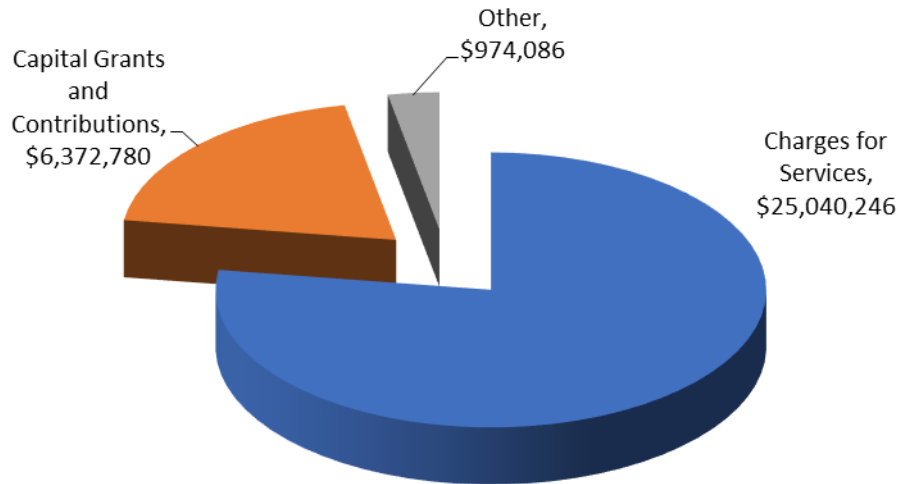


PAYSON CITY CORPORATION
 Management's Discussion and Analysis
 For the Year Ended June 30, 2019

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, 2019

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, 2019, the City's governmental funds (General, Capital Projects, & Special Revenue) reported combined fund balance of \$11,873,474 up from \$9,615,092 last year. This represents an increase of \$2,258,382 from last year's ending balances, with the General Fund portion increasing by \$223,881; Capital Projects portion increasing by \$647,161, and the Non-Major Governmental funds increasing by \$1,387,340. 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 50% of total general fund revenues. The largest element of taxes is sales tax as it has been for the last several years. It represents 56% of total tax revenues and represents \$3,509,943 or 28% of total general fund revenues. Sales tax increased \$111,787 or 3% from FY2018, which totaled \$3,398,156.

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 \$13,219,968 to a final budget of \$15,546,137 to accommodate additional expenditures needed in various departments. One of the largest amendments was for a transfer to the capital projects fund to start saving for the new ball fields that will need to be constructed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Payson City's investment in capital assets for all activities as of June 30, 2019, amounts to \$91,262,534 (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, 2019

Major capital asset events during this 2019 fiscal year included the following:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Admin	Front Office Remodel	99,963
Biz Park	Trail In Biz Park (Plunder and Tri State)	20,130
Building Maint	Flooring Down Seniors Hall	9,110
Class C	Class C Snow Plow	9,591
Class C	Class C Snow Plow	9,591
Class C	Maples Overlay	36,370
Econom Dev (Events)	Float	14,500
Library	Library Carpet	49,883
Park	Memorial Park Upgrade Pickle Ball	630,392
Park	Memorial Park Bathrooms	20,000
Park	F150 Super Crew Lariat Trade In	39,618
Police	Police Office Remodel CIP	24,402
Pool	Pool Boiler	137,915
Streets	Developer Contribution	4,275,598
Ambulance	Ambulance Remodel CIP	61,949
Electric	405 S 1000 W Upgrade	12,934
Electric	Replace Distrib Lines Prof Way	37,156
Electric	New Street Lights	27,247
Electric	Ford F150 (Traded In)	39,618
Electric	Ford F150 (Traded In)	39,618
Golf	RV Park CIP	96,591
Golf	Golf Carts	183,520
Solid Waste	Shredder	725,500
Solid Waste	Trackhoe	214,050
Solid Waste	Compactor	630,800
Storm	Storm Sweeper	283,398
Storm	Storm 200 N 200 W Pipe Creek	274,211
Storm	Developer Contribution	1,217,557
Waste Water	700 E Payson Manhole	5,950
Waste Water	Crack Seal and Pave Sewer Road	21,235
Waste Water	800 W Manhole	7,993
Waste Water	Clarifier	59,169
Waste Water	Land Purchase	10,000
Waste Water	700 S 1st-6th West Line Reconstruct	559,418
Waste Water	West Outfall Manhole Covers	15,005
Waste Water	Arrowhead Upsize	32,585
Waste Water	Spring Creek Sewer Line	6,350
Waste Water	West Outfall Sewer Line Reconstruct CIP	60,415
Waste Water	Ford F350	44,500
Waste Water	Ford F150 (Traded in for Explorer)	39,618
Waste Water	Developer Contribution	1,271,795
Water	PI Meters CIP	19,574
Water	Lateral 20 Irrigation Connection 1 CIP	11,133
Water	Irrigation Upper Zone Improvement CIP	51,566
Water	Irrigation Lower Zone 24" Line CIP	25,354
Water	Irrigation Lower Zone 24" Line CIP	751,672
Water	Water Lateral 20 Connection	818,840
Water	1150 E Salem Canal Road	113,021
Water	Arrowhead Upsize	17,432
Water	Professional Way Upsize 4" to 10"	10,000
Water	Well at Golf Course	74,026
Water	Spring Creek Utility Upsize	56,616
Water Culinary	Developer Contribution	1,748,450
Water PI	Developer Contribution	956,560
Revolving Loan	B&C 10-WHEELER	203,000
Revolving Loan	Facilities HALF TON	32,900
Revolving Loan	Cemetery HALF TON	32,900
Revolving Loan	Grounds Mower	32,930
Revolving Loan	Bucket Truck	115,533

PAYSON CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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

	Governmental Activities		Business-type Activities			Total		
	2019	2018	2019	0	2018	2019	0	2018
Invested in capital assets, net								
Water Shares	\$ -	\$ -	\$ 198,400		\$ 198,400	\$ 198,400		\$ 198,400
Land	2,991,502	3,033,602	8,309,002		8,299,002	11,300,504		11,332,604
Building	5,262,437	5,480,648	720,691		746,568	5,983,128		6,227,216
Improvements	2,552,429	2,712,535	41,457,347		35,541,017	44,009,776		38,253,552
Equipment	1,261,765	1,023,049	4,361,562		3,360,648	5,623,327		4,383,697
Infrastructure	21,833,603	17,558,005	0		-	21,833,603		17,558,005
Construction in progress	754,757	-	1,559,039		1,099,625	2,313,796		1,099,625
Total net assets	<u>\$ 34,656,493</u>	<u>\$ 29,807,839</u>	<u>\$ 56,606,041</u>		<u>\$ 49,245,260</u>	<u>\$ 91,262,534</u>		<u>\$ 79,053,099</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.

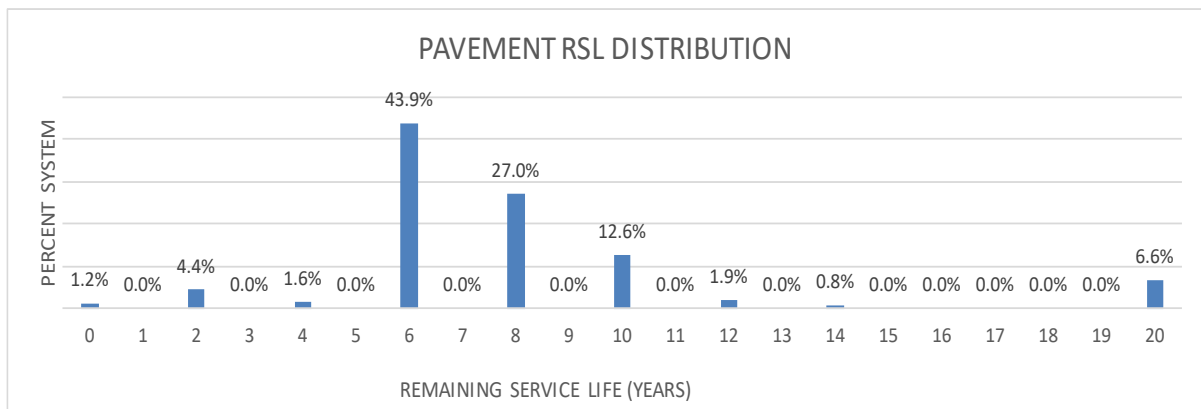
L.O.S. 2 (Residential)

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, 2019

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>
2015	459,808	483,808
2016	481,271	465,874
2017	508,588	485,828
2018	235,662	224,644
2019	450,661	382,128

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, 2019, the City had total bonded debt outstanding of \$18,075,000. 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	\$ 4,023,552	2027	2007	Refunded 2016
Eastside Sewer Line	Sales Tax	4,500,000	2,424,448	2027	2007	Refunded 2016
Sewer Plant Improvements	Sewer Revenue	5,301,000	1,512,000	2022	2002	Refunded 2016
Fore Bay and Pressurized Irrigation	Water Revenue	9,445,000	5,525,000	2030	2006	Refunded 2013
Water Tank	Water Revenue	3,404,000	2,550,000	2033	2012	Refunded 2016
Water PI Lines	Water Revenue	2,040,000	2,040,000	2040	2019	

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bonds Payable	\$ 4,023,552	\$ 4,485,936	\$ 14,051,448	\$ 13,369,064	\$ 18,075,000	\$ 17,855,000
Unamortized Bond Premium	-	-	29,207	39,516	29,207	39,516
Capital Lease	405,159	309,515	1,470,509	1,123,899	1,875,668	1,433,414
Accrued Compensated Absences	627,036	571,872	507,477	482,112	1,134,513	1,053,984
Water Share Liability	-	-	269,585	270,180	269,585	270,180
Closure and Postclosure Liability	-	-	952,107	952,107	952,107	952,107
Total Long Term Debt	<u>\$ 5,055,747</u>	<u>\$ 5,367,323</u>	<u>\$ 17,280,333</u>	<u>\$ 16,236,878</u>	<u>\$ 22,336,080</u>	<u>\$ 21,604,201</u>

In March of 2019, the City issued \$8,985,000 Water Revenue Bonds, Series 2019 (the "Series 2019 Bonds"). The State of Utah Department of Natural Resources, Board of Water Resources approved the bond with an interest rate of one percent to be paid back in 20 years. As of June 30, 2019, the amount issued to the City was \$2,040,000 to construct and upsize two pressurized irrigation lines. The remaining balance is expected to be issued and drawn down in fiscal year 2020 for installation of pressurized irrigation meters to help with conservation and monitoring of water usage.

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, 2019

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

- The Utah unemployment rate was 2.4% in November 2019. This compares with the national rate of 3.5%. (Source: Utah Dept of Workforce Services). The State unemployment rate was 3.2% in November 2019.
- Payson City saw a dramatic drop in building permits for new residential units from 2006 to 2008, and have steadied out since that time and in 2019 there was a significant increase due to new developments under construction. As of November 2019, the City has issued 330 permits for new residential units. Below is a summary of residential building permits issued over the past ten years.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
64	59	48	36	64	43	71	45	62	99

- The General Fund budget for fiscal year ending June 30, 2019 reflects an increase in expenditures of \$2,574,511 over the final budget for the fiscal year ended June 30, 2018. The final budget amount for fiscal year ending June 30, 2019 and June 30, 2018 was \$15,546,137 and \$12,971,626 respectively.
- The City Council voted to increase the Certified Tax Rate to .001272 for FY2019. The FY2018 rate was .001280. The County Auditor's proposed rate was .001156, but the City Council voted to increase the rate to keep it the same as the prior year FY2018.
- The City Council also voted to increase the Culinary Water, Sewer, Solid Waste, and Storm fees by 2.0% effective July 1, 2019. 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 Waste Water fee by \$1.00 per month. The waste water increase will be used to help cover the repair and replacement of the west outfall waste water line that collapsed in the fall of 2018. 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.

PAYSON CITY CORPORATION
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash, cash equivalents, and investments	\$ 10,389,170	\$ 11,017,797	\$ 21,406,967
Cash equivalents, and investments, restricted	1,940,530	6,649,747	8,590,277
Accounts receivable, less allowance for doubtful accounts)	2,646,518	2,905,701	5,552,219
Notes receivable	1,290,671	-	1,290,671
Equity in joint venture	-	1,130,984	1,130,984
Capital assets:			
Water shares	-	198,400	198,400
Land	2,991,502	8,309,002	11,300,504
Construction in progress	754,757	1,559,039	2,313,796
Buildings	5,262,437	720,691	5,983,128
Improvements	2,552,429	41,457,347	44,009,776
Machinery, equipment, and vehicles	1,261,765	4,361,562	5,623,327
Infrastructure	21,833,603	-	21,833,603
Total assets	50,923,382	78,310,270	129,233,652
Deferred outflows of resources:			
Deferred loss on refunding	-	374,773	374,773
Deferred outflows relating to pensions	1,513,658	771,001	2,284,659
Total deferred outflows of resources	1,513,658	1,145,774	2,659,432
Liabilities:			
Accounts payable and accrued liabilities	1,019,561	1,653,543	2,673,104
Accrued interest payable	27,265	66,004	93,269
Other current liabilities	1,606,131	704,742	2,310,873
Net pension liability	3,091,677	1,572,485	4,664,162
Noncurrent liabilities:			
Due within one year	591,176	1,757,042	2,348,218
Due in more than one year	4,464,571	15,608,121	20,072,692
Total liabilities	10,800,381	21,361,937	32,162,318
Deferred inflows of resources:			
Deferred property tax revenue	1,432,231	-	1,432,231
Deferred revenue	31,432	-	31,432
Deferred inflows relating to pensions	146,656	72,521	219,177
Total deferred inflows of resources	1,610,319	72,521	1,682,840
Net position:			
Net investment in capital assets	30,227,782	40,729,670	70,957,452
Restricted for:			
Debt service	-	1,787,653	1,787,653
Capital projects	4,574,919	6,327,830	10,902,749
Landfill closure costs	-	591,356	591,356
Unrestricted	5,223,639	8,585,077	13,808,716
Total net position	\$ 40,026,340	\$ 58,021,586	\$ 98,047,926

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, 2019

Functions	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in net position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 4,283,956	\$ 2,785,685	\$ 514,277	\$ -	\$ (983,994)		\$ (983,994)
Public safety	3,433,551	23,712	227,352	116,756	(3,065,731)		(3,065,731)
Highways and streets	1,035,941	-	817,689	4,275,598	4,057,346		4,057,346
Parks, recreation, and culture	3,071,220	905,162	37,587	410,008	(1,718,463)		(1,718,463)
Community events	333,597	130,586	8,088	-	(194,923)		(194,923)
Cemetery	310,425	174,532	-	-	(135,893)		(135,893)
Interest on long-term liabilities	309,990	-	-	-	(309,990)		(309,990)
Total governmental activities	12,778,680	4,019,677	1,604,993	4,802,362	(2,351,648)		(2,351,648)
Business-type activities:							
Water	2,552,214	3,696,207	2,602	3,034,774		4,181,369	4,181,369
Electric	13,483,383	13,042,606	-	399,050		(41,727)	(41,727)
Sewer	2,101,889	3,630,129	-	1,711,477		3,239,717	3,239,717
Solid waste	1,860,842	2,356,626	-	-		495,784	495,784
Storm drain	577,844	777,795	-	1,217,557		1,417,508	1,417,508
Golf	894,244	686,169	-	-		(208,075)	(208,075)
Ambulance	678,605	850,714	-	9,922		182,031	182,031
Total business-type activities	22,149,021	25,040,246	2,602	6,372,780		9,266,607	9,266,607
Total primary government	\$ 28,262,445	\$ 33,341,679	\$ 2,602	\$ 9,311,736		9,266,607	6,914,959
General Revenues							
Taxes:							
Property					1,368,110	-	1,368,110
General sales					3,740,429	-	3,740,429
Motor vehicle					106,611	-	106,611
Utility					1,034,862	-	1,034,862
Other					215,464	-	215,464
Gain on sale of assets					987,512	143,231	1,130,743
Investment earnings					494,520	407,793	902,313
Miscellaneous					205,063	420,460	625,523
Transfers					1,483,553	(1,483,553)	-
Total general revenues and transfers					9,636,124	(512,069)	9,124,055
Changes in net position					7,284,476	8,754,538	16,039,014
Net position - beginning					32,741,864	49,267,048	82,008,912
Net position - ending					\$ 40,026,340	\$ 58,021,586	\$ 98,047,926

The notes to the financial statements are an integral part of this statement.

PAYSON CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 5,098,241	\$ 2,592,295	\$ 2,410,722	\$ 10,101,258
Accounts receivable (net of allowance for uncollectables)	2,600,295	-	46,223	2,646,518
Note receivable	-	-	1,290,671	1,290,671
Restricted assets:				
Cash equivalents and investments	231,485	-	1,709,045	1,940,530
Total assets	\$ 7,930,021	\$ 2,592,295	\$ 5,456,661	\$ 15,978,977
Liabilities:				
Accrued liabilities	\$ 980,506	\$ 1,002	\$ 271	\$ 981,779
Deposits	1,536,749	58,134	11,248	1,606,131
Total liabilities	2,517,255	59,136	11,519	2,587,910
Deferred inflows of resources:				
Property taxes levied for future year	1,432,231	-	-	1,432,231
Deferred revenue - Utah County Fire	31,432	-	-	31,432
Unavailable property taxes	53,930	-	-	53,930
Total deferred inflows of resources	1,517,593	-	-	1,517,593
Fund balances:				
Restricted For:				
RDA	-	-	2,051,823	2,051,823
Class "C" roads	345,087	-	-	345,087
Impact Fees	1,088,378	-	1,089,631	2,178,009
Committed to:				
Perpetual care	-	-	487,717	487,717
Assigned To:				
Community events	59,019	-	1,505,599	1,564,618
Capital projects	-	2,533,159	-	2,533,159
Special revenue	-	-	310,372	310,372
Unassigned	2,402,689	-	-	2,402,689
Total fund balances	3,895,173	2,533,159	5,445,142	11,873,474
Total liabilities, deferred inflow of resources and fund balances	\$ 7,930,021	\$ 2,592,295	\$ 5,456,661	\$ 15,978,977

The notes to the financial statements are an integral part of this statement.

PAYSON CITY CORPORATION
Reconciliation of the Balance Sheet – Governmental Funds –
to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds \$ 11,873,474

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds (excludes internal service funds) are not financial resources and therefore are not reported in the funds.

Capital assets, at cost	\$ 47,624,455	
Accumulated depreciation	<u>(12,978,989)</u>	34,645,466

Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable property taxes		53,930
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GASB 68 requires state and local governments to disclose in their government-wide statement of net position, the net pension liability and the deferred inflows and outflows of resources relating to pensions and pension expense (excludes internal service funds).

Deferred outflows relating to pensions	1,428,739	
Net pension liability	(2,920,611)	
Deferred inflows relating to pensions	<u>(135,122)</u>	(1,626,994)

Long-term liabilities (excludes internal service funds) are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable, net	(4,023,552)	
Accrued interest payable	(27,265)	
Capital lease obligations	(405,159)	
Compensated absences	<u>(587,517)</u>	(5,043,493)

Internal service funds are used by management to charge the costs of vehicle repairs and maintenance to other individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Cash	287,912	
Capital assets, net	11,027	
Deferred outflows related to pension	84,919	
Accrued liabilities	(37,782)	
Compensated absences	(39,519)	
Net pension liability	(171,066)	
Deferred inflows related to pension	<u>(11,534)</u>	<u>123,957</u>

Total net position of governmental activities **\$ 40,026,340**

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, 2019

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 1,361,545	\$ -	\$ -	\$ 1,361,545
General sales taxes	3,509,943	-	230,486	3,740,429
Motor vehicle taxes	106,611	-	-	106,611
Utility taxes	1,034,862	-	-	1,034,862
Other taxes	215,464	-	-	215,464
Licenses and permits	427,332	-	-	427,332
Intergovernmental	1,567,284	-	-	1,567,284
Charges for services	3,400,585	-	35,560	3,436,145
Fines and forfeitures	225,341	-	-	225,341
Interest	375,622	49,519	69,379	494,520
Miscellaneous	193,357	-	11,706	205,063
Total revenues	12,417,946	49,519	347,131	12,814,596
Expenditures:				
Current:				
General government	3,829,517	282,358	-	4,111,875
Public safety	3,217,767	-	8,032	3,225,799
Highways and streets	894,262	-	-	894,262
Parks, recreation, and culture	2,642,520	-	14,338	2,656,858
Community events	281,072	-	11,221	292,293
Cemetery	307,217	-	-	307,217
Debt service:				
Principal retirement	518,470	-	150,000	668,470
Interest and fiscal charges	313,123	-	-	313,123
Capital outlay:				
General government	141,973	-	-	141,973
Public safety	24,789	-	-	24,789
Highways and streets	298,543	-	20,130	318,673
Parks, recreation, and culture	952,639	-	-	952,639
Community events	24,095	-	-	24,095
Total expenditures	13,445,987	282,358	203,721	13,932,066
Excess (deficiency) of revenues Over (under) expenditures	(1,028,041)	(232,839)	143,410	(1,117,470)
Other financing sources (uses):				
Impact fees	-	-	526,764	526,764
Proceeds from sale of assets	171,639	-	892,166	1,063,805
Capital lease proceeds	301,730	-	-	301,730
Transfers in	2,079,553	1,090,000	-	3,169,553
Transfers out	(1,301,000)	(210,000)	(175,000)	(1,686,000)
Total other financing sources (uses)	1,251,922	880,000	1,243,930	3,375,852
Net change in fund balances	223,881	647,161	1,387,340	2,258,382
Fund balances - beginning of year	3,671,292	1,885,998	4,057,802	9,615,092
Fund balances - end of year	\$ 3,895,173	\$ 2,533,159	\$ 5,445,142	\$ 11,873,474

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 – Governmental Funds – to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 2,258,382

Total net change in fund balances reported for governmental activities in the statement of activities is 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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,403,195	
Sale of capital assets	(76,293)	
Depreciation expense - capital assets	<u>(746,680)</u>	580,222

Contributions by developers are not recorded in the governmental fund statements, as they do not provide current financial resources. These contributions involve capital assets to increase net assets.

4,275,598

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(24,867)

Governmental funds report city pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.

(156,187)

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.

Capital lease proceeds	(301,730)	
Repayment of principal on bonds and capital leases	668,470	
Change in accrued interest expense	<u>3,133</u>	369,873

Compensated absences 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.

(56,787)

The internal service funds used by management to charge the the costs of fleet management and information technology to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

38,242

Change in net position of governmental activities \$ 7,284,476

The notes to the financial statements are an integral part of this statement.

PAYSON CITY CORPORATION
Statement of Net Position – Proprietary Funds –
June 30, 2019

	Business-type Activities					Governmental
	Water	Electric	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and Cash Equivalents	\$ 1,812,174	\$ 2,844,031	\$ 2,324,560	\$ 4,037,032	\$ 11,017,797	\$ 287,912
Cash Equivalents, and Investments, Restricted	2,632,597	1,038,305	2,387,489	591,356	6,649,747	-
Accounts Receivable (net of Allowance for Uncollectables)	722,396	984,509	401,497	797,299	2,905,701	-
Total current assets	5,167,167	4,866,845	5,113,546	5,425,687	20,573,245	287,912
Noncurrent assets:						
Equity in Joint Venture	-	-	1,130,984	-	1,130,984	-
Capital assets:						
Water shares	198,400	-	-	-	198,400	-
Land	6,711,439	116,337	167,482	1,313,744	8,309,002	-
Construction in progress	859,299	377,968	60,415	261,357	1,559,039	-
Buildings	-	279,792	329,579	588,380	1,197,751	-
Improvements	25,760,437	18,964,515	24,256,145	11,506,495	80,487,592	-
Machinery and equipment	398,845	1,739,944	1,153,278	5,409,571	8,701,638	844,670
Vehicles	373,209	972,657	457,263	2,561,314	4,364,443	497,447
Less: Accumulated Depreciation	(11,127,765)	(15,121,744)	(12,326,056)	(9,636,259)	(48,211,824)	(1,331,090)
Total Capital Assets, Net	23,173,864	7,329,469	14,098,106	12,004,602	56,606,041	11,027
Total noncurrent assets	23,173,864	7,329,469	15,229,090	12,004,602	57,737,025	11,027
Total assets	28,341,031	12,196,314	20,342,636	17,430,289	78,310,270	298,939
Deferred Outflows of Resources:						
Deferred loss on refunding	374,773	-	-	-	374,773	-
Deferred outflows relating to pensions	76,927	328,494	99,433	266,147	771,001	84,919
Total deferred outflows of resources	451,700	328,494	99,433	266,147	1,145,774	84,919
Liabilities:						
Current liabilities:						
Accrued liabilities	408,159	827,124	272,255	146,005	1,653,543	37,782
Accrued interest payable	34,144	-	31,860	-	66,004	-
Bonds payable	606,000	-	776,256	-	1,382,256	-
Capital leases payable	-	70,400	13,793	290,593	374,786	-
Payable from restricted assets:						
Customer deposits payable	-	704,742	-	-	704,742	-
Total current liabilities	1,048,303	1,602,266	1,094,164	436,598	4,181,331	37,782
Noncurrent liabilities:						
Unamortized bond premiums	-	-	29,207	-	29,207	-
Bonds payable	9,509,000	-	3,160,192	-	12,669,192	-
Compensated absences payables	32,426	223,888	60,875	190,289	507,478	39,519
Net pension liability	159,767	673,536	193,010	546,172	1,572,485	171,066
Capital lease payable	-	75,474	14,104	1,006,145	1,095,723	-
Closure and postclosure liability	-	-	-	952,107	952,107	-
Water share liability	354,414	-	-	-	354,414	-
Total noncurrent liabilities	10,055,607	972,898	3,457,388	2,694,713	17,180,606	210,585
Total liabilities	11,103,910	2,575,164	4,551,552	3,131,311	21,361,937	248,367
Deferred Inflows of Resources:						
Deferred inflows relating to pensions	4,519	32,179	12,742	23,081	72,521	11,534
Total deferred inflows of resources	4,519	32,179	12,742	23,081	72,521	11,534
Net Position:						
Net investment in capital assets	12,704,450	7,183,595	10,133,761	10,707,864	40,729,670	11,027
Restricted for:						
Debt service	1,562,298	-	225,355	-	1,787,653	-
Capital projects	415,358	-	1,319,862	1,066,013	2,801,233	-
Impact fees	865,122	1,688,515	972,960	-	3,526,597	-
Landfill closure costs	-	-	-	591,356	591,356	-
Unrestricted	2,137,074	1,045,355	3,225,837	2,176,811	8,585,077	112,930
Total net position	\$ 17,684,302	\$ 9,917,465	\$ 15,877,775	\$ 14,542,044	\$ 58,021,586	\$ 123,957

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, 2019

	Business-type Activities					Governmental
	Water	Electric	Sewer	Other Enterprise	Total	Activities
				Funds		Internal Service
						Funds
Operating Revenues						
Charges for Services	\$ -	\$ 13,042,606	\$ -	\$ 4,671,304	\$ 17,713,910	\$ 853,075
Charges Pledged as Security for Revenue Bond	3,696,207	-	3,630,129	-	7,326,336	-
Miscellaneous	3,600	168,121	31,978	216,761	420,460	-
Total operating revenues	3,699,807	13,210,727	3,662,107	4,888,065	25,460,706	853,075
Operating Expenses						
Costs of Sales and Services	581,404	9,655,854	660,424	1,678,445	12,576,127	392,443
Maintenance Operations and Contractual Services	671,494	3,304,452	743,227	1,286,784	6,005,957	159,507
Materials and Supplies	455,904	75,632	86,359	298,208	916,103	255,717
Depreciation	549,094	440,741	521,373	677,256	2,188,464	7,166
Amortization	-	-	2,252	-	2,252	-
Total Operating Expenses	2,257,896	13,476,679	2,013,635	3,940,693	21,688,903	814,833
Operating Income (Loss)	1,441,911	(265,952)	1,648,472	947,372	3,771,803	38,242
Non-Operating Revenues (Expenses)						
Impact fees	329,763	399,050	439,682	-	1,168,495	-
Interest income	50,949	236,428	74,681	45,735	407,793	-
Interest and fiscal charges	(294,318)	(6,704)	(88,254)	(70,842)	(460,118)	-
Grant revenue	2,602	-	-	9,922	12,524	-
Gain on sale of capital assets	-	50,812	27,942	64,477	143,231	-
Total Non-Operating Revenues (Expenses)	88,996	679,586	454,051	49,292	1,271,925	-
Income before capital contributions and transfers	1,530,907	413,634	2,102,523	996,664	5,043,728	38,242
Capital contributions	2,705,011	-	1,271,795	1,217,557	5,194,363	-
Transfers In	-	-	-	511,000	511,000	-
Transfers Out	(301,518)	(1,146,600)	(204,030)	(342,405)	(1,994,553)	-
Changes in net position	3,934,400	(732,966)	3,170,288	2,382,816	8,754,538	38,242
Net Position, Beginning of year	13,749,902	10,650,431	12,707,487	12,159,228	49,267,048	85,715
Net Position, End of year	\$ 17,684,302	\$ 9,917,465	\$ 15,877,775	\$ 14,542,044	\$ 58,021,586	\$ 123,957

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, 2019

	Business-type Activities					Governmental Activities Internal Service Funds
	Water	Electric	Sewer	Other Enterprise Funds	Total	
Cash flows from operating activities						
Receipts from customers	\$ 3,642,588	\$ 13,628,501	\$ 3,647,358	\$ 4,550,092	\$ 25,468,539	\$ 853,075
Payments to suppliers	(851,220)	(12,089,850)	(859,618)	(1,656,640)	(15,457,328)	(410,789)
Payments to employees	(406,894)	(1,605,398)	(538,129)	(1,560,853)	(4,111,274)	(389,750)
Net cash provided (used) by operating activities	2,384,474	(66,747)	2,249,611	1,332,599	5,899,937	52,536
Cash flows from noncapital financing activities						
Operating grants received	2,602	-	-	9,922	12,524	-
Transfers (to) from other funds	(301,518)	(1,146,600)	(204,030)	168,595	(1,483,553)	-
Net cash provided (used) by noncapital financing activities	(298,916)	(1,146,600)	(204,030)	178,517	(1,471,029)	-
Cash flows from capital and related financing activities						
Impact fees received	329,763	399,050	439,682	-	1,168,495	-
Proceeds from issuance of debt	2,040,000	115,533	-	1,216,421	3,371,954	-
Proceeds from sale of capital assets	-	89,250	71,997	561,858	723,105	-
Principal paid on capital debt	(599,000)	(72,789)	(771,976)	(899,195)	(2,342,960)	-
Interest and fees paid on capital debt	(259,184)	(6,704)	(98,563)	(70,842)	(435,293)	-
Purchase of capital assets	(1,330,393)	(272,107)	(862,237)	(2,470,019)	(4,934,756)	-
Net cash provided (used) by capital and related financing activities	181,186	252,233	(1,221,097)	(1,661,777)	(2,449,455)	-
Cash flows from investing activities						
Interest income received	50,949	236,428	74,681	45,735	407,793	-
Net cash provided by investing activities	50,949	236,428	74,681	45,735	407,793	-
Net increase (decrease) in cash and cash equivalents	2,317,693	(724,686)	899,165	(104,926)	2,387,246	52,536
Cash and cash equivalents, beginning of year	2,127,078	4,607,022	3,812,884	4,733,314	15,280,298	235,376
Cash and cash equivalents, end of year	\$ 4,444,771	\$ 3,882,336	\$ 4,712,049	\$ 4,628,388	\$ 17,667,544	\$ 287,912
Unrestricted cash	\$ 1,812,174	\$ 2,844,031	\$ 2,324,560	\$ 4,037,032	\$ 11,017,797	\$ 287,912
Restricted cash	2,632,597	1,038,305	2,387,489	591,356	6,649,747	-
	\$ 4,444,771	\$ 3,882,336	\$ 4,712,049	\$ 4,628,388	\$ 17,667,544	\$ 287,912

The notes to the financial statements are an integral part of this statement.

PAYSON CITY CORPORATION
Statement of Cash Flows (Continued)
– Proprietary Funds –
For the Year Ended June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Electric</u>	<u>Sewer</u>	<u>Other Proprietary Funds</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 1,441,911	\$ (265,952)	\$ 1,648,472	\$ 947,372	\$ 3,771,803	\$ 38,242
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	549,094	440,741	521,373	677,256	2,188,464	7,166
(Increase) Decrease in:						
Accounts receivable	(57,219)	360,292	(14,749)	(337,973)	(49,649)	-
Net pension assets	646	3,281	966	2,615	7,508	823
Deferred outflows of resources related to pensions	411	1,969	619	1,593	4,592	459
Decrease (Increase) in:						
Accrued liabilities	342,334	(700,680)	97,067	2,630	(258,649)	180
Customer deposits	-	57,482	-	-	57,482	-
Compensated absences payable	13,729	4,916	(7,158)	13,879	25,366	(1,623)
Water shares payable	84,234	-	-	-	84,234	-
Accrued interest payable	2,817	-	(6,786)	-	(3,969)	-
Net pension liability	59,027	282,620	88,821	228,493	658,961	66,020
Deferred inflows of resources related to pensions	(52,510)	(251,416)	(79,014)	(203,266)	(586,206)	(58,731)
Net cash provided (used) by operating activities	<u>\$ 2,384,474</u>	<u>\$ (66,747)</u>	<u>\$ 2,249,611</u>	<u>\$ 1,332,599</u>	<u>\$ 5,899,937</u>	<u>\$ 52,536</u>
Capital and related financing activities not affecting cash:						
Developer contribution of capital assets	\$ 2,705,011	\$ -	\$ 1,271,795	\$ 1,217,557	\$ 5,194,363	\$ -

The notes to the financial statements are an integral part of this statement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Corporation (the City) financial statements are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. 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 U.S. GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The City is a political subdivision of the State of Utah and 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 (*CONTINUED*)
JUNE 30, 2019

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 (*CONTINUED*)
JUNE 30, 2019

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.

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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
JUNE 30, 2019

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

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and cash equivalents

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

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

2. Receivables and payables

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

3. Inventories and prepaid items

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

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

6. Compensated Absences

The 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, 2019, the total liability for compensated absences is \$1,134,513.

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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2019 for the 2018-2019 fiscal year.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Fund Equity

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

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

Restricted. This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either (a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:

- Class C Roads
- Impact fees
- 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Net Position

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

13. Use of Estimates

Presenting financial statements in conformity with U.S. GAAP 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	\$ 48,695,105
Accumulated depreciation	<u>(14,038,612)</u>
 Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	 <u>\$ 34,656,493</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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	\$ 27,265
Compensated absences	627,036
Bonds and capital leases payable	4,428,711
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	\$ 5,083,012

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	\$ 1,403,195
Sale of capital assets	(76,293)
Depreciation expense	(746,680)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$ 580,222

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

Bond payments	\$ (462,384)
Capital lease payments	(206,086)
Capital lease proceeds	301,730
Compensated absences	55,164
Change in accrued interest	3,133
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (308,443)

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
JUNE 30, 2019

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.
- 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 re-appropriation. Therefore, no encumbrances are presented in the financial statements.

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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, 2019, the City’s custodial credit risk for deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2019</u>
Regular Checking Account	Insured	\$ 250,000
Regular Checking Account	Uninsured	859,687

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.

The 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 The 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 The 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Statutes authorize The 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 daily balance. The GASB fair value factor at June 30, 2019 for the PTIF investment pool is slightly over 1.0. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares (with an immaterial difference, which is not recorded by management).

Fair Value of Investments

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

- *Level 1:* 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, The City had the following recurring fair value measurements.

Investment	Fair Value Measurement Using			
	Fair Value	Level 1	Level 2	Level 3
Utah Public Treasurers' Investment Fund (PTIF)	\$ 25,028,117	\$ -	\$ 25,028,117	\$ -
Morten Asset Management Account				
Agency	1,219,396	1,219,396	-	-
Corporate	2,947,417	-	2,947,417	-
Current	38	38	-	-
MMM Fund	23,117	23,117	-	-
Total	4,189,968	1,242,551	2,947,417	-
	<u><u>\$ 29,218,085</u></u>	<u><u>\$ 1,242,551</u></u>	<u><u>\$ 27,975,534</u></u>	<u><u>\$ -</u></u>

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. The 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, the 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, 2019 fair value factor, as calculated by the Utah State Treasurer, to the City’s average daily balance in the Fund; and,
- Donated Real Estate: recent appraisals of the real estate’s value.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the 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.

As of June 30, 2019, the City’s investments had the following maturities:

Investment	Investment Maturities			
	< 1 Year	1 - 5 Years	6 - 10 Years	> 10 Years
Utah Public Treasurers' Investment Fund (PTIF)	\$ 25,028,117	\$ -	\$ -	\$ -
Morten Asset Management Account				
Agency	250,000	969,772	-	-
Corporate	1,289,716	1,654,144	-	-
Current	38	-	-	-
MMM Fund	23,117	-	-	-
Total	1,562,871	2,623,916	-	-
	\$ 26,590,988	\$ 2,623,916	\$ -	\$ -

Credit Risk

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, The City’s investments had the following quality ratings:

Investment	Fair Value	Quality Ratings				
		AAA	AA	A	< A	Unrated
Utah Public Treasurers' Investment Fund (PTIF)	\$ 25,028,117	\$ -	\$ -	\$ -	\$ -	\$ 25,028,117
Morten Asset Management Account						
Agency	1,226,248	1,226,248	-	-	-	-
Corporate	2,961,253	-	1,281,504	1,444,973	234,776	-
Current	38	38	-	-	-	-
MMM Fund	23,117	23,117	-	-	-	-
Total	4,210,656	1,249,403	1,281,504	1,444,973	234,776	-
	<u>\$ 29,238,773</u>	<u>\$ 1,249,403</u>	<u>\$ 1,281,504</u>	<u>\$ 1,444,973</u>	<u>\$ 234,776</u>	<u>\$ 25,028,117</u>

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. The 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, 2019, The 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, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does 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, 2019, The 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 the 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:	
Investments	\$ 4,207,476
Cash and cash equivalents	25,789,768
Total Cash	<u>29,997,244</u>
Government-wide	
Cash and cash equivalents	21,406,967
Cash equivalents and investments, restricted	8,590,277
Total	<u>29,997,244</u>
Net cash on statement of net position	<u>\$ 29,997,244</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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:

Receivable type:	General	Non-Major Government				Non-Major Business	Total
		al	Water	Electric	Sewer	Type	
Accounts	\$ 31,707	\$ 46,223	\$ 722,396	\$ 1,143,767	\$ 401,497	\$ 899,694	\$ 3,245,284
Property tax	1,583,088	-	-	-	-	-	1,583,088
Intergovernmental	68,800	-	-	-	-	-	68,800
Other taxes	916,700	-	-	-	-	-	916,700
Total	2,600,295	46,223	722,396	1,143,767	401,497	899,694	5,813,872
Less: allowance for doubtful accounts	-	-	-	(159,258)	-	(102,395)	(261,653)
	<u>\$ 2,600,295</u>	<u>\$ 46,223</u>	<u>\$ 722,396</u>	<u>\$ 984,509</u>	<u>\$ 401,497</u>	<u>\$ 797,299</u>	<u>\$ 5,552,219</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:

	Unavailable	Unearned
Property taxes receivable (general fund)	<u>\$ 53,930</u>	<u>\$ 1,432,231</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Transfer Out:	General	Capital Projects	Other Enterprise	Total
	General	\$ -	\$ 1,000,000	\$ 301,000
Capital Projects	-	-	210,000	210,000
Non-Major Governmental	175,000	-	-	175,000
Water	301,518	-	-	301,518
Electric	1,146,600	-	-	1,146,600
Sewer	204,030	-	-	204,030
Non-Major Enterprise	252,405	90,000	-	342,405
Total Transfers In	<u>\$ 2,079,553</u>	<u>\$ 1,090,000</u>	<u>\$ 511,000</u>	<u>\$ 3,680,553</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 (CONTINUED)
JUNE 30, 2019

NOTE 7 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,033,602	\$ -	\$ (42,100)	\$ 2,991,502
Infrastructure	17,558,005	4,275,598	-	21,833,603
Construction in progress	-	754,757	-	754,757
Total capital assets, not being depreciated	<u>20,591,607</u>	<u>5,030,355</u>	<u>(42,100)</u>	<u>25,579,862</u>
Capital assets, being depreciated :				
Buildings	8,728,456	-	-	8,728,456
Improvements	8,068,083	135,493	(12,762)	8,190,814
Machinery and equipment	3,760,054	190,027	(207,150)	3,742,931
Vehicles	2,246,493	322,918	(116,369)	2,453,042
Total capital assets, being depreciated	<u>22,803,086</u>	<u>648,438</u>	<u>(336,281)</u>	<u>23,115,243</u>
Accumulated depreciation for:				
Buildings	(3,247,808)	(218,211)	-	(3,466,019)
Improvements	(5,436,202)	(202,183)	-	(5,638,385)
Machinery and equipment	(3,147,733)	(104,876)	207,150	(3,045,459)
Vehicles	(1,755,111)	(228,576)	94,938	(1,888,749)
Total accumulated depreciation	<u>(13,586,854)</u>	<u>(753,846)</u>	<u>302,088</u>	<u>(14,038,612)</u>
Total capital assets, being depreciated, net	<u>9,216,232</u>	<u>(105,408)</u>	<u>(34,193)</u>	<u>9,076,631</u>
Governmental activity capital assets, net	<u>\$ 29,807,839</u>	<u>\$ 4,924,947</u>	<u>\$ (76,293)</u>	<u>\$ 34,656,493</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Water Shares	\$ 198,400	\$ -	\$ -	\$ 198,400
Land	8,299,002	10,000	-	8,309,002
Construction in progress	1,099,625	1,077,814	(618,400)	1,559,039
Total capital assets, not being depreciated	<u>9,597,027</u>	<u>1,087,814</u>	<u>(618,400)</u>	<u>10,066,441</u>
Capital assets, being depreciated :				
Buildings	1,197,751	-	-	1,197,751
Improvements	73,203,209	7,284,383	-	80,487,592
Machinery, equipment, and vehicles	11,753,613	2,375,324	(1,062,856)	13,066,081
Total capital assets, being depreciated	<u>86,154,573</u>	<u>9,659,707</u>	<u>(1,062,856)</u>	<u>94,751,424</u>
Accumulated depreciation for:				
Buildings	(451,183)	(25,877)	-	(477,060)
Improvements	(37,662,192)	(1,419,524)	51,471	(39,030,245)
Machinery and equipment	(8,392,965)	(743,063)	431,509	(8,704,519)
Total accumulated depreciation	<u>(46,506,340)</u>	<u>(2,188,464)</u>	<u>482,980</u>	<u>(48,211,824)</u>
Total capital assets, being depreciated, net	<u>39,648,233</u>	<u>7,471,243</u>	<u>(579,876)</u>	<u>46,539,600</u>
Business-type activities capital assets, net	<u>\$ 49,245,260</u>	<u>\$ 8,559,057</u>	<u>\$ (1,198,276)</u>	<u>\$ 56,606,041</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General Government	\$ 87,221
Public Safety	148,097
Highways and public improvements	96,231
Economic Development	28,411
Parks and recreation	386,720
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets	7,166
Total depreciation expense - governmental activities	\$ 753,846
Business-type activities	
Water	\$ 549,094
Electric	440,741
Sewer	521,373
Solid Waste	254,254
Golf Course	179,093
Storm Drain	161,149
Ambulance	82,760
Total depreciation expense - business-type activities	\$ 2,188,464
Total depreciation expense	\$ 2,942,310

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	\$ 1,148,958	\$ 3,516,147
Less: Accumulated Amortization	(639,181)	(680,595)
Total	\$ 509,777	\$ 2,835,552

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 8 - LEASE COMMITMENTS (CONTINUED)

The present values of future minimum capital lease payments under these leases as of June 30, 2019, are:

Fiscal Year	Amount
2020	\$ 564,218
2021	524,825
2022	451,877
2023	284,642
2024	141,440
2025 - 2037	139,835
Total minimum lease payments	2,106,837
Less amounts representing interest	(229,646)
Present value of minimum lease payments	<u>\$ 1,877,191</u>

At June 30, 2019, the City's capital leases payable balance consisted of the following:

	<u>Total Capital Leases Payable</u>	
	<u>Governmental Type</u>	<u>Business Type</u>
Capital Leases Payable	\$ 405,159	\$ 1,470,509
Current Portion Capital Leases Payable	(119,432)	(374,786)
Long Term Capital Leases Payable	<u>\$ 285,727</u>	<u>\$ 1,095,723</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, 2019, the governmental long-term debt of the financial reporting entity consisted of the following:

Bonds Payable:

Sales Tax Revenue Refunding Bonds Series 2016, for the Pool Dated Sept 14, 2016 1.66% (original amount \$4,940,832)	\$ 4,023,552
Total Bonds and Notes	4,023,552
Less Noncurrent	(3,551,808)
Current Poriton	<u>\$ 471,744</u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9 – BONDS AND NOTES PAYABLE (CONTINUED)

Capital Leases

2017 Dev. Serv. Truck 3.25% Revolving Loan Fund (orig. amt \$25,863)	\$ 10,217
2017 Grounds Mower 3.25% Revolving Loan Fund (orig.amt \$31,685)	12,227
2017 Maintenance Util Veh 3.25% Revolving Loan Fund (orig. amt \$14,430)	5,617
2017 Parks ½ Ton 3.25% Revolving Loan Fund (orig.amt \$25,863)	10,243
2018 Streets ½ Ton 3.25% Revolving Loan Fund (orig. amt \$27,500)	14,166
2018 Streets F350 3.25% Revolving Loan Fund (orig. amt \$31,550)	16,489
2018 Parks ½ Ton 3.25% Revolving Loan Fund (orig. amt \$34,400)	20,291
2018 Recreation ½ Ton 3.25% Revolving Loan Fund (orig. amt \$30,154)	16,907
2018 B&C Plow and Sander 3.25% Revolving Loan Fund (orig. amt \$20,040)	10,326
2018 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$23,385)	11,918
2018 Gymnastic Addition 3.25% Revolving Loan Fund (orig.amt \$60,000)	35,528
2019 B&C 10-Wheeler 3.25% Revolving Loan Fund (orig amt \$203,000)	164,500
2019 Maintenance ½ Ton 3.25% Revolving Loan Fund (orig.amt \$32,900)	25,900
2019 Cemetery ½ Ton 3.25% Revolving Loan Fund (orig.amt \$32,900)	25,900
2019 Grounds Mower 3.25% Revolving Loan Fund (orig amt \$32,930)	<u>24,930</u>
Total Capital lease	405,159
Less: Noncurrent portion	<u>(285,727)</u>
Current portion	<u><u>\$ 119,432</u></u>

Business-type Activities:

As of June 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds Payable:

Sewer Revenue Refunding Bonds, Series 2016, dated October 12, 2016 2.50% (original amount \$2,915,000)	\$ 1,512,000
Water Revenue Refunding Bond, Series 2016, dated Oct 2016 .95% - 3.80% (original amount \$2,861,000)	2,550,000
Water Revenue Refunding, Series 2013, dated March 13, 2013 2.0% - 3.0% (original amount \$7,385,000)	5,525,000
Sewer Sales Tax Refunding Series 2016, dated September 14, 2016 1.66% (original amount \$2,977,168)	2,424,448
Water Revenue State Bonds Series 2019, dated March 21, 2019 1.00% (original amount \$2,040,000)	<u>2,040,000</u>
Total Bonds and Notes	14,051,448
Less: Noncurrent	<u>(12,669,192)</u>
Current Poriton	<u><u>\$ 1,382,256</u></u>

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9 – BONDS AND NOTES PAYABLE (CONTINUED)

Capital Leases

From Revolving Loan Fund

2015 Golf Turf Equip, 3.25% (orig amt \$75,749)	\$ 16,134
2017 Electric Bucket Truck, 3.25% (orig amt \$99,316)	21,154
2017 Landfill F250 3.25% (orig amt \$30,380)	12,113
2017 Electric F150 3.25% (orig amt \$28,574)	11,646
2017 Electric F150 3.25% (orig amt \$28,574)	11,674
2017 Sewer Explorer 3.25% (orig amt \$28,907)	11,707
2017 Sewer F350 3.25% (orig amt \$37,713)	16,191
2017 Golf Carts 3.25% (orig amt \$102,740)	63,361
2018 Garbage Truck 3.25% Revolving Loan Fund (orig.amt \$258,254)	157,892
2018 Golf Equipment 3.25% Revolving Loan Fund (orig. amt \$92,575)	53,385
2018 Electric F350 3.25% Revolving Loan Fund (orig. amt \$35,790)	19,867
2018 Golf Carts 3.25% (orig amt \$126,870)	99,870
2019 Golf RV Park 3.25% Revolving Loan Fund (orig. amt \$150,000)	140,000
2019 Electric Bucket Truck 3.25% Revolving Loan Fund (orig. amt \$115,533)	81,531

From Outside Sources

2019 Shredder for Landfill 3.2% (original amount \$725,500)	576,782
2019 Excavator for Landfill 3.2% (original amount \$214,050)	177,201
Total Capital lease	1,470,508
Less: Noncurrent portion	(1,095,722)
Current portion	<u>\$ 374,786</u>

The future annual requirements for all outstanding bond obligations as of June 30, 2019 are as follows:

Fiscal Year	All Bonds		
	Principal	Interest	Total
2020	\$ 1,854,000	\$ 356,077	2,210,077
2021	1,895,000	319,248	2,214,248
2022	2,014,239	281,348	2,295,587
2023	1,517,920	242,570	1,760,490
2024	1,544,828	216,025	1,760,853
2025-2029	6,518,907	648,200	7,167,107
2030-2034	1,926,595	122,278	2,048,873
2035	803,511	17,498	821,009
	<u>\$ 18,075,000</u>	<u>\$ 2,203,244</u>	<u>\$ 20,278,244</u>

In March of 2019, the City issued \$8,985,000 Water Revenue Bonds, Series 2019 (the "Series 2019 Bonds"). The State of Utah Department of Natural Resources, Board of Water Resources approved the bond with an interest rate of one percent to be paid back in 20 years. As of June 30, 2019, the amount issued to the City was \$2,040,000 to construct and upsize two pressurized irrigation lines. The remaining balance is expected to be issued and drawn down in fiscal year 2020 for installation of pressurized irrigation meters to help with conservation and monitoring of water usage.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9 – BONDS AND NOTES PAYABLE (CONTINUED)

Changes in Long Term Debt

Government Type Activities	2018	Additions	Reductions	2019	One Year
Bonds Payable					
2016 Pool Sales Tax Revenue Refunding	\$ 4,485,936	\$ -	\$ (462,384)	\$ 4,023,552	\$ 471,744
Capital Leases	309,515	301,730	(206,086)	405,159	119,432
Accrued Compensated Absences	571,872	55,164	-	627,036	-
Govt Activities Long-Term Debt	<u>\$ 5,367,323</u>	<u>\$ 356,894</u>	<u>\$ (668,470)</u>	<u>\$ 5,055,747</u>	<u>\$ 591,176</u>

Business Type Activities	2018	Additions	Reductions	2019	One Year
Bonds Payable					
2016 Sewer Sales Tax Refunding	\$ 2,703,064	\$ -	\$ (278,616)	\$ 2,424,448	\$ 284,256
2013 Water Refunding Bond	5,965,000	-	(440,000)	5,525,000	445,000
2016 Water Tank Revenue Refunding	2,709,000	-	(159,000)	2,550,000	161,000
2019 Water PI Lines and PI Meters	-	2,040,000	-	2,040,000	-
2016 Sewer Refunding	1,992,000	-	(480,000)	1,512,000	492,000
Unamortized Bond Premium	39,515	-	(10,309)	29,206	-
Total Bonds Payable	<u>13,408,579</u>	<u>2,040,000</u>	<u>(1,367,925)</u>	<u>14,080,654</u>	<u>1,382,256</u>
Capital Leases	1,123,899	1,331,953	(985,343)	1,470,509	374,786
Accrued Compensated Absence	482,112	25,365	-	507,477	-
Water Share Liability	270,180	-	(595)	269,585	-
Closure and Post-closure Liability	952,107	-	-	952,107	-
Business activities long- term debt	<u>\$ 16,236,877</u>	<u>\$ 3,397,318</u>	<u>\$ (2,353,863)</u>	<u>\$ 17,280,332</u>	<u>\$ 1,757,042</u>

NOTE 10 – ACCRUED CLOSURE AND POSTCLOSURE CARE COSTS

The City is closing landfill parcels on an on-going basis as each land parcel is completely filled. State and Federal laws and regulations require the City 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 \$1,179,050 as of June 30, 2019, which represents the cumulative amount reported to date based on the use of 40% 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 the 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. The City estimated that the remaining life of the landfill is 25 to 55 years. As of June 30, 2019, no cost was charged to closure and post-closure expenses.

The City has committed to the Utah State Division of Environmental Quality to bond, if necessary, for their appropriate proportion of landfill closure and post-closure costs for which the City landfill does not have financial assurance. The City's approximate share of closure and post-closure estimated costs not assured with restricted cash is about \$606,000. The City will bond only if inadequate cash flow from the City's landfill requires bonding to cover closure and post-closure costs.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
JUNE 30, 2019

NOTE 11 - STATE RETIREMENT AND PENSION PLANS

General Information about the Pension Plan

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); is a multiple employer, cost sharing, public employee retirement system.
- Firefighters Retirement System (Firefighters System); is a multiple employer, cost sharing, retirement system;
- Public Safety Retirement System (Public Safety System) is a multiple employer cost-sharing public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost-sharing, public employee retirement system;
- 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 work on or after July 1, 2011, who have no previous service credit with URS, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (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 that 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 (CONTINUED)
JUNE 30, 2019

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 up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon 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	1.50% per year all years	Up to 2.50%
Tier 2 Public Safety and Firefighters System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.50%

*Actuarial reductions are applied.

**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.

Contribution Rate Summary – 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.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 11 - STATE RETIREMENT PLANS (CONTINUED)

Contribution rates as of June 30, 2019 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111- Local Governmental Division Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety System			
<i>Contributory</i>			
122- Tier 2 DB Hybrid Public Safety	N/A	23.09%	0.74%
<i>Noncontributory</i>			
43- Other Div A with 2.5% COLA	N/A	34.04%	N/A
Firefighters Retirement System			
31-Other Division A	15.05%	4.61%	N/A
132- Tier 2 DB Hybrid Firefighters	N/A	11.34%	0.74%
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, 2019, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 676,959	N/A
Public Safety System	265,974	-
Firefighters System	4,283	14,060
Tier 2 Public Employees System	175,873	-
Tier 2 Public Safety and Firefighter	80,889	-
Tier 2 DC Only System	20,881	N/A
 Total Contributions	 <u>\$ 1,224,859</u>	 <u>\$ 14,060</u>

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

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

At June 30, 2019, the City reported a net pension asset of \$0 and a net pension liability of \$4,664,162.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 11 - STATE RETIREMENT PLANS (CONTINUED)

	Measurement Date: December 31, 2018			Proportionate Share December 31, 2017	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share		
Noncontributory System	\$ -	\$ 3,199,210	0.4344554%	0.4312374%	0.0032180%
Public Safety System	\$ -	\$ 1,379,803	0.5363490%	0.5283152%	0.0080338%
Firefighters System	\$ -	\$ 38,512	0.2965966%	0.3041595%	-0.0075629%
Tier 2 Public Employees System	\$ -	\$ 40,194	0.0938492%	0.1000834%	-0.0062342%
Tier 2 Public Safety and Firefighter	\$ -	\$ 6,443	0.2571392%	0.2795099%	-0.0223707%
Total Net Pension Asset / Liability	\$ -	\$ 4,664,162			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018, 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 plan year.

For the year ended June 30, 2019, the City recognized pension expense of \$1,473,255.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Combined

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,528	\$ 140,593
Changes in assumptions	623,862	5,429
Net difference between projected and actual earnings on pension plan investments	941,525	-
Changes in proportion and differences between contributions and proportionate share of contributions	46,172	73,155
Contributions subsequent to the measurement date	620,572	-
Total	<u>\$ 2,284,659</u>	<u>\$ 219,177</u>

\$620,572 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year ended June 30, 2019, but subsequent to the measurement date of December 31, 2018.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 11 - STATE RETIREMENT PLANS (CONTINUED)

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

Combined

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	\$ 631,935
2020	214,992
2021	125,957
2022	452,122
2023	4,445
Thereafter	15,458

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, 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 expense, including inflation

Mortality rates were developed from actual experience and mortality tables, 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, 2018, 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 inflation.

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 11 - STATE RETIREMENT PLANS (CONTINUED)

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent. 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 does not use the Municipal Bond Index Rate. The discount rate of 6.95 percent was unchanged from the prior measurement period.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, 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 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 11 - STATE RETIREMENT PLANS (CONTINUED)

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 6,556,653	\$ 3,199,210	\$ 403,346
Public Safety System	2,704,658	1,379,803	304,313
Firefighters System	143,714	38,512	(46,673)
Tier 2 Public Employees System	161,023	40,194	(53,057)
Tier 2 Public Safety and Firefighter	48,595	6,443	(25,814)
Total	<u>\$ 9,614,643</u>	<u>\$ 4,664,162</u>	<u>\$ 582,115</u>

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 authorized 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.

The 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 Contribution Savings Plans for fiscal year ended June 30, were as follows:

	2019	2018	2017
401(k) Plan			
Employer Contributions	\$ 50,700	\$ 52,766	\$ 46,661
Employee Contributions	9,666	6,920	6,280
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	345	3,007	3,151
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	22,930	22,490	13,650

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
JUNE 30, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

NOTE 13 - RISK MANAGEMENT

The 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)

The 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)

The 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.

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

PAYSON CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 15 – REDEVELOPMENT AGENCY

The Payson City Redevelopment Agency was established to further public purposes in the redevelopment of certain City areas. For the year ended June 30, 2019, 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		20,130
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		11,222
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 31, 2019, 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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Postive (Negative)
	Orginal	Final		
Revenues				
Taxes:				
Property Taxes	\$ 1,316,000	\$ 1,338,500	\$ 1,361,545	\$ 23,045
General Sales Taxes	3,300,000	3,300,000	3,509,943	209,943
Motor Vehicle Taxes	98,000	98,000	106,611	8,611
Utility Taxes	1,025,000	1,025,000	1,034,862	9,862
Other Taxes	230,000	230,000	215,464	(14,536)
Licenses and Permits	221,750	227,750	427,332	199,582
Intergovernmental	1,253,528	1,708,457	1,567,284	(141,173)
Charges for Services	3,259,845	3,288,509	3,400,585	112,076
Fines and Forfeitures	266,000	266,000	225,341	(40,659)
Interest	90,300	258,107	375,622	117,515
Miscellaneous	62,300	113,759	193,357	79,598
Total Revenues	11,122,723	11,854,082	12,417,946	563,864
Expenditures				
Current:				
General Government	3,804,692	4,132,352	3,829,517	302,835
Public Safety	3,380,175	3,490,678	3,217,767	272,911
Highways and Streets	896,138	994,217	894,262	99,955
Parks and Recreation	2,855,251	2,925,433	2,642,520	282,913
Economic Development	324,226	332,286	281,072	51,214
Cemetery	325,792	325,894	307,217	18,677
Debt Service:				
Principal Retirement	798,412	1,160,142	518,470	641,672
Interest and Fiscal Charges	-	-	313,123	(313,123)
Capital Outlay:				
General Government	39,250	230,550	141,973	88,577
Public Safety	35,513	309,370	24,789	284,581
Highways and Streets	282,500	629,670	298,543	331,127
Parks and Recreation	472,019	982,145	952,639	29,506
Economic Development	6,000	33,400	24,095	9,305
Total Expenditures	13,219,968	15,546,137	13,445,987	2,100,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,097,245)	(3,692,055)	(1,028,041)	2,664,014
Other Financing Sources (Uses)				
Sale of Fixed Assets	1,000	18,959	171,639	152,680
Capital Lease Proceeds	-	361,730	301,730	(60,000)
Transfers In	2,081,553	2,132,553	2,132,553	-
Transfers Out	(308,000)	(1,354,000)	(1,354,000)	-
Total other financing sources (uses)	1,774,553	1,159,242	1,251,922	92,680
Net change in fund balances	(322,692)	(2,532,813)	223,881	2,756,694
Fund balances - beginning of year	493,000	2,502,120	3,671,292	1,169,172
Fund balances - end of year	\$ 170,308	\$ (30,693)	\$ 3,895,173	\$ 2,756,694

PAYSON CITY CORPORATION
Ratings for the City's Road System
For the Year Ended June 30, 2019

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.

PAYSON CITY CORPORATION
Ratings for the City's Road System
For the Year Ended June 30, 2019

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, 2019, 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):

Year	Budgeted	Expenditures
2015	\$459,808	\$483,808
2016	595,372	573,109
2017	508,588	485,828
2018	235,662	224,644
2019	450,661	382,128

PAYSON CITY CORPORATION
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019
Last 10 Fiscal Years*

	Noncontributory Retirement System	Public Safety System	Firefighters Retirement System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement
	2019				
Proportion of the net pension liability (asset)	0.4344554%	0.5363490%	0.2965966%	0.0938492%	0.2571392%
Proportionate share of the net pension liability (asset)	\$ 3,199,210	\$ 1,379,803	\$ 38,512	\$ 40,194	\$ 6,443
Covered payroll	\$ 3,652,327	\$ 722,478	\$ 91,947	\$ 1,096,869	\$ 344,978
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	87.59%	190.98%	41.88%	3.66%	1.87%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.00%	84.70%	94.30%	90.80%	95.60%
	2018				
Proportion of the net pension liability (asset)	0.4312374%	0.5283152%	0.3041595%	0.1000834%	0.2749510%
Proportionate share of the net pension liability (asset)	\$ 1,889,380	\$ 828,746	\$ (18,996)	\$ 8,824	\$ (3,234)
Covered employee payroll	\$ 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	52.65%	114.58%	-21.35%	0.90%	-1.10%
Plan fiduciary net position as a percentage of its covered-employee payroll	91.90%	90.20%	103.00%	97.40%	103.00%
	2017				
Proportion of the net pension liability (asset)	0.4339067%	0.5951550%	0.3119508%	0.0993825%	0.2963545%
Proportionate share of the net pension liability (asset)	\$ 2,786,212	\$ 1,207,734	\$ (2,459)	\$ 11,086	\$ (2,573)
Covered payroll	\$ 3,659,970	\$ 828,538	\$ 87,610	\$ 815,018	\$ 244,852
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.13%	145.77%	-2.81%	1.36%	-1.05%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.30%	86.50%	100.40%	95.10%	103.60%
	2016				
Proportion of the net pension liability (asset)	0.4454812%	0.5859524%	0.3236973%	0.1187609%	0.2458146%
Proportionate share of the net pension liability (asset)	\$ 2,520,749	\$ 1,049,588	\$ (5,863)	\$ (259)	\$ (3,591)
Covered payroll	\$ 3,665,108	\$ 835,281	\$ 87,008	\$ 767,296	\$ 146,293
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	68.78%	125.66%	-6.74%	-0.03%	-2.45%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.80%	87.10%	101.00%	100.20%	110.70%
	2015				
Proportion of the net pension liability (asset)	0.4272226%	0.5165352%	0.3133721%	0.1009340%	0.1614709%
Proportionate share of the net pension liability (asset)	\$ 1,855,115	\$ 649,586	\$ (17,882)	\$ (3,059)	\$ (2,389)
Covered payroll	\$ 3,577,235	\$ 837,721	\$ 82,249	\$ 495,503	\$ 66,973
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.86%	77.54%	-21.74%	-0.62%	-3.57%
Plan fiduciary net position as a percentage of its covered-employee payroll	90.20%	90.50%	103.50%	103.50%	120.50%

Note:

This schedule usually covers the 10 most recent fiscal years; however, only 5 years have passed since the implementation year of GASB 68.

Contributions in Tier 2 include an amortization rate to help fund unfunded liabilities in the Tier 1 systems.

PAYSON CITY CORPORATION
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%
	2019	676,959	676,959	-	3,700,270	18.29%
Public Safety System	2014	\$ 247,752	\$ 247,752	\$ -	\$ 859,998	28.81%
	2015	255,858	255,858	-	805,707	31.76%
	2016	294,082	294,082	-	866,267	33.95%
	2017	261,580	261,580	-	795,404	32.89%
	2018	237,709	237,709	-	702,489	33.84%
	2019	265,974	265,974	-	781,357	34.04%
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%
	2019	4,283	4,283	-	93,424	4.58%
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%
	2019	175,873	175,873	-	1,137,568	15.46%
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%
	2019	80,889	80,889	-	359,690	22.49%
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%
	2019	20,881	20,881	-	312,120	6.69%

*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 practices.

PAYSON CITY CORPORATION
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

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).

During 2019, no changes in these assumptions occurred.

SUPPLEMENTAL INFORMATION

PAYSON CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	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, cash equivalents, and investments	\$ 200,683	\$ 1,851,960	\$ (53,200)	\$ 65,701	\$ 264,149	\$ 11,446	\$ 69,983	\$ 2,410,722
Notes receivable	-	-	-	-	-	-	1,290,671	1,290,671
Accounts receivable	-	-	-	-	46,223	-	-	46,223
Restricted assets:								
Cash equivalents and investments	-	-	771,374	317,004	-	476,271	144,396	1,709,045
Total assets	\$ 200,683	\$ 1,851,960	\$ 718,174	\$ 382,705	\$ 310,372	\$ 487,717	\$ 1,505,050	\$ 5,456,661
Liabilities:								
Accrued liabilities	\$ 820	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (549)	\$ 271
Accrued liabilities	-	-	-	11,248	-	-	-	11,248
Total liabilities	820	-	-	11,248	-	-	(549)	11,519
Fund balances:								
Restricted for:								
RDA	199,863	1,851,960	-	-	-	-	-	2,051,823
Impact fees	-	-	718,174	371,457	-	-	-	1,089,631
Committed for:								
Perpetual care	-	-	-	-	-	487,717	-	487,717
Assigned for:								
Capital projects	-	-	-	-	-	-	1,505,599	1,505,599
Special revenue	-	-	-	-	310,372	-	-	310,372
Total fund balances	199,863	1,851,960	718,174	371,457	310,372	487,717	1,505,599	5,445,142
Total liabilities and fund balances	\$ 200,683	\$ 1,851,960	\$ 718,174	\$ 382,705	\$ 310,372	\$ 487,717	\$ 1,505,050	\$ 5,456,661

PAYSON CITY CORPORATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	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:								
General sales taxes	\$ -	\$ -	\$ -	\$ -	\$ 230,486	\$ -	\$ -	\$ 230,486
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	35,560	-	35,560
Miscellaneous	-	11,706	-	-	-	-	-	11,706
Interest	-	-	15,876	8,126	-	12,745	32,632	69,379
Total revenues	-	11,706	15,876	8,126	230,486	48,305	32,632	347,131
Expenditures:								
Current:								
Public Safety	-	-	-	8,032	-	-	-	8,032
Parks and Recreation	-	-	-	-	14,338	-	-	14,338
Economic Development	11,221	-	-	-	-	-	-	11,221
Debt Service:								
Principal Retirement	-	-	150,000	-	-	-	-	150,000
Capital Outlay:								
Highways and Streets	-	20,130	-	-	-	-	-	20,130
Total expenditures	11,221	20,130	150,000	8,032	14,338	-	-	203,721
Excess of revenues over expenditures	(11,221)	(8,424)	(134,124)	94	216,148	48,305	32,632	143,410
Other financing Sources (Uses):								
Impact Fees	-	-	410,008	116,756	-	-	-	526,764
Sale of Fixed Assets	-	892,166	-	-	-	-	-	892,166
Transfer Out	-	-	-	-	(175,000)	-	-	(175,000)
Total other financing sources	-	892,166	410,008	116,756	(175,000)	-	-	1,243,930
Net change in fund balance	(11,221)	883,742	275,884	116,850	41,148	48,305	32,632	1,387,340
Fund balances, beginning	211,084	968,218	442,290	254,607	269,224	439,412	1,472,967	4,057,802
Fund balances, ending	\$ 199,863	\$ 1,851,960	\$ 718,174	\$ 371,457	\$ 310,372	\$ 487,717	\$ 1,505,599	\$ 5,445,142

PAYSON CITY CORPORATION
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2019

	Enterprise Funds				Total Non-major Enterprise funds
	Solid Waste	Storm Drain	Golf Course	Ambulance	
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,707,183	\$ 923,540	\$ 612,801	\$ 793,508	\$ 4,037,032
Cash equivalents and investments, restricted	591,356	-	-	-	591,356
Accounts receivable (net of allowance for uncollectables)	294,356	83,157	-	419,786	797,299
Total current assets	2,592,895	1,006,697	612,801	1,213,294	5,425,687
Noncurrent assets:					
Capital assets:					
Land	55,123	-	1,258,621	-	1,313,744
Buildings	138,136	152,370	297,874	-	588,380
Improvements	568,991	6,589,353	4,337,896	10,255	11,506,495
Machinery and equipment	3,924,908	78,743	1,238,186	167,734	5,409,571
Vehicles	1,141,326	520,416	327,972	571,600	2,561,314
Construction in progress	-	-	199,408	61,949	261,357
Less: accumulated depreciation	(3,090,417)	(1,636,063)	(4,400,212)	(509,567)	(9,636,259)
Total capital assets, net	2,738,067	5,704,819	3,259,745	301,971	12,004,602
Total noncurrent assets	2,738,067	5,704,819	3,259,745	301,971	12,004,602
Total assets	5,330,962	6,711,516	3,872,546	1,515,265	17,430,289
Deferred outflows of resources:					
Deferred outflows relating to pensions	104,830	68,711	92,606	-	266,147
Total deferred outflows of resources	104,830	68,711	92,606	-	266,147
Liabilities:					
Current liabilities:					
Accrued liabilities	64,623	17,809	54,411	9,162	146,005
Compensated absences payables	57,151	44,112	89,026	-	190,289
Capital leases payable	202,999	-	87,594	-	290,593
Total current liabilities	324,773	61,921	231,031	9,162	626,887
Noncurrent liabilities:					
Net pension liability	219,454	139,817	186,901	-	546,172
Capital lease payable	720,989	-	285,156	-	1,006,145
Closure and postclosure liability	952,107	-	-	-	952,107
Total noncurrent liabilities	1,892,550	139,817	472,057	-	2,504,424
Total liabilities	2,217,323	201,738	703,088	9,162	3,131,311
Deferred inflows of resources:					
Deferred inflows relating to pensions	(4,144)	11,764	15,461	-	23,081
Total deferred inflows of resources	(4,144)	11,764	15,461	-	23,081
Net position:					
Net investment in capital assets	1,814,079	5,704,819	2,886,995	301,971	10,707,864
Restricted for:					
Capital projects	-	1,066,013	-	-	1,066,013
Landfill closure costs	591,356	-	-	-	591,356
Unrestricted	817,178	(204,107)	359,608	1,204,132	2,176,811
Total net position	\$ 3,222,613	\$ 6,566,725	\$ 3,246,603	\$ 1,506,103	\$ 14,542,044

PAYSON CITY CORPORATION
Combining Statement of Revenues,
Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds				Total Non-major Enterprise funds
	Solid Waste	Storm Drain	Golf Course	Ambulance	
Operating Revenues					
Charges for Services	\$ 2,356,626	\$ 777,795	\$ 686,169	\$ 850,714	\$ 4,671,304
Miscellaneous	185,487	-	31,274	-	216,761
Total operating revenues	<u>2,542,113</u>	<u>777,795</u>	<u>717,443</u>	<u>850,714</u>	<u>4,888,065</u>
Operating Expenses					
Costs of Sales and Services	648,301	152,775	476,860	400,509	1,678,445
Maintenance Operations and Contractual Services	783,187	259,885	92,221	151,491	1,286,784
Materials and Supplies	110,303	4,035	140,025	43,845	298,208
Depreciation	254,254	161,149	179,093	82,760	677,256
Total Operating Expenses	<u>1,796,045</u>	<u>577,844</u>	<u>888,199</u>	<u>678,605</u>	<u>3,940,693</u>
Operating Income (Loss)	<u>746,068</u>	<u>199,951</u>	<u>(170,756)</u>	<u>172,109</u>	<u>947,372</u>
Non-Operating Revenues (Expenses)					
Interest income	16,306	29,395	34	-	45,735
Interest and fiscal charges	(64,797)	-	(6,045)	-	(70,842)
Grant revenue	-	-	-	9,922	9,922
Gain (loss) on sale of capital assets	(37,381)	35,000	56,650	10,208	64,477
Total Non-Operating Revenues (Expenses)	<u>(85,872)</u>	<u>64,395</u>	<u>50,639</u>	<u>20,130</u>	<u>49,292</u>
Income (loss) before capital contributions and transfers	<u>660,196</u>	<u>264,346</u>	<u>(120,117)</u>	<u>192,239</u>	<u>996,664</u>
Capital contributions	-	1,217,557	-	-	1,217,557
Transfers In	-	-	511,000	-	511,000
Transfers Out	(275,265)	-	-	(67,140)	(342,405)
Changes in net position	384,931	1,481,903	390,883	125,099	2,382,816
Net Position, Beginning of year	<u>2,837,682</u>	<u>5,084,822</u>	<u>2,855,720</u>	<u>1,381,004</u>	<u>12,159,228</u>
Net Position, End of year	<u>\$ 3,222,613</u>	<u>\$ 6,566,725</u>	<u>\$ 3,246,603</u>	<u>\$ 1,506,103</u>	<u>\$ 14,542,044</u>

PAYSON CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities				Total Other Enterprise Fund:
	Solid Waste	Storm Drain	Golf Course	Ambulance	
Cash flows from operating activities					
Receipts from customers	\$ 2,446,187	\$ 770,236	\$ 717,443	\$ 616,226	\$ 4,550,092
Payments to suppliers	(875,457)	(265,781)	(297,376)	(218,026)	(1,656,640)
Payments to employees	(625,238)	(140,644)	(403,684)	(391,287)	(1,560,853)
Net cash provided (used) by operating activities	945,492	363,811	16,383	6,913	1,332,599
Cash flows from noncapital financing activities					
Operating grants received	-	-	-	9,922	9,922
Transfers (to) from other funds	(275,265)	-	511,000	(67,140)	168,595
Net cash provided (used) by noncapital financing activities	(275,265)	-	511,000	(57,218)	178,517
Cash flows from capital and related financing activities					
Proceeds from issuance of debt	939,550	-	276,871	-	1,216,421
Proceeds from sale of capital assets	460,000	35,000	56,650	10,208	561,858
Principal paid on capital debt	(809,081)	-	(90,114)	-	(899,195)
Interest and fees paid on capital debt	(64,797)	-	(6,045)	-	(70,842)
Purchase of capital assets	(1,570,350)	(557,609)	(280,111)	(61,949)	(2,470,019)
Net cash provided (used) by capital and related financing activities	(1,044,678)	(522,609)	(42,749)	(51,741)	(1,661,777)
Cash flows from investing activities					
Interest income received	16,306	29,395	34	-	45,735
Net cash provided by investing activities	16,306	29,395	34	-	45,735
Net increase (decrease) in cash and cash equivalents	(358,145)	(129,403)	484,668	(102,046)	(104,926)
Cash and cash equivalents, beginning of year	2,656,684	1,052,943	128,133	895,554	4,733,314
Cash and cash equivalents, end of year	\$ 2,298,539	\$ 923,540	\$ 612,801	\$ 793,508	\$ 4,628,388
Unrestricted cash	\$ 1,707,183	\$ 923,540	\$ 612,801	\$ 793,508	\$ 4,037,032
Restricted cash	591,356	-	-	-	591,356
	\$ 2,298,539	\$ 923,540	\$ 612,801	\$ 793,508	\$ 4,628,388
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 746,068	\$ 199,951	\$ (170,756)	\$ 172,109	\$ 947,372
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	254,254	161,149	179,093	82,760	677,256
(Increase) Decrease in:					
Accounts receivable	(95,926)	(7,559)	-	(234,488)	(337,973)
Net pension assets	1,074	670	871	-	2,615
Deferred outflows of resources related to	653	406	534	-	1,593
Decrease (Increase) in:					
Accrued liabilities	22,040	(1,353)	(4,589)	(13,468)	2,630
Customer deposits	-	-	-	-	-
Compensated absences payable	6,975	4,120	2,784	-	13,879
Water shares payable	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Net pension liability	93,780	58,213	76,500	-	228,493
Deferred inflows of resources related to p	(83,426)	(51,786)	(68,054)	-	(203,266)
Net cash provided (used) by operating activities	\$ 945,492	\$ 363,811	\$ 16,383	\$ 6,913	\$ 1,332,599
Capital and related financing activities not affecting cash:					
Developer contribution of capital assets	\$ -	\$ 1,217,557	\$ -	\$ -	\$ 1,217,557

PAYSON CITY CORPORATION
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Internal Service Funds		
	Vehicle and Equipment Maintenance	Information Technology	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 191,675	\$ 96,237	\$ 287,912
Total current assets	191,675	96,237	287,912
Noncurrent assets:			
Net pension asset	-	-	-
Capital assets:			
Machinery and equipment	736,746	107,924	844,670
Vehicles	497,447	-	497,447
Less: accumulated depreciation	(1,227,173)	(103,917)	(1,331,090)
Total capital assets, net	7,020	4,007	11,027
Total noncurrent assets	7,020	4,007	11,027
Total assets	198,695	100,244	298,939
Deferred outflows of resources:			
Deferred outflows relating to pensions	55,227	29,692	84,919
Total deferred outflows of resources	55,227	29,692	84,919
Liabilities:			
Current liabilities:			
Accrued liabilities	6,815	30,967	37,782
Noncurrent liabilities:			
Compensated absences payables	25,944	13,575	39,519
Net pension liability	110,651	60,415	171,066
Total noncurrent liabilities	136,595	73,990	210,585
Total liabilities	143,410	104,957	248,367
Deferred inflows of resources:			
Deferred inflows relating to pensions	8,483	3,051	11,534
Total deferred inflows of resources	8,483	3,051	11,534
Net position:			
Net investment in capital assets	7,020	4,007	11,027
Unrestricted	95,009	17,921	112,930
Total net position	\$ 102,029	\$ 21,928	\$ 123,957

PAYSON CITY CORPORATION
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	Internal Service Funds		
	Vehicle and Equipment Maintenance	Information Technology	Total Internal Service Funds
Operating Revenues			
Charges for Services	\$ 370,258	\$ 482,817	\$ 853,075
Miscellaneous	-	-	-
Total operating revenues	<u>370,258</u>	<u>482,817</u>	<u>853,075</u>
Operating Expenses			
Costs of Sales and Services	249,195	143,248	392,443
Maintenance Operations and Contractual Services	57,326	102,181	159,507
Materials and Supplies	27,353	228,364	255,717
Depreciation	-	7,166	7,166
Total Operating Expenses	<u>333,874</u>	<u>480,959</u>	<u>814,833</u>
Changes in net position	36,384	1,858	38,242
Net Position, Beginning of year	<u>65,645</u>	<u>20,070</u>	<u>85,715</u>
Net Position, End of year	<u>\$ 102,029</u>	<u>\$ 21,928</u>	<u>\$ 123,957</u>

PAYSON CITY CORPORATION
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	Internal Service Funds		
	Vehicle	IT	Total Internal Service Funds
Cash flows from operating activities			
Receipts from customers	\$ 370,258	\$ 482,817	\$ 853,075
Payments to suppliers	(97,283)	(313,506)	(410,789)
Payments to employees	(246,874)	(142,876)	(389,750)
Net cash provided by operating activities	26,101	26,435	52,536
Net cash provided by noncapital financing activities	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-
Net cash provided by investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	26,101	26,435	52,536
Cash and cash equivalents, beginning of year	165,574	69,802	235,376
Cash and cash equivalents, end of year	\$ 191,675	\$ 96,237	\$ 287,912
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 36,384	\$ 1,858	\$ 38,242
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	7,166	7,166
(Increase) Decrease in:			
Net pension assets	527	296	823
Deferred outflows of resources related to	283	176	459
Decrease (Increase) in:			
Accrued liabilities	(15,759)	15,939	180
Compensated absences payable	192	(1,815)	(1,623)
Net pension liability	40,526	25,494	66,020
Deferred inflows of resources - pensions	(36,052)	(22,679)	(58,731)
Net cash provided by operating activities	\$ 26,101	\$ 26,435	\$ 52,536



**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, 2019, 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 31, 2019.

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 letter of Communication with Those Charged with Governance that we consider to be a significant deficiency [19-1].

Compliance and Other Matters

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

Payson City's Response to Findings

Payson City's response to the findings identified in our audit is described in the letter of Communication with Those Charged with Governance. Payson City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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 31, 2019



**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, 2019.

State compliance requirements were tested for the year ended June 30, 2019 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
Enterprise Fund Transfers

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, 2019.

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 31, 2019