

Payson City

Comprehensive Annual Financial Report
For Fiscal Period ended June 30, 2020



Page Intentionally Left Blank



Payson City, Utah
Comprehensive Annual Financial Report
For Fiscal Period Ended June 30, 2020



Page Intentionally Left Blank



INTRODUCTORY SECTION	5
ORGANIZATIONAL CHART	13
LIST OF APPOINTED OFFICIALS AND COUNCIL	14
FINANCIAL SECTION	15
INDEPENDENT AUDITOR’S REPORT	16
MANAGEMENT’S DISCUSSION AND ANALYSIS	18
BASIC FINANCIAL STATEMENTS	32
<i>Statement of Net Position</i>	33
<i>Statement of Activities</i>	34
<i>Governmental Funds Balance Sheet</i>	35
<i>Balance Sheet Reconciliation to Statement of Net Assets</i>	36
<i>Statement of Revenues, Expenditures and Changes in Fund Balance</i>	37
<i>Statement of Revenues, Expenditures and Changes in Fund Balances</i>	38
NOTES TO THE FINANCIAL STATEMENTS	43
REQUIRED SUPPLEMENTARY INFORMATION	80
GENERAL FUND	84
<i>Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual</i>	84
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	89
OTHER SUPPLEMENTARY INFORMATION	91
GENERAL FUND	92
<i>Statement of Net Position</i>	93
<i>Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual</i>	94
<i>Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual (Continued)</i>	95
<i>Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual (Continued)</i>	96
<i>Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual (Continued)</i>	97
GENERAL FUND ANALYSIS	98
GOVERNMENTAL FUNDS	98
COMBINING FINANCIAL STATEMENTS	101
GOVERNMENTAL FUNDS	101
COMBINING FINANCIAL STATEMENTS	104
NON-MAJOR PROPRIETARY FUNDS	104
ADDITIONAL AUDITORS’ REPORTS	107
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL	108
INDEPENDENT AUDITOR’S REPORT STATE COMPLIANCE	110



STATISTICAL SECTION.....	112
<i>Annual Income of Payson City Residents by Federal AGI.....</i>	<i>114</i>



Introductory Section



January 13, 2021

To the Honorable Council,

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of Payson City for the fiscal year ended June 30, 2020.

This report consists of the management's representations concerning the finances of Payson City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Payson has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Payson financial statements in conformity with GAAP (Generally accepted accounting principles.) Because the cost of internal controls should not outweigh their benefits, Payson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Payson's financial statements have been audited by Gilbert & Stewart, Certified Public Accountants, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Payson for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Payson's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Payson MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Payson City, incorporated in 1853, is located in the Southern region of Utah County, Utah. The City is situated approximately 59 miles from Salt Lake City, the capital of Utah. The City covers an area of approximately 19.36 square miles.



The 2010 census indicated that Payson City has a population of approximately 18,000 residents. Payson City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

Payson City has operated under the Mayor, Council form of government since incorporation. Policy-making and legislative authority are vested in a governing council consisting of a mayor and five councilmembers. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and providing “advice and consent” for the Mayor appointments.

The government’s City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government. The Council is elected on a non-partisan basis. Each Council member serves four-year terms. The Mayor is also elected to a four-year term.

Payson strives to create a “destination city” emphasizing the wonderful outdoor adventures available in this area. These adventures include biking, hiking, trail riding and golf. Payson is also committed to keeping its hometown feel. Payson City provides a full range of services, including police and fire protection; the construction and maintenance of city streets, water, sewer, storm drain, solid waste, secondary irrigation, power, and other services.

Payson City has two Redevelopment Agencies which acts as legally separate agencies but function, in essence, as departments of Payson City and therefore have been included as an integral part of Payson City’s financial statements. The Payson Redevelopment Agencies (RDA), have now essentially fulfilled many of their intended purposes, but remain on the books to eventually play a pivotal role in revitalizing many areas throughout the City.

The annual budget serves as the foundation for Payson City’s financial planning and control. All agencies of Payson City are required to submit requests for appropriation to the government’s budget officer annually. The Finance Director reviews these requests; the requests serve as the starting point for developing a proposed budget. The proposed budget is presented to the council for review prior to the first regularly scheduled meeting in May. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 22nd of the fiscal year. The appropriated budget is prepared by fund, function (i.e. public works), and department (i.e. engineering.)

Department heads may request transfers of appropriations *within* a department during the year. Transfers of appropriations *between* departments and increases in departmental budgets requires the approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds.



Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Payson City operates.

Local economy. Payson City currently has a mix of retail and light manufacturing. As with the rest of the Country, this has been an interesting time with impeding COVID-19 pandemic. Concerns about local retailers' ability to do business and the concern of the local workforce has weighed heavily on the City's representatives. Surprisingly, sales tax has remained relatively stable; new building construction has retained the significant growth it had before the pandemic.

Sales tax of the City is collected through the State. The State collects direct point of sale sales tax; the tax goes through an equation whereby the City receives directly one half of 1% of the direct point of sale. The other half goes into a pool of sales tax revenues and is re-distributed to all entities of the State based on population.

Payson City successfully put on the ballot an option to assess an additional one-tenth percentage of sales tax that will be collected and used exclusively for parks, arts, recreation and cultural purposes. This sales tax is entitled the PARC tax. The details of the revenues and expenditures of the PARC tax are maintained in the PARC tax fund.

Major industries with headquarters or divisions located within the government's boundaries or in close proximity include software manufacturers, food manufacturers, and many retail entities.

The City also has a large health-based component with the Payson Mountain View Hospital located within the City's boundaries.

Utah County, which is the County seat for Payson City, has an employed labor force of approximately 307,609, average wages were \$993 per week; according to the United States Bureau of Labor Statistics (https://www.bls.gov/regions/mountain-plains/news-release/countyemploymentandwages_utah.htm#table1).

According to Zillow, the average home value in Payson City is \$324,690 (<https://www.zillow.com/payson-ut/home-values/>, September 30, 2020).

Long-term financial planning. The governing council has laid out plans to develop an expanded regional park for a ballfield, near an existing regional park, Hillman Field.

The City is excited about potential commercial and household expansion in Payson, but is still very loyal to the current commercial base here. Plans to help support local business include use of Federal Cares Act money, issued by the Federal government, to enable local citizens to support local commercial areas by allowing each household to spend \$50, of the Cares act funding at local retail establishments.

The City views the revitalization of the downtown as one of its core projects. The City has utilized the PARC tax to help with the enhancement and beautification of the area.



Of major concern to the City is the maintenance and upkeep of the City road system. The City currently has approximately 92.8 paved road-miles in the City. The current funding options for the upkeep and expansion of the road system are: B&C road funds, derived from a State-collected and distributed gas tax; and the new SB136 additional sales tax.

Impact fee rate studies have been updated for water, sewer, fire and police impact fees. The new rates to be implemented beginning with fiscal year 2021.

Impact fees are assessed against new development to cover that portion of increased use on an existing system (water, sewer, police services, recreation etc.) that should be borne by new growth. The theory being that the current capacity that is adequate for existing residents has already been paid for by existing residents through property taxes.

The City's General Plan was recently updated and adopted by the City Council. The plan, entitled "Imagine Payson," included land use, infrastructure, transportation, parks and recreation, economic development, housing and financial planning.

Other financial highlights, not otherwise discussed.

The City continues to monitor opportunities for debt re-structuring and retirement.

The effects of a steady sales tax base in the City continues to be a contributing factor to the City's ability to maintain its financial equilibrium. Although past recessionary changes in the economy have had a distinct effect on the City, the City has been able to maintain a somewhat stable budget, without the drastic fluctuations we've seen in some of our sister-communities. The City is showing a steady sales tax base and increasing building-related fees. The City continues to seek opportunities for further expansion of the sales tax base through private/public projects such as the construction of the new ballfields, previously mentioned.

Cash management policies and practices. Cash not used in current operations is invested in the Public Treasurer's Investment pool (PTIF). Short-term deposits are held at local banking institutions. The City's short-term bank account combines: the general operating account, the payroll account, and the ambulance revenue account.

As mentioned above, the City receives funding for road improvements through the State's class C road fund program. The funds are allotted funds from gasoline fee collections. The allocation is based on road-miles and population of the City. It is the City's policy to use class C road funds for road improvements prior to the use of City allocations.

Payson City's unemployment insurance participation is through a third party. The City pays into the State Unemployment system.

Risk Management. Payson City has initiated a risk management program in conjunction with the workers compensation program and insurance carrier. Training opportunities have been offered to City employees in areas of health maintenance and safe work environment training. Department-specific training is provided to employees to prevent risks associated as per industry standards.



The City has invested significant funds into cleaning machines (Vac Trucks) which have improved employee safety and efficiency when working with sewer, water and street improvements.

The City has recently begun a proactive approach to tree trimming in City parks and City-owned properties to decrease the potential risk associated with tree related accidents. The City has also put specific focus on safety inspections of playground equipment. This task has received increased scrutiny requiring additional cleaning of playground equipment to help protect against the COVID-19 virus.

Pension and other postemployment benefits. Payson City participates in the Utah State Retirement Program for the City's employees. The Retirement System is an agent plan for the benefit of Payson City employees, being managed by the Utah State Retirement program. Payson City has no obligation in connection with employee benefits offered through this plan beyond regular contractual payments to the Utah State Retirement System.

The City has implemented GASB 68 related to reporting the City's allocable portion of the unfunded liability balance of the Utah Retirement System.

The City is empowered to levy a property tax on real or personal properties located within its boundaries, through the decision of the City Council to do so.

The Finance Director may make transfers between operating functions if needed, as long as they are in the same department/fund and don't increase the budget. Transfers of appropriations for capital purchases and increases in over-all budget requires the approval of the governing Council.

Long-term financial planning. The City Council views the continued operation and the continued financial solvency as a primary issue. Future analysis includes capital project needs and allocation of resources amongst all City needs.

Internal Control. The City's financial reporting systems have been designed to emphasize the importance of strong internal controls, including the proper recording of revenues and expenditures and the oversight of budgetary control. The City has established internal controls that are designed to offer reasonable assurance that assets are safeguarded against waste, fraud and misuse and that the City's financial statements can be relied upon to produce financial statements in accordance with generally accepted accounting principles.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the administration department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report, as well as the help and support of our auditors, Gilbert and Stewart, Certified Public Accountants.

Credit must also be given to the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Payson finances.



Respectfully submitted,

A handwritten signature in black ink that reads "David C. Tuckett". The signature is written in a cursive style with a large, prominent initial "D".

David C. Tuckett
City Manager

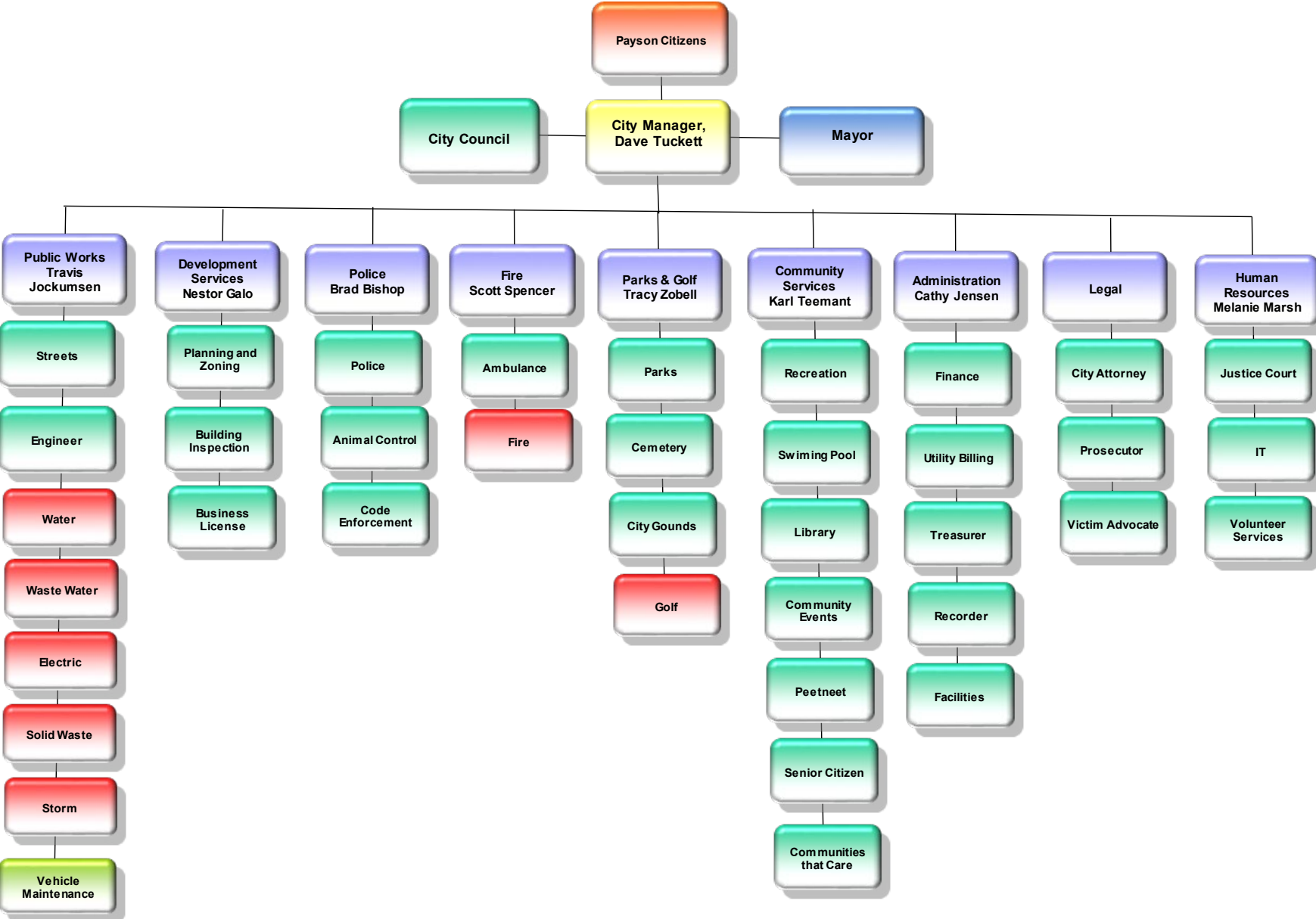
A handwritten signature in black ink that reads "Cathy Jensen". The signature is written in a cursive style with a large, prominent initial "C".

Cathy Jensen
Finance Director



Page Intentionally Left Blank

Payson City Organizational Chart





Payson City

List of Appointed Officials and Council

June 30, 2020

Elected Officials

Mayor	Bill Wright
Council Member	Brian Hulet
Council Member	Taresa Hiatt
Council Member	Linda Carter
Council Member	Doug Welton
Council Member	Brett Christensen
Justice Court Judge	David Dahlquist

Appointed Officials

City Manager	David Tuckett
City Attorney	Jason Sant
City Engineer/Public Works Director	Travis Jockumsen
City Recorder	Kim Holindrake
City Treasurer	Audrey Camp
Fire Chief	Scott Spencer
Police Chief	Brad Bishop

Key Staff

Community Development Director	Nestor Gallo
Finance Director	Cathy Jensen
Golf Pro/Parks and Cemetery Director	Tracy Zobell
Human Resource Director	Melanie Marsh
Recreation Director	Karl Teemant



Financial Section



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, 2020, 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, 2020, 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021 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
January 13, 2021



MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Payson City, we offer readers of Payson City’s financial statements this narrative, discussion, overview and analysis of the financial activities of Payson City for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Payson City activities exceeded the liabilities and deferred inflows of resources as of the close of the most recent year by \$117,748,757 (net position). Of this amount \$17,470,926 (unassigned net position) may be used to meet the government’s ongoing obligations to citizens and creditors in various City functions.
- The City collected sales tax, one of its primary revenues, of \$3,836,233. This is up from the previous year by \$326,290 or 9%.
- The City collected \$1,110,990 in B&C road funds. This is one of the major sources of financing for the City’s roads and sidewalk systems.
- As of June 2020, the City performed the following number of annual building inspections:

Year	Number
2020	2773
2019	3367
2018	1116
2017	6947
2016	202

- As of June 2020, the City had the following number of building permits, compared to previous years

Year	Number
2020	66
2019	330
2018	99
2017	62
2016	49

Additional financial highlights can be found throughout this financial document.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The City’s financial statements included in this annual report are those of a special purpose government engaged only in municipal services.



GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the City, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the City changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) The governmental activities of the City include general government and administration for each City, and cemetery. The City does not now engage business-type activities.

Please refer to the table of contents for the location of the government-wide financial statements.

FUND FINANCIAL STATEMENTS. 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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: *governmental funds*, and *fiduciary funds*.

GOVERNMENTAL FUNDS. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between government funds and government activities.



The City maintains 11 governmental funds.

The City's governmental funds are:

- General Fund
- Redevelopment-Town
- Redevelopment-Business Park
- Impact Fee-Park
- Impact Fee-Power
- Impact Fee-Public Safety
- Impact Fee-Water
- Impact Fee-Sewer
- PARC Tax
- Perpetual Care
- Capital

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, and capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation, for the government-wide financial statements, "Statement of Net Position". Individual fund data for each of these non-major governmental funds is also provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with the budgets.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

PROPRIETARY FUNDS. The City maintains 7 *proprietary fund* type funds.

- The proprietary funds are:
- Water
- Solid Waste
- Electric
- Sewer
- Ambulance
- Golf Course
- Storm Drain

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.



FIDUCIARY FUNDS. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. 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 used for fiduciary funds is much like that used for *proprietary funds*. The City does not hold any fiduciary funds.

NOTES TO THE FINANCIAL STATEMENTS. The *notes* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

OTHER INFORMATION. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

The City's basic financial statements are presented using the accrual basis of accounting, which provides for revenue recognition in the period in which services are provided and expense recognition when goods and services are received.

Additionally, the City's basic financial statements utilize the flow of economic resources measurement focus, in which all assets and liabilities are reflected on the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes Net Position* includes all transactions, such as revenues and expenses that increase or decrease the net position.

The statements are comprised of two components: 1) Basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The following basic *financial statements* are included in this report:

The *Statement of Net Position* presents information on all the assets, deferred outflow of resources, liabilities and deferred inflow of resources of the City, with the difference reported as *net position*.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the City's net position changed during the most recent fiscal year.

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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave.) The statement reports the City's operating and nonoperating revenue by source along with operating and nonoperating expenses and capital contributions.

The *statement of cash flows* reports are presented to show the City's cash flows from operating activities, investing, capital and noncapital activities.



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, assets exceed liabilities by \$117,534,259 (net position) at the close of fiscal year 2020. This includes both governmental and enterprise funds. For the governmental funds, the total net position for fiscal year 2020 was \$49,746,494.

In the governmental funds, an additional portion of the City’s net position (approximately 78%) represents resources that consist of capital assets; also, a small amount is restricted for monies held in conjunction with building and performance bonds or with the cemetery funds. The remaining balance of unrestricted net position \$10,144,712 may be used to meet the government’s ongoing obligations to citizens and creditors.

As of June 30, 2020, the City is able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental activities.

Payson City Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$23,266,074	\$16,266,889	\$24,639,684	\$21,704,229	\$47,905,758	\$37,971,118
Capital Assets (net)	<u>39,579,462</u>	<u>34,656,493</u>	<u>69,438,416</u>	<u>56,606,041</u>	<u>109,017,878</u>	<u>91,262,534</u>
Total assets	<u>62,845,536</u>	<u>50,923,382</u>	<u>94,078,100</u>	<u>78,310,270</u>	<u>156,923,636</u>	<u>129,233,652</u>
Deferred outflow of resources	794,172	1,513,658	753,895	1,145,774	1,548,067	2,659,432
Current liabilities	7,991,868	5,744,634	4,538,919	3,996,774	12,530,787	9,741,408
Long term liabilities	3,529,903	5,055,747	22,077,137	17,365,163	25,607,040	22,420,910
Total liabilities	<u>11,521,771</u>	<u>10,800,381</u>	<u>26,616,056</u>	<u>21,361,937</u>	<u>38,137,827</u>	<u>32,162,318</u>
Deferred inflow of resources	2,371,443	1,610,319	428,174	72,521	2,799,617	1,682,840
Net assets:						
Net investment in capital assets	36,027,654	30,227,782	50,739,618	40,729,670	86,767,272	70,957,452
Restricted	1,730,338	4,574,919	5,910,018	8,706,839	7,640,356	13,281,758
Unrestricted	<u>11,988,502</u>	<u>5,223,639</u>	<u>11,138,129</u>	<u>8,585,077</u>	<u>23,126,631</u>	<u>13,808,716</u>
Total net position	<u>\$49,746,494</u>	<u>\$40,026,340</u>	<u>\$67,787,765</u>	<u>\$58,021,586</u>	<u>\$117,534,259</u>	<u>\$98,047,926</u>

Remainder of page intentionally left blank



The changes in net position representation is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Revenues:					
Program Revenues:						
Charges for Services	\$ 5,840,761	\$ 4,019,677	\$ 27,355,646	\$ 25,040,246	\$ 33,196,407	\$ 29,059,925
Grants and contributions	-	-	-	-	-	-
Contributions	3,628,529	1,604,993	6,593,960	6,375,382	10,222,489	7,980,375
Operational Grants	2,040,655	4,802,362	-	-	2,040,655	4,802,362
General Revenues:						
Property taxes	1,509,673	1,339,991	-	-	1,509,673	1,339,991
Sales Tax	3,836,223	3,474,453	-	-	3,836,223	3,474,453
Other	2,622,272	3,338,127	900	971,484	2,623,172	4,309,611
Total Revenues	<u>19,478,113</u>	<u>18,579,603</u>	<u>33,950,506</u>	<u>32,387,112</u>	<u>53,428,619</u>	<u>50,966,717</u>
Expenses:						
General government	13,698,173	12,778,680	-	-	13,698,173	12,778,680
Water	-	-	3,064,536	2,552,214	3,064,536	-
Electric	-	-	12,245,859	13,483,383	12,245,859	-
Sewer	-	-	2,332,373	2,101,889	2,332,373	2,101,889
Ambulance	-	-	734,925	678,605	734,925	-
Solid Waste	-	-	2,217,129	1,860,842	2,217,129	-
Golf Course	-	-	992,123	894,244	992,123	-
Storm Drain	-	-	686,343	577,844	686,343	-
Total expenses	<u>13,698,173</u>	<u>12,778,680</u>	<u>22,273,288</u>	<u>22,149,021</u>	<u>35,971,461</u>	<u>34,927,701</u>
Increase in net position before transfers	<u>5,779,940</u>	<u>5,800,923</u>	<u>11,677,218</u>	<u>10,238,091</u>	<u>17,457,158</u>	<u>29,134,376</u>
Transfers	1,911,039	1,483,553	(1,911,039)	(1,483,553)	-	-
Increase in net position	<u>\$ 7,690,979</u>	<u>\$ 7,284,476</u>	<u>\$ 9,766,179</u>	<u>\$ 8,754,538</u>	<u>\$ 17,457,158</u>	<u>\$ 29,134,376</u>
Net Position-beginning	<u>\$ 40,026,341</u>	<u>\$ 32,741,864</u>	<u>\$ 58,021,586</u>	<u>\$ 49,267,048</u>	<u>\$ 98,047,927</u>	<u>\$ 82,008,912</u>
Restated net assets	<u>2,029,174</u>	-	-	-	<u>2,029,174</u>	-
Net Position-ending	<u>\$ 49,746,494</u>	<u>\$ 40,026,340</u>	<u>\$ 67,787,765</u>	<u>\$ 58,021,586</u>	<u>\$ 117,534,259</u>	<u>\$ 111,143,288</u>

GOVERNMENTAL ACTIVITIES. Governmental activities increased the City’s net position by \$9,720,154 over the previous year. The major contributor to this increase was capital assets, conservative budgeting in the governmental fund, and also, some personnel positions weren’t timely filled.

The City exercised prudent management in the capital outlay expenses. Funding for capital assets was geared primarily to asset improvement and creation, road and sidewalk projects.

Current sources of funds for road improvements include B&C road funds, general fund revenues and some grants.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL 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. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the year, the Payson City’s governmental funds reported combined ending fund balances of \$16,584,335.



The governmental funds are comprised of the following funds:



The individual funds balances that comprise the governmental funds include:

	Ending Fund Balance
General Fund	\$ 6,418,302
Redevelopment-Town	187,586
Redevelopment-Business Park	2,028,773
Impact Fee-Park	1,225,074
Impact Fee-Public Safety	504,409
PARC Tax	288,907
Perpetual Care	524,102
Capital	3,856,888
Revolving Loan	1,550,294
	\$ 16,584,335

Approximately 38 percent of the governmental fund balance amount (\$6,466,355) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for encumbrances 2) to return building and performance bond deposits 3) to pay for capital projects 4) has been assigned to other obligations or projects 5) has already been expended for capital assets or the funds have been assigned for other purposes.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$6,177,428.

Generally, the increases in fund balances in the City is due to conservative spending and budgeting practices by the individual governmental entities.

PROPRIETARY FUNDS. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The City’s proprietary funds are as follows:





Unrestricted net position, formerly called “net assets,” of the respective proprietary funds are:

Unrestricted net position	
Water	\$ 895,089
Solid Waste	1,753,591
Power	685,794
Sewer	5,682,032
Ambulance	894,276
Golf Course	242,388
Storm Drain	<u>930,444</u>
	\$ 11,083,614

Water. The City has had a general policy of adjusting utility rates by the CPI (consumer price index) to keep pace with expenditures, and to avoid future large jumps in utility rates that would be necessary to keep up with expenditures.

The City issued a 2019 water bond, in order to fund the metering of the secondary irrigation system. Water rates for pressurized irrigation are currently being reviewed by the Council as of the creation date of this document.

Solid Waste. The Solid Waste fund performs two primary functions. First, the function of the fund is to oversee and operate the City landfill. Second, the solid waste fund collects garbage on a weekly basis for all residential and many commercial operations in the City.

The Solid Waste division also generates excess revenue in selling gravel. An agreement with Kenny Seng, for future gravel sales, in the amount of \$2,000,000 was implemented. The intention of the advance funding is to collect a lump-sum payment for future sales of gravel associated with the contract would be used to help construct the new Hillman Field Ball Park. The collection of the funds and the expenses associated with the Hillman Field ball park will be see in the fiscal year 2021 financial statements, in the capital fund.

Electric. The electric power fund provides power to residents of Payson. Power is generally purchased through UAMPs (Utah Associated Municipal Power System).

Sewer. The sewer department maintains and builds sewer infrastructure throughout the City. They also maintain the City sewer processing plant.

The City issued a 2019 sewer revenue bond to extend the sewer lines in the City. Future issues the City is facing concerning the Sewer include a new Sewer processing plant to meet growth and maintain federal and state guidelines on sewer processing. The anticipated cost of the new plant is between \$17 million and \$21 million dollars. The City is weighing all possibilities in regards to construction and financing for the new plant.

Ambulance. The City ambulance fund supports the first responder program for the City. First responders in all public safety areas of the City including police, fire, ambulance, have garnered great



respect, not only in their day-to-day operations, but with the added responsibility of the COVID-19 pandemic. The City outsources ambulance billing and collections.

Golf Course. In addition to running the golf course, the Golf course division has just completed the Payson City Golf Course RV Park. The RV park is intended to help support the operations of the golf course and attract patrons to the golf course for extended stay and play options.

In budget year 2020, the Council considered a property tax increase to fund increasing utility costs, but due to the economic effects of the COVID-19 pandemic, determined this was not the time.

FINANCIAL ANALYSIS. Net position may serve over time as a useful indicator of a government's financial position. In the case of Payson City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$117,724,152 (net position) at the close of fiscal year 2020.

BUDGETARY HIGHLIGHTS. The difference between the original budget and the final amended budget was a net increase of \$6,143,940 City-wide.

The majority of this budget adjustment was for capital projects acquisition of new equipment

Generally, the City's philosophy is that in making budgetary adjustments, individual departmental budgets will be examined to look for excess budget. The City continues to re-evaluate revenue streams and adjust expenditures throughout the fiscal year. Departments are encouraged to continue to be innovative in looking at ways to adjust their budgetary expenditures, to save money.

The City strives to conduct the budget in a fiscally conservative manner, both for Revenues and Expenditures.

CAPITAL ASSETS. Capital Assets are generally recognized in the enterprise fund in which they belong or are recognized in the capital asset fund if it is a major governmental asset. Another source for capital asset financing is through the City's revolving loan. Capital assets include the funds for the costs incurred in acquiring and improving assets, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the City.

Major capital asset expenditures include expenditures on City infrastructure (roads, storm drain).

The City has elected to use the modified approach to account for its infrastructure assets such as roads and bridges. As allowed by GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments, the City has adopted the "modified approach" for reporting costs associated with certain infrastructure assets. The City capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

The City has adopted an allowable alternative to reporting depreciation for its road network. Under this alternative method, referred to as the "modified approach," the City's must maintain an asset management system and demonstrate that its highways and roads are approximately 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.

The City manages the road network using a pavement management system. This system uses a measurement scale that considers the condition of the roads as denoted by a Remaining Service Life (RSL). Under the RSL system, a condition index ranging from 0 to 20 is used. A road is considered to be in “very good” condition when its RSL rating is between 19 and 20, in “good” condition when its RSL rating is between 13 and 18, in “fair” condition when its RSL rating is between 9 and 12, in “poor” condition when its RSL rating is between 7 and 8, and in “very poor” condition when its RSL rating is 6 or below.

It is the City’s policy to maintain approximately 50% of its road network at a category level of “fair” or “good” (RSL rating of 9 or above) and allow no more than 20% at a category level of “very poor” (RSL rating of 6 or below). In order to achieve a complete condition assessment of all City roads within a period of three years, condition assessments are performed on approximately one-third of the roads annually. The most recent condition assessment, completed in 2020, shows that 13% of the City’s roads were in “fair” or better condition, which is slightly less than the percentage reported in 2019. Additionally, 16% of the roads assessed in 2020 were in “very poor” condition, the same as reported in 2019.

In 2020, the City’s spent approximately \$376,900 to maintain and preserve its roads, which was 92% of what the City’s estimated would be needed. In 2019 95% was spent of what the City anticipated would be needed.

The City’s primary sources for future funding include grants and B&C road funds and general fund revenues to increase the RSL for the rest of the road system.

A primary concern of the City will continue to be the maintenance and upkeep of the City road system. Utah has dramatic seasonal changes with significant freezing/thawing and high temperatures. These climate conditions shorten the lives of roads.

Further information about the City’s modified approach can be found in the Required Supplementary Information section of the financial statements.

Remainder of page intentionally left blank



An analysis of the City's capital assets is as follows:

	Governmental Activities		Business-type Activities		Total	
	Re-Styled		Re-Styled		Re-Styled	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Land	\$2,972,244	\$3,231,751	\$8,309,002	\$8,349,002	\$11,281,246	\$11,580,753
Infrastructure	23,782,739	26,606,786	-	-	23,782,739	26,606,786
Buildings & Improvements	17,018,477	17,875,045	81,685,340	90,083,820	98,703,817	107,958,865
Equipment	6,196,064	6,548,732	13,066,081	13,821,042	19,262,145	20,369,774
Construction in progress	754,757	-	1,559,038	7,178,338	2,313,795	7,178,338
Accumulated Depreciation	(14,038,614)	(14,708,407)	(48,211,826)	(50,192,185)	(62,250,440)	(64,900,592)
Water Stock	-	-	198,400	198,400	198,400	198,400
Total	<u>\$36,685,667</u>	<u>\$39,553,907</u>	<u>\$56,606,035</u>	<u>\$69,438,417</u>	<u>\$93,291,702</u>	<u>\$108,992,324</u>

Readers desiring more detailed information on capital asset activity can refer to note 6 of the financial statements.

LONG-TERM DEBT

At June 30, 2020, the City had total bonded debt outstanding of \$23,173,168. Below is a list of bonded debt:

Purpose of Bond	Funding Source	Original Amount	Remaining	Payoff Date	Origination
			Amount		Date
Pool	Sales Tax	\$ 8,865,000	\$ 3,498,976	2027	2007
Eastside Sewr Line	Sales Tax	2,500,000	2,500,000	2024	2019
Sewer Plant Improvements	Sewer Revenue	5,301,000	1,020,000	2022	2002
Fore Bay and PI	Water Revenue	9,455,000	5,080,000	2029	2013
Water Tank	Water Revenue	3,404,000	2,389,000	2032	2016
Water PI Lines	Water Revenue	2,040,000	6,545,000	2040	2019
Sewer Improvement	Sewer Revenue	2,977,168	2,140,192	2027	2007

A list of changes in other debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	Re-Styled		Re-Styled		Re-Styled	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Unamortized Bond Premium	-	-	29,207	18,899	29,207	18,899
Capital Lease	405,159	639,769	1,470,509	2,201,921	1,875,668	2,841,690
Accrued Compensated Absences	627,036	746,050	507,477	498,614	1,134,513	1,244,664
Water Share Liability	-	-	269,585	534,788	269,585	534,788
Closure and Post closure liability	-	-	952,107	952,107	952,107	952,107
Bonds Payable	4,023,552	3,499	14,051,448	19,674,192	18,075,000	19,677,691
Total Long Term Debt	<u>\$ 5,055,747</u>	<u>\$ 1,389,318</u>	<u>\$ 17,280,333</u>	<u>\$ 23,880,521</u>	<u>\$ 22,336,080</u>	<u>\$ 25,269,839</u>



State statutes (Utah State Constitution, Article XIV, Section 4,) limit the amount of *general obligation bond* indebtedness towns and “other municipal corporations” may issue. The statutes indicate that the City may issue up to 4 percent of its total fair market value of taxable property in the City for *general obligation debt*.

The current fair market value of the taxable property in the City is \$1,212,078,000 (2019). The current general obligation debt limitation for the City is \$145,449,000. Payson City has *no* general obligation debt, and no current intention of issuing general obligation bonds. However, measures of legal debt margin are helpful in looking at the City’s general bond obligation parameters.

Payson City
Legal Debt Margin Calculation
Fiscal Year Ending June 2020

(dollars in thousands)

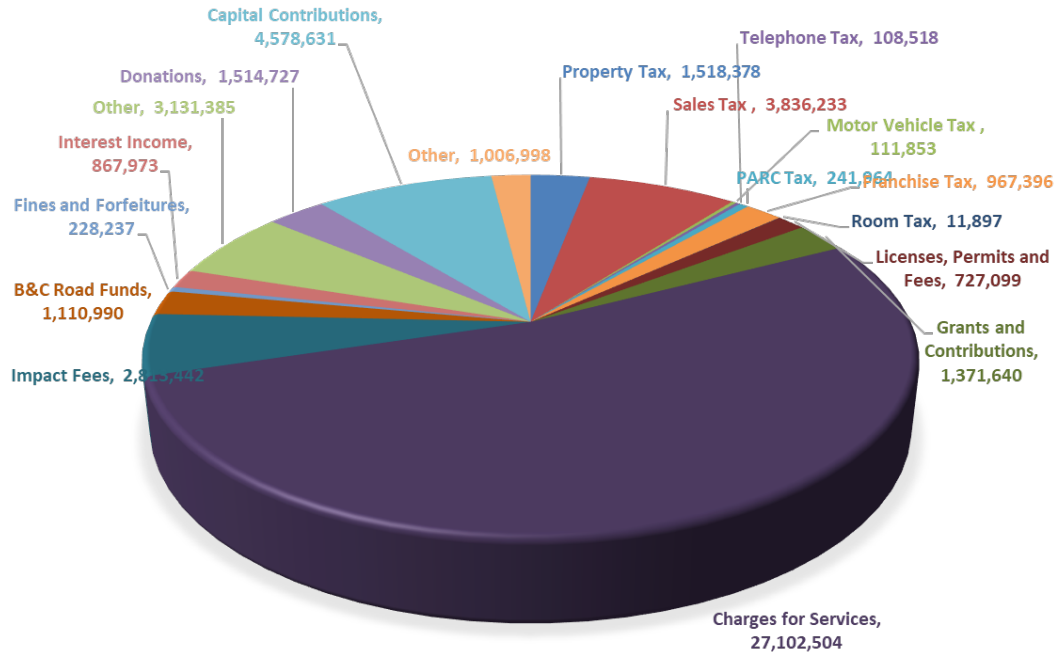
Assessed value	\$1,212,078
Debt limit (12% of assessed value)	145,449
Debt applicable to limit:	
General obligation bonds	<u> -</u>
Total net debt applicable to limit	<u> \$ -</u>
Legal debt margin	<u> \$ 145,449</u>

Remainder of page intentionally left blank



A visual representation of the revenues by source:

Payson City
Revenues by Source
For Period Ending June 30, 2020



Remainder of page intentionally left blank



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Payson City is located in Utah County. The unemployment rate for Utah County as of June 2020 was 4.3%. This rate is less than the reported US unemployment rate at that time of 11.2%, as provided by the Bureau of Labor Statistics (<https://www.bls.gov/opub/ted/2020/unemployment-rates-up-in-388-of-389-metro-areas-in-june-2020.htm#:~:text=Bureau%20of%20Labor%20Statistics> and <https://jobs.utah.gov/>)

The City continues to exercise conservatism with regards to expenses, and capital assets. City administration also continues to exercise prudence regarding operating expenses.

- The City is particularly mindful of the impact of property taxes on its citizenry, the City Council studies the impacts of increasing certified tax rates on the citizens incrementally, as well as the impact that would come from not keeping pace with certified tax rates, and assessing large amounts of tax increment on the citizens in a lump sum, at a later date.
- One of the major budget issues on the horizon for the City is the construction of a new sewer plant to meet Federal and State affluent regulations.
- Some of the problems Payson is facing economically will also have an impact on net revenues. Some of these items involve continuing growth and construction, shortage of manpower to fill jobs, fuel prices and rising cost of living. Also, there is the potential ramifications of a prolonged pandemic. This and other economic factors have the potential of increasing costs, or depressing revenues. The City will continue to seek prudent measures to meet increasing financial obligations.

REQUESTS FOR INFORMATION. The financial report is designed to provide a general overview of Payson City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Payson City, Records Officer, 439 West Utah Avenue, Payson, Utah 84651.

Remainder of page intentionally left blank



Basic Financial Statements

Payson CITY
Statement of Net Position
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents			
Unrestricted	14,501,297	15,612,253	30,113,550
Restricted	4,037,133	5,060,442	9,097,575
Accounts Receivable			
Taxes Receivable	3,439,255	-	3,439,255
Other Receivables	1,263,833	2,823,829	4,087,662
Net Pension Asset	24,556	12,176	36,732
Equity in Joint Ventures	-	1,130,984	1,130,984
Capital assets (net of accumulated depreciation):			
Land	3,231,751	8,349,002	11,580,753
Buildings and improvements	8,370,945	48,992,685	57,363,630
CIP	-	7,178,339	7,178,339
Equipment	1,369,980	4,719,990	6,089,970
Infrastructure	26,606,786	-	26,606,786
Water Rights	-	198,400	198,400
Total assets	<u>62,845,536</u>	<u>94,078,100</u>	<u>156,923,636</u>
Deferred outflows of resources			
Deferred loss on refunding	-	339,638	339,638
Deferred outflows related to pensions	794,172	414,257	1,208,429
Total deferred outflow of resources	<u>794,172</u>	<u>753,895</u>	<u>1,548,067</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,831,704	1,841,625	6,673,329
Deposits	-	614,529	614,529
Pension Liability	1,731,428	898,017	2,629,445
Compensated absences	746,050	498,614	1,244,664
Bond interest payable	21,012	132,447	153,459
Bond Premiums	-	18,899	18,899
Water Shares	-	534,788	534,788
Long Term Liabilities			
Due Within One Year	661,674	2,244,516	2,906,190
Due in More Than One Year	3,529,903	19,832,621	23,362,524
Total liabilities	<u>11,521,771</u>	<u>26,616,056</u>	<u>38,137,827</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	1,507,516	-	1,507,516
Deferred Inflows	863,927	428,174	1,292,101
	<u>2,371,443</u>	<u>428,174</u>	<u>2,799,617</u>
NET POSITION			
Invested in capital assets, net of related debt	35,787,636	50,739,618	86,527,254
Restricted			
C Roads	240,018	-	240,018
Impact Fees	1,729,482	3,937,759	5,667,241
Debt Service	856	1,972,259	1,973,115
Unrestricted	9,959,328	11,138,129	21,097,457
Total net position	<u>47,717,320</u>	<u>67,787,765</u>	<u>115,505,085</u>
Restated net position due to assets	2,029,174	-	2,029,174
Total net position	<u>49,746,494</u>	<u>67,787,765</u>	<u>117,534,259</u>

See accompanying notes to the financial statements.

Payson CITY
Statement of Activities
For Period Ended June 30, 2020

Function/Programs	Program Revenues				Net (Expense) Rev & Chgs in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	3,884,921	4,397,696	100,237	-	613,012	-	613,012
Public safety	3,889,765	344,591	1,081,714	169,499	(2,293,961)	-	(2,293,961)
Highways and public works	1,495,447	-	812,097	2,824,047	2,140,697	-	2,140,697
Parks and recreation	3,385,812	1,064,535	46,607	634,983	(1,639,687)	-	(1,639,687)
Economic Development	652,308	7,595	-	-	(644,713)	-	(644,713)
Capital Outlay	333,302	26,344	-	-	(306,958)	-	(306,958)
Interest on Long-term debt	56,618	-	-	-	(56,618)	-	(56,618)
Total governmental activities	<u>13,698,173</u>	<u>5,840,761</u>	<u>2,040,655</u>	<u>3,628,529</u>	<u>(2,188,228)</u>	<u>-</u>	<u>(2,188,228)</u>
Business-type activities:							
Water	3,064,536	4,047,294	-	2,201,783	-	3,184,541	3,184,541
Electric	12,245,859	13,886,489	-	684,028	-	2,324,658	2,324,658
Sewer	2,332,373	4,021,860	-	2,239,511	-	3,928,998	3,928,998
Ambulance	734,925	616,494	-	-	-	(118,431)	(118,431)
Solid Waste	2,217,129	2,875,899	-	-	-	658,770	658,770
Golf Course	992,123	1,071,072	-	1,462,269	-	1,541,218	1,541,218
Storm Drain	686,343	836,538	-	6,369	-	156,564	156,564
Total business-type activities	<u>22,273,288</u>	<u>27,355,646</u>	<u>-</u>	<u>6,593,960</u>	<u>-</u>	<u>11,676,318</u>	<u>11,676,318</u>
Total primary government	<u>35,971,461</u>	<u>33,196,407</u>	<u>2,040,655</u>	<u>10,222,489</u>	<u>(2,188,228)</u>	<u>11,676,318</u>	<u>9,488,090</u>
General revenues:							
Property taxes					1,509,673	-	1,509,673
General sales and use tax					3,836,223	-	3,836,223
Motor Vehicle Sales					111,853		111,853
Utility Taxes					862,016		862,016
Other Taxes					766,661		766,661
Gain (loss) on Sale of Capital Assets					386,657	900	387,557
Investment Earnings					495,085	-	495,085
Transfers					1,911,039	(1,911,039)	-
Total general revenues					<u>9,879,207</u>	<u>(1,910,139)</u>	<u>7,969,068</u>
Change in net position					7,690,979	9,766,179	17,457,158
Net position - beginning					40,026,341	58,021,586	98,047,927
Restatement of Capital Assets					2,029,174		2,029,174
Net position - ending					<u>49,746,494</u>	<u>67,787,765</u>	<u>117,534,259</u>

See accompanying notes to the financial statements.

Payson CITY
Governmental Funds Balance Sheet
June 30, 2020

	General Fund	Capital Projects	Nonmajor Governmental funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 9,256,682	\$ 3,880,665	\$ 1,073,426	\$ 14,210,773
Restricted	75,385	-	3,961,750	4,037,135
Receivables:			-	
Taxes	2,329,247	-	-	2,329,247
Grants and contributions	838,299	-	-	838,299
Accounts	226,232	-	1,296,710	1,522,942
Prepaid Expenses	12,600	-	-	12,600
Total assets	\$ 12,738,445	\$ 3,880,665	\$ 6,331,886	\$ 22,950,996
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:			-	
Accounts payable and accrued liabilities	249,407	23,777	22,741	295,925
Accrued salaries, wages and benefits	628,689	-	-	628,689
Due to other entities	22,975	-	-	22,975
Performance Bond	3,866,331	-	-	3,866,331
Total liabilities	\$ 4,767,402	23,777	22,741	4,813,920
Deferred inflow of resources				
Property taxes levied for future years	1,552,741	-	-	1,552,741
Total deferred inflow of resources	1,552,741	-	-	1,552,741
FUND BALANCES				
Restricted:				-
Impact Fees	-	-	1,729,483	1,729,483
B&C	240,018	-	-	240,018
Debt Service	856	-	-	856
Assigned	-	3,856,888	3,766,653	7,623,541
Committed	-	-	524,102	524,102
Unassigned	6,177,428	-	288,907	6,466,335
Total fund balances	6,418,302	3,856,888	6,309,145	16,584,335
Total liabilities, deferred inflow of resources and fund balances	\$ 12,738,445	\$ 3,880,665	\$ 6,331,886	\$ 22,950,996

See accompanying notes to the financial statements.

Payson CITY
Balance Sheet Reconciliation to Statement of Net Assets

June 30, 2020

Total fund balances - governmental fund types: \$ 16,584,332

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

Capital assets used in governmental activities (excluding internal service funds) are not financial resources and, therefore, are not reported in the funds. 39,579,462

These consist of (net of accumulated depreciation):

Long term assets are not available to pay for current period expenditures and, therefore are deferred in the governmental fund statements. 45,225

An internal service fund is used by management to charge the costs of vehicle repairs and maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 272,741

Pension assets, liabilities, deferred inflows, and deferred outflows are not due and payable in the current period and, therefore, are not recorded in the Governmental Funds

Net pension asset	24,556	
Deferred outflows of resources relating to pensions	794,172	
net pension liability	(1,731,428)	
Deferred inflows of resources relating to pensions	(863,927)	(1,776,627)

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(4,191,577)	
Accrued interest payable	(21,012)	
Compensated Absences	(746,050)	(4,958,639)

Net Position of Governmental Activities \$ 49,746,494

Payson City
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
June 30, 2020

	General Fund	Capital Projects	Nonmajor Governmental	Total
REVENUES				
Taxes				
Property Tax	1,518,378	\$ -	\$ -	\$ 1,518,378
Sales Tax	3,836,233	-	-	3,836,233
Other taxes	1,199,664	-	241,964	1,441,628
Licenses, Permits and Fees	727,099	-	-	727,099
Grants and Contributions	1,384,213	-	-	1,384,213
Charges for Services	1,403,396	-	-	1,403,396
B&C Road Funds	1,110,990	-	-	1,110,990
Fines and Forfeitures	228,237	-	-	228,237
Interest Income	381,255	36,147	77,682	495,084
Other	1,999,788	-	40,913	2,040,701
Donations	12,709	1,500,000	-	1,512,709
	<u>13,801,962</u>	<u>1,536,147</u>	<u>360,559</u>	<u>15,698,668</u>
EXPENDITURES				
Current:				
General Government	4,152,841	-	-	4,152,841
Public Safety	3,771,199	-	43,229	3,814,428
Highways and Streets	1,665,162	-	-	1,665,162
Parks and Recreation	2,700,568	-	32,694	2,733,262
Economic Development	-	-	227,643	227,643
Community Events	327,531	-	-	327,531
Cemetery	332,083	-	-	332,083
Debt Service:	-	-	-	-
Principal Retirement	344,373	-	127,371	471,744
Interest and Fiscal	45,896	-	16,975	62,871
Capital Outlay				
Parks, recreation and culture	-	302,418	-	302,418
Total expenditures	<u>13,339,653</u>	<u>302,418</u>	<u>447,912</u>	<u>14,089,983</u>
Excess revenues over (under) expenditures	<u>462,309</u>	<u>1,233,729</u>	<u>(87,353)</u>	<u>1,608,685</u>
Other Financing Sources (Uses)				
Impact Fees	-	-	804,482	804,482
Proceeds from the sale of assets	9,048	-	377,609	386,657
Transfers in	2,387,439	90,000	-	2,477,439
Transfers out	(335,667)	-	(230,735)	(566,402)
Total other financing sources and uses	<u>2,060,820</u>	<u>90,000</u>	<u>951,356</u>	<u>4,053,532</u>
Net change in fund balance	2,523,129	1,323,729	864,003	4,710,861
Fund balances - beginning of year	3,895,173	2,533,159	5,445,142	11,873,474
Fund balances - end of year	<u>\$ 6,418,302</u>	<u>\$ 3,856,888</u>	<u>\$ 6,309,145</u>	<u>\$ 16,584,335</u>

See accompanying notes to the financial statements.

Payson City
Statement of Revenues, Expenditures and Changes in Fund Balances
Reconciliation to Statement of Activities
June 30, 2020

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

Net changes in fund balances - total governmental funds \$ 4,710,858

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are 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 outlay	\$ 793,416	
Sale of capital assets	<u>(723,668)</u>	69,748

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net assets.

Contributions by developers 2,824,047

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	(645,811)	
Repayment of principal on bonds and capital leases	882,945	
Change in accrued interest expense	<u>6,251</u>	243,385

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. (125,646)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (8,705)

Pension liabilities do not require current financial resources and therefore are not recorded in the governmental funds. (49,409)

The internal service funds used by management to charge the costs of insurance and workers' compensation to the individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 26,701

Change in Net position of governmental activities 7,690,979

Payson City
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise funds				Total	Governmental
	Water	Power	Sewer	Total Nonmajor Funds		Internal Service Funds
ASSETS						
Current Assets						
Combined Cash and cash equivalents						
Unrestricted	\$ 3,863,138	\$ 2,747,675	\$ 4,491,977	\$ 4,509,463	\$ 15,612,253	\$ 290,524
Accounts Receivable	429,595	1,133,566	421,974	838,694	2,823,829	-
Total Current Assets	4,292,733	3,881,241	4,913,951	5,348,157	18,436,082	290,524
Non Current Assets						
Combined Cash and cash equivalents						
Restricted	1,475,459	1,436,942	1,544,218	603,823	5,060,442	-
Net Pension Asset	1,403	5,033	1,697	4,043	12,176	1,202
Capital assets						
Land	6,711,439	116,337	207,482	1,313,744	8,349,002	-
Buildings and improvements	27,585,441	19,876,697	28,553,389	14,068,293	90,083,820	-
Machinery and equipment	807,796	2,921,273	2,037,193	8,054,779	13,821,041	1,342,117
Construction in progress	5,837,689	908,106	171,187	261,357	7,178,339	-
Less: accumulated depreciation	(11,776,048)	(15,520,265)	(12,891,286)	(10,004,587)	(50,192,186)	(1,331,090)
	-	-	-	-	-	-
Total Capital Assets Net	29,364,717	8,302,148	18,077,965	13,693,586	69,438,416	11,027
Total noncurrent assets	30,841,579	9,744,123	20,754,864	14,301,452	75,642,018	12,229
Total assets	35,134,312	13,625,364	25,668,815	19,649,609	94,078,100	302,753
DEFERRED OUTFLOW OF RESOURCES						
Deferred Charge on Refunding	339,638	-	-	-	339,638	-
Pension Related	35,815	181,031	49,722	147,689	414,257	49,695
Total deferred outflow of resources	375,453	181,031	49,722	147,689	753,895	49,695
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	218,510	977,598	197,902	100,978	1,494,988	5,069
Accrued salaries, wages and benefits	14,163	38,819	18,002	62,901	133,885	12,714
Due to other entities	-	199,203	-	13,549	212,752	-
Accrued Interest Payable	42,153	-	47,374	42,920	132,447	-
Long term liabilities						
Other long-term liabilities due within one year	978,898	72,123	14,104	363,053	1,428,178	-
Total Current Liabilities	1,253,724	1,925,531	1,070,461	583,401	4,833,117	17,783
Noncurrent Liabilities						
Net Pension Liability	82,041	394,739	99,026	322,211	898,017	104,470
Compensated Absences	9,246	216,397	62,915	210,056	498,614	32,886
Long term liabilities						
Closure and Postclosure liability	-	-	-	952,107	952,107	-
Debt service due in more than one year	13,042,000	-	4,867,424	-	17,909,424	-
Lease payments due in more than one year	22,179	93,299	-	855,612	971,090	-
Total noncurrent liabilities	13,690,254	704,435	5,048,264	2,339,986	21,782,939	137,356
Total liabilities	14,943,978	2,629,966	6,118,725	2,923,387	26,616,056	155,139
DEFERRD INFLOW OF RESOURCES						
Deferred property tax revenue						
Deferred inflows relating to pensions	45,505	179,192	62,300	141,177	428,174	46,651
Total deferred outflows of resources	45,505	179,192	62,300	141,177	428,174	46,651
NET POSITION						
Net investment in capital assets	16,322,717	9,141,919	12,417,462	12,857,520	50,739,618	11,027
Restricted						
Debt service	1,972,259	-	-	-	1,972,259	-
Impact fees	1,330,217	1,169,524	1,438,018	-	3,937,759	-
Unassigned	895,089	685,794	5,682,032	3,875,214	11,138,129	139,631
Total net position	\$ 20,520,282	\$ 10,997,237	\$ 19,537,512	\$ 16,732,734	\$ 67,787,765	\$ 150,658

Payson City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For Period Ended June 30, 2020

	Enterprise Funds				Total	Governmental Activities
	Water	Power	Sewer	Total Nonmajor Enterprise Funds	Enterprise Funds	Internal Service Funds
Revenues						
Operating Revenues						
Charges for Services	\$ 3,950,353	\$ 13,543,864	\$ 3,934,384	\$ 5,138,859	\$ 26,567,460	\$ 872,309
Other Fees	3,839	168,015	(4,954)	231,633	398,533	5,150
Total operating revenues	<u>3,954,192</u>	<u>13,711,879</u>	<u>3,929,430</u>	<u>5,370,492</u>	<u>26,965,993</u>	<u>877,459</u>
Operating Expenses						
Costs of Sales and Service	483,206	1,666,486	564,089	1,770,058	4,483,839	415,235
Maintenance Operations and Professional	1,720,131	10,166,218	1,056,250	2,047,601	14,990,200	435,523
Depreciation	648,282	398,520	565,230	785,966	2,397,998	-
Total Operating Expenses	<u>2,851,619</u>	<u>12,231,224</u>	<u>2,185,569</u>	<u>4,603,625</u>	<u>21,872,037</u>	<u>850,758</u>
Operating Income (Loss)	<u>1,102,573</u>	<u>1,480,655</u>	<u>1,743,861</u>	<u>766,867</u>	<u>5,093,956</u>	<u>26,701</u>
Non-Operating Revenues (Expenses)						
Impact Fees	646,371	684,028	678,561	-	2,008,960	-
Interest Income	93,103	174,611	92,428	34,764	394,906	-
Interest Charges	(212,917)	(14,636)	(146,803)	(19,632)	(393,988)	-
Donations	-	-	-	2,018	2,018	-
Other	-	-	-	(6,951)	(6,951)	-
Total Non-Operating Revenues (Expenses)	<u>526,557</u>	<u>844,003</u>	<u>624,186</u>	<u>10,199</u>	<u>2,004,945</u>	<u>-</u>
Income before capital contributions and Transfers	<u>1,629,130</u>	<u>2,324,658</u>	<u>2,368,047</u>	<u>777,066</u>	<u>7,098,901</u>	<u>26,701</u>
Net operating transfers in (out)	(348,560)	(1,244,888)	(268,949)	(48,642)	(1,911,039)	-
Capital Contributions	1,555,412	-	1,560,950	1,462,269	4,578,631	-
Total expenditures	<u>1,206,852</u>	<u>(1,244,888)</u>	<u>1,292,001</u>	<u>1,413,627</u>	<u>2,667,592</u>	<u>-</u>
Changes in Net Position	<u>2,835,982</u>	<u>1,079,770</u>	<u>3,660,048</u>	<u>2,190,693</u>	<u>9,766,493</u>	<u>26,701</u>
Beginning Net Position	<u>17,684,300</u>	<u>9,917,467</u>	<u>15,877,464</u>	<u>14,542,041</u>	<u>58,021,272</u>	<u>123,957</u>
Ending Net Position	<u>20,520,282</u>	<u>10,997,237</u>	<u>19,537,512</u>	<u>16,732,734</u>	<u>67,787,765</u>	<u>150,658</u>

See accompanying notes to the financial statements.

Payson City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service funds
	Water	Power	Sewer	Nonmajor Enterprise Funds		
Cash Flows From Operating Activities						
Receipts from customers	\$ 4,246,993	\$ 13,618,017	\$ 3,903,211	\$ 5,262,554	\$ 27,030,775	\$ 877,459
Payments to suppliers	(2,029,497)	(9,963,786)	(1,230,213)	(1,968,356)	(15,191,852)	(459,941)
Payments to employees	(450,566)	(1,579,875)	(556,763)	(1,721,453)	(4,308,657)	(414,906)
Net cash provided (used) by operating activities	1,766,930	2,074,356	2,116,235	1,572,745	7,530,266	2,612
Cash Flows From non-capital financing activities						
Donation	-	-	-	2,018	2,018	-
Transfers (to) from other Funds	(348,560)	(1,244,878)	(268,949)	(48,642)	(1,911,029)	-
Net cash provided (used)	(348,560)	(1,244,878)	(268,949)	(46,624)	(1,909,011)	-
Cash Flows From Capital and Related Financing Activities						
Impact fees Received	646,371	684,028	678,561	-	2,008,960	-
Bond Premium	-	-	-	-	-	-
Acquisition of capital assets	(5,138,483)	(1,371,200)	(2,984,140)	(863,728)	(10,357,551)	-
Proceeds from bond issuance	4,505,000	-	2,500,000	-	7,005,000	-
Financing for capital assets	180,375	-	96,979	54,667	332,021	-
Other financing costs	-	-	577	5,034	5,611	-
Deferred Inflows	-	-	-	77,851	77,851	-
Capital Lease Related	-	-	-	1,925	1,925	-
Interest on asset financing	-	(14,636)	15,514	-	878	-
Principal paid on capital debt	(606,000)	-	(776,256)	-	(1,382,256)	-
Interest on asset financing	(204,908)	-	(146,803)	2,665	(349,046)	-
Net cash provided (used) by capital and related financing activities	(617,645)	(701,808)	(615,568)	(721,586)	(2,656,607)	-
Cash Flows From Investing Activities						
Interest and dividends received	93,101	174,611	92,428	(319,637)	40,503	-
Net cash provided (used) by investing activities	93,101	174,611	92,428	(319,637)	40,503	-
Net increase (decrease) in cash and cash equivalents	893,826	302,281	1,324,146	484,898	3,005,151	2,612
Cash and cash equivalents - beginning	4,444,771	3,882,336	4,712,049	4,628,388	17,667,544	287,912
Cash and cash equivalents - ending	\$ 5,338,597	\$ 4,184,617	\$ 6,036,195	\$ 5,113,286	\$ 20,672,695	\$ 290,524

Payson City
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Power	Sewer	Nonmajor	Total	Activities
				Enterprise Funds	Enterprise Funds	Internal Servic Internal Serv funds
<i>(Continued)</i>						
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,102,573	\$ 1,480,655	\$ 1,743,861	\$ 766,867	\$ 5,093,956	\$ 26,701
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	648,282	398,520	567,663	785,966	2,400,431	-
(Increase) decrease in accounts receivable	292,801	147,498	(26,221)	(38,443)	375,635	-
(Inc)/decrease in net assets	(1,403)	(5,033)	(1,697)	(1,287)	(9,420)	1,202
(Increase) decrease in due from other funds	29,077	22,878	-	-	51,955	-
(Increase) decrease deferred outflows of resources	(41,112)	(147,463)	(49,711)	118,517	(119,769)	(35,224)
Increase (decrease) in net pension liability	(77,726)	(278,797)	(93,984)	(223,961)	(674,468)	-
Increase (decrease) in accounts payable	(330,188)	205,115	(76,025)	(6,920)	(208,018)	(26,961)
Increase (decrease) in customer deposits	-	63,385	-	-	63,385	-
Increase (decrease) in deferred inflows of resources	-	147,013	49,558	118,276	314,847	35,117
Increase (decrease) in accrued salaries and benefits	9,460	-	-	22,994	32,454	6,962
Increase (decrease) in water share payable	180,375	-	-	-	180,375	-
Increase (decrease) in due to other funds	-	-	-	-	-	-
Increase (decrease) deferred charge on refunding	(35,135)	-	-	-	-	-
Increase (decrease) lease payable	-	29,603	(13,793)	-	15,810	1,341
Increase (decrease) other liabilities	5,097	18,473	(970)	10,969	33,569	-
Increase (decrease) interest payable	8,009	-	15,514	-	23,523	107
Increase (decrease) in due to other entities	-	-	-	-	-	-
Increase (decrease) in compensated absences	(23,180)	(7,491)	2,040	19,767	(8,864)	(6,633)
Total adjustments	664,357	593,701	372,374	19,767	2,471,445	(24,089)
Net cash provided (used) by operating activities	<u>\$ 1,766,930</u>	<u>\$ 2,074,356</u>	<u>\$ 2,116,235</u>	<u>1,572,745</u>	<u>7,530,266</u>	<u>\$ 2,612</u>
Noncash investing, capital, and financing activities						
Contributions from contractors	\$ 1,555,412	-	\$ 1,560,950	1,462,269	4,578,631	-



Notes to the Financial Statements

The notes to the financial statements are included to provide information that is essential to the user's understanding of the basic financial statements.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Payson City, Utah was incorporated under the laws of the Territory of Utah on January 1, 1853.

The City is a municipal corporation governed by an elected five-member Council and Mayor. The City operates under a council-mayor form of government and provides the following broad range of services to its citizens: general and administrative services, public safety (police and fire), highways and streets, sanitation, recreation and parks, public improvements, planning and zoning. It also operates the water, sewer, storm and power utilities for the City. The City is also home to a beautiful golf course.

Accounting and Reporting Policies

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Council (GASB). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Component Units

The City, for financial purposes, includes all of the funds and accounts relevant to the operations of Payson City. The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis that the board is essentially the same as the City Council and the services are provided to the City. The City also facilitates the budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the Redevelopment Agencies and the Building Authority are included in the accompanying financial statements and reported Redevelopment Agency special revenue funds. These funds are considered to be blended component units.

The City currently has no blended component units.

Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental columns, has been removed from those statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, will be 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 the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.



The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. For Payson, this also illustrates government entity independence. Separate statements will be presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Projects Fund

The capital projects fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by proprietary funds.)

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

The City has seven proprietary funds: Water, Sewer, Storm, Landfill, Power, Ambulance and Golf Course. The major proprietary funds are: Water, Power and Sewer.

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 or services in connection with a proprietary fund's principal ongoing operating. Operating expenses for the proprietary funds include the cost of personal and contractual services, materials and supplies, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the



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

Statement of Net Position; and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The economic resources measurement focus means that all assets and liabilities (whether current or non-current) are included on the *Statement of Net Position*; and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers amounts collected within 60 days after year-end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, and Fund Balance or Equity

Deposits and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents for reporting purposes in the *Statement of Cash Flows for the Proprietary Funds*.

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 Utah 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.



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

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.

For more information on deposits and custodial credit risk, please see the section on “custodial credit risk.” Under Note 3, Deposits and Investments.”

Receivables and payables and transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds.”

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in both governmental and proprietary funds.

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.

Inventory

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

Restricted and Unassigned Net position

Fund balance should also be reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in GASB 54 authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for a specific purpose stipulated in the legislation.

Examples of restricted fund balance include restricted assets that are comprised of cash restricted for future payments of principal and interest on debt services or for pension-related transactions.

It is the policy of the City to use assets in the following order: Restricted committed, assigned and then unassigned assets.

When both restricted and unassigned resources are available for use for the same purposes, restricted resources are expended first, in order to meet statutory, budgetary, grant or revenue requirements. For instance, if the City receives grants, the City has maintained the policy that those funds for grant expenses will be expended prior to expending City allocated funds, in order to report to the State that all funds distributed for the grant have been properly expended.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds. All current capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets having an original cost of \$5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	10-50 years
Improvements other than buildings	20-50 years
Machinery and Equipment	5-20 years
Infrastructure	40-60 years

The City has adopted an allowable alternative to reporting depreciation for its road and if the City obtains bridges, they will use it on their bridge networks. Under this alternative method, referred to as the “modified approach,” the City must maintain an asset management system and demonstrate that its roads and bridges 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 expenses.

Compensated Absences

Compensated absences consist of vacation pay and sick pay. The City accrues vacation pay when earned. Accrued vacation pay over two-times the annual vacation allowed is forfeited on an annual basis.

The City has a policy which allows employees to accumulate a total of 960 sick leave hours. Payout of sick leave upon termination of 25% of accrued sick leave is available. At June 30, 2020, the total liability for compensated absences was \$1,301,075.

Deferred Outflows/Inflows of Resources

Beginning in 2017, Payson implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



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

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. 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 will not be recognized as an inflow of resources (revenue) until that time. The City has two primary Deferred Outflows, refunding bond costs and pension related costs.

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 and pension related costs. 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, 2020 for the 2020-2021 Fiscal year.

Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the City when they are collected. Property taxes and fees on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Utah County on behalf of the City and remitted to the City monthly. At June 30, 2020, only delinquent taxes are uncollected.

In accordance with government accounting standards, a receivable and deferred revenue has been recorded for property taxes assessed at January 1, 2020 that will not be collected in the current fiscal year.

Long-term obligations

In the government-wide financial statements and in the 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*.



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

Fund Balance

Beginning with fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting in Governmental Fund Types Definitions*. 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 funds beginning 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:

- a) Debt service
- b) Perpetual care
- c) Redevelopment
- d) Impact fees.
- e) B&C Road funds

As a general rule, the City applies restricted resources to projects before applying unrestricted resources. A good example is in the application of B&C road funds which are restricted to specific projects related to B&C road maintenance; another example is the use of impact fees which are restricted to identified growth-related projects. These are used prior to using unrestricted funds.

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 not committed any fund balance amounts.

Assigned. This category includes General Fund balance amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. The policy to assign fund balance generally

comes from the City Council as a formal action, during a noticed Council meeting or budget approval. This category also includes the remaining positive fund balance for other governmental funds. The City has assigned debt service requirement, Municipal building, special revenues, and capital projects.



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

Unassigned. Residual balances in the General Fund are classified as unassigned.

When committed, assigned, and unassigned resources are available for use for the same purpose, the expenditure will be examined to determine which category of fund balance will be applied to the expenditure. Committed funds will always be used as identified by the formal action of the Council.

Assigned funds will be the next strategic use of fund balance; and if no specific guidance or determination of fund balance is given, unassigned fund balance will be applied.

Pensions

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) including additions to and 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at June 30, 2020 and revenues and expenses during the year then ended. The actual results could differ from those estimates.

NOTE 2 – BUDGET AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles. The City maintains legally adopted budgets.

The City Council approves by resolution the total budget appropriation and the individual fund appropriations. The City Finance Officer is authorized to transfer budget amounts within departments of a fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council. For Payson's budget, budgetary control is maintained primarily at the department and fund level.

Unused appropriations for most of the annually budgeted funds lapse at the end of the year. The exceptions of course are, those budgets for long-term capital projects.

NOTE 3 – DEPOSITS AND INVESTMENTS

The City follows the requirements of the Utah Money Management Act (*Utah Code Annotated 1953, Section 51, Chapter 7*) and the rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.



NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The City’s carrying value in the City’s bank accounts was \$4,820,548. All amounts not covered by federal depository insurance at June 30, 2020 totaled \$4,570,548. No deposits are collateralized, nor is that required by State statute.

Custodial Credit risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure the City’s deposits may not be recovered. The City’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured up to a mandatory limit 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. As of June 30, 2020, the deposits were as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2020</u>
Checking Account	Insured	\$ 4,493,627
Xpress bill Pay	Insured	326,921
PTIF	Uninsured	29,098,836
Moreton Investment Account	Uninsured	<u>4,292,358</u>
Total Deposits		<u>\$ 38,211,742</u>

Investments. Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As with Deposits, the City’s policy for managing custodial credit risk of investments is to adhere to the Money Management Act.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City’s policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the U.S. treasury and U.S government-sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations defined in the Act.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The City is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements.



The PTIF is not registered with the SEC (Securities and Exchange Commission) as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of June 30, 2020 Payson, City's investments had the following quality ratings:

Investment	Quality Ratings					
	Fair Value	AAA	AA	A	<A	Unrated
Utah Public Treasurers' Investment Fund (PTIF)	\$ 29,113,559	\$ -	\$ -	\$ -	\$ -	\$ 29,113,559
Morten Asset Management Account						
Corporate	4,140,482	-	1,134,895	2,407,014	200,079	398,494
Current	7	7	-	-	-	-
MMM Fund	141,433	141,433	-	-	-	-
Total	4,281,922	141,440	1,134,895	2,407,014	200,079	398,494
	<u>\$ 33,395,481</u>	<u>\$ 141,440</u>	<u>\$ 1,134,895</u>	<u>\$ 2,407,014</u>	<u>\$ 200,079</u>	<u>\$ 29,512,053</u>

Fair Value of Investments

The fair value of the PTIF balance approximates the cost; the difference is considered immaterial. The fair value of the City's position in the PTIF is the same as the value of the pool shares.

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 access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these does not entail any significant degree of judgement. 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.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

On June 30, 2020, Payson City had the following recurring fair value measurements.

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



NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Security Type Category	Level 1	Level 2	Level 3	Other	Total
CD	\$ -	\$ 2,202,727	\$ -	\$ -	2,202,727
Corporate	-	2,027,129	-	-	2,027,128.82
Currency	7	-	-	-	6.73
MM Fund	141,426	-	-	-	141,426.20
Public Treasurers Investment	-	29,113,559	-	-	-
Total	\$ 141,433	\$ 33,343,415	\$ -	\$ -	\$ 4,371,289

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

- U.S. Treasuries, Money Markets, 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;
- Bond Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers’ Investment Fund: application of the June 30, 2020, fair value factor, as calculated by the Utah State Treasurer, to Payson City’s average daily balance in the fund; and,
- Donated Real Estate: recent appraisals of the real estate’s value.

Debt and equity securities classified in Level 1 are valued using the following approaches. Some securities have a structure that implies a standard expected market price. Examples include a floating rate note with frequent resets that make it reasonable to expect the price to stay at par or an open-ended money market fund expected to maintain a Net Asset Value of \$1 per share. These securities are priced at the expected market price.

- 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, Bond and Equity Mutual Funds: published fair value per share (unit) for each fund.



NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing in the PTIF and by adhering to the Money Management Act. The 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 of commercial paper to 270 days or less and fixed-rate negotiable deposits and corporate obligations to 365 days 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 corporate note securities may not have a remaining term to final maturity exceeding three years.

As of June 30, 2020, Payson City's investments had the following maturities:

Investment	Investment Maturities			
	<1 Year	1-3 Years	3-5 Years	> 5 Years
Utah Public Treasurers' Investment Fund (PTIF)	\$ 29,113,559	\$ -	\$ -	\$ -
Morten Asset Management Account				
Agency	-	-	-	-
Corporate	825,432	2,282,085	1,032,965	-
Current	7	-	-	-
MMM Fund	141,426	-	-	-
Total	966,865	2,282,085	1,032,965	-
	<u>\$ 30,080,424</u>	<u>\$ 2,282,085</u>	<u>\$ 1,032,965</u>	<u>\$ -</u>

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual funds, are as follows:

Receivables:	Governmental Funds				Non-Major	Total
	Funds	Water	Electric	Sewer	Proprietary	
Accounts	\$ 1,522,942	\$ 429,595	\$ 1,133,566	\$ 421,974	\$ 838,694	\$ 4,346,771
Taxes	2,329,247	-	-	-	-	2,329,247
Other	838,299	-	-	-	-	3,990,257
	<u>\$ 4,690,488</u>	<u>\$ 429,595</u>	<u>\$ 1,133,566</u>	<u>\$ 421,974</u>	<u>\$ 838,694</u>	<u>\$ 10,666,275</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES TRANSFERS AND DEFERRED INFLOWS

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund or the fund remitting the debt service payments as they become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



NOTE 5 – INTERFUND RECEIVABLES, PAYABLES TRANSFERS AND DEFERRED INFLOWS (Continued)

As of June 30, 2020, Payson City had the following transfers:

Transfer In:	General	Capital Projects	Nonmajor Enterprise	Total
General	\$ -	\$ -	\$ 328,083	\$ 328,083
Capital Projects	-	-	-	-
Water	348,560	-	-	348,560
Electric	1,244,888	-	-	1,244,888
Sewer	268,249	-	-	268,249
Non Major Enterprise	286,725	90,000	-	376,725
Non Major Governmental	230,735	-	-	230,735
Total Transfers:	<u>\$2,379,157</u>	<u>\$ 90,000</u>	<u>\$ 328,083</u>	<u>\$ 2,797,240</u>

Deferred inflows (formerly referred to as deferred revenue) 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* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (general fund)	\$ -	\$ 1,507,516
Delinquent Property Taxes (general fund)	45,225	
Total deferred/unearned revenue for govnm'tl funds	<u>\$ 45,225</u>	<u>\$ 1,507,516</u>

Remainder of page intentionally left blank



NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

Primary Government	Beginning	Restated				Ending
Governmental activities:	Balance	Balance	Increases	Transfers	Decreases	Balance
Capital assets not being depreciated:						
Land (Including ROW)	\$ 2,991,502	\$ 2,972,244	\$ 259,507	\$ -	\$ -	3,231,751
Infrastructure	21,833,603	23,782,739	2,824,047	-	-	26,606,786
Construction in Progress	754,757	754,757	-	-	(754,757)	-
Total capital assets not being depreciated	<u>25,579,862</u>	<u>27,509,740</u>	<u>3,083,554</u>	<u>-</u>	<u>(754,757)</u>	<u>29,838,537</u>
Capital assets being depreciated:						
Buildings	8,728,456	8,728,456	-	-	-	8,728,456
Improvements other than buildings	8,190,814	8,290,021	856,568	-	-	9,146,589
Machinery and Equipment	3,742,931	3,743,023	336,913	-	-	4,079,936
Vehicles	2,453,042	2,453,041	95,185	-	(79,430)	2,468,796
Total capital assets being depreciated	<u>23,115,243</u>	<u>23,214,541</u>	<u>1,288,666</u>	<u>-</u>	<u>(79,430)</u>	<u>24,423,777</u>
Less accumulated depreciation for:						
Buildings	(3,466,019)	(3,466,022)	(217,835)	-	-	(3,683,857)
Improvements other than buildings	(5,638,385)	(5,612,826)	(207,417)	-	-	(5,820,243)
Machinery and Equipment	(3,045,459)	(3,071,016)	(111,475)	-	-	(3,182,491)
Vehicles	(1,888,749)	(1,888,750)	(186,941)	-	79,430	(1,996,261)
Total accumulated depreciation	<u>(14,038,612)</u>	<u>(14,038,614)</u>	<u>(723,668)</u>	<u>-</u>	<u>79,430</u>	<u>(14,682,852)</u>
Total capital assets, being depreciated, net	9,076,631	9,175,927	564,998	-	-	9,740,925
Governmental activities capital assets, net	<u>\$ 34,656,493</u>	<u>\$ 36,685,667</u>	<u>\$ 3,648,552</u>	<u>\$ -</u>	<u>\$ (754,757)</u>	<u>\$ 39,579,462</u>
	Beginning	Restated				Ending
	Balance	Balance	Increases	Transfers	Decreases	Balance
Business-type activities:						
Capital assets not being depreciated:						
Water Shares	\$ 198,400	\$ 198,400	\$ -	\$ -	\$ -	\$ 198,400
Land	8,309,002	8,309,002	40,000	-	-	8,349,002
Construction in Progress	1,559,039	1,559,038	5,619,300	-	-	7,178,339
Total capital assets not being depreciated	<u>10,066,441</u>	<u>10,066,440</u>	<u>5,659,300</u>	<u>-</u>	<u>-</u>	<u>15,725,741</u>
Capital assets being depreciated:						
Buildings	1,197,751	1,197,750	52,817	-	-	1,250,568
Improvements	80,487,592	80,487,590	8,345,660	-	-	88,833,252
Machinery, equipment and Vehicles	13,066,081	13,066,081	2,804,135	-	(1,024,587)	13,821,042
Total capital assets being depreciated	<u>94,751,424</u>	<u>94,751,421</u>	<u>11,202,612</u>	<u>-</u>	<u>(1,024,587)</u>	<u>103,904,862</u>
Less accumulated depreciation for:						
Buildings	(477,060)	(485,064)	(26,389)	-	-	(511,453)
Improvements	(39,030,245)	(39,022,242)	(1,557,440)	-	-	(40,579,682)
Machinery and Equipment	(8,704,519)	(8,704,520)	(856,222)	-	(459,691)	(9,101,051)
Total accumulated depreciation	<u>(48,211,824)</u>	<u>(48,211,826)</u>	<u>(2,440,051)</u>	<u>-</u>	<u>-</u>	<u>(50,192,186)</u>
Total capital assets, being depreciated, net	46,539,600	46,539,595	8,762,561	-	(1,024,587)	53,712,676
Business-type activities capital assets, net	<u>\$ 56,606,041</u>	<u>\$ 56,606,035</u>	<u>\$ 14,421,861</u>	<u>\$ -</u>	<u>\$ (1,024,587)</u>	<u>\$ 69,438,417</u>

The 2019 assets were re-stated to reflect the balances in the asset system of the City



NOTE 6 – CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$	112,903
Public Safety		94,373
Highways and Public Improvements		126,490
Economic Development		28,702
Parks and Recreation		358,755
Capital assets held by the government's internal		<u>2,445</u>
Total depreciation expense - Governmental Activities	\$	<u><u>723,668</u></u>

Business-type activities:

Water	\$	648,282
Electric		398,520
Sewer		565,230
Solid Waste		318,382
Golf Course		182,527
Storm Drain		225,677
Ambulance		<u>101,532</u>
Total depreciation expense - Business-Type Activities	\$	<u><u>2,440,150</u></u>
Total depreciation expense	\$	<u><u>3,163,818</u></u>



Remainder of page intentionally left blank

NOTE 7 – LEASE COMMITMENTS

Capital Leases:

Payson City has executed various capital leases.

Assets acquired through capital leases are as follows:

<i>Capital Leases, Governmental Funds</i>	<i>Remaining 2020</i>
2017 Dev. Serv. Truck 3.25% Revolving Loan Fund (orig. amt \$25,863)	5,149
2017 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$31,685)	6,224
2017 Maintenance Util Veh 3.25% Revolving Loan Fund (orig. amt \$14,430)	2,700
2017 Parks ½ Ton 3.25% Revolving Loan Fund (orig. amt \$25,863)	5,076
2018 Streets ½ Ton 3.25% Revolving Loan Fund (orig. amt \$31,500)	13,627
2018 Streets F350 3.25% Revolving Loan Fund (orig. amt \$31,550)	11,025
2018 Parks ½ Ton 3.25% Revolving Loan Fund (orig. amt \$34,400)	13,750
2018 Recreation ½ Ton 3.25% Revolving Loan Fund (orig. amt \$30,154)	11,456
2018 B&C Plow and Sander 3.25% Revolving Loan Fund (orig. amt \$20,040)	6,661
2018 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$23,385)	7,305
2018 Gymnastic Addition 3.25% Revolving Loan Fund (orig. amt \$60,000)	23,682
2019 B&C 10-Wheeler 3.25% Revolving Loan Fund (orig. amt \$203,000)	124,846
2019 Maintenance ½ Ton 3.25% Revolving Loan Fund (orig. amt \$32,900)	19,745
2019 Cemetery ½ Ton 3.25% Revolving Loan Fund (orig. amt \$32,900)	19,745
2019 Grounds Mower 3.25% Revolving Loan Fund (orig. amt \$32,930)	18,740
2020 Admin Vehicle 3.25% Revolving Loan Fund (orig. amt \$25,000)	19,500
2020 Admin Vehicle 3.25% Revolving Loan Fund (orig. amt \$25,000)	19,500
2020 Cemetery Mower 3.25% Revolving Loan Fund (orig. amt \$26,250)	20,750
2020 Parks Seeder 3.25% Revolving Loan Fund (orig. amt \$18,500)	14,500
2020 Recreation Groomer 3.25% Revolving Loan Fund (orig. amt \$14,000)	11,000
2020 Mow Trailer 3.25% Revolving Loan Fund (orig. amt \$7,000)	5,500
2020 Streets Flatbed 3.25% Revolving Loan Fund (orig. amt \$55,000)	43,000
2020 Facilities F250 3.25% Revolving Loan Fund (orig. amt \$34,000)	26,800
From Outside Sources	
2020 B&C Motor Grader 3.55% (original amount (\$697,000))	188,488
Total Capital Leases	\$ 638,769
Less Noncurrent	456,327
Current portion	182,442



NOTE 7 – LEASE COMMITMENTS (Continued)

Capital Leases, Enterprise Funds

From Revolving Loan Fund

	Remaining 2020
2017 Landfill F250 3.25% (orig amt \$30,380)	6,156
2017 Electric F150 3.25% (orig amt \$28,574)	5,925
2017 Electric F150 3.25% (orig amt \$28,574)	5,854
2017 Sewer Explorer 3.25% (orig amt \$28,907)	5,887
2017 Sewer F350 3.25% (orig amt \$37,713)	8,217
2017 Golf Carts 3.25% (orig amt \$102,740)	42,920
2018 Garbage Truck 3.25% Revolving Loan Fund (orig.amt \$258,254)	107,027
2018 Golf Equipment 3.25% Revolving Loan Fund (orig. amt \$92,575)	36,120
2018 Electric F350 3.25% Revolving Loan Fund (orig. amt \$35,790)	13,513
2019 Golf RV Park 3.25% Revolving Loan Fund (orig. amt \$150,000)	134,550
2019 Electric Bucket Truck 3.25% Revolving Loan Fund (orig. amt \$115,533)	50,183
2018 Golf Carts 3.25% (orig amt \$126,870)	76,116
2020 Electric F150 3.25% Revolving Loan (orig. amt \$47,900)	38,923
2020 Golf Mower 3.25% Revolving Loan (orig. amt. \$62,850)	49,350
2020 Electric Fork Lift 3.25% Revolving Loan Fund (orig amt \$62,793)	51,025
2020 Golf Mules 3.25% Revolving Loan Fund (orig amt \$15,000)	11,800
2020 Water Ford F-150	29,078
2020 Golf Mules 3.25% Revolving Loan Fund (orig amt \$15,000)	29,078

From Outside Sources

2019 Shredder for Landfill 3.2% (original amount \$725,500)	458,922
2020 Dozer 3.35% (original amount (\$313,100)	267,571

Total Capital lease	1,428,215
Less Noncurrent	1,026,551
Current portion	401,664

Capital lease future debt service requirements are as follows:

Lease Arrangements	Governmental	Business
Year		
2021	\$ 203,306	\$ 459,694
2022	178,286	395,569
2023	139,305	272,417
2024	68,204	165,626
2025	104,113	118,080
2026+	-	108,229
Total minimum lease payments	\$ 693,214	\$ 1,567,118
Amount representing interest	(54,445)	(138,903)
Present value of minimum payments	638,769	1,428,215
Amount due within one year	182,442	401,664
Long term capital lease payable	\$ 456,327	\$ 1,026,551



NOTE 8-LONG-TERM DEBT

Bonds and notes payable at June 30, 2020 are comprised of the following:

Revenue Bonds	<u>Governmental</u>	<u>Business-Type</u>
\$4,940,832 Sales Tax Revenue Bond, due in bi-annual payments from 2017 to 2026. Interest at 1.66 %. 2020 Payment of \$534,619.	\$ 3,551,808	
\$2,915,000 2016 Sewer Revenue Bonds, due in bi-annual payments from 2017 to 2026. Interest at 2.50%. 2020 Payment of \$529,800.		\$ 1,020,000
Bond, due in bi-annual payments from 2017 to 2032. Interest at .95%-3.80%. 2020 payment of \$221,220.		\$ 2,389,000
Bond, due in bi-annual payments from 2013 to 2029. Interest at 2%-3%. 2020 Payment of 577,445.		\$ 5,080,000
\$2,977,168 2016 Sewer sales Refunding Bond due in bi-annual payments from 2017 to 2026. Interest at 1.66%. 2020 payment of \$322,143.		\$ 2,140,192
\$2,500,000 2019 Sewer Revenue Bond due in annual payments from 2020 to 2024. Interest at 2.17%. 2020 payment of \$30,440.		\$ 2,500,000
Not to exceed \$8,985,000 2019 Water Revenue bond due in annual payments from 2019 to 2040. Interest at 1%. 2020 payment of \$856,762.		\$ 6,545,000
Total	\$ 3,551,808	\$ 19,674,192



NOTE 8-LONG-TERM DEBT (Continued)

Future annual requirements for all outstanding bond obligations as of June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>All Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	2,244,000	414,740	2,658,740
2022	2,287,000	374,100	2,661,100
2023	1,794,000	342,510	2,136,510
2024	4,323,000	275,510	4,598,510
2025	1,864,000	216,963	2,080,963
2026-2030	7,550,000	593,695	8,143,695
2031-2035	3,052,000	113,619	3,165,619
2036	112,000	1,120	113,120
	<u>\$ 23,226,000</u>	<u>\$ 2,332,257</u>	<u>\$ 25,558,257</u>

Remainder of page intentionally left blank



NOTE 8-LONG-TERM DEBT (Continued)

Changes in long-term debt are as follows:

Changes in Long Term Debt

<u>Government Type Activities</u>	2019	Additions	Reductions	2020	Due within One Year
Bonds Payable					
2016 Sales Tax Refunding-Pool	4,023,552	-	471,744	3,551,808	479,232
Total Bonds Payable	4,023,552	-	471,744	3,551,808	479,232
Capital Lease	405,159	645,811	411,201	639,769	182,442
Accrued Compensated Absences	627,036	119,013	-	746,049	-
Govt Activities Long-Term Debt	<u>\$ 5,055,747</u>	<u>\$ 764,824</u>	<u>\$ 882,945</u>	<u>\$ 4,937,626</u>	<u>\$ 661,674</u>
					Due within One Year
<u>Business Type Activities</u>	2019	Additions	Reductions	2020	Due within One Year
Bonds Payable					
2016 Sewer Sales Tax Refunding	\$ 2,424,448	\$ -	\$ 284,256	\$ 2,140,192	\$ 288,768
2016 Sewer Revenue Refunding	1,512,000	-	492,000.00	1,020,000	504,000
2013 Water Refunding Bond	5,525,000	-	445,000	5,080,000	460,000
2016 Water Tank Revenue Refunding	2,550,000	-	161,000	2,389,000	163,000
2019 Water Revenue Bond	2,040,000	4,505,000	-	6,545,000	349,000
2019 Sewer Refunding	-	2,500,000	-	2,500,000	-
Total Bonds Payable	14,051,448	7,005,000	1,382,256	19,674,192	1,764,768
Capital Lease	1,470,509	732,370	774,664	1,428,215	401,664
Accrued Compensated Absence	507,477	-	8,863	498,614	-
Water Share Liability	269,585	265,213	-	534,788	-
Closure and Postclosure Liability	952,107	-	-	952,107	-
Business activities long- term debt	<u>\$ 17,251,126</u>	<u>\$ 8,002,583</u>	<u>\$ 2,165,783</u>	<u>\$ 23,087,916</u>	<u>\$ 2,166,432</u>

Remainder of page intentionally left blank



NOTE 9-PENSION PLANS

State Retirement

General Information about the Pension Plan

Plan description: 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 employees, retirement system.
- Firefighters Retirement System (Firefighters System); are multiple employer, cost sharing, retirement systems.
- Public Safety Retirement System (Public Safety System) is a cost-sharing, multiple-employer public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employees, retirement systems.
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) (is a multiple employer, cost sharing, public employee retirement system.

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

The Utah Retirement 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 Retirement System (URS) Council, 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.

Remainder of page intentionally left blank



NOTE 9-PENSION PLANS (Continued)

Summary of Benefits by System

Benefits provided: URS provides retirement, disability and death benefits.

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percentage per Year of Service	COLA**
Noncontributory System	Highest 3 Years	30 years any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.9% 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 on employer
Firefighters 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 4%
Tier 2 Public Employees System	Highest 5 Years	35 years, any age; 20 years, age 60; 10 years, age 62; 4 years age 65	1.5% per year, all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years any age; 20 years, age 60; 10 years, age 62; 4 years, age 65	1.5% per year to June 2020. 2.99% per year July 2020 to present	Up to 2.5%

*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.

Remainder of page intentionally left blank



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. Contribution rates as of June 30, 2020 are as follows:

At June 30, 2020, we reported a net pension asset of \$36,734 and a net pension liability of \$2,629,445.

Contribution Rate Summary

Asset Class		Employee	Employer	Employer 401(k)
Contributory System	111 Local Governme	N/A	15.66	1.03
Noncontributory System	15 Local Governmer	N/A	18.47	N/A
Public Safety System				
Contributory	122 Tier 2 DB Hybr	N/A	23.13	0.7
Noncontributory	43 other Div A with	N/A	34.04	N/A
Firefighters Retirement System	31 Other Division A	15.05	4.61	N/A
	132 Tier 2 DB Hybr	N/A	11.38	0.7
Tier 2 DC Only	211 Local Governme	N/A	6.69	10
	222 Public Safety	N/A	11.83	12
	232 Firefighters	N/A	0.08	12

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

Remainder of page intentionally left blank



Contribution Rate Summary (Continued)

For fiscal year ended June 30, 2020, the employer and employee contributions to the systems were as follows:

System	Employee Contributions	Employee Contributions
Noncontributory System	\$ 671,645	N/A
Public Safety System	301,594.00	-
Firefighters System	4,437.00	14,486
Tier 2 Public Employees System	218,905.00	-
Tier 2 Public Safety and Firefighter	104,756.00	-
Tier 2 DC Only System	24,764.00	-
Total Contributions	\$ 1,326,101	\$ 14,486

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 System

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

Contribution Rate Summary:

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

	(Measurement Date): December 31, 2019				Share	Change	
	Net Pension Asset	Net Pension Liability	Proportion Share				
Noncontributory System	\$ -	\$ 1,622,133	0.0000430	%	0.4344554	%	(0.0040522) %
Contributory System	-	-	-	%	-	%	-
Public Safety System	-	965,372	0.6012467	%	0.5363490	%	0.6489770 %
Firefighters System	36,734	-	0.2961964	%	0.2965966	%	(0.0004002) %
Judges Retirement System	-	-	-	%	-	%	-
Governors and Legislators	-	-	-	%	-	%	-
Tier 2 Public employees	-	19,220	0.0854594	%	0.0938492	%	(0.0083898) %
Tier 2 Public Safety Firefighter	-	22,720	0.2415341	%	0.2571392	%	(0.0156051) %
	<u>\$ 36,734</u>	<u>\$ 2,629,445</u>					

The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019, 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, 2020 we recognized pension expense of \$1,402,830.



Contribution Rate Summary (Continued)

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 183,647	\$ 55,654
Changes in assumptions	\$ 234,009	\$ 3,729
Net difference between projected and actual earnings on pension plan and investments	\$ -	\$ 1,194,387
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 106,466	\$ 38,331
Contributions subsequent to the measurement date.	\$ 684,307	\$ -
	\$ 1,208,429	\$ 1,292,101

\$684,307 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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:

<u>Year ended December 31</u>		<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$	(136,444)
2021	\$	(236,205)
2022	\$	29,749
2023	\$	(448,988)
2024	\$	3,367
Thereafter	\$	20,542

Remainder of page intentionally left blank



Contribution Rate Summary (Continued)

Noncontributory System Pension Expense, and Deferred outflows and Inflows of Resources

For the year ended June 30, 2020, we recognized pension expense of \$808,068.

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 147,552	\$ 23,301
Changes in assumptions	\$ 171,803	\$ -
Net difference between projected and actual earnings on pension plan and investments	\$ -	\$ 820,327
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 3,928	\$ 26,130
Contributions subsequent to the measurement date.	\$ 335,583	\$ -
	\$ 658,866	\$ 869,758

\$335,583 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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:

<u>Year ended December 31</u>		<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$	(77,284)
2021	\$	(178,836)
2022	\$	21,521
2023	\$	(311,875)
2024	\$	-
Thereafter	\$	-



Contribution Rate Summary (Continued)

Public Safety System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, we recognized pension expense of \$443,820.

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 16,789	\$ 20,613
Changes in assumptions	\$ 32,939	\$ -
Net difference between projected and actual earnings on pension plan and investments	\$ -	\$ 329,643
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 84,870	\$ 11,588
Contributions subsequent to the measurement date.	\$ 155,363	\$ -
	\$ 289,961	\$ 361,844

\$155,363 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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:

<u>Year ended December 31</u>		<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$	(51,761)
2021	\$	(51,678)
2022	\$	1,447
2023	\$	(125,253)
2024	\$	-
Thereafter	\$	-

Remainder of page intentionally left blank



Contribution Rate Summary (Continued)

Firefighters System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, we recognized pension expense of (\$24,077).

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 7,137	\$ 5,137
Changes in assumptions	\$ 15,664	\$ 2,972
Net difference between projected and actual earnings on pension plan and investments	\$ -	\$ 24,058
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 623	\$ 61
Contributions subsequent to the measurement date.	\$ 2,222	\$ -
	\$ 25,646	\$ 32,228

\$2,222 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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:

<u>Year ended December 31</u>		<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$	(4,805)
2021	\$	(3,480)
2022	\$	5,607
2023	\$	(6,622)
2024	\$	494
Thereafter	\$	1

Remainder of page intentionally left blank



Contribution Rate Summary (Continued)

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, we recognized pension expense of \$107,973.

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 5,377	\$ 6,596
Changes in assumptions	\$ 8,207	\$ 552
Net difference between projected and actual earnings on pension plan and investments	\$ -	\$ 14,775
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 12,606	\$ -
Contributions subsequent to the measurement date.	\$ 134,891	\$ -
	\$ 161,081	\$ 21,923

\$134,891 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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:

<u>Year ended December 31</u>		<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$	(2,135)
2021	\$	(1,848)
2022	\$	677
2023	\$	(4,059)
2024	\$	1,852
Thereafter	\$	9,778

Remainder of page intentionally left blank



Contribution Rate Summary (Continued)

Tier 2 Public Safety and Firefighter Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, we recognized pension expense of \$67,045.

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 6,792	\$ 7
Changes in assumptions	\$ 5,396	\$ 205
Net difference between projected and actual earnings on pension plan and investments	\$ -	\$ 5,584
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 4,439	\$ 553
Contributions subsequent to the measurement date.	\$ 56,249	\$ -
	\$ 72,876	\$ 6,349

\$56,249 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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:

<u>Year ended December 31</u>		<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$	(460)
2021	\$	(363)
2022	\$	497
2023	\$	(1,180)
2024	\$	1,020
Thereafter	\$	10,764

Remainder of page intentionally left blank



Actuarial Assumptions

The total pension liability in the December 31, 2019, 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, 2019, valuation was 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 and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		Long Term expected portfolio real rate of return
	Target asset allocation	Real Return Arithmetic Basis	
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	40.00%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.90%
Absolute Return	16.00%	2.85%	0.46%
Cash and Equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.76%
Inflation			2.5
Expected Arithmetic nominal return			7.25

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions



Actuarial Assumptions (continued)

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 remained unchanged at 6.95 percent.

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:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 5,066,487	\$ 1,622,133	\$ (1,250,422)
Public Safety System	\$ 2,500,689	\$ 965,372	\$ (282,368)
Firefighters System	\$ 75,122	\$ (36,734)	\$ (127,473)
Tier 2 Public Employees System	\$ 165,746	\$ 19,220	\$ (94,017)
Tier 2 Public Safety and Firefighter	\$ 80,260	\$ 22,720	\$ (19,995)
Total	\$ 7,888,304	\$ 2,592,711	\$ (1,774,275)

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

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.

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

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



Defined Contribution Savings Plans (Continued)

	2020		2019		2018
401(k) Plan					
Employer Contributions	\$ 58,261	\$	50,700	\$	52,766
Employee Contributions	\$ 16,609	\$	9,666	\$	6,920
457 Plan					
Employer Contributions	\$ -	\$	-	\$	-
Employee Contributions	\$ 2,120	\$	345	\$	3,007
Roth IRA plan					
Employer Contributions	N/A		N/A		N/A
Employee Contributions	\$ 20,300	\$	22,930	\$	22,490

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 \$1,200,273 as of June 30, 2020, 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.

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, 2020, 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 \$600,000. The City will bond only if inadequate cash flow from the City's landfill requires bonding to cover closure and post-closure costs.



NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damage, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. There have been no significant reductions in the coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The City also has purchased a workers' compensation policy.

NOTE 12– 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 84121-0877.

South Utah Valley Municipal Water Association (SUVMWA). The City is a member of SUVMWA, 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, and acquire, construct, improve, operate, or maintain projects for the water and wastewater treatment facility.

Payson is a 19.29% participant in SUVMWA.

Separate financial statements for SUVMWA may be obtained from the Manager of Finance at 40 south Main, Spanish Fork, Utah 84660.

NOTE 13– Redevelopment Agency

The Payson City Redevelopment Agency (RDA) was established to further public purposes in the redevelopment of certain City areas.

Additional information about the RDA can be found in the financial statements, particularly, in the "Other Supplementary Information Schedule" section of the financial report.



NOTE 14– SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, the City, was a subrecipient, through Utah County, of a grant to help offset the costs of the COVID-19 pandemic. The grant was a federal grant entitled the “CARES” (Coronavirus Response and Relief Supplemental Appropriations Act of 2021) act grant.

This grant was used not only to offset some of the costs associated with the pandemic, such as public safety expenses (fire, police, and ambulance); cleaning and safety supplies such as masks, disinfectants protective distancing windows; citizen social distancing events and re-structuring; enhanced technology to allow for continued governmental activities and meetings; but also, as a business stimulus program for the businesses of Payson.

As a business stimulus, each citizen was issued five- ten- dollar coupons to be used at local businesses. The local businesses were then reimbursed for the coupons they collected.

As of the completion of this financial report, the COVID-19 pandemic is still a concern. Utah County is considered a high-transmission area by the State of Utah. Playgrounds and buildings continue to be cleaned and sterilized. Mask are required both inside and outside in Utah County, the County in which Payson resides.

NOTE 15 – LITIGATION

The City is a defendant in certain legal actions, pending actions, or in the process for miscellaneous claims. The ultimate liability which might result from the final resolution of the above matters is not presently determinable. City management is of the opinion the final outcome of the cases will not have an adverse effect on the City’s financial statements.

Remainder of page intentionally left blank

Page Intentionally Left Blank



Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered part of the basic financial statements. Such information includes:

Modified Approach

- Asset Management System Reporting
- Road Network
- Bridge Network

Budgetary Comparison Schedules

- General Fund

Pension Disclosures

**Required Supplementary Information
Modified Approach – Asset Management System**

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City and City’s capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

For budgetary comparison, the schedules are presented in a basis that is consistent with GAAP.

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

Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.

Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.

Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the City.

Document whether the infrastructure assets are being preserved approximately at or above the condition level established by the City.

Road System

The condition of the City 92.8 miles of road pavement is measured using the Distress Identification Manual for Long-Term Pavement Performance Projects published by the Strategic Highway Research Program (SHRP), which is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from 0 to 20 years remaining service life for pavement.

Measurement Scale

The condition index is used to classify roads in the following remaining service life categories: 19 to 20 years, 13 to 18 years, 9 to 12 years, 7 to 8 years and 0 to 6 years.

An approximation of the condition and RSL is as follows:

Category	RSL	Description
Very Good	19-20	New or nearly new pavement which provides a very smooth ride and is mainly free of distress. (no maintenance work needed.)
Good	13-18	Pavement which provides an adequate ride, and exhibits few, if any, visible signs of distress. (Minor maintenance may be needed.)
Fair	9-12	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride of the user (Major maintenance is likely needed.)
Poor	7-8	These roadways have deteriorated to such an extent that they are in need of resurfacing, and the ride is noticeably rough. (Structural improvements, in addition to Major maintenance, are likely needed).
Very Poor	0-6	Pavement in this category is severely deteriorated, and the ride quality is unacceptable (Complete road construction is likely needed.)

Established Condition Level

It is the City’s policy to maintain the roads with 50% of the roads with a remaining service life of 9 years or better.

Subjective Condition Rating of Street Network
Percentage of Network

0 to 6	46.00%
7 to 8	24.00%
9 to 12	13.00%
13 to 18	1.00%
19 to 20	16.00%
Total	<u>100.00%</u>

Average remaining service life is 9

Accounting principles generally accepted in the United States of America require reporting the last three complete condition assessments and needed-to-actual information for five years.

Subjective Condition Rating of Street Network			
Percentage of Network			
	2020	2019	2018
0 to 6	46.00%	51.00%	18.10%
7 to 8	24.00%	27.00%	22.89%
9 to 12	13.00%	14.00%	50.43%
13 to 18	1.00%	1.00%	1.34%
19 to 20	16.00%	7.00%	7.24%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
RSL	9	8	10

The schedule below showing the percentage of roads in each service life category only presents information as of the most recent condition assessment period.

Comparison of Needed to Actual Costs
Road Maintenance/Preservation

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Budget	\$ 408,750	\$ 450,661	\$ 235,662	\$ 508,588	\$ 595,372	\$ 459,808
Actual	\$ 376,897	\$ 382,128	\$ 224,644	\$ 485,828	\$ 573,109	\$ 483,808

Remainder of page intentionally left blank

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual
For Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues (inflows)				
Taxes	\$ 6,106,000	\$ 6,167,500	\$ 6,436,998	\$ 269,498
License and permits	341,750	366,750	727,099	360,349
Intergovernmental Grants and funds	1,180,738	1,358,638	2,482,730	1,124,092
Charges for services	1,785,900	1,817,005	1,415,970	(401,035)
Other fees and services	11,000	11,000	11,897	897
Franchise Fees	78,000	78,000	105,380	27,380
Fines and forfeitures	216,000	216,000	228,237	12,237
Miscellaneous	2,008,834	2,640,453	2,008,834	(631,619)
Contributions	11,000	11,000	12,609	1,609
Interest income	130,300	130,300	381,255	250,955
Total revenues	<u>11,869,522</u>	<u>12,796,646</u>	<u>13,811,009</u>	<u>1,014,363</u>
Expenditures (outflows)				
General government	4,535,226	4,922,906	4,211,209	711,697
Public safety	4,154,896	4,510,916	3,771,199	739,717
Public improvements	1,474,221	2,071,121	1,665,162	405,959
Parks and recreation	3,072,769	3,191,083	2,700,568	490,515
Cemetery	374,547	367,547	330,715	36,832
Community Events	298,535	298,535	270,530	28,005
Debt Service	387,000	387,000	390,269	(3,269)
Total expenditures	<u>14,297,194</u>	<u>15,749,108</u>	<u>13,339,652</u>	<u>2,384,720</u>
Other Financing Sources and Uses				
Transfers in	2,251,424	2,856,033	2,387,439	(468,594)
Transfers out	(308,000)	(338,000)	(335,667)	2,333
Total Other Financing Sources/Uses	<u>1,943,424</u>	<u>2,518,033</u>	<u>2,051,772</u>	<u>(466,261)</u>
Excess (deficiency) of revenues over expenditures	<u>(484,248)</u>	<u>(434,429)</u>	<u>2,523,129</u>	<u>(2,957,558)</u>
Fund balance at beginning of year	3,895,173	3,895,173	3,895,173	
Restated fund balance	-	-	-	
Fund balance at end of year	<u>\$ 3,410,925</u>	<u>\$ 3,895,173</u>	<u>\$ 6,418,302</u>	

Schedule of Required Supplementary Information
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Payson City
 Utah Retirement Systems
 December 31, 2019
 Last 10 Fiscal Years

	Noncontributory Retirement System	Tier 2 Public Safetys Retirement System	Firefighters Retirement System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement System
	2020				
Proportion of the net pension liability (asset)	0.4304032%	0.6012467%	0.2961964%	0.0854594%	0.2415341%
Proportionate share of the net pension liability (asset)	\$1,622,133	\$965,372	(\$36,734)	\$19,220	\$22,720
Covered Payroll	\$3,687,256	\$830,649	\$94,834	\$1,187,725	\$398,105
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.99%	116.22%	-38.74%	1.62%	5.71%
Plan fiduciary net position as a percentage of its covered-employee payroll	93.70%	90.90%	105.00%	96.50%	89.60%
	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	\$3,652,237	\$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%

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Continued)

	Noncontributory Retirement System	Tier 2 Public Safetys Retirement System	Firefighters Retirement System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement System
	2018				
Proportion of the net pension liability (asset)	0.4312374%	0.5283152%	0.3041595%	0.1000834%	0.2745910%
Proportionate share of the net pension liability (asset)	\$1,889,380	\$828,746	(\$18,996)	\$8,824	(\$3,234)
Covered 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%	0.2963540%
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%

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Continued)

	Noncontributory Retirement System	Tier 2 Public Safetys Retirement System	Firefighters Retirement System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement System
	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%

Payson City
Schedule of Required Supplementary Information
Schedule of Contributions

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required	Contribution deficiency (excess)	Covered 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	-	3,667,780	18.01%
	2018	662,381	662,381	-	3,651,113	18.14%
	2019	676,959	676,959	-	3,700,270	18.29%
	2020	671,645	671,645	-	3,678,397	18.26%
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%
	2020	301,594	301,594	-	885,998	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%
	2020	4,437	4,437	-	96,256	4.61%
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%
	2020	218,905	218,905	-	1,397,863	15.66%
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%
	2020	104,756	104,756	-	452,901	23.13%
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%
	2020	24,764	24,764	-	370,160	6.69%

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

Tier 2 systems were created 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.



Notes to the Required Supplementary Information



Payson City
Notes to Required Supplementary Information
For fiscal year ended June 30, 2020

Changes in Assumptions:

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

Remainder of page intentionally left blank



Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by accounting principles generally accepted in the United States of America, not a part of the financial statements, but are presented for additional analysis.

Such statements and schedules include:

Individual Fund Financial Statements and Schedules

- General Fund
- Special Revenue Funds:
- Combining Statements

Additional Schedules

- Schedule of Insurance in Force

Budgetary Comparison Schedules

Additional Auditor's Reports

- 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.

- Utah State Compliance Report based on the requirements, special tests, and provisions required by the State of Utah's Legal Compliance Guide.



General Fund

The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds.



Payson City
General Fund
Statement of Net Position
June 30, 2020

ASSETS	
Combined Cash and cash equivalents	\$ 9,332,068
Accounts Receivable	
Taxes	2,329,247
Grants and Contributions	838,299
Other	226,232
Prepaid expenses	12,600
Total assets	<u>12,738,446</u>
LIABILITIES	
	-
Accounts payable and accrued liabilities	249,407
Accrued salaries, wages and benefits	628,689
Due to other entities	22,975
Performance Bond	3,866,332
Total liabilities	<u>4,767,403</u>
DEFERRD INFLOW OF RESOURCES	
Deferred property tax revenue	<u>1,552,741</u>
Total deferred outflows of resources	1,552,741
NET POSITION	
Unassigned	<u>6,418,302</u>
Total net position	<u>\$ 6,418,302</u>



Payson City
Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual
General Fund
For Year Ended June 30, 2020

	Budgeted Amounts		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes			
Property taxes	\$ 1,350,000	\$ 1,518,378	\$ 168,378
Sales taxes	3,561,500	3,836,233	274,733
Energy taxes	710,000	719,551	9,551
Franchise taxes	386,000	247,845	(138,155)
Motor vehicle fees	98,000	111,853	13,853
Telephone tax	140,000	108,518	(31,482)
Room Tax	10,000	11,897	1,897
Total	6,255,500	6,554,275	298,775
Licenses and permits			
Business licenses	40,000	69,716	29,716
Building permits	325,000	655,288	330,288
Other permits	1,750	2,095	345
Total	366,750	727,099	360,349
Intergovernmental revenue			
State and other grants	397,744	1,366,014	968,270
Road fund allotments	950,000	1,110,990	160,990
Liquor fund allotments	-	-	-
Total	1,347,744	2,477,004	1,129,260
Charges for services			
Fire protection	10,000	33,253	23,253
Planning and Zoning	220,025	220,252	227
General Services	35,600	35,444	(156)
Total	265,625	288,949	23,324



Payson City
Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual (Continued)
General Fund
For Year Ended June 30, 2020

	Budgeted Amounts		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues (continued)			
Lease payments and other fees			
Safety contracts	298,620	72,677	(225,943)
Event, Recreation and Program Fees	1,153,354	933,507	(219,847)
Library fees	16,000	15,456	(544)
Court Fees/fines	200,000	212,781	12,781
Senior citizens fees	6,500	7,595	1,095
Parks Fees	5,000	6,725	1,725
Total	1,679,474	1,248,741	(430,733)
Cemetery fees			
Other Cemetery	122,000	128,453	6,453
Total	122,000	128,453	6,453
Miscellaneous revenues			
Interest earnings	130,000	381,255	251,255
Sale of surplus property and equipme	1,000	9,048	8,048
Donations	5,000	6,500	1,500
Other revenue	1,906,853	1,989,685	82,832
Total	2,042,853	2,386,488	343,635
Total revenues	12,446,696	13,811,009	2,091,412



Payson City
Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual (Continued)
General Fund
For Year Ended June 30, 2020

	Budgeted Amounts		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures			
General Government			
Administration	1,664,961	1,571,681	\$ 93,280
Legislative	379,628	323,580	56,048
Legal	455,187	426,371	28,816
Grounds Maintenance	259,152	182,295	76,857
Building Maintenance	537,985	495,177	42,808
Total	3,296,913	2,999,104	297,809
Public safety			
Police department	3,518,004	3,175,070	342,934
Fire/Ambulance	752,727	371,243	381,484
Victim's Advocate	97,901	85,634	12,267
Animal Control	142,284	139,252	3,032
Total	4,510,916	3,771,199	736,685
Public improvements			
Engineering	456,808	337,416	119,392
Planning and Zoning	589,599	594,021	(4,422)
Streets	546,832	449,104	97,728
CDBG	137,500	137,500	-
B&C	1,524,289	1,216,058	308,231
Total	1,730,739	1,518,041	212,698
Parks and recreation			
Parks department	647,421	530,513	116,908
Senior citizens	146,690	128,736	17,954
Youth Sports	405,242	311,219	94,023
Adult Sports	70,554	33,558	36,996
Snack Shack	84,622	60,498	24,124
Pool	871,829	781,067	90,762
Recreation department	590,307	561,124	29,183
Cemetery	367,547	330,715	36,832
Total	3,184,212	2,737,430	446,782



Payson City
Schedule of Revenues, Expenses and Changes in Fund Balance Budget to Actual (Continued)
General Fund
For Year Ended June 30, 2020

	Budgeted Amounts		Variance Favorable (Unfavorable)
	Budget	Actual	
Events			
Events	176,636	157,459	19,177
Salmon Supper	70,000	69,170	830
Onion Days	69,125	146	68,979
Peteetneet	76,960	56,855	20,105
Historic Preservation	-	3	(3)
Interfaith Council	1400	1365	35
Payson Community Theater	51,899	43,901	7,998
Total	<u>446,020</u>	<u>328,899</u>	<u>117,121</u>
Other			
Library	502,266	490,607	11,659
Communities that Care	46,732	43,572	3,160
Justice Court	238,146	230,237	7,909
Miscellaneous	-	4,505	(4,505)
Total	<u>787,144</u>	<u>768,921</u>	<u>22,728</u>
Total expenditures	<u>15,034,213</u>	<u>13,339,652</u>	<u>3,293,380</u>
Excess of revenues over expenditur	<u>(2,587,517)</u>	<u>471,357</u>	<u>5,384,792</u>
Other financing sources (uses)			
Transfers in	2,176,424	2,387,439	211,015
Transfers out	<u>(345,000)</u>	<u>(335,667)</u>	9,333
Total other financing sources (uses)	<u>1,831,424</u>	<u>2,051,772</u>	<u>220,348</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses			
	<u>(756,093)</u>	<u>2,523,129</u>	<u>\$ 5,605,140</u>
Fund balance at beginning of year	<u>3,895,179</u>	<u>3,895,173</u>	
Fund balance at end of year	<u>\$ 3,139,086</u>	<u>\$ 6,418,302</u>	



General Fund Analysis Governmental Funds



**Payson City
General Fund**
Comparative Five-Year Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	2016	2017	2018	2019	2020
Revenues					
Taxes	4,264,807	4,569,081	4,912,892	5,111,098	5,586,879
Licenses and permits	152,981	200,695	293,585	427,332	727,099
Franchise Fees	1,150,676	1,151,004	1,103,076	1,115,963	967,396
Charges for services	1,285,706	1,279,069	1,387,674	1,544,052	1,415,970
Lease payments and other fees					
Grants and Contributions	598,785	378,404	360,146	728,440	1,371,640
Fines and forfeitures	296,651	325,456	221,892	225,341	228,237
B&C Revenue	660,336	758,481	759,422	808,213	1,110,990
Other revenues	2,079,310	7,325,120	2,438,610	2,457,508	2,402,798
Total revenues	<u>10,489,252</u>	<u>15,987,310</u>	<u>11,477,297</u>	<u>12,417,946</u>	<u>13,811,008</u>
Expenditures					
General government	3,194,852	3,230,706	3,444,735	3,954,565	4,152,842
Public safety	3,387,970	3,319,938	3,283,225	3,460,737	3,771,199
Highways and Streets	1,175,124	1,283,590	1,416,595	1,264,399	1,665,163
Parks and recreation	2,449,339	2,635,048	2,767,458	3,650,994	2,700,568
Community Events	328,328	298,097	303,495	364,021	327,531
Cemetery	246,114	270,498	273,127	357,016	330,715
Miscellaneous	551,655	5,430,096	488,226	394,255	391,635
Total expenditures	<u>11,333,382</u>	<u>16,467,974</u>	<u>11,976,861</u>	<u>13,445,987</u>	<u>13,339,652</u>
Excess of revenues over expenditures	<u>(844,129)</u>	<u>(480,664)</u>	<u>(499,564)</u>	<u>(1,028,041)</u>	<u>471,356</u>
Other financing sources (uses)					
Net operating transfers in (out)	1,543,018	1,655,833	260,600	1,251,922	2,051,773
Total other financing sources (uses)	<u>1,543,018</u>	<u>1,655,833</u>	<u>260,600</u>	<u>1,251,922</u>	<u>2,051,773</u>
Excess (deficiencies) of revenues and other financing sources over (under) expenditures and other financing uses	698,889	1,175,169	(238,964)	223,881	2,523,129
Fund balances - beginning of year	<u>3,473,366</u>	<u>2,774,477</u>	<u>3,910,256</u>	<u>3,671,292</u>	<u>3,895,173</u>
Fund balances - end of year	<u>\$ 2,774,477</u>	<u>\$ 3,910,256</u>	<u>\$ 3,671,292</u>	<u>\$ 2,523,129</u>	<u>\$ 6,418,302</u>

***Compiled using current account structure



Payson City
General Fund
Analysis of Expenditures
For the Year Ended June 30, 2020

	2020				Total
	Salaries, Wages and Benefits	Materials, Supplies, and Core Services	Other Charges	Projects/ Equipment	
General Government					
Administration	\$ 843,099	\$ 716,814	\$ 4,709	\$ 11,000	\$ 1,575,623
Council	116,580	179,396	27,605	-	323,580
Legal	394,059	32,312	-	-	426,371
Grounds Maintenance	147,468	14,927	1,595	18,305	182,295
Buildings	235,127	179,269	1,028	79,753	495,177
Total	<u>1,736,332</u>	<u>405,904</u>	<u>30,228</u>	<u>98,059</u>	<u>3,003,046</u>
Public Safety					
Police department	2,525,231	438,799	2,097	208,943	3,175,070
Justice Court	211,872	18,365	-	-	230,237
Animal Control	86,274	52,978	-	-	139,252
Fire	233,288	116,238	2,825	18,891	371,243
Victim's Advocate	78,672	6,962	-	-	85,634
Total	<u>3,135,337</u>	<u>633,342</u>	<u>4,922</u>	<u>227,835</u>	<u>4,001,436</u>
Public Improvement					
Engineering	312,871	24,545	-	-	337,416
B&C Revenue	129,225	-	1,086,834	-	1,216,058
CBDG	-	-	137,500	-	137,500
Planning commission	479,535	107,118	1,639	5,728	594,020
Streets	192,571	211,045	996	44,492	449,104
Total	<u>1,114,202</u>	<u>342,707</u>	<u>1,226,969</u>	<u>50,220</u>	<u>2,734,098</u>
Parks, Recreation and Culture					
Parks department	314,606	99,682	992	115,233	530,513
Interfaith Council	-	-	1,365	-	1,365
Historic Preservation	-	-	3	-	3
Peteetneet	13,505	43,350	-	-	56,854
Onion Days	-	146	-	-	146
Salmon Supper	-	69,170	-	-	69,170
Senior citizens	97,569	24,478	-	6,689	128,736
Payson Community Theater	16,222	21,054	6,625	-	43,901
Swimming Pool	229,574	161,213	390,269	11	781,067
Recreation department	411,568	140,556	549	8,451	561,124
Youth Sports	31,820	268,119	-	11,845	311,784
Adult Sports	2,024	31,535	-	-	33,558
Snack Shack	27,490	33,008	-	-	60,498
Economic Develop/Events	72,719	84,740	-	-	157,459
Total	<u>1,217,097</u>	<u>977,051</u>	<u>399,803</u>	<u>142,228</u>	<u>2,736,179</u>
Other					
Library department	321,681	132,569	-	36,357	490,607
Cemetery	247,692	58,149	845	24,030	330,715
Communities that Care	36,459	7,113	-	-	43,572
Total	<u>605,832</u>	<u>197,830</u>	<u>845</u>	<u>60,387</u>	<u>864,894</u>
Transfers			<u>335,667</u>		<u>335,667</u>
Total Expenditures	<u>\$ 7,808,800</u>	<u>\$ 2,556,835</u>	<u>\$ 1,662,767</u>	<u>\$ 578,728</u>	<u>\$ 13,675,319</u>



Combining Financial Statements Governmental Funds



Payson City
Combining Balance Sheet
Non-Major Governmental Funds
For Period Ended June 30, 2020

	Special Revenue funds						Revolving Loan	Nonmajor Governmental funds
	RDA Town	RDA Bus Park	Impact Fee Parks	Impact Fee Public Safety	Parc Tax	Perepetual Care		
ASSETS								
Cash and Cash Equivalents								
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 263,412	\$ 524,102	\$ 285,912	\$ 1,073,426
Restricted	188,808	2,028,773	1,225,074	519,095	-	-	-	3,961,750
Receivables:								
Accounts	-	-	-	-	32,877	-	1,263,833	1,296,710
Total assets	<u>\$ 188,808</u>	<u>\$ 2,028,773</u>	<u>\$ 1,225,074</u>	<u>\$ 519,095</u>	<u>\$ 296,289</u>	<u>\$ 524,102</u>	<u>\$ 1,549,745</u>	<u>\$ 6,331,886</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	1,222	-	-	14,686	7,382	-	(549)	22,741
Total liabilities	<u>1,222</u>	<u>-</u>	<u>-</u>	<u>14,686</u>	<u>7,382</u>	<u>-</u>	<u>(549)</u>	<u>22,741</u>
FUND BALANCES								
Restricted:								
Impact Fees	-	-	1,225,074	504,409	-	-	-	1,729,483
Assigned	187,586	2,028,773	-	-	-	-	1,550,294	3,766,653
Committed	-	-	-	-	-	524,102	-	524,102
Unassigned	-	-	-	-	288,907	-	-	288,907
Total fund balances	<u>187,586</u>	<u>2,028,773</u>	<u>1,225,074</u>	<u>504,409</u>	<u>288,907</u>	<u>524,102</u>	<u>1,550,294</u>	<u>6,309,145</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 188,808</u>	<u>\$ 2,028,773</u>	<u>\$ 1,225,074</u>	<u>\$ 519,095</u>	<u>\$ 296,289</u>	<u>\$ 524,102</u>	<u>\$ 1,549,745</u>	<u>\$ 6,331,886</u>



Payson City
Combining Schedule of Revenues, Expenditures and changes in fund balance
Non-Major Governmental Funds
For Period Ended June 30, 2020

	Special Revenue Funds							Nonmajor Governmental
	RDA Town	RDA Bus Park	Impact Fee Park	Impact Fee Public Safety	PARC Tax	Perpetual Care	Revolving Loan	
REVENUES								
Taxes								
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 241,964	\$ -	-	\$ 241,964
Interest Income	-	-	16,263	6,683	-	10,041	44,696	77,683
Other	-	14,569	-	-	-	26,344	-	40,913
	<u>-</u>	<u>14,569</u>	<u>16,263</u>	<u>6,683</u>	<u>241,964</u>	<u>36,385</u>	<u>44,696</u>	<u>360,560</u>
EXPENDITURES								
Current:								
Public Safety	-	-	-	43,229	-	-	-	43,229
Parks and Recreation	-	-	-	-	32,695	-	-	32,695
Economic Development	12,277	215,365	-	-	-	-	-	227,642
Principal Retirement	-	-	127,371	-	-	-	-	127,371
Interest and Fiscal	-	-	16,975	-	-	-	-	16,975
Total expenditures	<u>12,277</u>	<u>215,365</u>	<u>144,346</u>	<u>43,229</u>	<u>32,695</u>	<u>-</u>	<u>-</u>	<u>447,912</u>
Excess revenues over (under) expenditures	<u>(12,277)</u>	<u>(200,796)</u>	<u>(128,083)</u>	<u>(36,546)</u>	<u>209,269</u>	<u>36,385</u>	<u>44,696</u>	<u>(87,352)</u>
Other Financing Sources (Uses)								
Impact Fees	-	-	634,983	169,499	-	-	-	804,482
Proceeds from the sale of assets	-	377,609	-	-	-	-	-	377,609
Transfers out	-	-	-	-	(230,735)	-	-	(230,735)
Total other financing sources and uses	<u>-</u>	<u>377,609</u>	<u>634,983</u>	<u>169,499</u>	<u>(230,735)</u>	<u>-</u>	<u>-</u>	<u>951,356</u>
Net change in fund balance	(12,277)	176,813	506,900	132,953	(21,466)	36,385	44,696	864,004
Fund balances - beginning of year	199,863	1,851,960	718,174	371,456	310,373	487,717	1,505,598	5,445,141
Fund balances - end of year	<u>\$ 187,586</u>	<u>\$ 2,028,773</u>	<u>\$ 1,225,074</u>	<u>\$ 504,409</u>	<u>\$ 288,907</u>	<u>\$ 524,102</u>	<u>\$ 1,550,294</u>	<u>\$ 6,309,145</u>



Combining Financial Statements Non-major Proprietary Funds



Payson City
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2020

	Enterprise funds				Total Nonmajor Funds
	Solid Waste	Ambulance	Golf Course	Storm Drain	
ASSETS					
Current Assets					
Combined Cash and cash equivalents					
Unrestricted	\$ 2,083,363	\$ 516,175	\$ 910,627	\$ 999,298	\$ 4,509,463
Accounts Receivable	344,184	409,578	-	84,932	838,694
Total Current Assets	2,427,547	925,753	910,627	1,084,230	5,348,157
Non Current Assets					
Combined Cash and cash equivalents					
Restricted	603,823	-	-	-	603,823
Net Pension Asset	2,665	-	1,378	-	4,043
Capital assets					
Land	55,123	-	1,258,621	-	1,313,744
Buildings and improvements	707,126.64	10,255	4,838,687	8,512,224	14,068,293
Machinery and equipment	4,793,747	964,604	1,697,270	599,158	8,054,779
Construction in progress	-	61,949	199,408	-	261,357
Less: accumulated depreciation	(2,949,009)	(611,099)	(4,582,738)	(1,861,741)	(10,004,587)
					-
Total Capital Assets Net	2,609,653	425,709	3,411,248	7,249,641	13,693,586
Total noncurrent assets	3,213,476	425,709	3,412,626	7,249,641	14,301,452
Total assets	5,641,023	1,351,462	4,323,253	8,333,871	19,649,609
DEFERRED OUTFLOW OF RESOURCES					
Deferred Charge on Refunding	-	-	-	-	-
Pension Related	26,738	-	52,236	68,715	147,689
Total deferred outflow of resources	26,738	-	52,236	68,715	147,689
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	61,338	15,752	10,473	13,415	100,978
Accrued salaries, wages and benefits	20,025	15,725	19,666	7,485	62,901
Due to other entities	-	-	13,549	-	13,549
Accrued Interest Payable	-	-	42,920	-	42,920
Long term liabilities					
Other long-term liabilities due within one year	272,389	-	90,664	-	363,053
Total Current Liabilities	353,752	31,477	177,272	20,900	583,401
Noncurrent Liabilities					
Net Pension Liability	71,815	-	110,579	139,817	322,211
Compensated Absences	71,010	-	89,026	50,020	210,056
Long term liabilities					
Closure and Postclosure liability	952,107	-	-	-	952,107
Debt service due in more than one year	-	-	-	-	-
Lease payments due in more than one year	566,342	-	289,270	-	855,612
Total noncurrent liabilities	1,661,274	-	488,875	189,837	2,339,986
Total liabilities	2,015,026	31,477	666,147	210,737	2,923,387
DEFERRD INFLOW OF RESOURCES					
Deferred property tax revenue					
Deferred inflows relating to pensions	73,707	-	55,706	11,764	141,177
Total deferred outflows of resources	73,707	-	55,706	11,764	141,177
NET POSITION					
Net investment in capital assets	1,770,922	425,709	3,411,248	7,249,641	12,857,520
Unassigned	1,808,106	894,276	242,388	930,444	3,875,214
Total net position	\$ 3,579,028	\$ 1,319,985	\$ 3,653,636	\$ 8,180,085	\$ 16,732,734



Payson City
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities				Total Nonmajor Enterprise Funds
	Solid Waste	Ambulance	Golf Course	Storm Drain	
Revenues					
Operating Revenues					
Charges for Services	2,637,093	\$ 622,863	\$ 1,063,762	\$ 815,141	\$ 5,138,859
Other Fees	226,341		5,292		231,633
Total operating revenues	<u>2,863,434</u>	<u>622,863</u>	<u>1,069,054</u>	<u>815,141</u>	<u>5,370,492</u>
Operating Expenses					
Costs of Sales and Service	722,841	418,979	482,056	146,182	1,770,058
Maintenance Operations and Professional	1,205,270	214,415	313,433	314,483	2,047,601
Depreciation	276,229	101,532	182,527	225,678	785,966
Total Operating Expenses	<u>2,204,340</u>	<u>734,926</u>	<u>978,016</u>	<u>686,343</u>	<u>4,603,625</u>
Operating Income (Loss)	<u>659,094</u>	<u>(112,063)</u>	<u>91,038</u>	<u>128,798</u>	<u>766,867</u>
Non-Operating Revenues (Expenses)					
Impact Fees	-	-	-	-	-
Interest Income	12,467	-	-	22,297	34,764
Interest Charges	(5,525)	-	(14,107)	-	(19,632)
Donations	-		2,018	-	2,018
Other	(6,951)	-	-	-	(6,951)
Totoal Non-Operating Revenues (Expenses)	<u>(9)</u>	<u>-</u>	<u>(12,089)</u>	<u>22,297</u>	<u>10,199</u>
Income before capital contributions and Transfer	<u>659,085</u>	<u>(112,063)</u>	<u>78,949</u>	<u>151,095</u>	<u>777,066</u>
Net operating transfers in (out)	(302,670)	(74,055)	328,083	-	(48,642)
Capital Contributions	-		-	1,462,269	1,462,269
Total expenditures	<u>(302,670)</u>	<u>(74,055)</u>	<u>328,083</u>	<u>1,462,269</u>	<u>1,413,627</u>
Changes in Net Position	<u>356,415</u>	<u>(186,118)</u>	<u>407,032</u>	<u>1,613,364</u>	<u>2,190,693</u>
Beginning Net Position	<u>3,222,613</u>	<u>1,506,103</u>	<u>3,246,604</u>	<u>6,566,721</u>	<u>14,542,041</u>
Ending Net Position	<u>3,579,028</u>	<u>1,319,985</u>	<u>3,653,636</u>	<u>8,180,085</u>	<u>16,732,734</u>

Additional Auditors' Reports

These additional reports are required by *Governmental Auditing Standards* and the Utah State Auditor's Office, respectively.



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

Honorable Mayor and City Council
Payson City
Payson, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Payson City, as of and for the year ended June 30, 2020, 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 January 13, 2021.

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 which 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
January 13, 2021



**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, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Justice Court
Restricted Taxes and Related Revenues
Open and Public Meetings Act
Treasurer's Bond
Cash Management

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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated January 13, 2021 as item 20-1 and 20-2. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control over Financial Reporting

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

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

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

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

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
January 13, 2021

Statistical Section

The statistical section of a government's comprehensive annual financial report (CAFR) is the principal source of information regarding a government's economic condition.

The statistical section of the CAFR is designed to meet these objectives: 1) provide information on financial trends, 2) provide information on revenue, 3) provide demographic and economic information, and 4) provide operating information. The purpose of these objectives is as follows:

Financial Trends. This is intended to help understand and assess how a government's financial position has changed over time.

Revenue Capacity Information. This is intended to help understand and assess the factor's affecting a government's ability to generate its own-source revenues by providing information about a government's most significant own-source revenue.

Debt Capacity Information. This information is intended to help understand and assess a government's debt burden and its ability to issue additional debt.

Demographic and economic information. This information is intended to help understand the socioeconomic environment within which a government operates and to provide information that enables comparisons of financial statement information over time and among governments.

Operating information. This information is intended to provide information about a government's operations and resources to assist in understanding a government's economic condition.



Payson CITY
Legal Debt Margin Informatin
Ten Fiscal Years
(Dollars in thousands)

Legal Debt Margin Calculation
Fiscal Year Ending June 2020
(dollars in thousands)

Assessed value	\$1,212,078
Debt limit (12% of assessed value)	145,449
Debt applicable to limit:	
General obligation bonds	<u> -</u>
Total net debt applicable to limit	<u>\$ -</u>
Legal debt margin	<u><u>\$ 145,449</u></u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assessed Value	\$1,212,078	\$1,058,156	\$ 959,664	\$ 889,829	\$ 826,592	\$ 758,361	\$ 706,495	\$ 687,291	\$ 691,784	\$ 701,087
Debt Limit (12% of assessed value)	<u>145,449</u>	<u>126,979</u>	<u>115,160</u>	<u>106,779</u>	<u>99,191</u>	<u>91,003</u>	<u>84,779</u>	<u>82,475</u>	<u>83,014</u>	<u>84,130</u>
Legal Debt margin	<u><u>\$ 145,449</u></u>	<u><u>\$ 126,979</u></u>	<u><u>\$ 115,160</u></u>	<u><u>\$ 106,779</u></u>	<u><u>\$ 99,191</u></u>	<u><u>\$ 91,003</u></u>	<u><u>\$ 84,779</u></u>	<u><u>\$ 82,475</u></u>	<u><u>\$ 83,014</u></u>	<u><u>\$ 84,130</u></u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Uah State Property Tax Division

Notes: Under state finance law, the city's outstanding general obligation debt should not exceed 12% of total assessed property value. Of this percent, a maximum of 4% may be used for general purpose. The remaining 8% and any unused portion of the 4% available for general purpose up to a maximum of 12% may be used for water, sewer, and electrical projects.



Payson City
Annual Income of Payson City Residents by Federal AGI
Ten Calendar Years

<u>Fiscal Year</u>	<u>Average AGI</u>	<u>Federal Returns Filed</u>	<u>Gross AGI for Payson</u>
2019	\$ 52,842	9,189	\$ 485,567,404
2018	\$ 53,123	8,903	\$ 472,956,947
2017	\$ 52,517	8,760	\$ 460,048,348
2016	\$ 49,752	8,639	\$ 429,803,965
2015	\$ 48,600	8,434	\$ 409,890,987
2014	\$ 46,779	8,050	\$ 376,570,520
2013	\$ 46,322	7,858	\$ 363,995,393
2012	\$ 46,379	7,769	\$ 360,315,232
2011	\$ 44,105	7,530	\$ 332,112,813
2010	\$ 43,776	7,222	\$ 316,148,919

Notes: Personal income - <https://tax.utah.gov/econstats/income/federal-returns>
AGI= Adjusted Gross Income for Income purposes



Payson City
Pledged Revenue Coverage
Ten Fiscal Years
(Dollars in thousands)

Fiscal Year	Water Bonds						Sewer Bonds				Sales Tax Increment Bonds			
	Utility Service	Less: Operating	Net Available	Debt Service			Utility Service	Debt Service			Sales & Use Tax	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage		Principal	Interest	Coverage
2020	\$ 3,950	\$ 1,989	\$ 1,961	606	257	2.27	\$ 3,948	\$ 492	\$ 38	7.4491	\$ 3,836	\$ 756	\$ 101	4.48
2019	3,696	1,701	1,995	599	143	2.69	3,642	\$ 480	\$ 50	6.8717	3,510	\$ 741	\$ 113	4.11
2018	3,242	1,463	1,779	582	214	2.06	3,449	468	62	6.5075	3,398	729	125	3.98
2017	3,219	1,976	1,243	425	196	2.00	3,363	450	22	7.1250	3,164		50	63.28
2016	2,659	1,284	1,375	539	257	1.73	3,266	44	82	25.9206	2,957			-
2015	2,526	1,145	1,381	210	246	3.03	1,996	66	60	15.8413	2,837			-
2014	2,596	789	1,807	191	251	4.09	1,948			-	2,705			-
2013	2,425	721	1,704	-	15	113.60	1,934			-	2,616			-
2012	2,079	803	1,276	-	-	-	1,851			-	2,516			-
2011	2,001	672	1,329	-	-	-	1,868			-	2,323			-
2010			-	-	-	-	1,786	-	-	-	2,165			-
2009			-	-	-	-	1,744	-	-	-	2,306			-
2008			-	-	-	-	1,734	-	-	-	2,541			-
2007			-	-	-	-	1,641	-	-	-	2,512			-
											\$ -			

Source: Payson City

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.



Payson City

Demographic and Economic Statistics
Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (Federal AGI)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2019	20,740	485,567,404	23,412	4.1%
2018	20,249	472,956,947	23,357	3.2%
2017	19,850	460,048,348	23,176	3.5%
2016	19,771	429,803,965	21,739	3.6%
2015	19,502	409,890,987	21,018	3.4%
2014	19,495	376,750,520	19,325	3.6%
2013	19,342	363,995,393	18,819	4.3%
2012	19,160	360,315,232	18,806	5.5%
2011	18,949	332,112,813	17,527	6.7%
2010	18,515	316,148,919	17,075	8.0%

Sources: Unemployment rate - <http://www.bls.gov/eag/eag.ut.htm>
 Personal income - www.tax.utah.gov/esu/income
 Population Projections



Payson City
Schedule of Insurance
 July 1, 2019-June 30, 2020

Description	Company	Liability Limit	Effective Date
General Liability	Utah Local Governments Trust	\$5,000,000	6/30/2021
Public Officials E&O	Utah Local Governments Trust	\$5,000,000	6/30/2021
Employment Practices	Utah Local Governments Trust	\$500,000	6/30/2021
Auto Liability	Utah Local Governments Trust	\$5,000,000	6/30/2021
Property	Utah Local Governmets Trust	\$49,188,453	6/30/2021
Contents	Utah Local Governments Trust	\$24,370,800	6/30/2021
Contractors equipment	Utah Local Governments Trust	\$4,897,635	6/30/2021
EDP equipment	Utah Local Governments Trust	\$292,160	6/30/2021
Equipment in the Open	Utah Local Governments Trust	\$8,413,032	6/30/2021
Valuable Papers	Utah Local Governments Trust	\$250,000	6/30/2021
Earthquake	Utah Local Governments Trust	\$220,000,000	shared 6/30/2021
Flood	Utah Local Governments Trust	\$110,000,000	shared 6/30/2021
Crime	Utah Local Governments Trust	\$5,000,000	shared 6/30/2021
Auto Physical Damage	Utah Local Governments Trust	Actual cash value, 130 vehicles ins	6/30/2021
Public Official Treasurer Bond	N/A	Now Included in Crime Coverage	6/30/2021



Acknowledgment for the Picture on the Cover

[...https://www.google.com/search?q=forebay+payson&tbm=isch&ved=2ahUKewjyw_mhp5zuAhUJiZ4KHZU8CIUQ2-cCegQIABAA&oq=forebay+payson&gs_lcp=CgNpbWcQAzIECAAQGDofCAAQsQM6AggAOggIABCxAXCDAToECAAQQzoHCAAQsQMQQzoGCAAQCBAeULXpAViigQJgxYICaABwAHgAgAFuiAGDC5IBAzcuN5gBAKABAaoBC2d3cy13aXotaW1nwAEB&scient=img&ei=Y68AYLKGOImS-gSV-aCoCA&bih=969&biw=1920&rlz=1C1GCEU_enUS879US879#imgrc=zq8cB2jtoZAa1M](https://www.google.com/search?q=forebay+payson&tbm=isch&ved=2ahUKewjyw_mhp5zuAhUJiZ4KHZU8CIUQ2-cCegQIABAA&oq=forebay+payson&gs_lcp=CgNpbWcQAzIECAAQGDofCAAQsQM6AggAOggIABCxAXCDAToECAAQQzoHCAAQsQMQQzoGCAAQCBAeULXpAViigQJgxYICaABwAHgAgAFuiAGDC5IBAzcuN5gBAKABAaoBC2d3cy13aXotaW1nwAEB&scient=img&ei=Y68AYLKGOImS-gSV-aCoCA&bih=969&biw=1920&rlz=1C1GCEU_enUS879US879#imgrc=zq8cB2jtoZAa1M)



Thank you, from the Administration and Staff of Payson City, for your interest in our City.