



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2015

**PERRY CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, 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 budgetary comparison information on pages 3-11 and 49 - 51 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 29, 2015 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.

MANAGEMENT

DISCUSSION

&

ANALYSIS

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

The following is a discussion and analysis of Perry City's (City) financial performance and activities for the year ended June 30, 2015. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-Wide

- The City's combined net position increased \$454,146 or 3.0 percent from the prior year. Business-type activities increased \$308,178 and governmental activities increased \$145,968.

Governmental Fund Level

- Fund balances in the City's governmental funds increased \$124,112 or 16.2 percent over the prior year's governmental fund balance. Collection of bond assessment revenue to pay the debt service was lower than the debt payments for the year and is the primary reason for the decrease in the debt service fund. The increase in the general fund was due to slightly higher revenues and fewer expenses than in the prior year when the City was establishing the gun range.

Proprietary Fund Level

- Fund balances in the City's utility fund increased \$224,010 over the prior year. The increase was due to increased impact fees and adding recycling services. Repair expenses were also down from the prior year. Sewer fund assets increased \$84,168 due primarily to increased collection of impact fees. All segments of proprietary funds provided program revenues which exceeded their program expenses, for a net increase in net position of \$308,178 over last year.

Long-Term Debt

- The City's long-term debt decreased from \$11,648,365 to \$11,144,848, or -4.3 percent due primarily to principal payments on the debt. Principal reductions of bonds and notes payable totaled \$491,000.

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, 2015

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, 2015

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

A large component of the City's net position, 73 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 \$454,146 or 1 percent as a whole. Net position of governmental activities increased \$145,968 over last year, or 2 percent. Net position of business-type activities increased in the amount of \$308,178 or 3 percent. A prior period adjustment relating to the implementation of GASB 68 reduces the net position for the year by \$297,696.

Restricted net position comprised 17 percent of total net position and is subject to external restrictions on how it may be used. The remaining 10 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, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,995,277	\$ 3,099,894	\$ 5,575,076	\$ 5,351,617	\$ 8,301,615	\$ 8,173,683
Capital assets	<u>7,297,920</u>	<u>7,502,828</u>	<u>14,949,484</u>	<u>15,269,372</u>	<u>22,247,404</u>	<u>22,772,200</u>
Total assets	<u>10,293,197</u>	<u>10,602,722</u>	<u>20,524,560</u>	<u>20,620,989</u>	<u>30,549,019</u>	<u>30,945,883</u>
Deferred outflows	<u>49,266</u>	<u>-</u>	<u>23,790</u>	<u>-</u>	<u>73,056</u>	<u>-</u>
Current and other liabilities	637,297	862,694	553,392	558,068	921,951	1,142,934
Long-term liabilities	<u>1,047,022</u>	<u>1,017,525</u>	<u>9,841,789</u>	<u>10,129,840</u>	<u>10,888,811</u>	<u>11,147,365</u>
Total liabilities	<u>1,684,319</u>	<u>1,880,219</u>	<u>10,395,181</u>	<u>10,687,908</u>	<u>11,810,762</u>	<u>12,290,299</u>
Deferred inflows	<u>1,768,410</u>	<u>1,777,981</u>	<u>1,788,055</u>	<u>1,779,205</u>	<u>3,556,465</u>	<u>3,557,186</u>
Net Position						
Investment in capital assets, net						
of related debt	6,312,920	6,372,828	4,844,484	4,808,372	11,157,404	11,181,200
Restricted	236,587	274,403	2,342,626	1,606,350	2,579,213	1,880,753
Unrestricted	<u>340,227</u>	<u>297,291</u>	<u>1,178,004</u>	<u>1,739,154</u>	<u>1,518,231</u>	<u>2,036,445</u>
Total Net Position	<u>\$ 6,889,734</u>	<u>\$ 6,944,522</u>	<u>\$ 8,365,114</u>	<u>\$ 8,153,876</u>	<u>\$ 15,254,848</u>	<u>\$ 15,098,398</u>

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

Change in Net Position

Total revenues for 2015 decreased slightly from last year, due in large part to CDBG money received in the prior year for road, storm drain and water projects. Program expenses decreased \$42,897, or -1 percent overall. Most of the expense categories decreased from 2014 to 2015, except for Highways and Streets which increased due to road repairs. A prior period adjustment relating to the implementation of GASB 68 reduces the net position for the year by \$297,696.

Below is a table comparing the City's sources of revenues and expenses for fiscal year 2015:

Perry City Corporation
Change in Net Position
For the Year Ended June 30, 2015

	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	2015	2014	2015	2014	2015	2014	2014-2015
Revenues:							
General revenues:							
Taxes	\$ 1,604,225	\$ 1,558,186	\$ -	\$ -	\$ 1,604,225	\$ 1,558,186	3%
Other Revenues	24,290	28,086	4,147	3,505	28,437	31,591	-10%
Program revenues:							
Charges for services	267,513	340,797	1,538,920	1,494,001	1,806,433	1,834,798	-2%
Operating grants and contributions	199,577	200,053	162,524	119,387	362,101	319,440	13%
Capital grants and contributions	66,937	133,397	114,155	132,703	181,092	266,100	-32%
Total revenues	<u>2,162,542</u>	<u>2,260,519</u>	<u>1,819,746</u>	<u>1,749,596</u>	<u>3,982,288</u>	<u>4,010,115</u>	-1%
Expenses:							
Judicial	27,343	29,390	-	-	27,343	29,390	-7%
Administration	560,481	674,224	-	-	560,481	674,224	-17%
Public safety	567,158	627,704	-	-	567,158	627,704	-10%
Highways and streets	482,697	297,392	-	-	482,697	297,392	62%
Parks	131,463	135,636	-	-	131,463	135,636	-3%
Community development	54,275	56,306	-	-	54,275	56,306	-4%
Interest on long-term debt	50,529	59,280	-	-	50,529	59,280	-15%
Water utility	-	-	541,325	603,731	541,325	603,731	-10%
Sewer utility	-	-	1,112,871	1,087,376	1,112,871	1,087,376	0%
Total expenses	<u>1,873,946</u>	<u>1,879,932</u>	<u>1,654,196</u>	<u>1,691,107</u>	<u>3,528,142</u>	<u>3,571,039</u>	-1%
Increase (decrease) before transfers	288,596	380,587	165,550	58,489	454,146	439,076	
Transfers in (out)	<u>(142,628)</u>	<u>(142,628)</u>	<u>142,628</u>	<u>142,628</u>	-	-	
Increase (decrease) in Net Position	145,968	237,959	308,178	201,117	454,146	439,076	3%
Net Position beginning	<u>6,944,522</u>	<u>6,706,563</u>	<u>8,153,876</u>	<u>7,952,759</u>	<u>15,098,398</u>	<u>14,659,322</u>	3%
Prior period adjustment	<u>(200,756)</u>	-	<u>(96,940)</u>	-	<u>(297,696)</u>	-	
Net Position ending	<u>\$ 6,889,734</u>	<u>\$ 6,944,522</u>	<u>\$ 8,365,114</u>	<u>\$ 8,153,876</u>	<u>\$ 15,254,848</u>	<u>\$ 15,098,398</u>	1%

See Independent Auditors' Report

**PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

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 2015, these programs generated \$534,027, or 28 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional \$1,339,919 for program expenses, which was \$134,234 more than was required last year.

General fund tax collections increased from \$1,558,186 to \$1,604,225, or 3 percent, and other revenues decreased 14 percent from \$28,086 to \$24,290 in 2015. The major contributor to the increase in general fund tax collections was due to the increased Municipal Energy Tax. Charges for services decreased \$73,284 primarily due to fluctuations of bond assessment revenue in the debt service fund. Operating grants decreased \$476 in 2015. Intergovernmental revenue decreased when compared to last year because \$100,000 of CDBG money was received in the prior year.

General governmental expenditures decreased \$5,986 or 0 percent during fiscal year 2015 over 2014. There was fluctuation in many of the departments during the year. The Administration Department decreased by \$113,743 or 17 percent over the prior year. The Public Safety Department decreased by \$60,546 or -1 percent, the Highways and Streets Department increased by \$185,305 or 62 percent and Community Development decreased by \$2,031 or 4 percent. Administration decreased due to CDBG funds that were expended in the prior year. Highways and Streets had more road repair projects during 2015 than were done during 2014.

**Perry City Corporation
Net Cost of Governmental Activities
For the Year Ended June 30, 2015**

	Total	Less	Program Revenues as a			
	Program	Program	Net Program Costs		Percentage of Total	
	<u>Expenses</u>	<u>Revenues</u>			<u>Expenses</u>	
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Governmental activities						
Judicial	\$ 27,343	\$ 36,927	\$ (9,584)	\$ (7,207)	135%	125%
Administration	560,481	20,004	540,477	665,168	4%	1%
Public safety	567,158	41,935	525,223	594,207	7%	5%
Streets	482,697	183,064	299,633	31,564	38%	89%
Parks	131,463	60,206	71,257	93,315	46%	31%
Community development	54,275	191,891	(137,616)	(230,642)	354%	510%
Interest on long-term debt	<u>50,529</u>	<u>-</u>	<u>50,529</u>	<u>59,280</u>	0%	0%
 Total governmental activities	 <u>\$ 1,873,946</u>	 <u>\$ 534,027</u>	 <u>\$ 1,339,919</u>	 <u>\$ 1,205,685</u>	 28%	 36%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

Business-Type Activities

Total business-type activity revenues for 2015 were \$1,819,746, an increase of \$70,150 or 4 percent over last year; 85 percent of total revenues were charges for services. Impact and connection fees accounted for 14 percent and investment earnings and other income, including grants for the sewer project, make up the other 1 percent. Total expenditures decreased by \$36,911 or 2 percent, and business type activities showed income of \$308,178, an increase of \$107,061 over last year. Most of this positive change was due to activities related to the sewer project during the year. Charges for services increased slightly during the year, and operating grants and contributions were received for \$162,524. Expenses, especially those in the utility fund, increased as there were more repairs and maintenance expenses. Utility fund expenses were \$541,325 and sewer fund expenses were \$1,112,871. The utility department was able to cover its share of program expenses with charges for services, without relying on other sources of revenue. However, the sewer was not able to cover their program expenses, mainly because part of the program expenses includes interest expense (the sewer revenue does cover operating expenses.) Impact fees in all departments increased this year from \$184,588 in 2014 to \$261,130 in 2015, an increase of 41 percent.

Perry City Corporation
Net Cost of Business-Type Activities
For the Year Ended June 30, 2015

	Total	Less	Program Revenues as a			
	Program	Program	Net Program Costs		Percentage of Total	
	<u>Expenses</u>	<u>Revenues</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Business-type activities						
Utility	\$ 541,325	\$ 761,191	\$ (219,866)	\$(123,807)	141%	121%
Sewer	<u>1,112,871</u>	<u>1,054,408</u>	<u>58,463</u>	<u>68,823</u>	95%	94%
Total business-type activities	<u>\$ 1,654,196</u>	<u>\$ 1,815,599</u>	<u>\$ (161,403)</u>	<u>\$ (54,984)</u>	110%	103%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

In governmental activities during fiscal year 2015, the city completed work on a restroom at Dale Young Park for \$43,315 and re-roofed the Perry Park Bowery. The Police department also purchased some software.

In business-type activities, a water main on Highway 89 was replaced for \$133,000, and some additional money was spent on a chlorinator and a waterline extension. In addition, a drive box for the waste water treatment plant was installed for \$7,000.

The City holds \$22,247,404 in net capital assets. Of those, \$7,297,920 or 33 percent is held in governmental activity net capital assets. Business-type activities hold \$14,949,484 or 67 percent of total net capital assets. More information about capital assets is included in Note 4.

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 363,847	\$ 363,847	\$ 394,738	\$ 394,738	\$ 758,585	\$ 758,585
Buildings	281,643	238,328	8,193,277	8,193,277	8,474,920	8,431,605
Improvements	942,258	935,058	26,754	26,754	969,012	961,812
Infrastructure	8,685,062	8,685,062	9,302,909	9,126,287	17,987,971	17,811,349
Machinery and equipment	199,159	182,498	1,585,852	1,578,799	1,785,011	1,761,297
Vehicles	642,760	642,760	239,999	239,999	882,759	882,759
Accumulated depreciation	<u>(3,816,809)</u>	<u>(3,544,725)</u>	<u>(4,794,045)</u>	<u>(4,290,482)</u>	<u>(8,610,854)</u>	<u>(7,835,207)</u>
Net capital assets	<u>\$ 7,297,920</u>	<u>\$ 7,502,828</u>	<u>\$ 14,949,484</u>	<u>\$ 15,269,372</u>	<u>\$ 22,247,404</u>	<u>\$ 22,772,200</u>

Long-Term Debt

The repayment of bonds for general fund special assessment, water and sewer continued in 2015. Principal of \$135,000 was paid off during 2015 on the 2005 Special Assessment Bonds, leaving an ending balance of \$955,000. The current portion due is \$142,000.

The 1998 Water Revenue Bonds are nearing completion. Payments of \$36,000 were made during the current year, leaving a balance of \$155,000. The current portion due for the coming year is \$37,000. The bonds are estimated to be paid off in 2019.

The 2008 Sewer Revenue Bond still has 19 years until it is paid off, based upon the current amortization schedule. Principal payments of \$320,000 were made, and \$340,000 will be made next year. The ending principal balance as of June 30, 2015 was \$9,950,000.

See Independent Auditors' Report

**PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015**

Compensated absences had a balance of \$54,848. As a whole, long-term liabilities decreased from \$11,648,365 in 2014 to \$11,144,848 in 2015, down by \$503,517 or 4 percent.

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

**Perry City Corporation
Long-Term Liabilities
June 30, 2015**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014 - 2015</u>
Bonds payable	\$ 955,000	\$ 1,090,000	\$ 10,105,000	\$ 10,461,000	\$ 11,060,000	\$ 11,551,000	-4%
Note payable	30,000	40,000	-	-	30,000	40,000	
Compensated absences	<u>29,945</u>	<u>32,525</u>	<u>24,903</u>	<u>24,840</u>	<u>54,848</u>	<u>57,365</u>	-4%
Total	<u>\$ 1,014,945</u>	<u>\$ 1,162,525</u>	<u>\$ 10,129,903</u>	<u>\$ 10,485,840</u>	<u>\$ 11,144,848</u>	<u>\$ 11,648,365</u>	-4%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2015, the City's governmental funds reported combined fund balances of \$927,395. Of that amount, \$80,736 was reserved for park impact fees, \$2,380 for police impact fees, \$18,256 for fire impact fees, \$117,715 for Class C roads, \$17,500 for a tourism grant and \$179,046 is assigned to debt service. The fund balance of the internal service fund (fleet) is \$61,148 but is made up entirely of capital assets held in that fund. The general fund's unassigned fund balance closed with a balance of \$512,473, up \$224,318 from last year.

The following chart presents the City's 2015 ending fund balances:

**Perry City Corporation
Fund Balances/Net Position
June 30, 2015**

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Utility</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
Invested in capital assets	\$ -	\$ -	\$ -	\$2,646,152	\$ 2,198,332	\$ 179,710
Reserved/restricted	236,587	-	-	561,257	1,781,369	-
Assigned	-	179,046	-	-	-	-
Unreserved/unassigned	<u>512,473</u>	<u>(61,859)</u>	<u>25,000</u>	<u>1,109,111</u>	<u>68,893</u>	<u>(118,562)</u>
Total	<u>\$ 749,060</u>	<u>\$ 117,187</u>	<u>\$ 25,000</u>	<u>\$ 4,316,520</u>	<u>\$ 4,048,594</u>	<u>\$ 61,148</u>
<i>Percent change from prior year</i>	27%	-35%	N/A	4%	1%	0%

See Independent Auditors' Report

PERRY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

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 significant changes to the originally adopted budget for revenues were limited to a small increase in Intergovernmental revenue. Administration, Public Safety, and Community Development expense budgets were increased as well.

Actual general fund revenues were \$2,038,872, or 1 percent above the original budget, and \$11,787, or 1 percent above the final budget. Actual expenditures were \$1,710,272, or 12 percent below the original budget, and \$278,301, or 14 percent below the final budget.

Debt Service Fund

The fund balance in the debt service fund decreased \$61,859, or -35 percent during fiscal year 2015 due to insufficient bond assessment revenue received from developers.

Capital Projects Fund

A new capital projects fund was created during the year. The initial intent of the capital projects fund is to put aside money to help with the construction of a joint fire station with Brigham City in the future. During the year ended June 30, 2015, \$25,000 was transferred to the capital projects fund.

Utility Fund

The utility fund has total net position of \$4,316,520, which showed an increase of \$182,366 or 4 percent (after adjusting for the prior period adjustment due to the GASB 68 standard implementation) during 2015. Total operating revenues of \$647,036 were lower than last year by \$39,360 or 6 percent, and were more than sufficient to cover operating expenses of \$536,897, which increased by \$74 or 0 percent relative to the prior year.

Sewer Fund

The sewer fund has total net position of \$4,048,594, which showed an increase of \$28,872 or 1 percent (after adjusting for the prior period adjustment due to the GASB 68 standard implementation) during 2015. Total operating revenues of \$891,884 were lower than last year by \$25,867 or 3 percent, and were more than sufficient to cover operating expenses of \$794,881, which increased by -\$36,141 or -7 percent relative to the prior year.

Internal Service Fund

The internal service fund maintains and allocates expenses for City vehicles to other funds. During 2015, its fund balance was \$61,148, which remained the same at the end of the year.

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 Treasurer, 3005 South 1200 West, Perry, Utah, 84302-4229.

See Independent Auditors' Report

**BASIC
FINANCIAL
STATEMENTS**

PERRY CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 957,513	\$ 3,365,332	\$ 4,322,845	\$ 329,636
Accounts receivable (net of allowance)	351,025	159,376	510,401	-
Intergovernmental receivables				
Taxes receivable	580,272	-	580,272	-
Deposits	32,716	-	32,716	-
Due from other governmental agencies	238,041	-	238,041	-
Land held for resale	835,170	-	835,170	-
Restricted cash	-	1,781,369	1,781,369	-
Internal balances*	-	268,738	-	-
<i>Total current assets</i>	<u>2,994,737</u>	<u>5,574,815</u>	<u>8,300,814</u>	<u>329,636</u>
Noncurrent assets (net of accumulated depreciation)				
Land	363,847	394,738	758,585	-
Buildings	235,533	7,258,248	7,493,781	-
Improvements	356,999	18,728	375,727	-
Infrastructure	6,122,638	6,110,311	12,232,949	-
Machinery and equipment	39,193	1,011,687	1,050,880	-
Vehicles	179,710	155,772	335,482	-
Net pension asset	540	261	801	-
<i>Total assets</i>	<u>10,293,197</u>	<u>20,524,560</u>	<u>30,549,019</u>	<u>329,636</u>
Deferred outflows of resources				
Deferred outflows of resources related to pensions	49,266	23,790	73,056	-
<i>Total deferred outflows of resources</i>	<u>49,266</u>	<u>23,790</u>	<u>73,056</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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 124,418	\$ 63,360	\$ 187,778	\$ -
Accrued liabilities	38,180	4,788	42,968	-
Customer deposits	25,486	56,510	81,996	-
Internal balances*	268,738	-	-	-
Current portion of long-term debt	152,000	377,000	529,000	-
Accrued interest	<u>28,475</u>	<u>51,734</u>	<u>80,209</u>	-
<i>Total current liabilities</i>	637,297	553,392	921,951	-
Long-term liabilities:				
Revenue bond payable	833,000	9,728,000	10,561,000	-
Net pension liability	184,077	88,886	272,963	-
Compensated absences	<u>29,945</u>	<u>24,903</u>	<u>54,848</u>	-
<i>Total liabilities</i>	<u>1,684,319</u>	<u>10,395,181</u>	<u>11,810,762</u>	-
Deferred inflows of resources				
Deferred inflows related to pensions	31,655	15,285	46,940	-
Unavailable revenue	<u>1,736,755</u>	<u>1,772,770</u>	<u>3,509,525</u>	-
<i>Total deferred inflows of resources</i>	<u>1,768,410</u>	<u>1,788,055</u>	<u>3,556,465</u>	-
Net position				
Invested in capital assets, net of related debt	6,312,920	4,844,484	11,157,404	-
Restricted for:				
Police impact fees	2,380	-	2,380	-
Fire impact fees	18,256	-	18,256	-
Park impact fees	80,736	-	80,736	-
Other purposes	-	2,342,626	2,342,626	-
Tourism grant	17,500	-	17,500	-
Class "C" road funds	117,715	-	117,715	-
Unrestricted	<u>340,227</u>	<u>1,178,004</u>	<u>1,518,231</u>	<u>329,636</u>
<i>Total net position</i>	<u>\$ 6,889,734</u>	<u>\$ 8,365,114</u>	<u>\$ 15,254,848</u>	<u>\$ 329,636</u>

*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, 2015**

	Expenses	Program Revenue			Changes in Net Position Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Governmental activities:									
Administration	\$ 560,481	\$ 20,004	\$ -	\$ -	\$ (540,477)	\$ -	\$ (540,477)	\$ -	
Judicial	27,343	36,927	-	-	9,584	-	9,584	-	
Public safety	567,158	15,485	20,513	5,937	(525,223)	-	(525,223)	-	
Streets	482,697	-	178,064	5,000	(299,633)	-	(299,633)	-	
Parks	131,463	3,206	1,000	56,000	(71,257)	-	(71,257)	-	
Community development	54,275	191,891	-	-	137,616	-	137,616	-	
Interest on long-term debt	50,529	-	-	-	(50,529)	-	(50,529)	-	
<i>Total governmental activities</i>	<u>1,873,946</u>	<u>267,513</u>	<u>199,577</u>	<u>66,937</u>	<u>(1,339,919)</u>	<u>-</u>	<u>(1,339,919)</u>	<u>-</u>	
Business-type activities:									
Utility	541,325	647,036	-	114,155	-	219,866	219,866	-	
Sewer	1,112,871	891,884	162,524	-	-	(58,463)	(58,463)	-	
<i>Total business-type activities</i>	<u>1,654,196</u>	<u>1,538,920</u>	<u>162,524</u>	<u>114,155</u>	<u>-</u>	<u>161,403</u>	<u>161,403</u>	<u>-</u>	
<i>Total primary government activities</i>	<u>\$ 3,528,142</u>	<u>\$ 1,806,433</u>	<u>\$ 362,101</u>	<u>\$ 181,092</u>	<u>(1,339,919)</u>	<u>161,403</u>	<u>(1,178,516)</u>	<u>-</u>	
Component Units:									
Box Elder/Perry Flood Control	3,896	6,578	-	-	-	-	-	2,682	
Box Elder/Perry Flood Control Cap Proj.	116,313	-	-	-	-	-	-	(116,313)	
<i>Total component units</i>	120,209	6,578	-	-	-	-	-	(113,631)	
Revenues									
					713,128	-	713,128	74,485	
					642,353	-	642,353	-	
					248,744	-	248,744	-	
					4,206	-	4,206	-	
					1,284	1,457	2,741	-	
					18,800	2,690	21,490	692	
					(142,628)	142,628	-	-	
					<u>1,485,887</u>	<u>146,775</u>	<u>1,632,662</u>	<u>75,177</u>	
					Change in net position	145,968	308,178	454,146	(38,454)
					Net position - beginning	<u>6,944,522</u>	<u>8,153,876</u>	<u>15,098,398</u>	<u>368,090</u>
					Prior period adjustment	(200,756)	(96,940)	(297,696)	-
					Net position - ending	<u>\$ 6,889,734</u>	<u>\$ 8,365,114</u>	<u>\$ 15,254,848</u>	<u>\$ 329,636</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 786,851	\$ 144,966	\$ 25,000	\$ 956,817
Taxes receivable	580,273	-	-	580,273
Deposits	62,426	321,313	-	383,739
Due from other governments	238,041	-	-	238,041
Land held for resale	-	835,170	-	835,170
Restricted cash and cash equivalents	-	696	-	696
<i>Total assets</i>	<u>1,667,590</u>	<u>1,302,145</u>	<u>25,000</u>	<u>2,994,735</u>
Liabilities				
Cash overdraft				
Accounts payable	\$ 124,416	\$ -	\$ -	\$ 124,416
Accrued liabilities	38,180	-	-	38,180
Customer deposits	25,486	-	-	25,486
Accrued interest payable	-	28,475	-	28,475
Due to other funds	150,176	-	-	150,176
<i>Total liabilities</i>	<u>338,258</u>	<u>28,475</u>	<u>-</u>	<u>366,733</u>
Deferred inflows of resources				
Unavailable revenue	580,272	1,156,483	-	1,736,755
<i>Total deferred inflows of resources</i>	<u>580,272</u>	<u>1,156,483</u>	<u>-</u>	<u>1,736,755</u>
Fund balances				
Restricted for:				
Police impact fees	2,380	-	-	2,380
Fire impact fees	18,256	-	-	18,256
Park impact fees	80,736	-	-	80,736
Tourism grant	17,500	-	-	17,500
Class "C" roads	117,715	-	-	117,715
Assigned fund balance	-	179,046	-	179,046
Unassigned fund balance	512,473	(61,859)	25,000	475,614
<i>Total fund balances</i>	<u>749,060</u>	<u>117,187</u>	<u>25,000</u>	<u>891,247</u>
<i>Total liabilities and fund balances</i>	<u>\$1,667,590</u>	<u>\$1,302,145</u>	<u>\$ 25,000</u>	<u>\$2,994,735</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, 2015**

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

Total fund balance - governmental fund types	\$ 891,247
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,297,920
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.	(118,562)
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.	(165,926)
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.	<u>(1,014,945)</u>
<i>Net position of governmental activities in the statement of net position</i>	<u>\$ 6,889,734</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, 2015

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Taxes				
Property taxes	\$ 664,461	\$ 48,667	\$ -	\$ 713,128
Sales and use	642,353	-	-	642,353
Other	248,744	-	-	248,744
Licenses and permits	116,888	-	-	116,888
Intergovernmental	216,316	-	-	216,316
Charges for services	12,172	75,003	-	87,175
Impact fees	63,937	-	-	63,937
Earnings on investments	18,800	-	-	18,800
Fines and forfeitures	36,927	-	-	36,927
Miscellaneous	18,273	-	-	18,273
<i>Total revenues</i>	<u>2,038,871</u>	<u>123,670</u>	<u>-</u>	<u>2,162,541</u>
Expenditures:				
Current				
Administration	565,121	-	-	565,121
Judicial	27,343	-	-	27,343
Public safety	610,135	-	-	610,135
Streets	308,118	-	-	308,118
Parks	145,280	-	-	145,280
Community development	54,275	-	-	54,275
Debt service				
Principal	-	135,000	-	135,000
Interest and other charges	-	50,529	-	50,529
<i>Total expenditures</i>	<u>1,710,272</u>	<u>185,529</u>	<u>-</u>	<u>1,895,801</u>
Excess (deficiency) of revenues over expenditures	<u>328,599</u>	<u>(61,859)</u>	<u>-</u>	<u>266,740</u>
Other financing sources (uses):				
Transfers in	-	-	25,000	25,000
Transfers out	(167,628)	-	-	(167,628)
Transfers	<u>(167,628)</u>	<u>-</u>	<u>25,000</u>	<u>(142,628)</u>
<i>Net change in fund balances</i>	160,971	(61,859)	25,000	124,112
Fund balances - beginning	<u>588,089</u>	<u>179,046</u>	<u>-</u>	<u>767,135</u>
Fund balances - ending	<u>\$ 749,060</u>	<u>\$ 117,187</u>	<u>\$ 25,000</u>	<u>\$ 891,247</u>

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, 2015

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

Net change in fund balances - total governmental funds:	\$ 124,112
<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 \$227,731 exceeded capital outlays of \$77,176 in the current period.	(150,555)
<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 proceeds exceeded repayments.</p>	
	135,000
<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>	
	2,580
<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>34,829</u>
<i>Change in net position of governmental activities</i>	<u>\$ 145,966</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
PROPRIETY FUND FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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	\$ 1,457,551	\$ 1,907,781	\$ 3,365,332	\$ -
Accounts receivable (net of allowance)	63,480	95,896	159,376	-
Restricted cash and cash equivalents	-	1,781,369	1,781,369	-
Due from other funds	<u>268,738</u>	<u>-</u>	<u>268,738</u>	<u>-</u>
<i>Total current assets</i>	<u>1,789,769</u>	<u>3,785,046</u>	<u>5,574,815</u>	<u>-</u>
Noncurrent assets:				
Land	159,579	235,159	394,738	-
Buildings	11,883	7,246,365	7,258,248	-
Land improvements	-	18,728	18,728	-
Infrastructure	2,598,433	3,511,878	6,110,311	-
Machinery and equipment	31,257	980,430	1,011,687	-
Vehicles	-	155,772	155,772	179,710
Net pension asset	<u>112</u>	<u>149</u>	<u>261</u>	<u>-</u>
<i>Total noncurrent assets</i>	<u>2,801,264</u>	<u>12,148,481</u>	<u>14,949,745</u>	<u>179,710</u>
<i>Total assets</i>	<u>4,591,033</u>	<u>15,933,527</u>	<u>20,524,560</u>	<u>179,710</u>
Deferred outflows of resources:				
Deferred outflows related to pensions	<u>10,220</u>	<u>13,570</u>	<u>23,790</u>	<u>-</u>
<i>Total deferred outflows of resources</i>	<u>10,220</u>	<u>13,570</u>	<u>23,790</u>	<u>-</u>

The accompanying notes are an integral part of these statements

PERRY CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(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	44,982	18,378	63,360	-
Accrued liabilities	2,193	2,595	4,788	-
Customer deposits	27,108	29,402	56,510	-
Accrued interest payable	1,984	49,750	51,734	-
Due to other funds	-	-	-	118,562
<i>Total current liabilities</i>	<u>76,267</u>	<u>100,125</u>	<u>176,392</u>	<u>118,562</u>
Noncurrent liabilities:				
Compensated absences	8,716	16,187	24,903	-
Net pension liability	38,184	50,702	88,886	-
Noncurrent liabilities - due in less than one year	37,000	340,000	377,000	-
Noncurrent liabilities - due in more than one year	<u>118,000</u>	<u>9,610,000</u>	<u>9,728,000</u>	<u>-</u>
<i>Total noncurrent liabilities</i>	<u>201,900</u>	<u>10,016,889</u>	<u>10,218,789</u>	<u>-</u>
<i>Total liabilities</i>	<u>278,167</u>	<u>10,117,014</u>	<u>10,395,181</u>	<u>118,562</u>
Deferred inflows of resources				
Unavailable revenue	-	1,772,770	1,772,770	-
Deferred inflows related to pensions	<u>6,566</u>	<u>8,719</u>	<u>15,285</u>	<u>-</u>
<i>Total deferred inflows of resources</i>	<u>6,566</u>	<u>1,781,489</u>	<u>1,788,055</u>	<u>-</u>
<i>Total liabilities and deferred inflows of resources</i>	<u>284,733</u>	<u>11,898,503</u>	<u>12,183,236</u>	<u>118,562</u>
Net position				
Investment in capital assets, net of related debt	\$ 2,646,152	\$ 2,198,332	\$ 4,844,484	\$ 179,710
Restricted for other purposes	561,257	1,781,369	2,342,626	-
Unrestricted	<u>1,109,111</u>	<u>68,893</u>	<u>1,178,004</u>	<u>(118,562)</u>
<i>Total net position</i>	<u>\$ 4,316,520</u>	<u>\$ 4,048,594</u>	<u>\$ 8,365,114</u>	<u>\$ 61,148</u>

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, 2015

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>
Operating revenues				
Charges for services	\$ 637,786	\$ 891,134	\$ 1,528,920	\$ -
Miscellaneous operating revenues	<u>9,250</u>	<u>750</u>	<u>10,000</u>	<u>44,353</u>
<i>Total operating revenues</i>	<u>647,036</u>	<u>891,884</u>	<u>1,538,920</u>	<u>44,353</u>
Operating expenses				
Wages and benefits	122,822	163,914	286,736	-
Fees and services	203,366	16,085	219,451	-
Materials and supplies	18,293	7,870	26,163	-
Utilities	69,077	88,352	157,429	-
Repairs and maintenance	29,050	86,282	115,332	-
Insurance claims and expenses	-	19,325	19,325	-
Depreciation	<u>94,289</u>	<u>413,053</u>	<u>507,342</u>	<u>44,353</u>
<i>Total operating expenses</i>	<u>536,897</u>	<u>794,881</u>	<u>1,331,778</u>	<u>44,353</u>
<i>Operating income (loss)</i>	<u>110,139</u>	<u>97,003</u>	<u>207,142</u>	<u>-</u>
Nonoperating revenues (expenses)				
Impact fees	114,155	146,975	261,130	-
Operating grants and contributions	-	15,549	15,549	-
Investment earnings	2,690	-	2,690	-
Interest expense	(4,429)	(306,500)	(310,929)	-
Miscellaneous revenues (expenses)	<u>1,455</u>	<u>(11,487)</u>	<u>(10,032)</u>	<u>-</u>
<i>Total nonoperating revenue (expenses)</i>	<u>113,871</u>	<u>(155,463)</u>	<u>(41,592)</u>	<u>-</u>
<i>Income (loss) before contributions and transfers</i>	<u>224,010</u>	<u>(58,460)</u>	<u>165,550</u>	<u>-</u>
Transfers in (out)	<u>-</u>	<u>142,628</u>	<u>142,628</u>	<u>-</u>
<i>Change in net position</i>	<u>224,010</u>	<u>84,168</u>	<u>308,178</u>	<u>-</u>
Net position - beginning	<u>4,134,154</u>	<u>4,019,722</u>	<u>8,153,876</u>	<u>61,148</u>
Prior period adjustment	<u>(41,644)</u>	<u>(55,296)</u>	<u>(96,940)</u>	<u>-</u>
Net position - ending	<u>\$ 4,316,520</u>	<u>\$4,048,594</u>	<u>\$ 8,365,114</u>	<u>\$ 61,148</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, 2015**

	Enterprise Fund <u>Utility</u>	Enterprise Fund <u>Sewer</u>	Governmental <u>Activities - ISF</u>
Cash flows from operating activities:			
Receipts from customers	\$ 681,099	\$ 880,603	\$ 44,353
Payments to suppliers	(354,926)	(205,273)	-
Cash paid for claims	-	(2,107)	-
Payments to employees	<u>(124,884)</u>	<u>(160,797)</u>	<u>-</u>
<i>Net cash provided by (used in) operating activities</i>	<u>201,289</u>	<u>512,426</u>	<u>44,353</u>
Cash flows from noncapital financing activities:			
Loans from other funds	-	-	(44,353)
Operating transfers (to)/from other funds	<u>-</u>	<u>142,628</u>	<u>-</u>
<i>Net cash provided by (used in) noncapital financing activities</i>	<u>-</u>	<u>142,628</u>	<u>(44,353)</u>
Cash flows from capital and related financing activities:			
Payment on revenue bonds	(36,000)	(320,000)	-
Acquisition of capital assets	(185,739)	(18,538)	-
Other revenues / (expenses)	1,455	4,062	-
Interest paid on revenue bonds	(4,890)	(308,100)	-
Proceeds from impact fees	<u>114,155</u>	<u>146,975</u>	<u>-</u>
<i>Net cash provided by (used in) capital and related financing activities</i>	<u>(111,019)</u>	<u>(495,601)</u>	<u>-</u>
Cash flows from investing activities:			
Interest and dividends received	<u>2,690</u>	<u>-</u>	<u>-</u>
<i>Net cash provided by (used in) investing activities</i>	<u>2,690</u>	<u>-</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	92,960	159,453	-
Cash and cash equivalents - beginning	<u>1,364,591</u>	<u>3,529,697</u>	<u>-</u>
Cash and cash equivalents - ending	<u>\$ 1,457,551</u>	<u>\$3,689,150</u>	<u>\$ -</u>
Cash and cash equivalents	\$ 1,457,551	\$1,907,781	\$ -
Restricted cash and investments	<u>-</u>	<u>1,781,369</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,457,551</u>	<u>\$3,689,150</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, 2015
(Continued)

	Enterprise Fund <u>Utility</u>	Enterprise Fund <u>Sewer</u>	Governmental <u>Activities - ISF</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 110,139	\$ 97,003	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	94,289	413,053	44,353
Change in assets and liabilities:			
Change in accounts receivable	(10,290)	(4,846)	-
Change in due from other funds	44,353	-	-
Change in deposits payable	1,605	4,504	-
Change in accounts payable	(36,746)	6,030	-
Change in deferred revenue	-	(6,435)	-
Change in wages payable and compensated absences	<u>(2,061)</u>	<u>3,117</u>	<u>-</u>
 <i>Net cash provided by (used in) operating activities</i>	 <u>\$ 201,289</u>	 <u>\$ 512,426</u>	 <u>\$ 44,353</u>

The accompanying notes are an integral part of these statements.

PERRY CITY CORPORATION
COMPONENT UNIT FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015**

	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>54,949</u>	\$ <u>274,687</u>	\$ <u>329,636</u>
<i>Total assets</i>	<u>54,949</u>	<u>274,687</u>	<u>329,636</u>
Net position			
Unrestricted	\$ <u>54,949</u>	\$ <u>274,687</u>	\$ <u>329,636</u>
<i>Total net position</i>	<u>\$ 54,949</u>	<u>\$ 274,687</u>	<u>\$ 329,636</u>

The accompanying notes are an integral part of these statements

**PERRY CITY CORPORATION
STATEMENT OF ACTIVITIES
COMPONENT UNITS
JUNE 30, 2015**

	<u>Box Elder County & Perry Flood Control</u>	<u>Box Elder County & Perry Flood Control Capital Project</u>	<u>Total</u>
Expenses:	\$ 3,896	\$ 116,313	\$ 120,209
Program Revenues:			
Taxes			
Property taxes	\$ 74,485	\$ -	\$ 74,485
Other	6,578	-	6,578
Earnings on investments	<u>692</u>	<u>-</u>	<u>692</u>
<i>Total revenues</i>	<u>81,755</u>	<u>-</u>	<u>81,755</u>
Net (Expenses) Revenues	<u>77,859</u>	<u>(116,313)</u>	<u>(38,454)</u>
Other financing sources (uses):			
Transfers in	-	391,000	391,000
Transfers out	<u>(391,000)</u>	<u>-</u>	<u>(391,000)</u>
Transfers	<u>(391,000)</u>	<u>391,000</u>	<u>-</u>
<i>Change in net position</i>	(313,141)	274,687	(38,454)
Net position - beginning	<u>368,090</u>	<u>-</u>	<u>368,090</u>
Net position - ending	<u>\$ 54,949</u>	<u>\$ 274,687</u>	<u>\$ 329,636</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, 2015

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, 2015

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 was created during the fiscal year ended June 30, 2015 and is to be used to put aside money to help with the construction of a joint fire station with Brigham City.

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2015, was \$29,945 in the governmental funds and \$24,903 in the proprietary funds.

J. Subsequent Events

Management has evaluated subsequent events through December 29, 2015, 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, 2015, was \$324,471. This balance exceeded the FDIC insurance limit of \$250,000 leaving \$74,471 uninsured.

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, 2015

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, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
U.S. Treasury obligations held by trustee	\$ 696	N/A	N/A
Utah Public Treasurer's Investment Fund	<u>5,836,891</u>	< 1 Year	Not rated
	<u>\$ 5,837,587</u>		

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

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

Total cash and investments	
Deposits at 06/30/15	\$ 299,841
Investments	6,133,968
Cash on hand	<u>40</u>
	<u>\$6,433,849</u>
As reported in the financial statements:	
Cash and cash equivalents	\$4,652,481
Restricted cash and cash equivalents	<u>1,781,369</u>
	<u>\$6,433,850</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, 2015

NOTE 3. RECEIVABLES

Receivables at June 30, 2015, consist of the following:

	<u>Taxes</u>	<u>Governments</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General fund	\$580,272	\$238,041	\$ 29,709	\$ 848,022
Special Improvement District	<u> -</u>	<u> -</u>	<u>321,315</u>	<u>321,315</u>
<i>Total governmental receivables</i>	<u>\$580,272</u>	<u>\$238,041</u>	<u>\$ 351,024</u>	<u>\$ 1,169,337</u>
Business-type activities:				
Utility fund, net of allowance \$4,595	\$ -	\$ -	\$ 63,480	\$ 63,480
Sewer fund, net of allowance \$4,571	<u> -</u>	<u> -</u>	<u>95,896</u>	<u>95,896</u>
<i>Total business-type receivables</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,376</u>	<u>\$ 159,376</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. The City also received a sewer grant from the State of Utah that was recorded as deferred revenue, and there was deferred revenue under the Debt Service Fund. Under GASB 63, these items are called unavailable revenue under the deferred inflows of resources heading.

For the year ended June 30, 2015 unavailable revenue in the governmental funds consist of \$580,272 for property taxes due in November that aren't considered available, and \$1,156,483 in the debt service fund. 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 \$31,655 and deferred outflows – pensions is \$49,266 for the year ended June 30, 2015.

Unavailable revenue in the business-type activities consists of \$1,772,770 of grant proceeds received that aren't earned yet. Deferred outflows – pensions is \$10,219 and deferred inflows – pensions is \$6,566 in the Utility fund in 2015. Deferred inflows – pensions for the Sewer fund is \$8,719 for the year ended June 30, 2015.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

In governmental activities during fiscal year 2015, the city completed work on a restroom at Dale Young Park for \$43,315 and re-roofed the Perry Park Bowery. The Police department also purchased some software.

In business-type activities, a water main on Highway 89 was replaced for \$133,000, and some additional money was spent on a chlorinator and a waterline extension. In addition, a drive box for the waste water treatment plant was installed for \$7,000.

Perry City Corporation
Capital Assets

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 363,847	\$ -	\$ -	\$ 363,847
<i>Total capital assets not being depreciated</i>	<u>363,847</u>	<u>-</u>	<u>-</u>	<u>363,847</u>
Capital assets being depreciated:				
Buildings	238,328	43,315	-	281,643
Improvements	935,058	7,200	-	942,258
Infrastructure	8,685,062	-	-	8,685,062
Furniture, machinery and equipment	182,498	16,661	-	199,159
Vehicles	642,760	-	-	642,760
<i>Capital assets being depreciated</i>	<u>10,683,706</u>	<u>67,176</u>	<u>-</u>	<u>10,750,882</u>
Less accumulated depreciation for:				
Buildings	39,532	6,578	-	46,110
Improvements	547,067	38,192	-	585,259
Infrastructure	2,388,723	173,701	-	2,562,424
Furniture, machinery and equipment	150,706	9,260	-	159,966
Vehicles	418,697	44,353	-	463,050
<i>Total accumulated depreciation</i>	<u>3,544,725</u>	<u>272,084</u>	<u>-</u>	<u>3,816,809</u>
<i>Total capital assets being depreciated, net</i>	<u>7,138,981</u>	<u>(204,908)</u>	<u>-</u>	<u>6,934,073</u>
<i>Governmental activities capital assets - net</i>	<u>\$ 7,502,828</u>	<u>\$ (204,908)</u>	<u>\$ -</u>	<u>\$ 7,297,920</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5. CAPITAL ASSETS (Continued)

Perry City Corporation
Capital Assets

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 394,738	\$ -	\$ -	\$ 394,738
<i>Total capital assets not being depreciated</i>	<u>394,738</u>	<u>-</u>	<u>-</u>	<u>394,738</u>
Capital assets being depreciated:				
Buildings	8,193,277	-	-	8,193,277
Improvements	26,754	-	-	26,754
Infrastructure	9,126,287	176,622	-	9,302,909
Furniture, machinery and equipment	1,578,799	7,053	-	1,585,852
Vehicles	239,999	-	-	239,999
<i>Capital assets being depreciated</i>	<u>19,165,116</u>	<u>183,675</u>	<u>-</u>	<u>19,348,791</u>
Less accumulated depreciation for:				
Buildings	730,072	204,957	-	935,029
Improvements	6,243	1,783	-	8,026
Infrastructure	3,019,252	173,346	-	3,192,598
Furniture, machinery and equipment	468,108	106,057	-	574,165
Vehicles	66,807	17,420	-	84,227
<i>Total accumulated depreciation</i>	<u>4,290,482</u>	<u>503,563</u>	<u>-</u>	<u>4,794,045</u>
<i>Total capital assets being depreciated, net</i>	<u>14,874,634</u>	<u>(319,888)</u>	<u>-</u>	<u>14,554,746</u>
<i>Business-type activities capital assets - net</i>	<u>\$ 15,269,372</u>	<u>\$ (319,888)</u>	<u>\$ -</u>	<u>\$ 14,949,484</u>

Depreciation expense for 2015 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	5,228	\$ -	\$ 5,228
Parks	39,744	-	39,744
Public safety	35,721	-	35,721
Streets	187,614	-	187,614
Sewer	-	413,053	413,053
Water	-	85,403	85,403
Storm drain	-	8,886	8,886
<i>Total depreciation expense</i>	<u>\$ 268,307</u>	<u>\$ 507,342</u>	<u>\$775,649</u>

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6. LONG-TERM DEBT

The changes in long-term debt for governmental and business-type activities during 2015 were as follows:

	Balance June 30, <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2015</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 1,090,000	\$ -	\$(135,000)	\$ 955,000	142,000
Note payable	40,000	-	(10,000)	30,000	10,000
Compensated absences	<u>32,525</u>	<u>-</u>	<u>(2,580)</u>	<u>29,945</u>	<u>-</u>
<i>Total governmental activities</i>	<u>\$ 1,162,525</u>	<u>\$ -</u>	<u>\$(147,580)</u>	<u>\$ 1,014,945</u>	<u>\$ 152,000</u>
Business-type activities					
Water bonds payable	\$ 191,000	\$ -	\$ (36,000)	\$ 155,000	37,000
Sewer bond payable	10,270,000	-	(320,000)	9,950,000	340,000
Compensated absences	<u>24,840</u>	<u>63</u>	<u>-</u>	<u>24,903</u>	<u>-</u>
<i>Total business-type activities</i>	<u>\$10,485,840</u>	<u>\$ 63</u>	<u>\$(356,000)</u>	<u>\$ 10,129,903</u>	<u>\$ 377,000</u>

Annual requirements to amortize the long-term debt as of June 30, 2015, 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

2005 Special Assessment Bonds	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
<u>Year</u>				
2016	\$ 142,000	\$ 44,599	\$ 186,599	4.67%
2017	148,000	37,967	185,967	4.67%
2018	155,000	31,056	186,056	4.67%
2019	162,000	23,817	185,817	4.67%
2020	170,000	16,252	186,252	4.67%
2021	<u>178,000</u>	<u>8,313</u>	<u>186,313</u>	4.67%
<i>Total principal and interest</i>	<u>\$ 955,000</u>	<u>\$ 162,004</u>	<u>\$ 1,117,004</u>	

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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. The following is a debt schedule over the period of the bonds.

1998 Water Revenue Bonds
Proprietary

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2016	\$ 37,000	\$ 3,968	\$ 40,968	2.56%
2017	38,000	3,020	41,020	2.56%
2018	39,000	2,048	41,048	2.56%
2019	41,000	1,050	42,050	2.56%
<i>Total principal and interest</i>	<u>\$ 155,000</u>	<u>\$ 10,086</u>	<u>\$ 165,086</u>	

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>
2016	\$ 340,000	\$ 308,100	\$ 648,100	3.00%
2017	500,000	298,500	798,500	3.00%
2018	550,000	288,300	838,300	3.00%
2019	600,000	273,300	873,300	3.00%
2020	622,000	256,800	878,800	3.00%
2021-2025	3,399,000	1,001,850	4,400,850	3.00%
2026-2030	3,939,000	476,250	4,415,250	3.00%
<i>Total principal and interest</i>	<u>\$ 9,950,000</u>	<u>\$ 2,903,100</u>	<u>\$12,853,100</u>	

The manufactured home that was purchased for police and first responder training was financed by a note payable. Under terms of the note, the City still owes \$30,000, of which \$10,000 will be paid each year for four years with a zero percent interest rate. Payments are due on July 1 of each year.

The remaining long-term debt consists of compensated absences in the amount of \$54,848.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7. 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 8. 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, 2015, there was no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 9. 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:

- 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 mixed agent and cost-sharing, multiple-employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the 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. They 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 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:

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9. RETIREMENT PLANS (Continued)

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS 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 are as follows:

Utah Retirement Systems

	Employee Paid for	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.83%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%
Public Safety Retirement System			
23 - Other Division A Contributory Tier 1	N/A	12.29%	22.75%
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.04%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.55%

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9. RETIREMENT PLANS (Continued)

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

At December 31, 2014, we reported a net pension asset of \$800 and a net pension liability of \$272,963.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0368301%	\$0	\$159,925
Public Safety System	0.0898855%	\$0	\$113,038
Tier 2 Public Employees System	0.0029850%	\$90	\$0
Tier 2 Public Safety and Firefighter System	0.0479793%	\$710	\$0
Total Net Pension Asset/Liability		<u>\$800</u>	<u>\$272,963</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$72,637. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$23	\$16,103
Changes in assumptions	\$0	\$30,838
Net difference between projected and actual earnings on pension plan investments	\$6,336	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$66,696	\$0
Total	<u>\$73,055</u>	<u>\$46,941</u>

\$66,696 was 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, 2014. 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,	Deferred Outflows (inflows) of Resources
2015	(\$11,241)
2016	(\$11,241)
2017	(\$11,241)
2018	(\$6,734)
2019	(\$18)
Thereafter	(\$107)

**PERRY CITY, UTAH
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9. RETIREMENT PLANS (Continued)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)
 Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)
 Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)
 Women EDUF (120%)

*EDUM=Constructed mortality table based on actual experience of male educators
 EDUF=Construction mortality talbe based on actual experience of female educato
 RP 2000mWC = RP 2000 Combined mortality table for males with white collar adj*

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9. RETIREMENT PLANS (Continued)

Expected Return Arithmetic Basis

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected portfolio real rate of return
Equity Securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
			<u>Inflation</u> 2.75%
			<u>Expected arithmetic nominal return</u> 7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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.

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Proportionate share of			
Net pension (asset)/liability	\$671,442	\$272,163	(\$56,930)

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

**PERRY CITY, UTAH
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9. RETIREMENT PLANS (Continued)

Defined Contribution System

As of December 31, 2014 (the plan year end for Utah Retirement Systems), contributions to defined contribution plans of the City were as follows:

	<u>Employee Paid Contributions</u>	<u>Employer Paid Contributions</u>
401(k) Plan	\$14,631	\$6,529
457 Plan	\$2,401	\$0
Roth IRA Plan	\$0	\$0
Traditional IRA Plan	\$0	\$0
HRA Plan	\$0	\$0

*The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

NOTE 10. 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 11. BUDGET COMPLIANCE AND ACCOUNTABILITY

The general fund ended fiscal year 2015 with a positive unassigned fund balance of \$512,474. All departments and funds were within budget as of June 30, 2015.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 12. 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, 2015, was as follows:

	<u>Water</u>	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total</u>
Operating revenues (expenses):				
Charges for services	\$ 337,527	\$ 229,592	\$ 70,667	\$ 637,786
Miscellaneous operating revenues	9,250	-	-	9,250
Operating expenses, excluding depreciation	(228,623)	(187,663)	(26,322)	(442,608)
Depreciation	<u>(85,403)</u>	<u>-</u>	<u>(8,886)</u>	<u>(94,289)</u>
<i>Operating income (expenses)</i>	32,751	41,929	35,459	110,139
Nonoperating revenues (expenses):				
Impact fees	63,708	-	50,447	114,155
Interest income	1,286	-	1,404	2,690
Interest expense	(4,429)	-	-	(4,429)
Misc nonoperating revenue	<u>1,455</u>	<u>-</u>	<u>-</u>	<u>1,455</u>
<i>Nonoperating revenues (expenses)</i>	<u>62,020</u>	<u>-</u>	<u>51,851</u>	<u>113,871</u>
<i>Change in Net Position</i>	94,771	41,929	87,310	224,010
Beginning Net Position	<u>2,400,339</u>	<u>382,637</u>	<u>1,351,178</u>	<u>4,134,154</u>
Prior Period Adjustment	<u>(21,655)</u>	<u>(17,490)</u>	<u>(2,499)</u>	<u>(41,644)</u>
Ending Net Position	<u>\$ 2,473,455</u>	<u>\$ 407,076</u>	<u>\$ 1,435,989</u>	<u>\$ 4,316,520</u>

NOTE 13. 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>General Fund</u>	<u>Utility Fund</u>	<u>Internal Service Fund</u>	<u>Total Due To</u>	<u>Total Due From</u>
Due from general fund	\$ -	\$ 150,176	\$ -	\$ -	\$ 150,176
Due from internal service fund	-	118,562	-	-	118,562
Due to utility fund	<u>150,176</u>	<u>-</u>	<u>118,562</u>	<u>268,738</u>	<u>-</u>
	<u>\$150,176</u>	<u>\$ 268,738</u>	<u>\$ 118,562</u>	<u>\$268,738</u>	<u>\$ 268,738</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.

PERRY CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 14. TRANSFERS

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

<u>Transferor Fund</u>	<u>Transferee Fund</u>	<u>Amount</u>
General Fund	Sewer enterprise fund	\$ <u>142,628</u>

NOTE 15. 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. As of June 30, 2015, UTOPIA had a net position deficit. 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.

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, 2015, was \$110,059.

**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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 565,439	\$ 565,439	\$ 664,461	\$ 99,022
Sales and use taxes	600,050	600,050	642,353	42,303
Franchise and energy taxes	425,591	425,591	248,744	(176,847)
Licenses and permits	89,400	89,400	116,888	27,488
Intergovernmental	207,440	212,345	216,316	3,971
Charges for services	8,260	8,260	12,172	3,912
Impact fees	41,500	41,500	63,937	22,437
Earnings on investments	16,800	16,800	18,800	2,000
Fines and forfeitures	41,300	41,300	36,927	(4,373)
Miscellaneous	<u>26,400</u>	<u>26,400</u>	<u>18,274</u>	<u>(8,126)</u>
<i>Total revenues</i>	<u>2,022,180</u>	<u>2,027,085</u>	<u>2,038,872</u>	<u>11,787</u>
Expenditures				
Current:				
Administration	628,409	639,046	565,121	73,925
Judicial	31,650	31,650	27,343	4,307
Public safety	653,600	664,453	610,135	54,318
Streets	369,498	369,498	308,118	61,380
Parks	159,311	159,311	145,280	14,031
Community development	<u>91,200</u>	<u>124,615</u>	<u>54,275</u>	<u>70,340</u>
<i>Total expenditures</i>	<u>1,933,668</u>	<u>1,988,573</u>	<u>1,710,272</u>	<u>278,301</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>88,512</u>	<u>38,512</u>	<u>328,600</u>	<u>290,088</u>
Other financing sources (uses)				
Transfers out	<u>(167,628)</u>	<u>(167,628)</u>	<u>(167,628)</u>	<u>-</u>
Total other financing sources (uses)	<u>(167,628)</u>	<u>(167,628)</u>	<u>(167,628)</u>	<u>-</u>
<i>Net change in fund balances</i>	(79,116)	(129,116)	160,972	160,972
Fund balances beginning	<u>588,089</u>	<u>588,089</u>	<u>588,089</u>	<u>-</u>
<i>Fund balances ending</i>	<u>\$ 508,973</u>	<u>\$ 458,973</u>	<u>\$ 749,061</u>	<u>\$ 749,061</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, 2014
LAST 10 FISCAL YEARS*

	Noncontributory Retirement System	Public Safety Retirement System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	0.0368301%	0.0898855%	0.0029850%	0.0479793%
Proportionate share of the net pension liability (asset)	\$ 159,925	\$ 113,038	\$ (90)	\$ (710)
Covered employee payroll	\$ 319,606	\$ 180,570	\$ 14,784	\$ 19,963
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	50.0%	62.6%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	90.5%	103.5%	120.5%

*In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history off their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure information.

The accompanying notes are an integral part of these statements

**PERRY CITY CORPORATION
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014
LAST 10 FISCAL YEARS***

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Contractually required contribution	\$57,887	\$44,274	\$1,232	\$2,162
Contributions in relation to the contractually required contribution	(57,887)	(44,274)	(1,232)	(2,162)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered employee payroll	\$319,606	\$180,570	\$14,784	\$19,963
Contributions as a percentage of covered employee payroll**	18.11%	24.52%	8.33%	10.83%

*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. The schedule is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.

**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

**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, 2015, 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 29, 2015.

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 29, 2015



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

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, 2015.

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Open and Public Meetings Act

Perry City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2015.

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, 2015.

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.