

Providence City  
Cache County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2016



Providence City  
**TABLE OF CONTENTS**  
 June 30, 2016

	<u>Beginning on page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	45
Notes to Required Supplementary Information	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	48
Schedule of the Proportionate Share of the Net Pension Liability	49
Schedule of Contributions	50

(continued on next page)

Providence City  
**TABLE OF CONTENTS**  
June 30, 2016

(continued from previous page)

	<u>Beginning on page</u>
OTHER REPORTS	51
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	53
Independent Auditors' Report on Compliance in Accordance with the <i>State Compliance Audit Guide</i>	55
Schedule of Findings	58

**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
of the City Council  
Providence City  
Providence, UT

**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 the City of Providence, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016 on our consideration of the City of Providence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Providence's internal control over financial reporting and compliance.

*Ulrich & Associates, P.C.*

Ogden, Utah  
December 20, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This page intentionally left blank.

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

As management of Providence City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2016.

**FINANCIAL HIGHLIGHTS**

- \*Total net position for the City as a whole increased by \$1,378,240.
- \*Total unrestricted net position for the City as a whole increased by \$936,615.
- \*Total net position for governmental activities increased by \$688,087.
- \*Total net position for business-type activities increased by \$690,154.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Providence City. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The City maintains three major governmental funds; the general fund and a capital projects fund.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City's proprietary funds are all of the enterprise type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, waste water, and storm water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

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

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

**FINANCIAL ANALYSIS**

**Providence City's Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 4,534,406	3,781,481	6,339,376	5,697,569	10,873,782	9,479,050
Net capital assets	5,122,727	5,040,811	8,610,343	8,592,452	13,733,069	13,633,263
Deferred outflows	104,775	33,159	40,939	17,136	145,714	50,295
<b>Total assets</b>	<b><u>9,761,908</u></b>	<b><u>8,855,451</u></b>	<b><u>14,990,657</u></b>	<b><u>14,307,157</u></b>	<b><u>24,752,565</u></b>	<b><u>23,162,608</u></b>
Other liabilities	1,148,745	935,267	271,609	186,889	1,420,354	1,122,156
Long-term debt outstanding	-	-	621,000	714,000	621,000	714,000
Deferred inflows	24,934	20,042	11,983	10,357	36,917	30,399
<b>Total liabilities</b>	<b><u>1,173,679</u></b>	<b><u>955,309</u></b>	<b><u>904,592</u></b>	<b><u>911,246</u></b>	<b><u>2,078,271</u></b>	<b><u>1,866,555</u></b>
Net position:						
Net investment in capital assets	5,122,727	5,040,811	7,989,343	7,878,452	13,112,069	12,919,263
Restricted	1,615,677	1,345,789	122,690	143,760	1,738,368	1,489,549
Unrestricted	1,849,825	1,513,543	5,974,032	5,373,699	7,823,857	6,887,242
<b>Total net position</b>	<b><u>\$ 8,588,229</u></b>	<b><u>7,900,142</u></b>	<b><u>14,086,065</u></b>	<b><u>13,395,911</u></b>	<b><u>22,674,294</u></b>	<b><u>21,296,054</u></b>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by \$22,674,294.

Total unrestricted net position at the end of the year is \$7,823,857, which represents an increase of \$936,615 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the amount of debt that has been repaid during the year.

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

**FINANCIAL ANALYSIS (continued)**

**Providence City's Change in Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Program revenues:</b>						
Charges for services	\$ 841,108	788,488	2,003,881	1,934,541	2,844,989	2,723,030
Operating grants & contributions	261,559	259,941	-	-	261,559	259,941
Capital grants & contributions	-	-	113,863	99,746	113,863	99,746
<b>General revenues:</b>						
Property taxes	607,155	595,550	-	-	607,155	595,550
Sales tax	918,746	881,306	-	-	918,746	881,306
Other taxes	465,325	445,068	-	-	465,325	445,068
Other revenues	362,624	205,447	77,276	70,229	439,900	275,676
<b>Total revenues</b>	<b><u>3,456,517</u></b>	<b><u>3,175,800</u></b>	<b><u>2,195,019</u></b>	<b><u>2,104,516</u></b>	<b><u>5,651,536</u></b>	<b><u>5,280,316</u></b>
<b>Expenses:</b>						
General government	848,996	799,501	-	-	848,996	799,501
Public safety	284,582	268,060	-	-	284,582	268,060
Highways and public improvements	1,202,736	1,120,437	-	-	1,202,736	1,120,437
Parks and recreation	355,054	376,822	-	-	355,054	376,822
Cemetery	77,062	78,837	-	-	77,062	78,837
Interest on long-term debt	-	-	20,256	22,480	20,256	22,480
Water	-	-	639,668	677,924	639,668	677,924
Waste water	-	-	778,076	788,204	778,076	788,204
Storm water	-	-	66,865	72,879	66,865	72,879
<b>Total expenses</b>	<b><u>2,768,430</u></b>	<b><u>2,643,656</u></b>	<b><u>1,504,865</u></b>	<b><u>1,561,487</u></b>	<b><u>4,273,296</u></b>	<b><u>4,205,143</u></b>
<b>Change in net position</b>	<b><u>\$ 688,087</u></b>	<b><u>532,144</u></b>	<b><u>690,154</u></b>	<b><u>543,029</u></b>	<b><u>1,378,240</u></b>	<b><u>1,075,173</u></b>

For the City as a whole, total revenues increased by \$371,220 compared to the previous year, while total expenses increased by \$68,153. The total net change of \$1,378,240 is, in private sector terms, the net income for the year which is \$303,067 more than the previous year's net income.

Governmental activities revenues of \$3,456,517 is \$280,717 more than the previous year. All forms of revenue increased during the year. Governmental activities expenses of \$2,768,430 is \$124,775 more than the previous year. While parks and recreation and cemetery expenses decreased during the year, all other department expenses increased.

Business-type activities revenue of \$2,195,019 is \$90,503 more than the previous year. Business-type activities expenses of \$1,504,865 were less than the previous year by \$56,622. Expenses across all departments decreased during the year.

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net position and any restrictions on those amounts is described below:

*General Fund*

The fund balance of \$2,575,226 reflects a decrease of \$486,743 from the previous year. Total revenues increased by \$213,785. Total tax revenues increased by \$69,302. Charges for services, including licenses and permits and fines, increased by \$52,621. Intergovernmental revenues increased by \$1,618. Impact fee revenue increased by \$13,681. All other revenues increased by \$76,564.

Total expenditures increased by \$172,455. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government increased by \$64,750, public safety increased by \$16,522, highways and public improvements increased by \$35,187, parks and recreation decreased by \$2,714, and cemetery decreased by \$3,163. Total expenditures for capital outlay for all departments increased by \$61,874.

Restricted fund balance amounted to \$877,377. Unassigned fund balance is \$1,697,849.

*Water Fund*

Net operating income for the year was \$392,038, compared to the previous year's net operating income of \$283,860. The change in net position (net income) was \$519,851, compared to the previous year's net income of \$361,261. Restricted net position amounts to \$122,690, resulting in an unrestricted net position of \$2,679,593.

*Waste Water Fund*

Net operating income for the year was \$64,416 compared to the previous year's net operating income of \$58,350. The change in net position (net income) was \$104,674, compared to the previous year's net income of \$95,595. Unrestricted net position amounts to \$2,847,144.

*Storm Water Fund*

Net operating income for the year was \$62,821, compared to the previous year's net operating income of \$53,325. The change in net position (net income) was \$65,631, compared to the previous year's net income of \$86,173. Unrestricted net position amounts to \$447,297.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, excluding transfers, originally were budgeted at \$3,147,200. This amount was amended during the year to \$3,214,300. Actual revenues, excluding transfers, amounted to \$3,284,321, which was \$70,021 more than budgeted.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$3,259,200. This amount was amended during the year to \$3,084,500. Actual expenditures amounted to \$2,539,940, which was \$545,560 less than budgeted.

Net transfers out of \$1,232,123 were made from the general fund to the capital projects fund during the year, which was \$241,977 less than the budgeted amount.

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Providence City's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Net Capital Assets:</b>						
Land and rights	\$ 1,372,838	1,372,838	931,882	931,882	2,304,720	2,304,720
Buildings	147,230	174,632	103,373	108,976	250,603	283,608
Improvements	606,583	672,936	-	-	606,583	672,936
Machinery and equipment	70,899	92,289	74,078	100,528	144,977	192,818
Infrastructure	2,757,882	2,719,109	-	-	2,757,882	2,719,109
Water system	-	-	4,246,994	4,258,085	4,246,994	4,258,085
Waste water system	-	-	2,901,998	2,938,704	2,901,998	2,938,704
Storm water system	-	-	57,838	49,453	57,838	49,453
Construction in progress	167,295	9,007	294,180	204,825	461,475	213,831
<b>Totals</b>	<b><u>\$ 5,122,727</u></b>	<b><u>5,040,811</u></b>	<b><u>8,610,343</u></b>	<b><u>8,592,452</u></b>	<b><u>13,733,069</u></b>	<b><u>13,633,263</u></b>

The total amount of capital assets, net of depreciation, of \$13,733,069 has increased by \$99,806 from the previous year.

Governmental activities capital assets, net of depreciation, of \$5,122,727 represents an increase of \$81,916 from the previous year.

Business-type activities capital assets, net of depreciation, of \$8,610,343 increased during the year by \$17,891 from the previous year.

The amount of increases in capital asset balances, net of depreciation, represent the amount that investments in new capital assets exceeded depreciation charged on capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

**Providence City's Outstanding Debt**

	Current Year	Previous Year
Business-type activities:		
2001C Water revenue	\$ 621,000	714,000
<b>Total business-type</b>	<b><u>\$ 621,000</u></b>	<b><u>714,000</u></b>
<b>Total outstanding debt</b>	<b><u>\$ 621,000</u></b>	<b><u>714,000</u></b>

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

Providence City  
**Management's Discussion and Analysis**  
June 30, 2016

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Providence City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Recorder, 15 South Main, Providence, Utah 84332.

This page intentionally left blank.

## **BASIC FINANCIAL STATEMENTS**

This page intentionally left blank.

Providence City  
**STATEMENT OF NET POSITION**  
June 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,996,424	5,908,142	7,904,566
Receivables, net	922,305	308,534	1,230,839
Total current assets	2,918,729	6,216,676	9,135,404
Non-current assets:			
Restricted cash and cash equivalents	1,615,677	122,690	1,738,368
Capital assets:			
Not being depreciated	1,540,133	1,204,523	2,744,656
Net of accumulated depreciation	3,582,594	7,405,819	10,988,413
Net pension asset	-	10	10
Total non-current assets	6,738,404	8,733,043	15,471,447
Total assets	9,657,132	14,949,719	24,606,851
Deferred outflows of resources - pensions	104,775	40,939	145,714
<b>Total assets and deferred outflows of resources</b>	<b>\$ 9,761,908</b>	<b>14,990,657</b>	<b>24,752,565</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 262,698	149,020	411,718
Accrued payroll payable	22,594	-	22,594
Accrued interest payable	-	3,002	3,002
Deposits	46,032	-	46,032
Revenue bonds, current portion	-	96,000	96,000
Total current liabilities	331,323	248,022	579,345
Non-current liabilities:			
Compensated absences liability	71,626	22,471	94,097
Revenue bonds, long-term	-	525,000	525,000
Net pension liability	205,146	97,117	302,263
Total non-current liabilities	276,773	644,587	921,360
Total liabilities	608,096	892,609	1,500,705
Deferred inflows of resources - property taxes	540,649	-	540,649
Deferred inflows of resources - pensions	24,934	11,983	36,917
<b>Total liabilities and deferred inflows of resources</b>	<b>1,173,679</b>	<b>904,592</b>	<b>2,078,271</b>
<b>NET POSITION:</b>			
Net investment in capital assets	5,122,727	7,989,343	13,112,069
Restricted	1,615,677	122,690	1,738,368
Unrestricted	1,849,825	5,974,032	7,823,857
<b>Total net position</b>	<b>8,588,229</b>	<b>14,086,065</b>	<b>22,674,294</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 9,761,908</b>	<b>14,990,657</b>	<b>24,752,565</b>

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

Providence City  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2016

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 848,996	139,054	9,044	-	(700,898)
Public safety	284,582	64,279	3,932	-	(216,371)
Highways and public property	1,202,736	516,006	243,984	-	(442,747)
Parks and recreation	355,054	49,756	4,600	-	(300,698)
Cemetery	77,062	72,014	-	-	(5,048)
<b>Total governmental activities</b>	<b><u>2,768,430</u></b>	<b><u>841,108</u></b>	<b><u>261,559</u></b>	<b><u>-</u></b>	<b><u>(1,665,763)</u></b>
Business-type activities:					
Water	659,925	1,031,704	-	74,393	446,171
Waste Water	778,076	842,491	-	36,660	101,076
Storm Water	66,865	129,685	-	2,810	65,631
<b>Total business-type activities</b>	<b><u>1,504,865</u></b>	<b><u>2,003,881</u></b>	<b><u>-</u></b>	<b><u>113,863</u></b>	<b><u>612,878</u></b>
<b>Total primary government</b>	<b><u>\$ 4,273,296</u></b>	<b><u>2,844,989</u></b>	<b><u>261,559</u></b>	<b><u>113,863</u></b>	<b><u>(1,052,885)</u></b>

(The statement of activities continues on following page)

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

Providence City  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>CHANGES IN NET POSITION:</b>			
<b>Net (expense) revenue (from previous page)</b>	<b><u>\$ (1,665,763)</u></b>	<b><u>612,878</u></b>	<b><u>(1,052,885)</u></b>
<b>General revenues:</b>			
Property taxes	607,155	-	607,155
Sales tax	918,746	-	918,746
Other taxes	465,325	-	465,325
Unrestricted investment earnings	55,574	18,924	74,497
Impact fees	73,740	58,352	132,092
Fixed assets contributed	172,181	-	172,181
Miscellaneous	61,130	-	61,130
<b>Total general revenues</b>	<b><u>2,353,849</u></b>	<b><u>77,276</u></b>	<b><u>2,431,125</u></b>
<b>Change in net position</b>	<b>688,087</b>	<b>690,154</b>	<b>1,378,240</b>
Net position - beginning	<u>7,900,142</u>	<u>13,395,911</u>	<u>21,296,054</u>
<b>Net position - ending</b>	<b><u><u>\$ 8,588,229</u></u></b>	<b><u><u>14,086,065</u></u></b>	<b><u><u>22,674,294</u></u></b>

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

Providence City  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,566,073	430,351	1,996,424
Receivables:			
Property taxes	556,891	-	556,891
Due from other governments	290,151	-	290,151
Other receivables	75,263	-	75,263
Restricted cash and cash equivalents	877,377	738,300	1,615,677
<b>TOTAL ASSETS</b>	<b>\$ 3,365,755</b>	<b>1,168,651</b>	<b>4,534,406</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Liabilities:			
Accounts payable	\$ 181,254	81,444	262,698
Accrued payroll payable	22,594	-	22,594
Deposits payable	46,032	-	46,032
Total liabilities	249,879	81,444	331,323
Deferred inflows of resources - property taxes	540,649	-	540,649
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>790,528</b>	<b>81,444</b>	<b>871,972</b>
<b>FUND BALANCES</b>			
Restricted for:			
Roads	427,951	478,300	906,251
Perpetual care	292,774	-	292,774
Library	79,513	-	79,513
Impact fees	503	-	503
Parks and public property	76,636	260,000	336,636
Assigned for:			
Capital projects	-	348,907	348,907
Unassigned	1,697,849	-	1,697,849
<b>TOTAL FUND BALANCES</b>	<b>2,575,226</b>	<b>1,087,207</b>	<b>3,662,434</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,365,755</b>	<b>1,168,651</b>	<b>4,534,406</b>

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

Providence City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 1,991,226	-	1,991,226
Licenses and permits	47,751	-	47,751
Intergovernmental revenues	261,559	-	261,559
Charges for services	702,054	-	702,054
Fines and forfeitures	91,304	-	91,304
Interest	55,558	16	55,574
Miscellaneous revenue	61,130	-	61,130
<b>Total revenues</b>	<b><u>3,210,581</u></b>	<b><u>16</u></b>	<b><u>3,210,596</u></b>
<b>EXPENDITURES:</b>			
General government	745,399	-	745,399
Public safety	284,582	-	284,582
Highways and public improvements	1,049,434	-	1,049,434
Parks and recreation	308,904	-	308,904
Cemetery	65,849	-	65,849
Capital outlay	84,772	157,060	241,832
<b>Total expenditures</b>	<b><u>2,538,940</u></b>	<b><u>157,060</u></b>	<b><u>2,695,999</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b><u>671,641</u></b>	<b><u>(157,044)</u></b>	<b><u>514,597</u></b>
<b>Other Financing Sources and (Uses):</b>			
Impact fees	73,740	-	73,740
Transfers in	-	1,232,123	1,232,123
Transfers (out)	(1,232,123)	-	(1,232,123)
<b>Total other financing sources and (uses)</b>	<b><u>(1,158,384)</u></b>	<b><u>1,232,123</u></b>	<b><u>73,740</u></b>
<b>Net Change in Fund Balances</b>	<b><u>(486,743)</u></b>	<b><u>1,075,080</u></b>	<b><u>588,337</u></b>
Fund balances - beginning of year	3,061,969	12,128	3,074,097
<b>Fund balances - end of year</b>	<b><u><u>\$ 2,575,226</u></u></b>	<b><u><u>1,087,207</u></u></b>	<b><u><u>3,662,434</u></u></b>

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

Providence City  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION**  
 For the Year Ended June 30, 2016

<b>Total Fund Balances for Governmental Funds</b>	<b><u>\$ 3,662,434</u></b>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	11,564,292
Less accumulated depreciation	<u>(6,441,566)</u>
Net capital assets	<u>5,122,727</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>-</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>104,775</u>
Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
Compensated absences	<u>(71,626)</u>
Net pension liability	<u>(205,146)</u>
Deferred inflows of resources - pensions	<u>(24,934)</u>
<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ 8,588,229</u></u></b>

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

Providence City  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2016

**Net Change in Fund Balances - Total Governmental Funds** **\$ 588,337**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	241,832
Contributed fixed assets	172,181
Depreciation expense	<u>(332,097)</u>
Net	<u>81,916</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. 18,406

Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in compensated absences	<u>(572)</u>
--------------------------------	--------------

**Change in Net Position of Governmental Activities** **\$ 688,087**

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

Providence City  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2016

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,622,043	2,812,311	473,787	5,908,142
Accounts receivable, net	182,287	108,888	17,359	308,534
Total current assets	<u>2,804,330</u>	<u>2,921,199</u>	<u>491,146</u>	<u>6,216,676</u>
Non-current assets:				
Restricted cash and cash equivalents	122,690	-	-	122,690
Capital assets:				
Not being depreciated	995,709	192,486	16,328	1,204,523
Net of accumulated depreciation	4,356,508	2,962,699	86,612	7,405,819
Net pension asset	6	2	2	10
Total non-current assets	<u>5,474,914</u>	<u>3,155,187</u>	<u>102,942</u>	<u>8,733,043</u>
Total assets	8,279,244	6,076,386	594,088	14,949,719
Deferred outflows of resources - pensions	25,896	8,606	6,437	40,939
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 8,305,140</u></b>	<b><u>6,084,992</u></b>	<b><u>600,525</u></b>	<b><u>14,990,657</u></b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 69,443	53,734	25,843	149,020
Accrued interest payable	3,002	-	-	3,002
Revenue bonds, current portion	96,000	-	-	96,000
Total current liabilities	<u>168,445</u>	<u>53,734</u>	<u>25,843</u>	<u>248,022</u>
Non-current liabilities:				
Compensated absences	9,099	6,070	7,302	22,471
Revenue bonds, long-term	525,000	-	-	525,000
Net pension liability	61,507	20,349	15,260	97,117
Total non-current liabilities	<u>595,606</u>	<u>26,419</u>	<u>22,562</u>	<u>644,587</u>
Total liabilities	764,051	80,153	48,405	892,609
Deferred inflows of resources - pensions	7,590	2,510	1,883	11,983
<b>Total liabilities and deferred inflows of resources</b>	<b><u>771,641</u></b>	<b><u>82,663</u></b>	<b><u>50,288</u></b>	<b><u>904,592</u></b>
<b>NET POSITION:</b>				
Net investment in capital assets	4,731,217	3,155,185	102,940	7,989,343
Restricted	122,690	-	-	122,690
Unrestricted	2,679,591	2,847,144	447,297	5,974,032
<b>Total net position</b>	<b><u>7,533,499</u></b>	<b><u>6,002,329</u></b>	<b><u>550,237</u></b>	<b><u>14,086,065</u></b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 8,305,140</u></b>	<b><u>6,084,992</u></b>	<b><u>600,525</u></b>	<b><u>14,990,657</u></b>

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

Providence City  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2016

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
<b>Operating income:</b>				
Charges for sales and service	\$ 1,022,897	838,591	129,685	1,991,174
Connection fees	8,807	3,900	-	12,707
<b>Total operating revenue</b>	<b><u>1,031,704</u></b>	<b><u>842,491</u></b>	<b><u>129,685</u></b>	<b><u>2,003,881</u></b>
<b>Operating expenses:</b>				
Personnel services	143,100	46,057	32,114	221,272
Utilities	126,412	1,197	629	128,238
Repair & maintenance	163,963	543,393	11,561	718,917
Other supplies & expenses	11,818	5,714	7,997	25,530
Professional services	14,846	9,478	8,097	32,421
Depreciation expense	179,530	172,236	6,466	358,232
<b>Total operating expense</b>	<b><u>639,668</u></b>	<b><u>778,076</u></b>	<b><u>66,865</u></b>	<b><u>1,484,609</u></b>
<b>Net operating income (loss)</b>	<b><u>392,035</u></b>	<b><u>64,416</u></b>	<b><u>62,821</u></b>	<b><u>519,272</u></b>
<b>Non-operating income (expense):</b>				
Impact fees	58,352	-	-	58,352
Interest income	15,325	3,599	-	18,924
Interest on long-term debt	(20,256)	-	-	(20,256)
<b>Total non-operating income (expense)</b>	<b><u>53,421</u></b>	<b><u>3,599</u></b>	<b><u>-</u></b>	<b><u>57,019</u></b>
<b>Income (loss) before capital contributions</b>	<b>445,456</b>	<b>68,014</b>	<b>62,821</b>	<b>576,291</b>
Capital contributions	74,393	36,660	2,810	113,863
<b>Change in net position</b>	<b>519,849</b>	<b>104,674</b>	<b>65,631</b>	<b>690,154</b>
Net position - beginning	7,013,650	5,897,655	484,606	13,395,911
<b>Net position - ending</b>	<b><u>\$ 7,533,499</u></b>	<b><u>6,002,329</u></b>	<b><u>550,237</u></b>	<b><u>14,086,065</u></b>

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

Providence City  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2016

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
<b>Cash flows from operating activities:</b>				
Cash received from customers - service	\$ 997,346	839,017	129,492	1,965,854
Cash paid to suppliers	(312,571)	(556,623)	(25,407)	(894,601)
Cash paid to employees	(155,543)	(47,507)	(30,347)	(233,397)
<b>Net cash provided (used) in operating activities</b>	<b><u>529,232</u></b>	<b><u>234,886</u></b>	<b><u>73,737</u></b>	<b><u>837,856</u></b>
<b>Cash flows from noncapital financing activities:</b>				
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Cash flows from capital and related financing activities:</b>				
Cash from impact fees	58,352	-	-	58,352
Cash from capital contributions	74,393	36,660	2,810	113,863
Cash payments for capital assets	(179,315)	(122,259)	(9,905)	(311,479)
Cash payments for long-term debt	(93,000)	-	-	(93,000)
Cash payments for long-term debt interest	(20,706)	-	-	(20,706)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(160,276)</u></b>	<b><u>(85,599)</u></b>	<b><u>(7,095)</u></b>	<b><u>(252,970)</u></b>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	15,325	3,599	-	18,924
<b>Net cash provided (used) in investing activities</b>	<b><u>15,325</u></b>	<b><u>3,599</u></b>	<b><u>-</u></b>	<b><u>18,924</u></b>
<b>Net increase (decrease) in cash</b>	<b>384,282</b>	<b>152,886</b>	<b>66,642</b>	<b>603,810</b>
Cash balance, beginning	2,360,452	2,659,425	407,145	5,427,022
<b>Cash balance, ending</b>	<b><u>\$ 2,744,734</u></b>	<b><u>2,812,311</u></b>	<b><u>473,787</u></b>	<b><u>6,030,832</u></b>
<b>Cash reported on the balance sheet:</b>				
Cash and cash equivalents	\$ 2,622,043	2,812,311	473,787	5,908,142
Non-current restricted cash	122,690	-	-	122,690
<b>Total cash and cash equivalents</b>	<b><u>\$ 2,744,734</u></b>	<b><u>2,812,311</u></b>	<b><u>473,787</u></b>	<b><u>6,030,832</u></b>

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

Providence City  
**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUNDS (continued)**  
 For the Year Ended June 30, 2016

**Reconciliation of Operating Income to Net Cash  
 Provided (Used) in Operating Activities:**

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
<b>Net operating income (loss)</b>	<b>\$ 392,035</b>	<b>64,416</b>	<b>62,821</b>	<b>519,272</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	179,530	172,236	6,466	358,232
Changes in assets and liabilities:				
(Increase) decrease in receivables	(34,358)	(3,474)	(194)	(38,026)
(Increase) decrease in non-current assets	19	6	4	29
(Increase) decrease in deferred outflows	(15,038)	(5,020)	(3,745)	(23,803)
Increase (decrease) in payables	14,598	6,540	5,401	26,539
Increase (decrease) in compensated absences	(8,581)	(160)	2,729	(6,012)
Increase (decrease) in deferred inflows	1,027	343	256	1,626
<b>Net cash provided (used) in operating activities</b>	<b>\$ 529,232</b>	<b>234,886</b>	<b>73,737</b>	<b>837,856</b>

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

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Providence City (the City), a municipal corporation located in Cache County, Utah, operates under a six-member Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, assigned, and unassigned as they are needed. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental funds:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is used to account for the acquisition or construction of major capital assets of the City (other than those financed by proprietary funds).

*Proprietary funds*

**The City reports the following major proprietary funds:**

The *water fund* is used to account for the activities of the culinary water distribution system.

The *waste water fund* is used to account for the operations of the sewer system.

The *storm water fund* is used to account for the operations of the City's storm water system.

**1-E. Assets, Liabilities, and Net Position or Equity**

**1-E-1. Deposit and Investments**

All of the City's deposits are in demand deposit accounts or in accounts with the Utah Public Treasurers Investments Fund. Deposits are reported at cost, which approximates fair value. Additional information is contained in Note 3.

**1-E-2. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

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

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**1-E. Assets, Liabilities, and Net Position or Equity (continued)**

**1-E-3. *Receivables and Payables (continued)***

During the course of operations, there may be transactions that occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Cache County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. *Restricted Assets***

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net position.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

**1-E-5. *Inventories and Prepaid items***

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

**1-E-6. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City reports property taxes as deferred inflows as they will be recognized as an inflow of resources in the period that the amounts become available. Additionally, the City reports deferred inflows related to pensions as required by GASB 68.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**1-E. Assets, Liabilities, and Net Position or Equity (continued)**

**1-E-7. Capital Assets**

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	20-30
Improvements	20
Water system	40-50
Sewer system	40-50
Infrastructure	15
Vehicles and equipment	5-10

**1-E-8. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**1-E-9. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**1-E. Assets, Liabilities, and Net Position or Equity (continued)**

**1-E-10. Fund Equity**

*Government-wide Financial Statements*

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

**Net investment in capital assets** - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

*Fund Financial Statements*

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

**Nonspendable fund balance** - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance** - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

**Assigned fund balance** - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.

**Unassigned fund balance** - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary fund equity is classified the same as in the government-wide statements.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**1-E. Assets, Liabilities, and Net Position or Equity (continued)**

**1-E-11. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, 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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund and Special Revenue Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 25% of the current year's actual revenues must be appropriated within the following two years.

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund balance or net position**

None of the City's funds have deficit balances.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2016 consist of the following:

	<u>Fair Value</u>
Demand deposits	\$ 3,285,176
Deposits - PTIF	6,357,757
<b>Total cash</b>	<b><u>\$ 9,642,933</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	\$ 7,904,566
Restricted cash and cash equivalents (non-current)	1,738,368
<b>Total cash and cash equivalents</b>	<b><u>\$ 9,642,933</u></b>

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

**Deposit and Investment Risk**

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**3-A. Deposits and investments (continued)**

**Fair value of investments**

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2016, the City's investments in PTIF had an approximate fair value of \$6,357,757. The PTIF uses a Level 2 fair value measurement.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits of the City are kept in bank demand deposits or PTIF accounts and are available immediately.

**Credit risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. As noted on the previous page, PTIF is unrated.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2016, \$2,729,269 of the City's bank balances of \$3,322,845 was uninsured and uncollateralized.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City views its placements of monies in PTIF as deposits, however, this risk is addressed through the policy of investing excess monies only in PTIF.

**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. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Receivables as of June 30, 2016 for the City's funds are shown below:

	General	Water	Waste Water	Storm Water	Total
Property taxes	\$ 556,891	-	-	-	556,891
Intergovernmental	290,151	-	-	-	290,151
Customers accounts	75,263	182,287	108,888	17,359	383,797
<b>Total receivables</b>	<b>\$ 922,305</b>	<b>182,287</b>	<b>108,888</b>	<b>17,359</b>	<b>1,230,839</b>

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 1,372,838	-	-	1,372,838
Work in process	9,007	158,288	-	167,295
<b>Total capital assets, not being depreciated</b>	<b><u>1,381,844</u></b>	<b><u>158,288</u></b>	<b><u>-</u></b>	<b><u>1,540,133</u></b>
Capital assets, being depreciated:				
Buildings	815,133	-	-	815,133
Improvements other than buildings	1,459,801	-	-	1,459,801
Machinery and equipment	930,588	11,921	-	942,509
Infrastructure	6,562,912	243,803	-	6,806,716
<b>Total capital assets, being depreciated</b>	<b><u>9,768,436</u></b>	<b><u>255,724</u></b>	<b><u>-</u></b>	<b><u>10,024,159</u></b>
Less accumulated depreciation for:				
Buildings	640,501	27,402	-	667,903
Improvements other than buildings	786,865	66,353	-	853,218
Machinery and equipment	838,299	33,311	-	871,610
Infrastructure	3,843,804	205,030	-	4,048,834
<b>Total accumulated depreciation</b>	<b><u>6,109,469</u></b>	<b><u>332,097</u></b>	<b><u>-</u></b>	<b><u>6,441,566</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>3,658,967</u></b>	<b><u>(76,373)</u></b>	<b><u>-</u></b>	<b><u>3,582,594</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 5,040,811</u></b>	<b><u>81,916</u></b>	<b><u>-</u></b>	<b><u>5,122,727</u></b>

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

<b>Governmental activities:</b>	
General government	\$ 121,432
Highways and public property	153,302
Parks and recreation	46,150
Cemetery	11,213
<b>Total</b>	<b><u>\$ 332,097</u></b>

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**3-C. Capital assets (continued)**

Capital asset activity for business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 931,882	-	-	931,882
Construction in progress	204,825	89,356	-	294,180
<b>Total capital assets, not being depreciated</b>	<b><u>1,136,707</u></b>	<b><u>89,356</u></b>	<b><u>-</u></b>	<b><u>1,226,062</u></b>
Capital assets, being depreciated:				
Water system	6,706,330	154,602	-	6,860,932
Waste water system	6,210,786	122,259	-	6,333,045
Storm water system	54,479	9,905	-	64,384
Buildings	224,095	-	-	224,095
Machinery and equipment	574,436	-	-	574,436
<b>Total capital assets, being depreciated</b>	<b><u>13,770,126</u></b>	<b><u>286,766</u></b>	<b><u>-</u></b>	<b><u>14,056,892</u></b>
Less accumulated depreciation for:				
Water system	2,448,245	165,694	-	2,613,939
Waste water system	3,272,081	158,965	-	3,431,047
Storm water system	5,026	1,520	-	6,546
Buildings	115,120	5,602	-	120,722
Machinery and equipment	473,908	26,450	-	500,358
<b>Total accumulated depreciation</b>	<b><u>6,314,380</u></b>	<b><u>358,232</u></b>	<b><u>-</u></b>	<b><u>6,672,612</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>7,455,746</u></b>	<b><u>(71,465)</u></b>	<b><u>-</u></b>	<b><u>7,384,280</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 8,592,452</u></b>	<b><u>17,891</u></b>	<b><u>-</u></b>	<b><u>8,610,343</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-type activities:</b>	
Water	\$ 179,530
Waste water	172,236
Storm water	6,466
<b>Total</b>	<b><u>\$ 358,232</u></b>

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**3-D. Long-term debt**

Long-term debt activity for the year was as follows:

	Original Principal	%	6/30/2015	Additions	Reductions	6/30/2016	Due Within One Year
<b><u>Business-type activities:</u></b>							
2001C Water Revenue Matures 5/1/2022	\$ 979,000	2.90	\$ 714,000	-	93,000	621,000	96,000
<b>Total business-type activity long-term liabilities</b>			<b><u>\$714,000</u></b>	<b><u>-</u></b>	<b><u>93,000</u></b>	<b><u>621,000</u></b>	<b><u>96,000</u></b>

Revenue bonds are issued where the City pledges income derived from the acquired or constructed assets to pay the debt service. All revenues of the water operations are pledged to the water fund revenue bonds. Bonded debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2017	\$ 96,000	18,009	114,009
2018	99,000	15,225	114,225
2019	102,000	12,354	114,354
2020	105,000	9,396	114,396
2021	108,000	6,351	114,351
2022 - 2022	111,000	3,219	114,219
<b>Total</b>	<b><u>\$621,000</u></b>	<b><u>64,554</u></b>	<b><u>685,554</u></b>

**3-E. Restricted net position**

The amounts reported on the Statement of Net Position and Balance Sheet are comprised of the following:

General fund:	
Road	\$ 427,951
Perpetual Care	292,774
Library donations	79,513
Street impact fees	503
Park impact fees	76,636
Total general fund	<u>\$ 877,377</u>
Capital projects fund:	
Road	\$ 478,300
Park impact fees	260,000
Total capital projects fund	<u>\$ 738,300</u>
Enterprise funds:	
Water - sinking/reserve	\$ 114,396
Water - impact fees	8,294
Total enterprise funds	<u>\$ 122,690</u>
<b>Total restricted net position</b>	<b><u>\$ 1,738,367</u></b>

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**3-F. Interfund Transfers**

From time to time, transfers are made between funds. During the year, transfers were used to move revenues from the General Fund to the Capital Projects Fund in the amount of \$1,232,123 to help finance ongoing and future capital projects.

**4-A. 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;

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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](http://www.urs.org).

**Benefits provided:**

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	Cola **
Noncontributory System	Highest 3 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* with actuarial reductions

\*\* All past-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.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**4-A. General Information about the Pension Plan (continued)**

**Contributions:**

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

<b>Utah Retirement Systems</b>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contributory System				
111 - Local Government Div - Tier 2	N/A	N/A	14.91	1.78
Noncontributory System				
15 - Local Government Div - Tier 1	N/A	N/A	18.47	N/A

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

For the fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

<b>System</b>	Employer Contributions	Employee Contributions
Noncontributory System	\$ 81,347	N/A
Tier 2 Public Employees System	7,339	-
<b>Total Contributions</b>	<b>\$ 88,686</b>	<b>-</b>

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

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

At June 30, 2016, we reported a net pension asset of \$10 and a net pension liability of \$302,263.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0534176%	\$ -	302,263
Tier 2 Public Employees System	0.0047790%	10	-
<b>Total</b>		<b>\$ 10</b>	<b>302,263</b>

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**4-A. General Information about the Pension Plan (continued)**

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, we recognize pension expense of \$64,166.

At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 13,738
Changes in assumptions	-	16,914
Net difference between projected and actual earnings on pension plan investments	102,344	-
Changes in proportion and differences between contributions and proportionate share of contributions	194	6,265
Contributions subsequent to the measurement date	43,176	-
<b>Total</b>	<b>\$ 145,714</b>	<b>\$ 36,917</b>

\$43,176 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, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Net Deferred Outflows (Inflows) of Resources
2016	\$ 14,451
2017	14,451
2018	14,749
2019	22,120
2020	(28)
Thereafter	(120)

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**4-A. General Information about the Pension Plan (continued)**

**Actuarial assumptions:**

The total pension liability in the December 31, 2015, 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

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending 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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<b>Assets class</b>	<b>Expected Return Arithmetic Basis</b>		
	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%
<b>Totals</b>	<b>100.00%</b>		<b>5.23%</b>
	Inflation		2.75%
	Expected arithmetic nominal return		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.

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**4-A. General Information about the Pension Plan (continued)**

**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. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**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:

<b>System</b>	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 638,651	302,263	21,446
Tier 2 Public Employees System	1,913	(10)	(1,488)
<b>Total</b>	<b>\$ 640,564</b>	<b>302,253</b>	<b>19,958</b>

**Pension plan fiduciary net position:**

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

**Defined Contribution Savings Plan:**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report. The City participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

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

Providence City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**4-A. General Information about the Pension Plan (continued)**

Employee and employer contributions to the Utah Retirement Contribution Savings Plans for fiscal year ended June 30, 2016, were as follows:

	2016	2015	2014
401(k) Plan			
Employer Contributions	\$ 868	461	92
Employee Contributions	8,553	8,051	7,520
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	2,710	2,730	2,730
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	890	910	910

**4-B. 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. The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

**4-C. Insurance and bond coverage**

Providence City has insurance and bonding policies with effective limits as follows:

Description	Issuer	Policy #	Limits	Expiration Date
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust (ULGT)	13080-GL2011	\$ 5,000,000	7/1/2017
Buildings	ULGT	ULGT-APDP-2010	7,292,500	7/1/2017
Contents	ULGT	ULGT-APDP-2010	1,141,700	7/1/2017
Equipment	ULGT	ULGT-APDP-2010	338,048	7/1/2017
Automobile	ULGT	ULGT-APDP-2010	26 Vehicles	7/1/2017
Bonds:				
City Treasurer/City Recorder	CAN Surety	70011063	600,000	9/15/2017

This page intentionally left blank.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

This page intentionally left blank.

Providence City  
**Notes to Required Supplementary Information**  
For the Year Ended June 30, 2016

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedule presented in this section of the report is for the City's General Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unassigned fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2016, expenditures within the public safety department exceeded budget amounts by \$1,082. All other department expenditures were within budget appropriations.

**Changes in Assumptions Related to Pensions**

Regarding the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions presented in this section, the following assumption changes were adopted from the most recent actuarial experience study:

There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was a decrease from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

Providence City  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND  
(Unaudited)**

For the Year Ended June 30, 2016

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 1,897,900	1,951,000	1,991,226	40,226
Licenses and permits	40,800	46,500	47,751	1,251
Intergovernmental revenues	334,100	267,600	261,559	(6,041)
Charges for services	674,900	694,300	702,054	7,754
Fines and forfeitures	102,500	97,000	91,304	(5,696)
Interest	20,000	48,000	55,558	7,558
Miscellaneous revenue	16,000	39,400	61,130	21,730
<b>Total revenues</b>	<b>3,086,200</b>	<b>3,143,800</b>	<b>3,210,581</b>	<b>66,781</b>
<b>Expenditures</b>				
General government	812,500	825,400	745,399	80,001
Public safety	283,200	283,500	284,582	(1,082)
Highways and public property	1,461,700	1,379,500	1,134,206	245,294
Parks and recreation	622,000	515,500	308,904	206,596
Cemetery	79,800	80,600	65,849	14,751
<b>Total expenditures</b>	<b>3,259,200</b>	<b>3,084,500</b>	<b>2,538,940</b>	<b>545,560</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(173,000)</b>	<b>59,300</b>	<b>671,641</b>	<b>612,341</b>
<b>Other Financing Sources and (Uses)</b>				
Impact fees	61,000	70,500	73,740	3,240
Transfers out	(500,000)	(1,474,100)	(1,232,123)	241,977
<b>Total Other Financing Sources and (Uses)</b>	<b>(439,000)</b>	<b>(1,403,600)</b>	<b>(1,158,384)</b>	<b>245,216</b>
<b>Net Change in Fund Balances</b>	<b>(612,000)</b>	<b>(1,344,300)</b>	<b>(486,743)</b>	<b>857,557</b>
Fund Balances - beginning of year	3,061,969	3,061,969	3,061,969	-
<b>Fund Balances - end of year</b>	<b>\$ 2,449,969</b>	<b>1,717,669</b>	<b>2,575,226</b>	<b>857,557</b>

Providence City  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
 June 30, 2016  
 Last 10 Fiscal Years\*

	2015	2014
<b>Noncontributory Retirement System</b>		
Proportion of the net pension liability (asset)	0.0534176%	0.0548075%
Proportionate share of the net pension liability (asset)	\$ 302,263	\$ 237,987
Covered employee payroll	\$ 464,761	\$ 475,623
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.04%	50.00%
Plan fiduciary net position as a percentage of the total pension liability	87.80%	90.20%
<b>Tier 2 Public Employees Retirement System</b>		
Proportion of the net pension liability (asset)	0.0047790%	0.0038005%
Proportionate share of the net pension liability (asset)	\$ (10)	\$ (115)
Covered employee payroll	\$ 30,880	\$ 18,705
Proportionate share of the net pension liability (asset) as a percentage of	-0.03%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	100.20%	103.50%

\* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of 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 last two years.

Providence City  
**SCHEDULE OF CONTRIBUTIONS**  
 June 30, 2016  
 Last 10 Fiscal Years\*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory Retirement System</b>	2014	\$ 86,533	\$ 86,533	\$ -	\$ 500,623	17.29%
	2015	86,054	86,054	-	465,913	18.47%
	2016	81,347	81,347	-	440,428	18.47%
<b>Tier 2 Public Employees System</b>	2014	809	809	-	5,785	13.99%
	2015	3,869	3,869	-	25,900	14.94%
	2016	7,339	7,339	-	49,223	14.91%

\* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past 3 years.

Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

## **OTHER REPORTS**

This page intentionally left blank.

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

The Honorable Mayor and Members  
of the City Council  
Providence City  
Providence, UT

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 the City of Providence as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Providence's basic financial statements and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Providence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Providence's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Providence's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Providence'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.

*Ulrich & Associates, P.C.*

Ogden, Utah  
December 20, 2016

**INDEPENDENT AUDITOR'S REPORT AS REQUIRED  
BY THE STATE COMPLIANCE AUDIT GUIDE ON:  
- COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS  
- INTERNAL CONTROL OVER COMPLIANCE**

The Honorable Mayor and Members  
of the City Council  
Providence City  
Providence, UT

**Report on Compliance with General State Compliance Requirements**

We have audited Providence City's compliance with the general compliance requirements described in the State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Providence City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Budgetary Compliance  
Fund Balance  
Justice Courts  
Utah Retirement Systems  
Restricted Taxes  
Open and Public Meetings Act  
Treasurer's Bond

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above.

***Auditor's Responsibility***

Our responsibility is to express an opinion on Providence City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Compliance Audit Guide. Those standards and the State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Providence City occurred. An audit includes examining, on a test basis, evidence about Providence City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of Providence City's compliance.

### ***Opinion on General State Compliance Requirements***

In our opinion, Providence City complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on Providence City for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings. Our opinion on compliance is not modified with respect to these matters.

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

### ***Report on Internal Control Over Compliance***

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

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

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

*Purpose of Report*

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

*Ulrich & Associates, P.C.*

Ogden, Utah  
December 20, 2016

City of Providence  
**SCHEDULE OF FINDINGS**  
State Legal Compliance  
June 30, 2016

Statement of Condition - 2016-1

Unrestricted fund balance in the General Fund exceeds 25% of the total current year revenues, which is in violation of Utah Code 10-5-116(2).

Criteria

State Law requires that general fund balance does not exceed 25% for cities or 75% for towns of the total revenue of the general fund for the fiscal year under audit under Utah Code 10-6-115(2).

Cause

Because the City has not begun to use the excess fund balance for designated projects, the general fund is over legal requirements.

Effect

The City is not in compliance with fund balance requirements.

Recommendation

We recommend that the City review the unreserved fund balance and plan the coming years expenditures accordingly.

Response

We concur with the recommendation and plans on utilizing the funds to aid in various projects throughout the City.

Statement of Condition - 2016-2

Minutes for the City Council meetings are not posted to the Utah Public Notice website within three days of approval.

Criteria

State Law requires that the City post the minutes from each city council meeting to the Utah public notice website within three days of being approved.

Cause

The City has been posting the minutes to the website, but not within three days of approval.

Effect

The City is not in compliance with the open and public meetings act requirements.

Recommendation

We recommend that the City post the minutes to the Utah public notice website within three days of being approved.

Response

We concur with the recommendation and plans posting the minutes to the website within three days of council approval.