



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2019

**PERRY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2019**

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Independent Auditor's Report

To the Mayor and City Council
Perry City, 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 Perry City (the City), as of and for the year ended June 30, 2019 and the related notes to the financial statements. We have also audited the discretely presented component unit financial statements as of and for the year ended December 31, 2018. These financial statements 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 of 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 Perry City, as of June 30, 2019 and its discretely presented component unit as of December 31, 2018 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 - 11 and 50 - 53 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 the City's internal control over financial reporting and compliance.

Christensen, Palmer & Ambrose P.C.

December 16, 2019
Ogden, Ut

MANAGEMENT'S

DISCUSSION

&

ANALYSIS

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

The following is a discussion and analysis of Perry City's (City) financial performance and activities for the year ended June 30, 2019. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-Wide

- The City's combined net position increased \$927,152 or 5.0 percent from the prior year. Business-type activities increased \$284,485 and governmental activities increased \$642,667.

Governmental Fund Level

- Fund balances in the City's governmental funds increased \$245,329 or 9.7 percent over the prior year's governmental fund balance. Fund balance increased due to governmental revenues exceeding expenses for the year. Revenues were up due to grants received for road easements. Expenses for most departments were higher than the prior year, specifically Streets for costs to purchase road easements. The change in fund balance was less this year than it was in the prior year.

Proprietary Fund Level

- Fund balances in the City's utility fund increased \$200,756 over the prior year. The increase was due to consistent operating income and increased interest rates. Impact fees were down this year which explains the decrease in net income from the prior year. Sewer fund assets increased \$83,729 due primarily to consistent operating income and fewer repairs and maintenance expenses. Impact fee collections were also down in the sewer fund. Both the utility fund and the sewer fund provided program revenues which exceeded program expenses. Total net increase in net position for the proprietary funds was \$284,485 over last year.

Long-Term Debt

- The City's long-term debt decreased from \$9,173,678 to \$8,365,963, or -8.8 percent due primarily to principal payments on the debt. Principal reductions of bonds and notes payable totaled \$803,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information concerning budgetary comparisons.

Government-Wide Statements – Reporting the City as a Whole

The statement of net position and the statement of activities comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the City's net position - the difference between total assets and total liabilities - and how they have changed from the prior year. Over time, increases and decreases in net position measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however, additional nonfinancial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The government-wide statements distinguish the programs of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The City's governmental activities include general administration, judicial, public safety, streets, parks, community development, and interest on long-term debt. The City has two business-type activities, utility and sewer.

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

Fund Financial Statements - Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into three types, each of which uses a different accounting approach:

Governmental Funds - The majority of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year end that are available for future spending. This short-term view of the City's financial position helps determine whether the City has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds - The City uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The City has two enterprise funds, the utility fund and the sewer fund. The City also operates an internal service fund to account for the City's fleet operations.

Component Units – The City's financial statements include information for two discretely presented component units, the Box Elder County & Perry City Flood Control component unit and the Box Elder County & Perry City Flood Control Capital Projects component unit. These component units are legally separate entities from the City, yet the City remains financially accountable for them. These component units will be presented discretely on the financial statements.

Reconciliation Between Government-Wide and Fund Statements

The financial statements include schedules that reconcile the amounts reported for governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Long-term debt proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- Net pension assets and liabilities as well as deferred inflows and outflows related to defined benefit plan pensions are required to be reported on a government-wide basis but are not reported on the governmental fund statements.

Notes to the Financial Statements

The notes provide additional schedules and information that are essential for a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

The City adopts an annual budget for its governmental funds as well as its proprietary funds. A budgetary comparison schedule for the City's general fund is included.

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

A large component of the City's net position, 65 percent, reflects investments in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

The City's net position increased \$927,152 or 5 percent as a whole. Net position of governmental activities increased \$642,667 over last year, or 7 percent. Net position of business-type activities increased in the amount of \$284,485 or 3 percent.

Restricted net position comprised 8 percent of total net position and is subject to external restrictions on how it may be used. The remaining 27 percent of net position is unrestricted and may be used by the City to meet ongoing obligations to citizens and creditors.

A summary of the net position of the City is as follows:

Perry City Corporation
Net Position
June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4,728,983	\$ 4,389,040	\$ 6,288,024	\$ 6,258,022	\$ 10,969,326	\$ 10,533,639
Capital assets	<u>7,411,748</u>	<u>7,092,431</u>	<u>14,087,389</u>	<u>14,354,601</u>	<u>21,499,137</u>	<u>21,447,032</u>
Total assets	<u>12,140,731</u>	<u>11,481,471</u>	<u>20,375,413</u>	<u>20,612,623</u>	<u>32,468,463</u>	<u>31,980,671</u>
Deferred outflows	<u>277,274</u>	<u>301,452</u>	<u>112,644</u>	<u>121,413</u>	<u>389,918</u>	<u>422,865</u>
Current and other liabilities	731,002	633,439	933,140	903,737	1,616,461	1,423,753
Long-term liabilities	<u>889,817</u>	<u>773,030</u>	<u>7,583,721</u>	<u>8,121,823</u>	<u>8,473,538</u>	<u>8,894,853</u>
Total liabilities	<u>1,620,819</u>	<u>1,406,469</u>	<u>8,516,861</u>	<u>9,025,560</u>	<u>10,089,999</u>	<u>10,318,606</u>
Deferred inflows	<u>1,524,143</u>	<u>1,746,078</u>	<u>1,855,820</u>	<u>1,877,585</u>	<u>3,379,963</u>	<u>3,623,663</u>
Net Position						
Investment in capital assets, net of related debt	6,466,127	6,582,431	6,127,389	5,753,601	12,593,516	12,336,032
Restricted	775,246	648,356	697,490	598,258	1,472,736	1,246,614
Unrestricted	<u>2,031,670</u>	<u>1,399,589</u>	<u>3,290,497</u>	<u>3,479,032</u>	<u>5,322,167</u>	<u>4,878,621</u>
Total Net Position	<u>\$ 9,273,043</u>	<u>\$ 8,630,376</u>	<u>\$ 10,115,376</u>	<u>\$ 9,830,891</u>	<u>\$ 19,388,419</u>	<u>\$ 18,461,267</u>
Percentage change from prior year:	7%	5%	3%	5%	5%	5%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

Change in Net Position

Total revenues for 2019 increased 6 percent from last year because the city received grant money to purchase road easements in preparation for a future road in the city. Program expenses increased \$245,198, or 5 percent overall. This was mostly a result of increased salaries and benefits expense, as well as some more road projects and planning for other future projects in the City.

Below is a table comparing the City's sources of revenues and expenses for fiscal year 2019:

Perry City Corporation
Change in Net Position
For the Year Ended June 30, 2019

	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	2019	2018	2019	2018	2019	2018	2018-2019
Revenues:							
General revenues:							
Taxes	\$2,323,588	\$ 2,273,028	\$ -	\$ -	\$ 2,323,588	\$ 2,273,028	2%
Other Revenues	92,862	75,295	146,876	95,586	239,738	170,881	40%
Program revenues:							
Charges for services	371,344	362,380	1,696,425	1,662,569	2,067,769	2,024,949	2%
Operating grants and contributions	283,617	338,265	120,660	232,400	404,277	570,665	-29%
Capital grants and contributions	<u>503,577</u>	<u>94,265</u>	<u>100,866</u>	<u>170,280</u>	<u>604,443</u>	<u>264,545</u>	128%
Total revenues	<u>3,574,988</u>	<u>3,143,233</u>	<u>2,064,827</u>	<u>2,160,835</u>	<u>5,639,815</u>	<u>5,304,068</u>	6%
Expenses:							
Judicial	26,151	35,890	-	-	26,151	35,890	-27%
Administration	724,080	671,426	-	-	724,080	671,426	8%
Public safety	865,805	786,141	-	-	865,805	786,141	10%
Highways and streets	534,923	480,902	-	-	534,923	480,902	11%
Parks	133,475	107,412	-	-	133,475	107,412	24%
Community development	617,997	542,043	-	-	617,997	542,043	14%
Interest on long-term debt	29,890	33,307	-	-	29,890	33,307	-10%
Water utility	-	-	693,403	621,803	693,403	621,803	12%
Sewer utility	-	-	<u>1,086,939</u>	<u>1,188,541</u>	<u>1,086,939</u>	<u>1,188,541</u>	0%
Total expenses	<u>2,932,321</u>	<u>2,657,121</u>	<u>1,780,342</u>	<u>1,810,344</u>	<u>4,712,663</u>	<u>4,467,465</u>	5%
Increase (decrease) before transfers	642,667	486,112	284,485	350,491	927,152	836,603	
Transfers in (out)	-	<u>(110,869)</u>	-	<u>110,869</u>	-	-	
Increase (decrease) in Net Position	642,667	375,243	284,485	461,360	927,152	836,603	11%
Net Position beginning	<u>8,630,376</u>	<u>8,255,133</u>	<u>9,830,891</u>	<u>9,369,531</u>	<u>18,461,267</u>	<u>17,624,664</u>	5%
Net Position ending	<u>\$ 9,273,043</u>	<u>\$ 8,630,376</u>	<u>\$ 10,115,376</u>	<u>\$ 9,830,891</u>	<u>\$ 19,388,419</u>	<u>\$ 18,461,267</u>	5%

See Independent Auditors' Report

**PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

Governmental Activities

The table below shows the extent to which the City's governmental activities relied on taxes and other general revenue to cover all of their costs. For 2019, these programs generated \$1,158,538, or 40 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,773,783 for program expenses, which was \$88,428 less than was required last year.

General fund tax collections increased from \$2,273,028 to \$2,323,588, or 2 percent, and other revenues increased 23 percent from \$75,295 to \$92,862 in 2019. The major contributor to the increase in general fund tax collections was due to the improving economy. Charges for services increased \$8,964 primarily due to services related to building activities. Operating grants decreased \$54,648 in 2019.

General governmental expenditures increased \$275,200 or 10 percent during fiscal year 2019 over 2018. There was fluctuation in many of the departments during the year. The Administration Department increased by \$52,654 or 8 percent over the prior year. The Public Safety Department increased by \$79,664 or 5 percent, the Highways and Streets Department increased by \$54,021 or 11 percent and Community Development increased by \$75,954 or 14 percent. The expenses increased mostly due to payroll increases, road projects and community development expenses.

**Perry City Corporation
Net Cost of Governmental Activities
For the Year Ended June 30, 2019**

	Total Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Total Expenses	
			2019	2018	2019	2018
Governmental activities						
Judicial	\$ 26,151	\$ 79,039	\$ (52,888)	\$ (48,523)	302%	235%
Administration	724,080	40,218	683,862	658,139	6%	2%
Public safety	865,805	63,575	802,230	748,799	7%	5%
Streets	534,923	698,579	(163,656)	156,221	131%	68%
Parks	133,475	45,848	87,627	21,089	34%	80%
Community development	617,997	231,279	386,718	293,179	37%	46%
Interest on long-term debt	<u>29,890</u>	<u>-</u>	<u>29,890</u>	<u>33,307</u>	0%	0%
 Total governmental activities	 <u>\$ 2,932,321</u>	 <u>\$ 1,158,538</u>	 <u>\$ 1,773,783</u>	 <u>\$ 1,862,211</u>	 40%	 30%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

Business-Type Activities

Total business-type activity revenues for 2019 were \$2,064,827, a decrease of \$96,008 or 4 percent over last year; 82 percent of total revenues were charges for services. Impact and connection fees accounted for 10 percent and investment earnings and other income, including grants for the sewer project, make up the other 8 percent. Total expenditures decreased by \$30,002 or 2 percent, and business type activities showed income of \$284,485, a decrease of \$176,875 over last year. Most of this negative change was due to no transfers out and less impact fees. Charges for services increased slightly during the year, and operating grants and contributions were received for \$120,660. Expenses, especially those in the utility fund, increased as there were more repairs and maintenance expenses along with increased payroll and benefits costs. Utility fund expenses were \$693,403 and sewer fund expenses were \$1,086,939. Both the utility department and the sewer department were able to cover their share of program expenses with charges for services, without relying on other sources of revenue. Impact fees in all departments decreased this year from \$327,806 in 2018 to \$216,366 in 2019, a decrease of 34 percent.

Perry City Corporation
Net Cost of Business-Type Activities
For the Year Ended June 30, 2019

	Total		Less Program		Program Revenues as a	
	Program					
	Expenses	Revenues	Net Program Costs		Percentage of Total Expenses	
	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Business-type activities						
Utility	\$ 693,403	\$ 802,010	\$ (108,607)	\$ (260,973)	116%	142%
Sewer	<u>1,086,939</u>	<u>1,115,941</u>	<u>(29,002)</u>	<u>6,068</u>	103%	99%
Total business-type activities	<u>\$ 1,780,342</u>	<u>\$ 1,917,951</u>	<u>\$ (137,609)</u>	<u>\$ (254,905)</u>	108%	114%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

In governmental activities during fiscal year 2019, the city had some capital expenses for the Police, including an addition to the gun range, and radios. The Administration department had capital expenditures for a sign, website upgrade and AV system. The largest capital expenditure was for corridor preservation engineering and easements that are showing as construction in progress.

In business-type activities, expenses were made for a storm drain at 2700 S, Well #1 Renovation and a meter reading system in the Utility Fund. The Sewer added a SCADA System to the lift station and a control panel/step screen.

The City holds \$21,499,138 in net capital assets. Of those, \$7,411,748 or 35 percent is held in governmental activity net capital assets. Business-type activities hold \$14,087,390 or 65 percent of total net capital assets. More information about capital assets is included in Note 4.

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 482,563	\$ -	\$ -	\$ 53,118	\$ 482,563	\$ 53,118
Land	188,825	188,825	394,738	394,738	583,563	583,563
Buildings	298,330	298,330	8,198,036	8,198,036	8,496,366	8,496,366
Improvements	972,212	963,743	26,754	26,754	998,966	990,497
Infrastructure	9,178,786	9,178,786	10,258,875	10,056,599	19,437,661	19,235,385
Machinery and equipment	242,729	215,314	1,840,191	1,727,695	2,082,920	1,943,009
Vehicles	859,905	898,445	239,999	239,999	1,099,904	1,138,444
Accumulated depreciation	<u>(4,811,602)</u>	<u>(4,651,013)</u>	<u>(6,871,203)</u>	<u>(6,342,339)</u>	<u>(11,682,805)</u>	<u>(10,993,352)</u>
Net capital assets	<u>\$ 7,411,748</u>	<u>\$ 7,092,430</u>	<u>\$ 14,087,390</u>	<u>\$ 14,354,600</u>	<u>\$ 21,499,138</u>	<u>\$ 21,447,030</u>

Long-Term Debt

The repayment of bonds for general fund special assessment, water and sewer continued in 2019. Principal of \$162,000 was paid off during 2019 on the 2005 Special Assessment Bonds, leaving an ending balance of \$348,000. The current portion due is \$170,000.

The 1998 Water Revenue Bonds are now paid off. Payments of \$41,000 were made during the current year, leaving a balance of zero.

The 2008 Sewer Revenue Bond still has 15 years until it is paid off, based upon the current amortization schedule. Principal payments of \$600,000 were made, and \$622,000 will be made next year. The ending principal balance as of June 30, 2019 was \$7,960,000.

See Independent Auditors' Report

**PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

Compensated absences had a balance of \$57,963. As a whole, long-term liabilities decreased from \$9,173,678 in 2018 to \$8,365,963 in 2019, down by \$807,715 or 9 percent.

Long-term liabilities consisted of the following at June 30:

**Perry City Corporation
Long-Term Liabilities
June 30, 2019**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018 - 2019</u>
Bonds payable	\$ 348,000	\$ 510,000	\$ 7,960,000	\$ 8,601,000	\$ 8,308,000	\$ 9,111,000	-9%
Compensated absences	<u>39,219</u>	<u>42,534</u>	<u>18,744</u>	<u>20,144</u>	<u>57,963</u>	<u>62,678</u>	-8%
Total	<u>\$ 387,219</u>	<u>\$ 552,534</u>	<u>\$ 7,978,744</u>	<u>\$ 8,621,144</u>	<u>\$ 8,365,963</u>	<u>\$ 9,173,678</u>	-9%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2019, the City's governmental funds reported combined fund balances of \$2,767,144. Of that amount, \$332,754 was reserved for park impact fees, \$18,081 for police impact fees, \$27,828 for fire impact fees, \$381,978 for Class C roads, \$19,428 for a tourism grant and \$44,134 is assigned to debt service. The fund balance of the internal service fund (fleet) is \$85,085 but is made up entirely of capital assets held in that fund. The general fund's unassigned fund balance closed with a balance of \$815,653, up \$187,010 from last year.

The following chart presents the City's 2019 ending fund balances:

**Perry City Corporation
Fund Balances/Net Position
June 30, 2019**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Internal Service Fund</u>	Component Units
Invested in capital assets	\$ -	\$ -	\$ -	\$ 3,369,434	\$ 2,757,955	\$ 315,676	\$ -
Reserved/restricted	775,246	-	-	566,046	131,443	-	422,004
Assigned	-	44,134	-	-	-	-	-
Unreserved/unassigned	<u>815,653</u>	<u>473,308</u>	<u>658,803</u>	<u>1,559,741</u>	<u>1,730,757</u>	<u>(230,591)</u>	<u>65,350</u>
Total	<u>\$ 1,590,899</u>	<u>\$ 517,442</u>	<u>\$ 658,803</u>	<u>\$ 5,495,221</u>	<u>\$ 4,620,155</u>	<u>\$ 85,085</u>	<u>\$ 487,354</u>
<i>Percent change from prior year</i>	5%	9%	23%	4%	2%	37%	8%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

General Fund Budgetary Highlights

The City prepares its budget according to state statutes. The most significant budgeted fund is the general fund. The City amended the general fund budget during the year to meet the needs of the programs as issues arose. The Public Safety and Streets budgets were reduced down during the year to reflect actual expenditures for the year.

Actual general fund revenues were \$3,419,989, or -12 percent below the original budget, and \$472,696, or 12 percent below the final budget. Actual expenditures were \$3,114,579, or 18 percent below the original budget, and \$313,350, or 9 percent below the final budget.

Debt Service Fund

The fund balance in the debt service fund increased \$43,795, or 9 percent during fiscal year 2019 due to transfers from Perry's general fund that have been used to make the debt payments.

Capital Projects Funds

The intent of the capital projects fund is to put aside money to help with the construction of various projects, including 1) City Hall Public Safety Building, 2) road projects for 1200 W South and 3) road projects for 1200 W North. During the year ended June 30, 2019, \$99,076 was transferred to the capital projects fund and total fund balance was \$648,667.

Utility Fund

The utility fund has total net position of \$5,495,221, which showed an increase of \$200,756 or 4 percent during 2019. Total operating revenues of \$701,144 were higher than last year by \$48,329 or 7 percent, and were more than sufficient to cover operating expenses of \$692,878, which increased by \$114,421 or 7 percent relative to the prior year.

Sewer Fund

The sewer fund has total net position of \$4,620,155, which showed an increase of \$83,729 or 2 percent during 2019. Total operating revenues of \$995,281 were higher than last year by \$96,761 or 11 percent, and were more than sufficient to cover operating expenses of \$833,140, which increased by \$68,089 or 9 percent relative to the prior year.

Internal Service Fund

The internal service fund maintains and allocates expenses for City vehicles to other funds. During 2019, the fund balance increased to \$85,085 from \$61,898 due to a gain on the sale of assets.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of Perry City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to the Perry City Director of Finance, 3005 South 1200 West, Perry, Utah, 84302-4229.

**BASIC
FINANCIAL
STATEMENTS**

PERRY CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,436,949	\$ 4,970,791	\$ 7,407,740	\$ 487,354
Accounts receivable (net of allowance)	239,263	125,152	364,415	-
Intergovernmental receivables				
Taxes receivable	664,781	-	664,781	-
Deposits	32,716	-	32,716	-
Due from other governmental agencies	520,158	-	520,158	-
Land held for resale	835,170	-	835,170	-
Restricted cash	-	1,144,347	1,144,347	-
Internal balances*	-	47,681	-	-
			-	
<i>Total current assets</i>	4,729,037	6,287,971	10,969,327	487,354
Noncurrent assets (net of accumulated depreciation)				
Construction in progress	482,563	-	482,563	-
Land	188,825	394,738	583,563	170,000
Buildings	222,699	6,442,941	6,665,640	-
Improvements	253,528	11,593	265,121	-
Infrastructure	5,893,286	6,323,901	12,217,187	560,719
Machinery and equipment	55,171	828,124	883,295	-
Vehicles	315,676	86,092	401,768	-
Net pension asset	(54)	53	(1)	-
<i>Total assets</i>	<u>12,140,731</u>	<u>20,375,413</u>	<u>32,468,463</u>	<u>1,218,073</u>
Deferred outflows of resources				
Deferred outflows of resources related to pensions	<u>277,274</u>	<u>112,644</u>	<u>389,918</u>	<u>-</u>
<i>Total deferred outflows of resources</i>	<u>277,274</u>	<u>112,644</u>	<u>389,918</u>	<u>-</u>

*Amounts have been eliminated in total column

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 280,236	\$ 202,025	\$ 482,261	\$ -
Accrued liabilities	65,495	-	65,495	-
Customer deposits	111,952	69,315	181,267	-
Capital lease obligation	49,403	-	49,403	-
Internal balances*	47,681	-	-	-
Current portion of long-term debt	170,000	622,000	792,000	-
Accrued interest	6,235	39,800	46,035	-
<i>Total current liabilities</i>	731,002	933,140	1,616,461	-
Long-term liabilities:				
Revenue bond payable	178,000	7,338,000	7,516,000	-
Capital lease obligation	133,507	-	133,507	-
Net pension liability	539,091	226,976	766,067	-
Compensated absences	39,219	18,745	57,964	-
<i>Total liabilities</i>	1,620,819	8,516,861	10,089,999	-
Deferred inflows of resources				
Deferred inflows related to pensions	26,170	9,309	35,479	-
Deferred inflows related to debt service fund	758,445	-	758,445	-
Unavailable revenue	739,528	1,846,511	2,586,039	-
<i>Total deferred inflows of resources</i>	1,524,143	1,855,820	3,379,963	-
Net position				
Invested in capital assets, net of related debt	6,466,127	6,127,389	12,593,516	730,719
Restricted for:				
Police impact fees	18,081	-	18,081	-
Fire impact fees	27,828	-	27,828	-
Park impact fees	332,754	-	332,754	-
Other purposes	-	697,490	697,490	-
Capital projects	-	-	-	378,529
Tourism grant	14,605	-	14,605	-
Class "C" road funds	381,978	-	381,978	-
Unrestricted	2,031,670	3,290,497	5,322,167	108,825
<i>Total net position</i>	\$ 9,273,043	\$ 10,115,376	\$ 19,388,419	\$ 1,218,073

*Amounts have been eliminated in total columns

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenue			Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
Administration	\$ 724,080	\$ 40,218	\$ -	\$ -	\$ (683,862)	\$ -	\$ (683,862)	\$ -
Judicial	26,151	79,039	-	-	52,888	-	52,888	-
Public safety	865,805	16,960	35,489	11,126	(802,230)	-	(802,230)	-
Streets	534,923	1,000	247,128	450,451	163,656	-	163,656	-
Parks	133,475	2,848	1,000	42,000	(87,627)	-	(87,627)	-
Community development	617,997	231,279	-	-	(386,718)	-	(386,718)	-
Interest on long-term debt	29,890	-	-	-	(29,890)	-	(29,890)	-
<i>Total governmental activities</i>	<u>2,932,321</u>	<u>371,344</u>	<u>283,617</u>	<u>503,577</u>	<u>(1,773,783)</u>	<u>-</u>	<u>(1,773,783)</u>	<u>-</u>
Business-type activities:								
Utility	693,403	701,144	-	100,866	-	108,607	108,607	-
Sewer	1,086,939	995,281	120,660	-	-	29,002	29,002	-
<i>Total business-type activities</i>	<u>1,780,342</u>	<u>1,696,425</u>	<u>120,660</u>	<u>100,866</u>	<u>-</u>	<u>137,609</u>	<u>137,609</u>	<u>-</u>
<i>Total primary government activities</i>	<u>\$ 4,712,663</u>	<u>\$ 2,067,769</u>	<u>\$ 404,277</u>	<u>\$ 604,443</u>	<u>(1,773,783)</u>	<u>137,609</u>	<u>(1,636,174)</u>	<u>-</u>
Component Units:								
Box Elder/Perry Flood Control	84,757	-	-	-	-	-	-	(84,757)
<i>Total component units</i>	<u>84,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,757)</u>
Revenues								
Property taxes					784,821	-	784,821	86,303
Sales taxes					1,276,752	-	1,276,752	-
Franchise, lodging and energy taxes					262,015	-	262,015	-
Sale of property					27,770	-	27,770	-
Miscellaneous					-	1,051	1,051	-
Investment earnings					65,092	145,825	210,917	657
Total general revenues and transfers					<u>2,416,450</u>	<u>146,876</u>	<u>2,563,326</u>	<u>86,960</u>
Change in net position					642,667	284,485	927,152	2,203
Net position - beginning					<u>8,630,376</u>	<u>9,830,891</u>	<u>18,461,267</u>	<u>451,864</u>
Prior period adjustment					-	-	-	697,464
Net position - ending					<u>\$ 9,273,043</u>	<u>\$ 10,115,376</u>	<u>\$ 19,388,419</u>	<u>\$ 1,151,531</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,420,785	\$ 357,360	\$ 658,803	\$ 2,436,948
Taxes receivable	664,781	-	-	664,781
Deposits	107,641	164,339	-	271,980
Due from other governments	520,158	-	-	520,158
Land held for resale	-	835,170	-	835,170
<i>Total assets</i>	<u>2,713,363</u>	<u>1,356,869</u>	<u>658,803</u>	<u>4,729,035</u>
 Liabilities				
Accounts payable	\$ 280,236	\$ -	\$ -	\$ 280,236
Accrued liabilities	65,495	-	-	65,495
Customer deposits	111,952	-	-	111,952
Accrued interest payable	-	6,235	-	6,235
<i>Total liabilities</i>	<u>457,683</u>	<u>6,235</u>	<u>-</u>	<u>463,918</u>
 Deferred inflows of resources				
Unavailable revenue	664,781	833,192	-	1,497,973
<i>Total deferred inflows of resources</i>	<u>664,781</u>	<u>833,192</u>	<u>-</u>	<u>1,497,973</u>
 Fund balances				
Restricted for:				
Police impact fees	18,081	-	-	18,081
Fire impact fees	27,828	-	-	27,828
Park impact fees	332,754	-	-	332,754
Tourism grant	14,605	-	-	14,605
Class "C" roads	381,978	-	-	381,978
Assigned fund balance	-	44,134	-	44,134
Unassigned fund balance	815,653	473,308	658,803	1,947,764
<i>Total fund balances</i>	<u>1,590,899</u>	<u>517,442</u>	<u>658,803</u>	<u>2,767,144</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,713,363</u>	<u>\$ 1,356,869</u>	<u>\$ 658,803</u>	<u>\$ 4,729,035</u>

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Total fund balance - governmental fund types	\$ 2,767,144
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,411,748
The internal service fund is used to account for charges to the other funds for the use of the City fleet. In the government-wide financial statements, the internal service fund is included with the governmental activities.	(47,681)
Due to the implementation of GASB 68 as of June 30, 2015, net pension assets and liabilities, as well as deferred inflows and outflows of resources related to the City's participation in the Utah Retirement Systems are required to be reported on a government wide basis.	(288,040)
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences and bonds payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	(570,128)
<i>Net position of governmental activities in the statement of net position</i>	<u>\$ 9,273,043</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Taxes				
Property taxes	\$ 743,769	\$ 41,052	\$ -	\$ 784,821
Sales and use	1,276,752	-	-	1,276,752
Other	248,815	-	-	248,815
Licenses and permits	170,397	-	-	170,397
Intergovernmental	747,739	-	-	747,739
Charges for services	19,753	60,882	-	80,635
Impact fees	53,126	-	-	53,126
Earnings on investments	39,799	9,269	16,024	65,092
Fines and forfeitures	79,039	-	-	79,039
Miscellaneous	40,800	-	-	40,800
<i>Total revenues</i>	3,419,989	111,203	16,024	3,547,216
Expenditures:				
Current				
Administration	701,115	-	-	701,115
Judicial	26,151	-	-	26,151
Public safety	864,192	-	-	864,192
Streets	797,114	-	-	797,114
Parks	99,541	-	-	99,541
Community development	626,466	-	-	626,466
Debt service				
Principal	-	162,000	-	162,000
Interest and other charges	-	25,308	-	25,308
<i>Total expenditures</i>	3,114,579	187,308	-	3,301,887
Excess (deficiency) of revenues over expenditures	305,410	(76,105)	16,024	245,329
Other financing sources (uses):				
Transfers in	-	119,900	109,076	228,976
Transfers out	(228,976)	-	-	(228,976)
Transfers	(228,976)	119,900	109,076	-
<i>Net change in fund balances</i>	76,434	43,795	125,100	245,329
Fund balances - beginning	1,514,465	473,647	533,703	2,521,815
Fund balances - ending	\$ 1,590,899	\$ 517,442	\$ 658,803	\$ 2,767,144

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE STATEMENT OF ACTIVITIES
JUNE 30, 2019

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

Net change in fund balances - total governmental funds:	\$ 245,329
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
This is the amount by which depreciation of \$236,501 was less than capital outlays of \$518,447 in the current period.	281,946
<p>Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure; the Statement of Activities treats such repayment as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.</p>	
	162,000
<p>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 governmental funds. These activities consist of accrued bond interest, amortization of deferred amounts, and increase in compensated absences.</p>	
	3,315
<p>Accrued interest not reflected on governmental funds</p>	
<p>The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.</p>	
	<u>(73,112)</u>
<p>Internal service funds are used by management to charge the costs of certain activities such as fleet maintenance and information technology to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>	
	<u>23,189</u>
<i>Change in net position of governmental activities</i>	<u><u>\$ 642,667</u></u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
PROPRIETY FUND FINANCIAL STATEMENTS
JUNE 30, 2019

Utility Fund

This enterprise fund accounts for the provision of water, garbage and storm drain services to City residents. All activities necessary to provide such service are accounted for in this fund, including: administration, operation, maintenance, billing and collecting.

Sewer Fund

This enterprise fund accounts for the provision of sewer services to City residents. All activities necessary to provide such service are accounted for in this fund, including: administration, operation, maintenance, billing and collecting.

Internal Service Fund

This internal service fund accounts for the purchase and maintenance of the City's fleet of vehicles, and tracks the usage of those vehicles for the City's various departments and funds.

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

Business-Type Activities – Enterprise Funds

	Business-Type Activities - Enterprise Funds			Governmental Activities
	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal Service Fund</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,334,770	\$ 2,636,021	\$ 4,970,791	\$ -
Accounts receivable (net of allowance)	26,750	98,402	125,152	-
Restricted cash and cash equivalents	-	1,144,347	1,144,347	-
Due from other funds	<u>47,681</u>	<u>-</u>	<u>47,681</u>	<u>-</u>
<i>Total current assets</i>	<u>2,409,201</u>	<u>3,878,770</u>	<u>6,287,971</u>	<u>-</u>
Noncurrent assets:				
Land	159,579	235,159	394,738	-
Buildings	14,403	6,428,538	6,442,941	-
Land improvements	-	11,593	11,593	-
Infrastructure	3,073,549	3,250,352	6,323,901	-
Machinery and equipment	121,903	706,221	828,124	-
Vehicles	-	86,092	86,092	315,676
Net pension asset	<u>42</u>	<u>11</u>	<u>53</u>	<u>-</u>
<i>Total noncurrent assets</i>	<u>3,369,476</u>	<u>10,717,966</u>	<u>14,087,442</u>	<u>315,676</u>
<i>Total assets</i>	<u>5,778,677</u>	<u>14,596,736</u>	<u>20,375,413</u>	<u>315,676</u>
Deferred outflows of resources:				
Deferred outflows related to pensions	<u>54,409</u>	<u>58,235</u>	<u>112,644</u>	<u>-</u>
<i>Total deferred outflows of resources</i>	<u>54,409</u>	<u>58,235</u>	<u>112,644</u>	<u>-</u>

The accompanying notes are an integral part of these statements

PERRY CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
(Continued)

Business-Type Activities – Enterprise Funds (Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal Service Fund</u>
Liabilities				
Current liabilities:				
Accounts payable	185,003	17,022	202,025	-
Customer deposits	34,661	34,654	69,315	-
Accrued interest payable	-	39,800	39,800	-
Due to other funds	-	-	-	47,681
Capital lease obligation	-	-	-	49,403
<i>Total current liabilities</i>	219,664	91,476	311,140	97,084
Noncurrent liabilities:				
Compensated absences	9,985	8,760	18,745	-
Net pension liability	100,404	126,572	226,976	-
Noncurrent liabilities - due in less than one year	-	622,000	622,000	-
Capital lease obligation	-	-	-	133,507
Noncurrent liabilities - due in more than one year	-	7,338,000	7,338,000	-
<i>Total noncurrent liabilities</i>	110,389	8,095,332	8,205,721	133,507
<i>Total liabilities</i>	330,053	8,186,808	8,516,861	230,591
 Deferred inflows of resources				
Unavailable revenue	-	1,846,511	1,846,511	-
Deferred inflows related to pensions	7,812	1,497	9,309	-
<i>Total deferred inflows of resources</i>	7,812	1,848,008	1,855,820	-
<i>Total liabilities and deferred inflows of resources</i>	337,865	10,034,816	10,372,681	230,591
 Net position				
Investment in capital assets, net of related debt	\$ 3,369,434	\$ 2,757,955	\$ 6,127,389	\$ 315,676
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for other purposes	566,046	131,443	697,489	-
Unrestricted	1,559,741	1,730,757	3,290,498	(230,591)
<i>Total net position</i>	\$ 5,495,221	\$ 4,620,155	\$ 10,115,376	\$ 85,085

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Business-Type Activities – Enterprise Funds

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal</u>
				<u>Service Fund</u>
Operating revenues				
Charges for services	\$ 693,994	\$ 994,631	\$ 1,688,625	\$ -
Miscellaneous operating revenues	<u>7,150</u>	<u>650</u>	<u>7,800</u>	<u>70,607</u>
<i>Total operating revenues</i>	<u>701,144</u>	<u>995,281</u>	<u>1,696,425</u>	<u>70,607</u>
Operating expenses				
Wages and benefits	191,834	217,574	409,408	-
Fees and services	249,820	26,519	276,339	-
Materials and supplies	25,675	15,470	41,145	-
Utilities	75,837	74,661	150,498	-
Repairs and maintenance	31,776	55,657	87,433	-
Insurance claims and expenses	-	18,057	18,057	-
Bad debt expense	-	1,268	1,268	-
Miscellaneous	-	198	198	-
Depreciation	<u>117,936</u>	<u>423,736</u>	<u>541,672</u>	<u>70,607</u>
<i>Total operating expenses</i>	<u>692,878</u>	<u>833,140</u>	<u>1,526,018</u>	<u>70,607</u>
<i>Operating income (loss)</i>	<u>8,266</u>	<u>162,141</u>	<u>170,407</u>	<u>-</u>
Nonoperating revenues (expenses)				
Impact fees	100,866	115,500	216,366	-
Operating grants and contributions	-	5,160	5,160	-
Investment earnings	91,097	54,728	145,825	-
Interest expense	(525)	(253,800)	(254,325)	(4,583)
Miscellaneous revenues (expenses)	<u>1,052</u>	<u>-</u>	<u>1,052</u>	<u>-</u>
<i>Total nonoperating revenue (expenses)</i>	<u>192,490</u>	<u>(78,412)</u>	<u>114,078</u>	<u>(4,583)</u>
<i>Income (loss) before contributions and transfers</i>	<u>200,756</u>	<u>83,729</u>	<u>284,485</u>	<u>(4,583)</u>
Gain (loss) on sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,770</u>
<i>Change in net position</i>	200,756	83,729	284,485	23,187
Net position - beginning	<u>5,294,465</u>	<u>4,536,426</u>	<u>9,830,891</u>	<u>61,898</u>
Net position - ending	<u>\$ 5,495,221</u>	<u>\$ 4,620,155</u>	<u>\$ 10,115,376</u>	<u>\$ 85,085</u>

The accompanying notes are an integral part of these statements.

**PERRY CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Fund <u>Utility</u>	Enterprise Fund <u>Sewer</u>	Total Enterprise <u>Funds</u>	Governmental <u>Activities - ISF</u>
Cash flows from operating activities:				
Receipts from customers	\$ 786,862	\$1,056,239	\$1,843,101	\$ 70,607
Payments to suppliers	(280,714)	(253,831)	(534,545)	-
Payments to employees	<u>(192,107)</u>	<u>(218,703)</u>	<u>(410,810)</u>	<u>-</u>
<i>Net cash provided by (used in) operating activities</i>	<u>314,041</u>	<u>583,705</u>	<u>897,746</u>	<u>70,607</u>
Cash flows from noncapital financing activities:				
Loans from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,743)</u>
<i>Net cash provided by (used in) noncapital financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,743)</u>
Cash flows from capital and related financing activities:				
Payment on revenue bonds	(41,000)	(600,000)	(641,000)	-
Proceeds from notes payable	-	-	-	133,980
Payment of notes payable	-	-	-	(54,053)
Acquisition of capital assets	(179,604)	(82,050)	(261,654)	(136,284)
Other revenues / (expenses)	1,052	5,160	6,212	-
Interest paid on revenue bonds	(1,050)	(256,800)	(257,850)	-
Interest paid on capital leases	-	-	-	(4,582)
Proceeds from impact fees	<u>100,866</u>	<u>115,500</u>	<u>216,366</u>	<u>-</u>
<i>Net cash provided by (used in) capital and related financing activities</i>	<u>(119,736)</u>	<u>(818,190)</u>	<u>(937,926)</u>	<u>(60,939)</u>
Cash flows from investing activities:				
Proceeds from sale of capital assets	-	-	-	56,075
Change in pension liabilities/assets	11,689	14,826	26,515	-
Interest and dividends received	<u>91,097</u>	<u>54,728</u>	<u>145,825</u>	<u>-</u>
<i>Net cash provided by (used in) investing activities</i>	<u>102,786</u>	<u>69,554</u>	<u>172,340</u>	<u>56,075</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	297,091	(164,931)	132,160	-
Cash and cash equivalents - beginning	<u>2,037,679</u>	<u>3,945,299</u>	<u>5,982,978</u>	<u>-</u>
Cash and cash equivalents - ending	<u>\$ 2,334,770</u>	<u>\$3,780,368</u>	<u>\$6,115,138</u>	<u>\$ -</u>
Cash and cash equivalents	\$ 2,334,770	\$2,636,021	\$4,970,791	\$ -
Restricted cash and investments	<u>-</u>	<u>1,144,347</u>	<u>1,144,347</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 2,334,770</u>	<u>\$3,780,368</u>	<u>\$6,115,138</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

	Enterprise Fund <u>Utility</u>	Enterprise Fund <u>Sewer</u>	Total Enterprise <u>Funds</u>	Governmental <u>Activities - ISF</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 8,266	\$ 162,141	\$ 170,407	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	117,936	423,736	541,672	70,607
Less depreciation included from fleet lease	(6,019)	(6,787)	(12,806)	-
Change in assets and liabilities:				
Change in accounts receivable	19,976	16,319	36,295	-
Change in due from other funds	65,742	-	65,742	-
Change in deposits payable	2,793	2,793	5,586	-
Change in accounts payable	105,620	(59,278)	46,342	-
Change in deferred revenue	-	45,907	45,907	-
Change in wages payable and compensated absences	<u>(273)</u>	<u>(1,126)</u>	<u>(1,399)</u>	<u>-</u>
 <i>Net cash provided by (used in) operating activities</i>	 <u>\$ 314,041</u>	 <u>\$ 583,705</u>	 <u>\$ 897,746</u>	 <u>\$ 70,607</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
COMPONENT UNIT FINANCIAL STATEMENTS
JUNE 30, 2019

Box Elder County & Perry City Flood Control

This organization was created to allow Box Elder County and Perry City to work together on flood control projects that benefit both the City and the County.

Box Elder County & Perry City Flood Control Capital Projects

This organization was created to allow Box Elder County and Perry City to work together on flood control projects that benefit both the City and the County, specifically in relation to capital projects.

The accompanying notes are an integral part of these statements

**PERRY CITY CORPORATION
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019**

	Component Units		
	<u>Box Elder County & Perry City Flood Control</u>	<u>Box Elder County & Perry City Flood Control Capital Projects</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ <u>65,350</u>	\$ <u>422,004</u>	\$ <u>487,354</u>
<i>Total assets</i>	<u>65,350</u>	<u>422,004</u>	<u>487,354</u>
Net position			
Restricted for capital projects	\$ -	\$ 422,004	\$ 422,004
Unrestricted	<u>65,350</u>	<u>-</u>	<u>65,350</u>
<i>Total net position</i>	<u><u>65,350</u></u>	<u><u>422,004</u></u>	<u><u>487,354</u></u>

The accompanying notes are an integral part of these statements

**PERRY CITY CORPORATION
STATEMENT OF ACTIVITIES
COMPONENT UNITS
JUNE 30, 2019**

	<u>Box Elder County & Perry Flood Control</u>	<u>Box Elder County & Perry Flood Control Capital Project</u>	<u>Total</u>
Expenses:	\$ 51,502	\$ -	\$ 51,502
Program Revenues:			
Taxes			
Property taxes	\$ 86,303	\$ -	\$ 86,303
Earnings on investments	<u>657</u>	<u>-</u>	<u>657</u>
<i>Total revenues</i>	<u>86,960</u>	<u>-</u>	<u>86,960</u>
Net (Expenses) Revenues	<u>35,458</u>	<u>-</u>	<u>35,458</u>
Other financing sources (uses):			
Transfers	<u>(43,475)</u>	<u>43,475</u>	<u>-</u>
<i>Change in net position</i>	(8,017)	43,475	35,458
Net position - beginning	<u>73,367</u>	<u>378,529</u>	<u>451,896</u>
Net position - ending	<u>\$ 65,350</u>	<u>\$ 422,004</u>	<u>\$ 487,354</u>

The accompanying notes are an integral part of these statements

NOTES

TO THE

FINANCIAL

STATEMENTS

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Perry City Corporation (City) conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The City operates under a traditional form of government and provides the following services: public safety (police and emergency medical), highways and streets, water, sewer, storm sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) were used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government.
2. Organizations for which the primary government is financially accountable.
3. Other organizations that, because of the nature and significance of their relationship with the primary government exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units, although legally separate entities, are, in substance, part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has no blended component units.

Discretely presented component units are reported in a separate column and/or rows in each of the government-wide statements to emphasize that they are legally separate from the City. The Box Elder County & Perry City Flood Control component unit and the Box Elder County & Perry City Flood Control Capital Projects component unit are the only discretely presented component units.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all nonfiduciary activities of the primary government. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is restricted when constraints placed upon it are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for governmental and proprietary funds. For governmental and proprietary funds, the emphasis is on major funds, with each displayed in a separate column. Internal service funds, even though primarily benefiting governmental activities, are reported on the proprietary fund financial statements.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.
- **Debt Service Fund** – The debt service fund is used to account for the receipt and payment of the special improvement bonds that were used for the Pointe Perry Project.
- **Capital Projects Fund** – The capital projects fund is to be used to put aside money to help with the construction of various projects, including: 1) City Hall Public Safety Building, 2) 1200 W South project and 3) 1200 W North project.

The City reports the following proprietary funds:

- **Utility Fund** – The utility fund is used to account for revenue and expenses for the City’s water, garbage and storm sewer.
- **Sewer Fund** – The sewer fund is used to account for revenue and expenses for the City’s sanitary sewer system.
- **Internal Service Fund** – The internal service fund is used to account for charges to the other funds for the use of the City fleet. In the government-wide financial statements, the internal service fund is included with the governmental activities.

The City reports the following component units:

- **Box Elder County & Perry City Flood Control** – This is a separate legal entity from the City that provides the County and the City the opportunity to work on flood control projects together.
- **Box Elder County & Perry City Flood Control Capital Projects** – This is a separate legal entity from the City that provides the County and the City the opportunity to work on flood control capital projects together.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary fund statements are also prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

For business-type activities and enterprise funds, the City follows all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those standards conflict with a GASB pronouncement.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days and, therefore, do not meet the “available” criterion, are not reported until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes and franchise taxes, are considered “available” and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for capital projects funds. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar:

1. The City council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the state of Utah for the general, debt service, proprietary and capital improvements funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City’s budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance for the funds required by the state code as indicated in item 2 above.
5. A tentative budget is presented by the mayor to the City council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the council after the public hearing.
9. Occasionally, the City council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the budget officer is filed with the state auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
 - b. The city treasurer is to certify the property tax rate to the county auditor before June 22.
12. Budgets for the general, debt service, capital improvements and proprietary funds are adopted on a basis consistent with GAAP.

Summary of Action Required for Budget Changes

The council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

E. Assets, Liabilities and Fund Balances/Net Position

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities and fund balances/net position:

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City treasurer. Utah state statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The city treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City. Therefore, none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and state statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles, infrastructure (roads, bridges, lighting and flood control and similar items) and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Individual assets with a cost greater than \$5,000 with a useful life of at least one year are capitalized.

**PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infrastructure capital assets which are newly constructed are capitalized. When the City has sewer system, parks and public works construction costs, they are recorded as construction in progress. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Improvements to streets, storm drainage, land drain and sanitary sewer that have been received from developers are depreciated over their expected useful lives.

Capital assets are depreciated. Depreciation of buildings, improvements, infrastructure and equipment is computed using the straight-line method. Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide statement of activities. Fixed assets are reported on proprietary fund and government-wide statements of net position net of accumulated depreciation. Depreciation has been provided over the estimated useful lives. The estimated useful lives are as follows:

Buildings	10-40 years
Improvements.....	5-40 years
Equipment	5-20 years
Vehicles.....	5-10 years
Infrastructure	20-80 years

Long-Term Obligations

In the government-wide statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds 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 in the governmental fund financial statements. 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 actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

The difference between assets and liabilities is *net position* on the government-wide statements and *fund balance* on the governmental fund statements. Net position is divided into invested in capital assets (net of related debt), restricted and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In February 2009, GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2011. The statement applies only to fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The fund balances may be classified as follows:

1. Nonspendable – Fund balances that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors or contributors.
3. Committed fund balance – Fund balances are reported as committed when the council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City council likewise formally changes the use.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned fund balance – Fund balances are reported as assigned when the City council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
5. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City council has provided otherwise in its commitment or assignment actions.

F. Revenues and Expenditures

The following are the City’s significant policies related to recognition and reporting of certain revenues, expenditures and interfund activity:

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be “available” when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a nonexchange transaction as one in which “a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.”

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

G. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as nonoperating revenue.

H. 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) and additions to/deductions from URS’s fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, 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 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.

J. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2019, was \$39,219 in the governmental funds and \$18,744 in the proprietary funds.

K. Subsequent Events

Management has evaluated subsequent events through December 16, 2019, the date the financial statements were available to be issued.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“Council”). Following are discussions of the City’s exposure to various risks related to its cash management activities.

A. 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 City funds to be in a *qualified depository*, defined 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 Council.

The City’s deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City’s bank balance at June 30, 2019, was \$206,606. This balance is under the FDIC insurance limit of \$250,000.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction 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 & Poors; 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; and shares in a money market fund as defined in the Act.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

The City is also authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF) managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC 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. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City’s investments at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
U.S. Treasury obligations held by trustee	\$ -	N/A	N/A
Utah Public Treasurer's Investment Fund	<u>8,464,116</u>	< 1 Year	Not rated
	<u>\$ 8,464,116</u>		

C. 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 mainly 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. Maturities of the City’s investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

Perry City Corporation
Cash Investments

	<u>2019</u>	<u>2018</u>
Total cash and investments		
Deposits at 06/30	\$ 93,153	\$ 137,268
Investments	8,458,894	8,068,895
Cash on hand	<u>40</u>	<u>40</u>
	<u>\$8,552,087</u>	<u>\$8,206,203</u>
As reported in the financial statements:		
Cash and cash equivalents	\$7,407,740	\$7,061,856
Restricted cash and cash equivalents	<u>1,144,347</u>	<u>1,144,347</u>
	<u>\$8,552,087</u>	<u>\$8,206,203</u>

The PTIF is an external deposit and investment pool that governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City’s position in the fund is the same as the value of the fund shares.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3. RECEIVABLES

Receivables at June 30, 2019, consist of the following:

	<u>Taxes</u>	<u>Governments</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General fund	\$664,781	\$520,158	\$ 74,924	\$ 1,259,863
Special Improvement District	<u> -</u>	<u> -</u>	<u>164,339</u>	<u>164,339</u>
<i>Total governmental receivables</i>	<u>\$664,781</u>	<u>\$520,158</u>	<u>\$ 239,263</u>	<u>\$ 1,424,202</u>
Business-type activities:				
Utility fund, net of allowance \$5,183	\$ -	\$ -	\$ 26,750	\$ 26,750
Sewer fund, net of allowance \$1,000	<u> -</u>	<u> -</u>	<u>98,402</u>	<u>98,402</u>
<i>Total business-type receivables</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,152</u>	<u>\$ 125,152</u>

NOTE 4. DEFERRED INFLOWS / OUTFLOWS OF RESOURCES

The City implemented the provisions of GASB 63 for the year ended June 30, 2013. These provisions provide that deferred outflows or inflows of resources be reported separately on the financial statements. In prior years, the City had reported deferred revenue for property taxes due in November on the governmental fund financial statements and on the government-wide financial statements. Under GASB 63, these items are called unavailable revenue under the deferred inflows of resources heading.

For the year ended June 30, 2019 unavailable revenue in the governmental funds consist of \$664,781 for property taxes due in November that aren't considered available. Due to the implementation of GASB 68, deferred inflows and outflows related to pension reporting are included in this category as well. Deferred inflows – pensions is \$26,170, deferred inflows – debt service is \$758,445 and deferred outflows – pensions is \$277,274 for the year ended June 30, 2019.

Unavailable revenue in the business-type activities consists of \$1,846,511 of grant proceeds received that aren't earned yet. Deferred outflows – pensions is \$54,409 and deferred inflows – pensions is \$7,812 in the Utility fund in 2019. Deferred outflows – pensions is \$58,235 and deferred inflows – pensions for the Sewer fund is \$1,497 for the year ended June 30, 2019.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

In governmental activities during fiscal year 2019, the city had some capital expenses for the Police, including an addition to the gun range, and radios. The Administration department had capital expenditures for a sign, website upgrade and AV system. The largest capital expenditure was for corridor preservation engineering and easements that are showing as construction in progress.

In business-type activities, expenses were made for a storm drain at 2700 S, Well #1 Renovation and a meter reading system in the Utility Fund. The Sewer added a SCADA System to the lift station and a control panel/step screen.

Perry City Corporation
Capital Assets

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 188,825	\$ -	\$ -	\$ 188,825
Construction in progress	-	482,563	-	482,563
<i>Total capital assets not being depreciated</i>	<u>188,825</u>	<u>482,563</u>	<u>-</u>	<u>671,388</u>
Capital assets being depreciated:				
Buildings	298,330	-	-	298,330
Improvements	963,743	8,469	-	972,212
Infrastructure	9,178,786	-	-	9,178,786
Furniture, machinery and equipment	215,314	27,415	-	242,729
Vehicles	898,445	136,284	174,824	859,905
<i>Capital assets being depreciated</i>	<u>11,554,618</u>	<u>172,168</u>	<u>174,824</u>	<u>11,551,962</u>
Less accumulated depreciation for:				
Buildings	68,094	7,537	-	75,631
Improvements	686,552	32,132	-	718,684
Infrastructure	3,101,924	183,576	-	3,285,500
Furniture, machinery and equipment	174,301	13,257	-	187,558
Vehicles	620,142	70,607	146,520	544,229
<i>Total accumulated depreciation</i>	<u>4,651,013</u>	<u>307,109</u>	<u>146,520</u>	<u>4,811,602</u>
<i>Total capital assets being depreciated, net</i>	<u>6,903,605</u>	<u>(134,941)</u>	<u>28,304</u>	<u>6,740,360</u>
<i>Governmental activities capital assets - net</i>	<u>\$ 7,092,430</u>	<u>\$ 347,622</u>	<u>\$ 28,304</u>	<u>\$ 7,411,748</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5. CAPITAL ASSETS (Continued)

Perry City Corporation
Capital Assets

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 394,738	\$ -	\$ -	\$ 394,738
Construction in progress	<u>53,118</u>	<u>-</u>	<u>53,118</u>	<u>-</u>
<i>Total capital assets not being depreciated</i>	<u>447,856</u>	<u>-</u>	<u>53,118</u>	<u>394,738</u>
Capital assets being depreciated:				
Buildings	8,198,036	-	-	8,198,036
Improvements	26,754	-	-	26,754
Infrastructure	10,056,599	202,276	-	10,258,875
Furniture, machinery and equipment	1,727,695	112,496	-	1,840,191
Vehicles	<u>239,999</u>	<u>-</u>	<u>-</u>	<u>239,999</u>
<i>Capital assets being depreciated</i>	<u>20,249,083</u>	<u>314,772</u>	<u>-</u>	<u>20,563,855</u>
Less accumulated depreciation for:				
Buildings	1,549,980	205,114	-	1,755,094
Improvements	13,377	1,784	-	15,161
Infrastructure	3,742,721	192,253	-	3,934,974
Furniture, machinery and equipment	899,774	112,293	-	1,012,067
Vehicles	<u>136,487</u>	<u>17,420</u>	<u>-</u>	<u>153,907</u>
<i>Total accumulated depreciation</i>	<u>6,342,339</u>	<u>528,864</u>	<u>-</u>	<u>6,871,203</u>
<i>Total capital assets being depreciated, net</i>	<u>13,906,744</u>	<u>(214,092)</u>	<u>-</u>	<u>13,692,652</u>
<i>Business-type activities capital assets - net</i>	<u>\$ 14,354,600</u>	<u>\$ (214,092)</u>	<u>\$ 53,118</u>	<u>\$ 14,087,390</u>

Depreciation expense for 2019 was charged to functions as follows:

Perry City Corporation
Capital Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Administration	\$ 6,668	\$ -	\$ 6,668
Parks	37,010	-	37,010
Public safety	53,206	-	53,206
Streets	197,417	-	197,417
Sewer	-	423,736	423,736
Water	-	101,524	101,524
Storm drain	<u>-</u>	<u>16,412</u>	<u>16,412</u>
<i>Total depreciation expense</i>	<u>\$ 294,301</u>	<u>\$ 541,672</u>	<u>\$835,973</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6. LONG-TERM DEBT

The changes in long-term debt for governmental and business-type activities during 2019 were as follows:

	Balance June 30, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2019</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 510,000	\$ -	\$(162,000)	\$ 348,000	170,000
Note payable	-	-	-	-	-
Compensated absences	<u>42,534</u>	<u>-</u>	<u>(3,315)</u>	<u>39,219</u>	<u>-</u>
<i>Total governmental activities</i>	<u>\$ 552,534</u>	<u>\$ -</u>	<u>\$(165,315)</u>	<u>\$ 387,219</u>	<u>\$ 170,000</u>
Business-type activities					
Water bonds payable	\$ 41,000	\$ -	\$ (41,000)	\$ -	-
Sewer bond payable	8,560,000	-	(600,000)	7,960,000	622,000
Compensated absences	<u>20,144</u>	<u>-</u>	<u>(1,400)</u>	<u>18,744</u>	<u>-</u>
<i>Total business-type activities</i>	<u>\$ 8,621,144</u>	<u>\$ -</u>	<u>\$(642,400)</u>	<u>\$ 7,978,744</u>	<u>\$ 622,000</u>

Annual requirements to amortize the long-term debt as of June 30, 2019, were as follows:

On August 11, 2005, the City issued special assessment bonds in the amount of \$1,965,000 at a variable rate of interest based on 70 percent of the one month LIBOR as computed each year on the anniversary date. These bonds were issued to retire the interim warrants used to finance improvements at Pointe Perry and will be repaid by the developer through refunds of assessed property taxes and sales taxes. The interest rate is 4.67 percent over the life of the bonds. The final payment is due on October 1, 2020. The following is a debt schedule over the period of the bonds:

2005 Special Assessment Bonds				
Governmental				
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2020	\$ 170,000	\$ 16,252	\$ 186,252	4.67%
2021	178,000	8,313	186,313	4.67%
<i>Total principal and interest</i>	<u>\$ 348,000</u>	<u>\$ 24,565</u>	<u>\$ 372,565</u>	

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6. LONG-TERM DEBT (Continued)

In 1998, the City issued \$640,000 in revenue water bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated January 1, 2000, and mature on January 1, 2019; the bonds bear interest at a rate of 2.56 percent. This bond was paid off during the fiscal year.

In 2008, the City issued a bond for \$11,350,000 for construction of the City's wastewater treatment plant. The bonds are to be repaid from sewer service sales from the sewer fund. The bonds were dated December 2008, and mature on May 1, 2030; the bonds bear interest at a rate of 3.00 percent. The following is a debt schedule over the period of the bonds.

2008 Sewer Revenue Bond				
Proprietary				
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2020	\$ 622,000	\$ 238,800	\$ 860,800	3.00%
2021	640,000	220,140	860,140	3.00%
2022	659,000	200,940	859,940	3.00%
2023	679,000	181,170	860,170	3.00%
2024	700,000	160,800	860,800	3.00%
2025-2029	3,825,000	476,250	4,301,250	3.00%
2030	<u>835,000</u>	<u>25,050</u>	<u>860,050</u>	3.00%
<i>Total principal and interest</i>	<u>\$ 7,960,000</u>	<u>\$ 1,503,150</u>	<u>\$ 9,463,150</u>	

The remaining long-term debt consists of compensated absences in the amount of \$57,963.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7. CAPITAL LEASES

The City has eight outstanding lease purchase contracts, all in the Fleet Lease Internal Service Fund. These contracts are treated as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments. All amortization expense for these leases has been included in depreciation expense.

Future minimum lease payments together with the present value of the net minimum lease payments under these capital lease obligations at June 30, 2019 are as follows:

Governmental Activities

Year Ended June 30,	<u>Total</u>
2020	\$ 58,636
2021	58,636
2022	15,300
2023	14,000
2024	<u>-</u>
Total lease payments	205,911
Less amounts representing interest	<u>23,002</u>
Present value of minimum lease payments	182,909
Less current portion	<u>49,403</u>
Long-term portion	<u>\$ 133,506</u>

NOTE 8. RESTRICTIONS OF FUND BALANCE AND NET POSITION

Restricted for park impact fees – This represents the excess of park impact fee funds received over the amount spent.

Restricted for police impact fees – This represents the excess of police impact fee funds received over the amount spent.

Restricted for fire impact fees – This represents the excess of fire impact fee funds received over the amount spent.

Restricted for debt service – This represents funds set aside for the repayment of debt.

Restricted net position-proprietary funds – This represents the excess of water, sewer, and storm drain impact fees over the amount spent.

NOTE 9. 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; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability and workman’s compensation. As of June 30, 2019, there was no anticipation of unpaid claims. Therefore, a liability is not accrued.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10. RETIREMENT PLANS

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 employee retirement system.
- The 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 employee retirement system;
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.5%
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	1.50% per year all years	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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10. RETIREMENT PLANS (Continued)

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2019 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Div - Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15 - Local Governmental Div - Tier 1	N/A	18.47%	N/A
Public Safety Retirement System			
Contributory			
23 - Other Div A with 2.5% COLA	12.29%	22.79%	N/A
122 - Tier 2 DB Hybrid Public Safety	N/A	23.09%	0.74%
Noncontributory			
43 - Other Div A with 2.5% COLA	N/A	34.04%	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69%	10.00%
222 Public Safety	N/A	11.83%	12.00%

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 64,693	N/A
Public Safety System	82,263	-
Tier 2 Public Employees System	22,399	-
Tier 2 Public Safety and Firefighter	22,276	-
Total Contributions	\$ 191,631	\$ -

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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10. RETIREMENT PLANS (Continued)

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

At June 30, 2019, we reported a net pension asset of \$0 and a net pension liability of \$766,067

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/17	Change (Decrease)
Noncontributory System	\$0	\$287,814	0.0390854%	0.0396145%	-0.0005291%
Public Safety System	\$0	\$472,121	0.1835199%	0.1730358%	0.0104841%
Tier 2 Public Employees System	\$0	\$4,534	0.0105870%	0.0065537%	0.0040333%
Tier 2 Public Safety and Firefighter System	\$0	\$1,598	0.0637599%	0.0393088%	0.0244511%
	<u>\$0</u>	<u>\$766,067</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2019, we recognized pension expense of \$291,215.

At June 30, 2019, 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	\$ 4,468	\$ 28,775
Changes in assumptions	\$ 95,480	\$ 140
Net difference between projected and actual earnings on pension plan investments	\$ 143,965	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 52,107	\$ 6,564
Contributions subsequent to the measurement date	\$ 93,897	\$ -
	<u>\$ 389,917</u>	<u>\$ 35,479</u>

There was \$93,897 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, 2018.

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:

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2019	\$ 133,320
2020	\$ 38,082
2021	\$ 17,882
2022	\$ 68,381
2023	\$ 301
Thereafter	\$ 2,575

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10. RETIREMENT PLANS (Continued)

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class 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		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected portfolio real rate of return
Equity Securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	<u>Inflation</u>		2.50%
	<u>Expected arithmetic nominal return</u>		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, 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 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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10. RETIREMENT PLANS (Continued)

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	\$589,864	\$287,814	\$36,287
Public Safety System	\$925,440	\$472,121	\$104,125
Tier 2 Public Employees System	\$18,165	\$4,534	(\$5,985)
Tier 2 Public Safety and Firefighter	\$12,050	\$1,598	(\$6,401)
Total	\$1,545,519	\$766,067	\$128,026

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS 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.

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

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

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

	2019	2018	2017
401(k) Plan			
Employer Contributions	\$7,835	\$4,843	\$3,990
Employee Contributions	\$18,644	\$11,709	\$5,713
457 Plan			
Employer Contributions	\$0	\$0	\$0
Employee Contributions	\$12,507	\$14,025	\$7,408
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$3,295	\$1,935	\$1,270

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11. PROPERTY TAX CALENDAR

Lien date	January 1
Budget officer of the entity prepares and files with the City council a tentative budget for the next fiscal year	1 st scheduled Council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	June 8
Taxing entity must adopt a proposed tax rate, certified the rate and levy, and submit it to the county auditor.....	Before June 22
Taxing entity adopts a final tax rate if there is no increase in the certified tax rate	June 22
Taxing entity adopts final budget if there is no increase in the certified tax rate.....	June 22
Copy of the budget is submitted to the state auditor within 30 days of adoption, payment and delinquency date.....	July 22

NOTE 12. BUDGET COMPLIANCE AND ACCOUNTABILITY

The general fund ended fiscal year 2019 with a positive unassigned fund balance of \$815,653. All funds and departments were within budget as of June 30, 2019.

NOTE 13. SEGMENT INFORMATION FOR THE UTILITY ENTERPRISE FUND

The City maintains two enterprise funds. The Sewer Fund provides sewer services and is the only segment in that fund. The Utility Fund provides water, garbage and storm drain. Segment information for the Utility Fund for the year ended June 30, 2019, was as follows:

	<u>Water</u>	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total</u>
Operating revenues (expenses):				
Charges for services	\$ 350,182	\$ 266,821	\$ 76,991	\$ 693,994
Miscellaneous operating revenues	7,150	-	-	7,150
Operating expenses, excluding depreciation	(293,817)	(228,010)	(53,115)	(574,942)
Depreciation	<u>(101,524)</u>	<u>-</u>	<u>(16,412)</u>	<u>(117,936)</u>
<i>Operating income (expenses)</i>	(38,009)	38,811	7,464	8,266
Nonoperating revenues (expenses):				
Impact fees	60,745	-	40,121	100,866
Interest income	83,979	-	7,118	91,097
Interest expense	(525)	-	-	(525)
Misc nonoperating revenue	<u>1,052</u>	<u>-</u>	<u>-</u>	<u>1,052</u>
<i>Nonoperating revenues (expenses)</i>	<u>145,251</u>	<u>-</u>	<u>47,239</u>	<u>192,490</u>
<i>Change in Net Position</i>	107,242	38,811	54,703	200,756
Beginning Net Position	<u>3,031,644</u>	<u>542,533</u>	<u>1,720,288</u>	<u>5,294,465</u>
Ending Net Position	<u>\$ 3,138,886</u>	<u>\$ 581,344</u>	<u>\$ 1,774,991</u>	<u>\$ 5,495,221</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14. RECONCILIATION OF DUE TO/DUE FROM BALANCES

The following table provides a reconciliation of all due to/due from accounts between the City's funds:

	<u>Utility</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Due To</u>	<u>Total</u> <u>Due From</u>
Due from internal service fund	\$ 47,681	\$ -	\$ -	\$ 47,681
Due to utility fund	<u>-</u>	<u>47,681</u>	<u>47,681</u>	<u>-</u>
	<u>\$ 47,681</u>	<u>\$ 47,681</u>	<u>\$ 47,681</u>	<u>\$ 47,681</u>

These balances represent funds loaned from the utilities fund to the general, debt service and internal service funds to make up for shortfalls of allocated cash in these funds. These balances are expected to be repaid within the next year.

NOTE 15. TRANSFERS

Transfers between funds for the year ending December 31 were as follows:

<u>Transferor</u> <u>Fund</u>	<u>Transferee</u> <u>Fund</u>	<u>Amount</u>
General fund	Capital projects funds	\$ <u>109,076</u>
General fund	Debt service fund	\$ <u>119,900</u>

NOTE 16. INTERLOCAL AGREEMENT

The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate and maintain an open, wholesale, public and telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City. UTOPIA began providing limited services during 2006, but it is still in a start-up phase in Perry.

The City is a pledging member who has pledged sales and use tax revenues to partially guarantee payment of UTOPIA's bonds. In return for the pledge, the City will be among the first cities to receive UTOPIA's services. In July, 2004, UTOPIA issued an \$85,000,000 revenue bond. The first four years of bond payments were made from a debt reserve fund. From that point on, until the bonds are due in July, 2026, net revenues from UTOPIA will reimburse the debt service for payments on the bond debt. In 2006, UTOPIA issued another bond for \$30,000,000. To the extent that there are insufficient net revenues to pay the debt service, the 11 pledged members are required to reimburse the UTOPIA debt service fund of any shortfall by their respective percentages up to a specific dollar amount. Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

On July 1, 2007, the City deposited \$32,716 into the UTOPIA Series 2004 Bond Debt Service Reserve Fund as required by its agreement with UTOPIA. These funds will remain on deposit until the sooner of the bonds being retired, or 20 years from July 1, 2007. To the extent that the initial projects operate profitably, UTOPIA has plans to issue a total of \$340,000,000 in bonds.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 16. INTERLOCAL AGREEMENT (Continued)

During the fiscal year 2010, the City was notified there was a debt service reserve fund shortfall due to “factors including, but not limited to, (i) market conditions that have caused greater basis risk on swap contracts than originally projected, (ii) continued negative impact of RUS damages, and (iii) insufficient operating revenues.”

On December 1, 2011, UTOPIA refinanced their bonds and issued new pledge agreements. The City’s maximum pledge under the amended agreement, beginning with the June 30, 2013 year end, is \$105,494, with a 2 percent annual increase through June 30, 2040. The City’s portion of the shortfall paid for the year ending June 30, 2019, was \$109,299.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PERRY CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts, Budgetary Basis	With Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 638,879	\$ 638,879	\$ 743,769	\$ 104,890
Sales and use taxes	1,233,063	1,233,063	1,276,752	43,689
Franchise and energy taxes	389,383	389,383	248,815	(140,568)
Licenses and permits	194,537	194,537	170,397	(24,140)
Intergovernmental	1,057,285	1,083,503	747,739	(335,764)
Charges for services	17,850	17,850	19,753	1,903
Impact fees	82,435	82,435	53,126	(29,309)
Earnings on investments	86,500	86,500	39,799	(46,701)
Fines and forfeitures	90,000	90,000	79,039	(10,961)
Miscellaneous	<u>76,535</u>	<u>76,535</u>	<u>40,800</u>	<u>(35,735)</u>
<i>Total revenues</i>	<u>3,866,467</u>	<u>3,892,685</u>	<u>3,419,989</u>	<u>(472,696)</u>
Expenditures				
Current:				
Administration	771,061	736,138	701,115	35,023
Judicial	42,000	35,650	26,151	9,499
Public safety	1,045,142	966,696	864,192	102,504
Streets	1,172,365	874,602	797,114	77,488
Parks	127,604	117,091	99,541	17,550
Community development	<u>626,344</u>	<u>697,752</u>	<u>626,466</u>	<u>71,286</u>
<i>Total expenditures</i>	<u>3,784,516</u>	<u>3,427,929</u>	<u>3,114,579</u>	<u>313,350</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>81,951</u>	<u>464,756</u>	<u>305,410</u>	<u>(159,346)</u>
Other financing sources (uses)				
Transfers out	<u>(228,976)</u>	<u>(228,976)</u>	<u>(228,976)</u>	<u>-</u>
Total other financing sources (uses)	<u>(228,976)</u>	<u>(228,976)</u>	<u>(228,976)</u>	<u>-</u>
<i>Net change in fund balances</i>	(147,025)	235,780	76,434	(159,346)
Fund balances beginning	<u>1,514,465</u>	<u>1,514,465</u>	<u>1,514,465</u>	<u>-</u>
<i>Fund balances ending</i>	<u>\$ 1,367,440</u>	<u>\$ 1,750,245</u>	<u>\$ 1,590,899</u>	<u>\$ 1,590,899</u>

The accompanying notes are an integral part of these statements

PERRY CITY CORPORATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2019
LAST 10 FISCAL YEARS (PROSPECTIVE FROM DATE OF IMPLEMENTATION)

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Noncontributory Retirement System					
Proportion of the net pension liability (asset)	0.0390854%	0.0396145%	0.0405899%	0.0407121%	0.0368301%
Proportionate share of the net pension liability (asset)	\$ 287,814	\$ 173,563	\$ 260,637	\$ 230,369	\$ 159,925
Covered employee payroll	\$ 349,017	\$ 379,368	\$ 348,566	\$ 341,356	\$ 319,606
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	82.46%	45.75%	74.77%	67.49%	50.00%
Plan fiduciary net position as a percentage of the total pension liability	87.00%	91.90%	87.30%	87.80%	90.20%
Public Safety Retirement System					
Proportion of the net pension liability (asset)	0.1835199%	0.1730358%	0.1267633%	0.1131310%	0.0898855%
Proportionate share of the net pension liability (asset)	\$ 472,121	\$ 271,434	\$ 257,238	\$ 202,646	\$ 113,038
Covered employee payroll	\$ 258,460	\$ 255,942	\$ 189,124	\$ 156,444	\$ 180,570
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	182.67%	106.05%	136.02%	129.53%	62.60%
Plan fiduciary net position as a percentage of the total pension liability	84.70%	90.20%	86.50%	87.10%	90.50%
Tier 2 Public Employees System					
Proportion of the net pension liability (asset)	0.0105870%	0.0065537%	0.0117065%	0.0107532%	0.0029850%
Proportionate share of the net pension liability (asset)	\$ 4,534	\$ 578	\$ 1,306	\$ (23)	\$ (90)
Covered employee payroll	\$ 123,180	\$ 64,163	\$ 96,003	\$ 69,484	\$ 14,784
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	3.68%	0.90%	1.36%	-0.03%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	90.80%	97.40%	95.10%	100.20%	103.50%
Tier 2 Public Safety and Firefighters System					
Proportion of the net pension liability (asset)	0.0637599%	0.0393088%	0.0187578%	0.0770085%	0.0479793%
Proportionate share of the net pension liability (asset)	\$ 1,598	\$ (455)	\$ (163)	\$ (1,125)	\$ (710)
Covered employee payroll	\$ 85,364	\$ 41,445	\$ 15,498	\$ 45,807	\$ 19,963
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	1.87%	-1.10%	-1.05%	-2.46%	-3.60%
Plan fiduciary net position as a percentage of the total pension liability	95.60%	103.00%	103.60%	110.70%	120.50%

The accompanying notes are an integral part of these statements

**PERRY CITY CORPORATION
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
JUNE 30, 2019
LAST 10 FISCAL YEARS***

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 60,753	\$ 60,753	\$ -	\$ 358,352	16.95%
	2015	\$ 59,487	\$ 59,487	\$ -	\$ 325,120	18.30%
	2016	\$ 61,920	\$ 61,920	\$ -	\$ 341,678	18.12%
	2017	\$ 62,448	\$ 62,448	\$ -	\$ 358,663	17.41%
	2018	\$ 61,849	\$ 61,849	\$ -	\$ 363,309	17.02%
	2019	\$ 64,693	\$ 64,693	\$ -	\$ 370,728	17.45%
Public Safety System	2014	\$ 42,163	\$ 42,163	\$ -	\$ 197,673	21.33%
	2015	\$ 48,546	\$ 48,546	\$ -	\$ 164,678	29.48%
	2016	\$ 52,547	\$ 52,547	\$ -	\$ 154,369	34.04%
	2017	\$ 77,856	\$ 77,856	\$ -	\$ 228,719	34.04%
	2018	\$ 92,038	\$ 92,038	\$ -	\$ 270,383	34.04%
	2019	\$ 82,263	\$ 82,263	\$ -	\$ 241,931	34.00%
Tier 2 Public Employees System*	2014	\$ 1,420	\$ 1,420	\$ -	\$ 10,147	13.99%
	2015	\$ 6,567	\$ 6,567	\$ -	\$ 43,956	14.94%
	2016	\$ 13,776	\$ 13,776	\$ -	\$ 92,394	14.91%
	2017	\$ 11,153	\$ 11,153	\$ -	\$ 74,803	14.91%
	2018	\$ 12,516	\$ 12,516	\$ -	\$ 82,970	15.08%
	2019	\$ 22,399	\$ 22,399	\$ -	\$ 144,141	15.54%
Tier 2 Public Safety and Firefighter System *	2014	\$ 559	\$ 559	\$ -	\$ 2,681	20.85%
	2015	\$ 9,482	\$ 9,482	\$ -	\$ 42,049	22.55%
	2016	\$ 5,062	\$ 5,062	\$ -	\$ 22,496	22.50%
	2017	\$ 5,837	\$ 5,837	\$ -	\$ 25,944	22.50%
	2018	\$ 16,048	\$ 16,048	\$ -	\$ 71,033	22.59%
	2019	\$ 22,276	\$ 22,276	\$ -	\$ 96,389	23.11%

*Amounts presented were determined as of calendar year January 1 – December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information.

**Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

The accompanying notes are an integral part of these statements

**PERRY CITY CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
FISCAL YEAR ENDED JUNE 30, 2019**

CHANGES IN ASSUMPTIONS

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

**INDEPENDENT
AUDITORS'
REPORTS**



Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

To the Mayor and City Council
Perry City, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Perry City's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perry City's internal control over financial reporting 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 Perry City's internal control. Accordingly, we do not express an opinion on the effectiveness of Perry 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered 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 Perry City's financial statements are free of 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 of 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.

Christensen, Palmer & Ambrose P.C.

December 16, 2019
Ogden, UT



Independent Auditor's Report on Compliance and on
Internal Controls Over Compliance in Accordance With the
State of Utah Legal Compliance Audit Guide

To the Mayor and City Council
Perry City, UT

REPORT ON COMPLIANCE

We have audited Perry City's compliance with the general program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2019.

The general compliance requirements applicable to Perry City are identified as follows:

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

Perry City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2019.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal 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 material effect on the City and its major programs 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, Perry City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of 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.

Christensen Palmer + Ambrose P.C.

December 16, 2019
Ogden, Ut