# ROY CITY CORPORATION Roy, Utah

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016

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Prepared by:

Cathy A. Spencer Management Services Director

## ROY CITY CORPORATION Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016

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# INTRODUCTORY SECTION

*Mayor* Willard S. Cragun

*City Manager* Jay Baughman



*City Council* Margie Becraft Robert Dandoy Bradley R. Hilton David E. Tafoya Karlene Yeoman

November 1, 2016

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Roy:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of Roy City Corporation for the fiscal year ended June 30, 2016.

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

The City's financial statements have been audited by Litz & Company, P. C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Roy City Corporation for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Roy City Corporation's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Entities receiving funding from the federal government are federally mandated to undergo a "Single Audit" designed to meet the special needs of federal grantor agencies. The Single Audit Act of 1996 and the U. S. Office of Management and Budget's Circular A-133 governing single audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also

on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal awards. Although the City received funds under federal financial assistance programs, the revenue was not sufficient to require a single audit.

The State of Utah requires the City to be audited in accordance with Government Auditing Standards (GAO Yellow Book 2003 Revision) and sets forth general requirements for auditors to follow in its Compliance Manual for Audits of Local Governments. The City is responsible for compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; and other special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide.

### Profile of the City

The City of Roy was incorporated on March 10, 1937 as Roy City Corporation. It is located in the northern part of the state along the Wasatch Front. Hill Air Force Base borders the City on the east and provides employment to many of the City's residents. Roy City Corporation currently occupies a land area of 7.8 square miles and serves a population of approximately 37,000. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

Roy City Corporation operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of a Mayor and five other members, known as the City Council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the directors of the various departments. The Mayor and City Council are elected on a non-partisan, at-large basis and serve four-year staggered terms.

Roy City Corporation provides a full range of services, including police and fire protection; water, sewer and sanitation; construction and maintenance of highways, streets, and other infrastructure; and recreational activities. The governing council of the City also serves as the Board of Directors for the Redevelopment Agency of Roy, Utah (RDA). The RDA is a separate legal entity, but due to the oversight responsibilities of the City's governing council in the decision making process, is reported within the financial statements of Roy City Corporation. Additional information on the RDA can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for Roy City Corporation's financial planning and control. All departments of the City are required to submit requests for appropriations to the Budget Officer in March of each year. The Budget Officer and City Manager use these requests as the starting point for developing a tentative budget. The Budget Officer then presents the tentative budget to the governing council at their first meeting in May. The council is required to hold public hearings on the tentative budget and to adopt a final budget no later than June 22<sup>nd</sup>. The appropriated budget is prepared by fund, and department (e.g., police). Department Directors may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the major governmental funds, this comparison is presented on pages 39-41 as part of the basic financial statements for the governmental funds, this comparison is presented in the governmental fund subsection of this report, which starts on page 87.

#### Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Roy City Corporation operates. The local economy in Roy continues to see growth. In FY 2016 sales tax revenue increased 4.01% compared to 4.28% in FY 2015. Sales tax revenue continues to exceed prior year's highs. The administration anticipates the State's economy to continue to improve and thus has budgeted a small increase for FY 2017.

Another major revenue source for Roy City is its property taxes. The tax base remains strong. Residents and businesses take pride in their properties, keeping them well maintained and of value to the owners. Property taxes are the City's greatest individual revenue source next to sales taxes, and provided 16.19% of the total general fund revenue. In FY 2016, property tax revenue, including prior year delinquencies, grew by \$8,719, or .33%. The reason for the small increase is a refund provided to a local telecommunications company offsetting any increase in properties. A larger increase is expected for FY 2017.

With minimal open space in Roy available, residential construction starts remain low. Currently, a few smaller residential subdivisions are under development. Miya Estates is a twenty lot subdivision with all lots sold. Hidden Cove Phase 4 contains nine lots with new homes completed and ready for occupancy. A new single family home subdivision, West Park, has been approved and is under construction on 4800 South between the Union Pacific Railway and the Utah Transit Authority Rail Trail. The entire subdivision will have seventy-two homes; phase one will consist of nineteen with a number already under construction.

Two multi-family projects have received approval in 2015 and are currently under construction. They include Station Square and Aderra Apartments. Station Square is a 31 unit senior housing project on 4000 South adjacent to the Frontrunner station. Aderra Apartments contains 114 units and is located at 4700 South and 3500 West. Construction on the Station Square and Aderra is expected to be completed in November and February, respectively.

In the spring of 2013, Weber County voters approved a General Obligation Bond to fund new library buildings. One of the projects was a new headquarters library in Roy. At the Wasatch Executive Park, the Redevelopment Agency of Roy Utah (RDA) transferred property to Roy City which was then exchanged with Weber County for the construction of a new Southwest Branch of the Weber County Library System. The facility not only replaced the existing Roy facility, but houses the county library system's administrative offices. Construction of the library began in 2014 and was completed February 2016. The facility encompasses the latest technologies and includes meeting rooms, an amphitheater, and a café.

Bank of Utah is underway with a new location for its Roy Branch. The facility is approximately 4,000 square feet and is being constructed at a site adjacent to its current facility. The new modern branch will have easier access to drive up banking and is expected to be completed in the spring of 2017.

The City has located within its boundaries or within close proximity major industries that provide employment to local residents. This includes an air force base, school district, and manufacturing facilities. Because of the nature of these employers and the diversity of industries throughout the State of Utah, unemployment in the area has not been as significant as other states. According to the Bureau of Labor Statistics, in June 2016 the local unemployment rate was 4.0%. This is an increase of .2% from the same time in 2015. The local unemployment rate is well below the national rate of 4.9%. Of the nonfarm wage and salary employment, locally, jobs were up in all areas except mining and logging. Some of the largest increases occurred in construction of 6.8%, leisure and hospitality of 5.5%, financial activities of 5.4%, education and health services of 4.4%, and trade, transportation and utilities of 3.5%.

### Long-term Financial Planning

It is the policy of the Roy City Council to maintain a fund balance that ensures adequate reserves that will provide financial stability in the event of an unanticipated economic downturn. The State of Utah limits the amount of assigned and unassigned fund balance the City can have to 25% of budgeted general fund revenues. Normally, these amounts will not be programmed for expenditure and are only available for use within the confines of expenditure limitation imposed by the State of Utah. Unassigned fund balance was \$3,996,549 at June 30, 2016, and \$3,635,159 at June 30, 2015. In the past, Roy City has maintained its general fund balance near maximum levels. The City Council has elected to maintain the fund balance levels between 18-20%.

The City Council and administration have long strived to finance City operations on a pay as you go basis. The City has been successful at this and has very low debt compared to other cities of similar size. After the completion of a long-term capital improvement plan, the City saw the need for financing alternatives in order to complete necessary projects. Since the completions of the study, the City has secured long-term financing for fire trucks, remodeling of the Municipal Building, and improvements to the water and sewer infrastructure system. The City had no new debt issues in FY 2016. For more information on the City's long-term debt, see the Detailed Notes to the Financial Statements pages 67-69.

### **Major Initiatives**

During FY 2015, Utah Department of Transportation (UDOT) completed the widening of the west end of Riverdale Road to 1900 West. This is one of the main entrances to the Roy. The project included replacing the bridge over I-15, reconstructing the on-ramp and off-ramp at the bridge, and reconstructing the intersection of 1900 West at Riverdale Road. The intersection was widened to three lanes in all directions; curb, gutter, and sidewalk replaced; and beautification enhancements to the area made.

The governing council saw this as an opportunity to extend the beautification both north and south of the intersection along 1900 West and created a Beautification Committee to oversee just that. The Committee is comprised of the Mayor, two Council Members, the City Manager, the Management Services Director, the Public Works Director, and the Parks and Recreation and Recreational Facilities Director. In FY 2016, the Beautification Committee continued with the installation of decorative lighting north to 4800 south and north from 6000 South. Construction of a brick water feature on the southeast side of 1900 West and Riverdale Road is awaiting UDOT approval and is expected to start in late 2016. For FY 2017, the committee will be looking to extend the lighting northward to the City limits; complete the water feature, and beautifying the 5600 South freeway entrances and exits.

The City's Economic Development Committee continues to look at ways to entice businesses into the City. This committee is comprised of the Mayor, two city council members, and the City Manager. Roy City contracted with a local redevelopment professional to work alongside the Economic Development Committee in their endeavors. It is the intent of the governing council to emphasize economic development within the City. Maintaining economic vitality and promoting the unique dynamics of each economic district within the City is a priority.

The City, the RDA, and Weber County are working on a joint project which will have property on the frontage of 1900 West, where the current George Wahlen North Park exists, transferred to the RDA for development. Once completed, the new elementary school, library, park and developable property will be a catalyst to the improvement of the northeast section of the City. This development encompasses a large area in an aging part of the City. A new round-a-bout addresses traffic calming and safety for residents, students, library patrons, and visitors. The Weber School District, Weber County, Library Board, Roy City and the RDA will continue to coordinate their efforts to maximize the positive impact of these new facilities to the community.

With a land swap between Roy City and the Weber School District in FY 2014, the City has set in motion its plan to realign George Wahlen North Park. To date, \$1,500,500 has been set aside for the construction. The facility is tentatively set to include a large pavilion, two sets of bathrooms, three ball diamonds, football and soccer fields, expanded parking areas, and a walking track. Construction on phase 1 has begun and includes clearing and leveling of the site and new restrooms.

In order to address congestion within the City, a new round-a-bout is under construction on 4800 South. The project will be done by the City, with participation by the developer of the West Park Subdivision. Traffic flow in the area was changed to keep motorists safe. In the area below the Union Pacific Railway, medians will be installed to prevent vehicles from traveling across lanes of traffic. The round-a-bout will move traffic first west and then east as needed.

The City Council continues to be aware of the changing dynamics of Roy City. Every year, less land is available for residential development. The lack of residential land and commercial buyers leads developers to request multi-family projects within commercial zones. The City Council is looking to review and possibly amend the general plan to deal with zoning and address the idea of transit oriented development around the Frontrunner station on 4000 South. Any new development adds traffic to already crowded City streets. Traffic concerns negatively impact the idea of multi-family housing or any large residential development within the City. In the future, developers will be required to address traffic flow as part of the development process.

#### Independent Audit

The State Uniform Fiscal Procedures Act (10-6-151) requires an annual audit of the City's accounts by an independent auditor. The City has complied with this requirement and the auditors' opinion has been included in this report.

#### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roy City Corporation for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the City who assisted and contributed to the preparation of this report, and to our auditors, Litz & Company, P. C., for their cooperation. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of Roy City Corporation's finances.

Respectfully submitted,

Cathy

Management Services Director

5051 South 1900 West Roy, Utah 84067

Telephone (801) 774-1000 Fax (801) 774-1030 9

#### ROY CITY CORPORATION List of Elected and Appointed Officials June 30, 2016

#### Elected Officials

Willard S. Cragun	Mayor
Margie Becraft	City Councilperson
Robert Dandoy	City Councilperson
Bradley R. Hilton	City Councilperson
David E. Tafoya	City Councilperson
Karlene Yeoman	City Councilperson

# Executive, Legal and Budgetary Officials

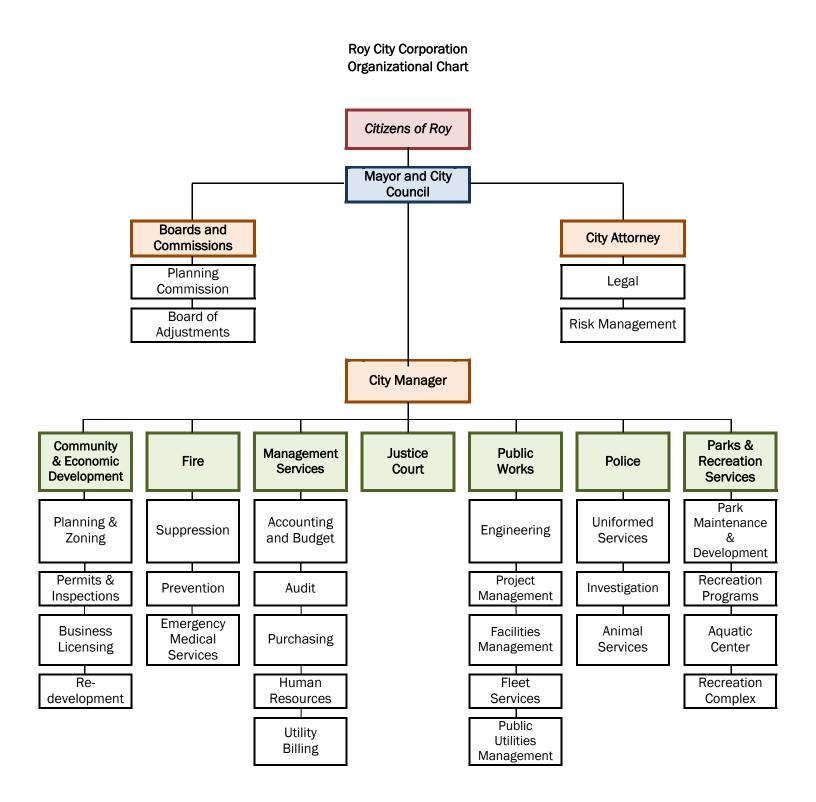
Jay Baughman	City Manager
Andrew H. Blackburn	City Attorney
Cathy A. Spencer	Budget Officer

#### Statutory Appointed Officials

Carl G. Merino	Chief of Police
Amy S. Mortenson	City Recorder
Nicole L. Higgs	City Treasurer
Mark T. Miller	City Engineer

#### Department Directors

Jason R. Poulsen	Fire Chief
Cathy A. Spencer	Management Services Director
S. Ross Oliver	Public Works Director
Travis J. Flint	Parks & Recreation and Recreational Facilities Director
R. Scott Waterfall	Justice Court Judge





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

# Roy City Corporation Utah

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

# **FINANCIAL SECTION**





#### Honorable Mayor and City Council Roy City Corporation, Utah

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 Roy City Corporation, Utah (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 Roy City Corporation, Utah, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension schedules and budgetary comparison information on pages 16 through 28 and 83 through 86 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 the 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison schedules, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The required pension schedules, the combining statements and individual fund financial statements and schedules including the budgetary comparisons schedules, and the capital asset schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required pension schedules, the combining and individual fund financial statements and budgetary comparisons schedules and the capital asset schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Empary, PC.

Roy, Utah November 1, 2016

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Roy City Corporation's discussion and analysis is designed to assist the reader in focusing on significant financial issues; provide an overview of the City's financial activity; identify changes in the City's financial position; and identify any material deviations from the budget.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to consider the information presented in conjunction with the letter of transmittal and the City's financial statements.

#### Financial Highlights

- The City's net position increased by \$533,928. Governmental activities incurred a decrease of \$374,294 from operations, while business-type activities resulted in an increase of \$908,222.
- The assets and deferred outflows of resources of Roy City Corporation exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$69,846,517 (net position). Of this amount, \$14,015,054 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,568,885, a decrease of \$105,243 from the prior year. Approximately \$7.92 million of the total amount is available for spending at the City's discretion within the general, capital projects and special revenue funds.
- At the close of the fiscal year, unassigned fund balance for the general fund was \$3,996,548 or 26.23% of the total general fund expenditures.

#### Overview of the Financial Statements

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

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances in a manner similar to a private-sector business. The governmental and business-type activities are consolidated into columns which add to a total for the primary government.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, the reader will need to consider other non-financial factors. This statement combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.

The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Roy City Corporation 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 governmental activities of Roy City Corporation include general government, public safety, highways and streets, community and economic development, redevelopment, culture and recreation, storm sewer development, and park development. The business-type activities of Roy City Corporation include the Water and Sewer Utility Fund, Storm Sewer Utility Fund, and Solid Waste Utility Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate entity, the Redevelopment Agency of Roy Utah (RDA) for which Roy City Corporation is financially accountable. Although a legally separate entity, this *blended component unit* is, in substance, part of the City's governmental operations and is included as part of the primary government for financial reporting purposes.

#### **Fund Financial Statements**

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

<u>Governmental funds.</u> These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements 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. Such information may be useful in evaluating a government's near-term financing requirements.

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 *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Roy City Corporation maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the redevelopment fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

<u>Proprietary funds.</u> Roy City Corporation maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Utility, its Storm Sewer Utility, and for its Solid Waste Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. Roy City Corporation uses internal service funds to account for its management information systems and risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility and Solid Waste Utility, which are considered to be major funds of Roy City Corporation and the Storm Sewer Utility, which is considered to be a non-major fund. Conversely, the two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* within this report. Some of the City's administrative personnel provide services to both general municipal and utility operations. These individuals are paid through the general fund. Resources are transferred from the various enterprise funds to the general fund to cover a portion of the salaries attributed to utility operations.

#### 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.

#### Other Information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Roy City Corporation, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,846,517 at the close of the most recent year, June 30, 2016.

Key elements of the City's net position can be found in the table below:

Roy City Corporation's Net Position (Stated in Thousands of Dollars) As of June 30											
	Governmental Activities Business-type Activities Total										
	2016	2015	2016	2015	2016	2015					
Current and other assets	\$ 17,708	\$ 16,914	\$ 9,574	\$ 9,563	\$ 27,282	\$ 26,477					
Capital assets	33,558	34,303	25,098	24,409	58,656	58,712					
Total assets	51,266	51,217	34,672	33,972	85,938	85,189					
Deferred outflows	2,340	732	181	73	2,521	805					
Total assets and deferred outflows of resources	53,606	51,949	34,853	34,045	88,459	85,994					
Long-term debt	1,588	1,739	5,371	5,770	6,959	7,509					
Other liabilities	5,677	4,705	1,266	972	6,943	5,677					
Total liabilities	7,265	6,444	6,637	6,742	13,902	13,186					
Deferred inflows	4,639	3,429	71	64	4,710	3,493					
Total liabilities and deferred inflows of resources	11,904	9,873	6,708	6,806	18,612	16,679					

		Corporation's I tated in Thous As of J	•			
	Governmen	tal Activities	Business-ty	pe Activities	То	tal
	2016	2016	2015			
Net position:						
Net investment in capital						
assets	33,326	33,958	19,816	18,786	53,142	52,744
Restricted	2,689	2,331	-	-	2,689	2,331
Unrestricted	5,686	5,787	8,329	8,453	14,015	14,240
Total net position	\$ 41,701	\$ 42,076	\$ 28,145	\$ 27,239	\$ 69,846	\$ 69,315

The change in net position for the current and prior year is as follows:

Roy City Corporation's Changes in Net Position (Stated in Thousands of Dollars) As of June 30										
	Governmen	tal Activities	Business-ty	pe Activities	То	tal				
	2016	2015	2016	2015	2016	2015				
Revenues:										
Program revenues										
Charges for services	\$ 3,718	\$ 3,888	\$ 9,793	\$ 9,103	\$ 13,511	\$ 12,991				
Grants and contributions:										
Operating	1,356	1,261	-	-	1,356	1,261				
Capital	160	178	100	58	260	236				
General revenues										
Property taxes	2,661	2,687	-	-	2,661	2,687				
Other taxes	8,189	7,933	-	-	8,189	7,933				
Investment earnings	127	818	-	-	127	818				
Contributions from other gvts	454	717	-	-	454	717				
Other	85	386	206	201	291	587				
Total revenues	16,750	17,868	10,099	9,362	26,849	27,230				
Expenses:										
General government	3,539	4,331	-	-	3,539	4,331				
Public safety	8,191	7,747	-	-	8,191	7,747				
Public works	2,620	2,514	-	-	2,620	2,514				
Parks and recreation	2,768	2,591	-	-	2,768	2,591				
Interest and fiscal charges	6	8	-	-	6	8				
Water and sewer utility	-	-	6,826	6,075	6,826	6,075				
Storm sewer utility	-	-	516	498	516	498				
Solid waste utility	-	-	1,851	1,850	1,851	1,850				
Total expenses	17,124	17,191	9,193	8,423	26,317	25,614				
Increase (decrease) in net position	(374)	677	906	939	532	1,616				
Net position - beginning	42,075	41,398	27,239	26,300	69,314	67,698				
Net position - ending	\$ 41,701	\$ 42,075	\$ 28,145	\$ 27,239	\$ 69,846	\$ 69,314				

By far, the largest portion of the City's net position, 76.08%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.85%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$14,015,054, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year and prior fiscal year, Roy City Corporation is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The City has no individual funds reporting a deficit in unrestricted net position.

The City implemented GASB 68 on Accounting and Financial Reporting for Pensions in FY 2015. The Statement makes changes to the way transactions are recorded for pensions provided to the employees of state and local government employers through pension plans that are administered through trusts.

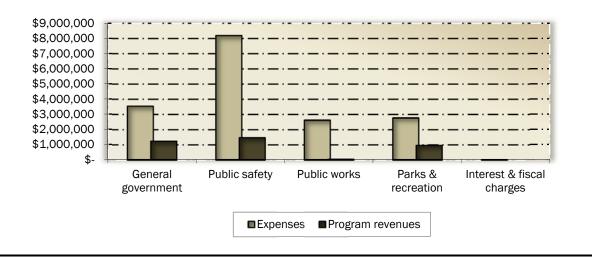
Governmental activities decreased Roy City's net position by \$374,294, while business-type activities increased net position by \$908,222.

*Governmental activities.* The governmental activities portion of the increase in net position accounted for 41.91% of the total growth for the City as a whole.

- Overall, property taxes decreased by \$26,275 in the governmental funds from FY 2015. Property taxes in the general fund decreased by \$25,927, while the increment received by the RDA decreased \$348. The decrease for the general fund can be attributed to refund issued to a local telecommunication company. The small decrease for the RDA is a likely a result of the same refund.
- Other taxes were up \$256,764 over the previous fiscal year. Of that amount, \$188,216 came from sales tax revenue, while franchise tax revenue increased by 2.40% or \$71,167. Payments in lieu of taxes reflects a decrease, \$2,619, or .80%.
- Class C Road funds received were up .70%, or \$8,795, from 2015. This was due to an issue related to fund allocation percentages throughout the State of Utah. The final settlement for the year was not available prior to the preparation of the financial statements so an estimate based upon current year revenue streams was made.
- A new local option sales tax was approved by voters in Weber County in 2015. The allocation to cities can be used for transportation infrastructure as well as pedestrian safety. Roy City received \$96,630 from the tax in FY 2016.
- Revenue from charges for services decreased \$170,097 in comparison to FY 2015. The largest decreases came from ambulance and transport services, \$142,838; plan check fees, \$28,055; and Aquatic Center revenues, \$30,131. Calls for ambulance services were lower, and the collection rates on the services were down. Plan checks fees were lower due to fewer large commercial projects, and aquatic center usage was down and can be a result of weather.
- Roy City's average yield on investments in the Utah Public Treasurer's Investment Fund increased .227% from FY 2015, and investment balances were up at the end of the year. As a result, income from interest increased by \$38,617. Other investment earnings decreased \$729,706 because the Redevelopment Agency sold property for the library construction in FY 2015.

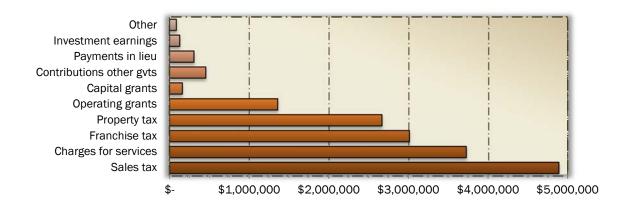
- Total expenses for wages and benefits were down \$69,502, or .60%, from FY 2015. A 2% cost of living adjustment and a 1% merit was given to employees. In addition, in January 2016, a salary adjustment was made for sworn police officer; and in May 2016 a part-time salary survey was implemented. Both of these impacted wages, payroll taxes, and retirement. The overall reduction was a result of employee retirement payouts in FY 2015.
- Operating expenses increased from FY 2015 by \$45.599. Highlights of the net increase include an increase of \$34,448 in the Legislative Department including professional services. community activities, and the election; a \$96,966 decrease in risk management, to use up some of the fund balance reserves for operations; a \$14,225 increase in the Police Department including remodeling the evidence room, special public safety supplies, Beer Tax grant expenditures and a \$19,926 reduction in fuel; a \$90,542 increase in the Fire Department including fire equipment, medical supplies, Utah State Ambulance Assessment, vehicle maintenance, and a reduction in fuel: a \$8,980 increase in Public Works Administration related to engineering of projects and reduction in supplies; a \$34,501 reduction in costs at the Aquatic Center related to the purchase of chairs, tables, and umbrellas; a \$21,899 increase in the Parks and Recreation Department for program supplies, maintenance, and park utilities. Street repairs and maintenance in the Class C Road Fund were down \$181,220. No significant projects were underway, less maintenance was performed. With fuel prices down, an overall reduction in fuel costs was observed City wide; in addition, costs for engineering services throughout the City were up. In the Redevelopment Agency, an increase of \$209,000 was seen for decorative street lights within the areas. Other expenditure differences between fiscal years exist, but are the result of annual budgeting. No significant changes in operations were made.

The following graphs display a different perspective on governmental activities reflected in the City's statement of activities:



#### Expenses and Program Revenues – Governmental Activities

#### **Revenues by Source – Governmental Activities**

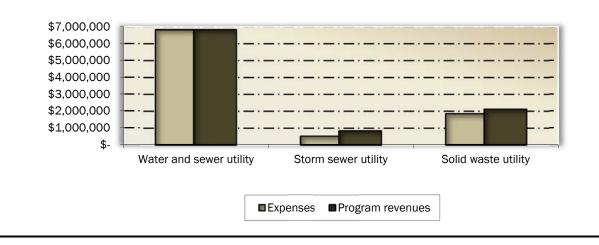


*Business-type activities.* The business-type activities portion of the increase in net position was 170.10% of the total growth for the City. At the end of the current fiscal year, all of the City's business-type funds reported positive net position.

Key elements of the increase to net position of business-type activities include:

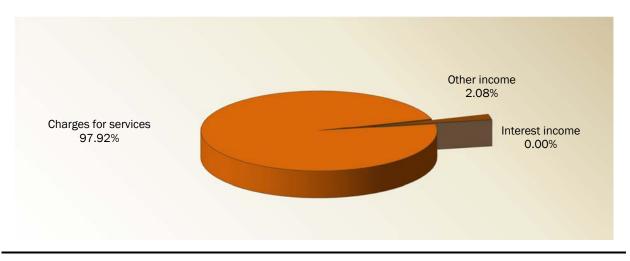
- Revenue from water, sewer, capital improvements, storm sewer and garbage services had an increase of \$689,999. Water revenue is up \$80,248, mainly due to a 3.30% rate increase. Sewer revenue increased \$545,535. One of the City's sewer service contractors continued to raise rates as part of a five year plan. The rate increase was passed along to the customers increasing the base rate by 16.61%. The City's garbage collection revenue increased \$29,385 due to a rate increase by the contractor which was passed along to the customers. Recycling revenue was down by \$8,667 due to customers opting out of the program.
- Impact and connection fees related to new construction increased \$35,438, a result of large commercial projects.
- Miscellaneous income increased by \$9,014. The fee charged to transfer services to new homeowners and late fees were up.
- Total expenses for wages and benefits was down \$1,765 from FY 2015. As stated above, a cost
  of living adjustment of 2%, as well as up to a 1% merit was provided to employees. The
  increased rates affect wages, taxes, and retirement. An offsetting decrease in wages was
  recorded in the Solid Waste Utility Fund with the termination of the City's curbside dumpster
  program.
- Overall, operating costs increased \$741,869 in FY 2016. Utility costs increased by \$30,734 to run the reservoir. Water meter costs increased \$216,301 to begin changing out meters to radio read. This will be a five year project. Contract rate for sewer increase by \$451,488 as a result of a capital improvement plan implemented by the sewer district. Insurance was down \$39,663 as the internal service fund operated off of fund balance to reduce the reserves. The maintenance program for the sanitary sewer system was increased by \$40,561. Culinary water fees increased \$20,870. Maintenance of the storm sewer system was up \$12,590. Disposal fees for solid waste was up \$22,572, citizens opting out of the recycling program and the termination of the curbside dumpster program resulted in the increases. Recycling collection fees were down \$15,091 due to customers opting out of the program. Due to the increased rates for water and sewer, franchise fees were up \$4,831 and \$32,612 for water and sewer, respectively.
- Debt service decreased by \$13,432. Interest expense is reduced as the debt is repaid.

The following graphs display a different perspective on business-type activities reflected in the City's statement of activities:



#### Expenses and Program Revenues – Business-type Activities

#### Revenues by Source - Business-type Activities



#### Financial Analysis of the Government's Funds

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

<u>Governmental funds</u>. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,568,885, a decrease of \$105,243 from the prior year. Approximately 34.55%, or

\$3,996,548, of this amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The fund balance of Capital Projects and Special Revenue Funds are classified as assigned and available for fund operations. At June 30, 2016, \$2,399,816 was available for spending in these funds. The remainder of fund balance is classified to indicate that it is not available for spending because it 1) cannot be spent because of its form, 2) is restricted by external sources, or 3) is committed to specific use.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,996,548, while the total fund balance was \$7,594,933. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 26.23% of total general fund expenditures, while total fund balance represents 49.85% of that same amount. During the fiscal year, the fund balance of Roy City Corporation's general fund (GAAP basis) increased by \$702,074 which is \$1,410,044 more than the prior year. When comparing FY 2016 to FY 2015 there was 1) a 2.98% increase in revenue of \$496,283, 2) a 3.38% decrease in expenditures of \$532,467, 3) a 69.88% decrease in the gain on sale of assets of \$156,146, and 4) an 85.62% decrease in the amount transferred to capital projects funds of \$1,530,006.

Included in the *governmental funds* is \$1,828,513 which is assigned for specific capital projects. The capital projects fund accounts for financial resources the City has set aside for the acquisition or construction of major capital facilities and equipment, other than those finances by proprietary or special revenue funds. During FY 2016 the fund balance in the capital projects funds decreased by \$469,402 compared to a \$1,418,749 increase in FY 2015. When comparing FY 2016 to FY 2015, the decrease can be attributed to a 97.25% increase in project expenditures of \$358,145 exceeding a 85.82% decrease in transfers from the general fund of \$1,530,006. At June 30, 2016, fund balances available for specific capital projects include Capital Improvements of \$208,126, Recreational Facilities Improvements of \$1,361,719, and Fire & Rescue Facilities and Equipment of \$258,668.

Also included within the *governmental funds* is \$2,145,439 which is assigned for specific purposes. For these special revenue funds, fund balance increased by \$363,274 compared to a decrease of \$441,929 in FY 2015. When comparing FY 2016 to FY 2015, the change of \$363,274 is a result of 1) a .67% decrease in property tax revenue of \$338, 2) a 27.30% increase in impact fees of \$26,584, 3) a 98.06% decrease in investment earnings of \$727,386, 4) a 68.42% increase in cemetery fees of \$65, 5) a 48.14% decrease in operating expenditures of \$708,004, 6) a 75.08% decrease in capital outlay of \$91,012, and 7) a 2.33% increase in contributions from other government units of \$6,083. At June 30, 2016, available fund balances in these special funds included Redevelopment Agency \$1,572,386; Storm Sewer Development \$191,407; Park Development \$217,083; and Cemetery \$164,563.

<u>Proprietary funds</u>. Roy City Corporation's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer utility fund at the end of the fiscal year was \$4,429,269, for the storm sewer utility fund unrestricted net position was \$663,277, and for the solid waste utility fund unrestricted net position was \$3,051,862. Net position for all proprietary funds increased. The increase for the water and sewer, storm sewer utility, and solid waste utility funds was \$252,758, \$353,086 and \$266,673, respectively.

The increase in net position for the water and sewer utility fund was lower than the increase in FY 2015 by \$48,627. Operating revenues for the water and sewer utility fund increased \$673,144, or 10.57% from the prior year, while operating expenses increased \$771,544 or 13.72%. Other factors in the increase in net position are 1) interest expense and bond costs dropped 5.40% or \$13,433, 2) gain on sale of assets increased \$5,768, and 3) contributions from developers increased \$30,576 or 74,94%.

The increase in net position for the storm water utility fund exceeded the increase in FY 2015 by \$1,090. Operating revenues for the storm water utility fund increased \$5,152, or .62% from the prior year, while expenses increased \$17,506 or 3.51%, and contributions from developers increased \$11,264 or 64.00%.

Operating revenue for the solid waste utility fund was up \$18,368 or .87% from FY 2015. Operating expenses increased \$194 or .01%. These factors resulted in a decrease in the change in net position of \$18,174 from FY 2015.

#### General Fund Budgetary Highlights

During the fiscal year, the general fund's original budget for expenditures and other financing uses was amended from an original total of \$16,588,107 to a final budget of \$16,673,593, an increase of \$85,486 or .52%. Some of the more significant budget changes to individual revenue and expenditure items are as follows:

- \$50,000 reduction in property taxes. The certified tax rate had not been received at the time the original budget was approved.
- \$140,000 increase in sales tax. Gains in the retail sales within the State of Utah exceeded original expectations.
- \$79,000 reduction in telecom revenue. The State of Utah collects and disburses these funds. There continues to be a decline in land based phone systems in lieu of cellular phones.
- \$40,000 increase in business licenses. Collections are higher on the good landlord program and new businesses added.
- \$41,783 decrease in intergovernmental revenue. The City estimated obtaining grants from various sources. The actual amounts of the grant received varied from the original estimate. This includes \$95,345 reduction in FEMA grant; \$19,750 increase in the Weber School District hiring supplement; and a \$19,975 increase in funding from the State of Utah.
- \$125,000 decrease in ambulance and transport services. Calls and collections lower.
- \$60,000 increase in contributions from property owners. It was determined that a developer will participate with the City in the construction of a round-a-bout.
- \$50,310 decrease in the fire department expenditures. Changes in structure of payment for part-time fire-fighters. Participation with the State of Utah to better collect on Medicaid claims, \$66,300. Not awarded the FEMA grant of \$114,949.
- \$60,000 increase in Class C Road expenditures. This is for construction of a round-a-bout.

The budget adjustment in the General Fund resulted in revenues and other financing sources being reduced and expenditures and other financing uses increasing. This required a budgeted draw from fund balance of \$126,594 to balance the budget. The City Council's intent was to lower the level of unrestricted fund balance in the General Fund. While actual expenditures were lower than projected and revenues exceeded estimates, total revenues surpassed expenditures by \$906,535.

<u>Budget to actual.</u> At the conclusion of the fiscal year, there were some differences between final budgeted revenues and expenditures and actual results. Most revenue classifications exceeded budget. Some of the most noteworthy items, sales tax exceeded expectations by \$58,629; property taxes over by \$27,668; Class C Roads allotment over by \$46,304; and Transportation Infrastructure over by \$96,630. Revenues related to franchise taxes and ambulance fees are down \$27,910 and \$118,785, respectively. Building permits and justice court fines were higher than budgeted by \$14,180 and \$22,267, respectively. Investment earnings were higher than projected by \$19,785. In total, general fund revenues exceeded budget by \$72,678 or .45%.

Expenditures were \$1,195,726 under budget. Generally, departments are cautious with spending which results in the savings. Some of the more significant savings on budget can be found in the police department; under \$177,749 mainly from being at less than full staffing, fuel, and special public safety supplies; Class C Roads under by \$748,748 on road maintenance and professional and technical services; the streets division under budget by \$52,354 including employee benefits and fuel. The finance department was under budget by \$61,568 from being under staffed for a large part of the year; the legal department under budget by \$26,848 from employee benefits, memberships, and training. The Aquatic Center was under budget by \$32,791 from part-time wages, operating supplies, and pool maintenance. Two departments were over budget including public works administration and parks and recreation.

#### Capital Assets and Debt Administration

<u>Capital assets</u>. Roy City Corporation's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$53,142,235 (net of related debt). The investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment, vehicles, and construction in progress. The total change in the City's investment in capital assets for the current fiscal year was an increase of .75% (a 1.86% decrease in governmental activities and a 5.48% increase in business-type activities).

Major capital asset events during the current fiscal year include the following:

Governmental activities:

- Decorative street lighting along 1900 West, \$377,400.
- Roads, curb, gutter, and sidewalks donated by developers from new subdivisions, \$108,409.
- John Deere loader (shared with Water Utility), \$79,216.
- <sup>3</sup>/<sub>4</sub> ton truck for Street Division, \$36,899.
- Replace boiler at Recreation Complex, \$96,487.
- Phase I construction to relocate George Wahlen North Park, \$342,421.
- <sup>3</sup>/<sub>4</sub> ton truck for Parks Division, \$35,780.
- Replacement of police vehicles, \$222,988.
- Sandridge and Roy park improvements under RAMP grant, \$33,841.

Business type activities:

- John Deere loader (shared with Street Division), \$79,215.
- Various meter reading units for new radio read system, \$20,000.
- Water lines, sanitary sewer lines and land drains donated by developers from new subdivisions, \$100,240.
- Replace 4000 South well and pump, \$74,642.
- 4975 South waterline project, \$96,645.
- 3750 West waterline project, \$27,564.
- Midland Drive waterline project, \$457,233.
- 6000 South curb and storm drain project, \$481,608.
- 2800 West storm drain project, \$124,558.
- Kubota tractor, \$56,950.
- Rebuild island at Meadow Creek Park, \$43,484.
- Laptop replacement (12), \$23,387.

	Government	tal Activities	Business-ty	pe Activities	Total		
	2016	2015	2016	2015	2016	2015	
Land	\$ 3,901	\$ 3,901	\$ 139	\$ 139	\$ 4,040	\$ 4,040	
Buildings	11,695	11,698	105	15	11,800	11,713	
Improvmnts other than bldgs	34,161	33,969	36,479	34,309	70,640	68,278	
Machinery and equipment	4,736	4,635	1,220	1,067	5,956	5,702	
Automobiles and trucks	6,522	6,221	1,273	1,375	7,795	7,596	
Construction in progress	991	277	126	938	1,117	1,215	
Accumulated depreciation	(28,448)	(26,398)	(14,244)	(13,434)	(42,692)	(39,832)	
Total capital assets	\$ 33,558	\$ 34,303	\$ 25,098	\$ 24,409	\$ 58,656	\$ 58,712	

#### Roy City Corporation's Capital Assets (State in Thousands of Dollars and Net of Depreciation)

Additional information on Roy City Corporation's capital assets can be found in Note 4 on pages 65-66 of this report.

<u>Long-term debt</u>. In October 2007, the City issued \$1,000,000 in sales tax revenue bonds to fund remodeling costs of the Municipal Building. The bonds mature in October 2017, with principal payments due annually. Interest is due semi-annually in April and October. In June 2012, the City refinanced the long-term portion of the 2007 bonds by issuing \$577,000 in sales tax revenue refunding bonds. The series 2012 sales tax revenue refunding bonds mature in October 2017. Interest is due semi-annually in April and October, while principal is due annually.

Roy City issued \$7,500,000 in water and sewer revenue bonds in March 2008 to finance the acquisition and construction of replacements, improvements and additions to the City's water and sewer system. Principal payments are due annually in March through 2028. Interest is due semi-annually in September and March. The City originally received an "Aaa" rating from Moody's Investors Service on the Series 2008 bonds. In May 2010, the rating was revised to "A1". The June 30, 2016 bond balances are as follows:

Roy City Corporation's Outstanding Debt (State in Thousands of Dollars)												
	Governmental Activities Business-type Activities					ctivities		То	tal			
	2	2016 2015		2016 2015			2016		2015			
Revenue bonds	\$	232	\$	345	\$	5,280	\$	5,620	\$	5,512	\$	5,965

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$49,182,000, which significantly exceeds Roy City Corporation's outstanding general obligation debt. In addition, state statutes allow for an additional 4% to be used for water, sewer and electrical projects thus resulting in a debt limit of 8% of total taxable value. The City's water and sewer utility is allowed an additional \$49,182,000 in debt obligation.

Additional information on Roy City Corporation's long-term debt activity can be found in Note 4 on pages 67-69 of this report.

#### Economic Factors and Next Year's Budget and Rates

The City reviews State and regional economic data in developing its annual budget. The assumptions derived from the data are reviewed by the City Council in its approval of the budget. Monthly reports are presented to the City Council to provide both budget and actual information for monitoring the financial activities of the City.

The following assumptions were used to develop the FY 2017 budget:

- Economic conditions are improving across the county and in Utah and that trend is expected to continue. Possible risks tend to come from abroad, more than nationally and locally. While Utah has become more global, that link and the link to Roy, is minimal. Regional trends have the most impact on Utah, and regional trends in growth are good. Growth tends to be stronger within the State than nationally.
- Utah continues to be one of the fastest growing states in the nation, and population is a main driver in any state's economy.
- The unemployment rate for the Ogden/Clearfield metropolitan area within which Roy City is located, is currently 4.1%. This compares to the State's average unemployment rate of 4.0%. The metropolitan and State averages increased .3% and .2%, respectively.
- Roy City is near "build out" for residential dwellings. With less land available, the City Council is seeing many request for multi-family housing project. Roy City is one of the most densely populated areas in the State, and the City Council is leaning towards single family dwellings and away from multi-family. The City is interested in the prospects of multi-use of residential and commercial together.
- Revenue from services is near peak and one-time fees from development continue to be low.
- Opening of new businesses is minimal, but some expansion is expected within the central business district and on the west side of the City.
- Sales tax revenue is calculated by the State based on a number of factors including point of sale and population. Sales tax is expected to continue a gradual increase in FY 2017 as the local economy growth continues.
- The budget includes a 2% cost of living adjustment and a 2.5% merit for all employees, Health insurance costs increased approximately 5.4%. No major changes in expenditures are expected. A capital improvements plan will be shaped to help with the annual budget process.
- Enterprise fund activity reflects rate increases to cover vendor increases.

During the current fiscal year, the fund balance in the general fund increased by \$716,814 to \$7,568,890. Fund balance reserves will be allocated to fund a capital improvement plan including but not limited to, fire apparatus, parks, and recreational facilities.

#### Request for Information

This financial report is designed to provide a general overview of Roy City Corporation's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Management Services Director, 5051 South 1900 West, Roy, Utah 84067.

# **BASIC FINANCIAL STATEMENTS**

	G	overnmental	В	usiness-type	
		Activities		Activities	 Total
ASSETS AND DEFERRED OUTFLOWS OF RESOL	JRCES				
Current assets:					
Cash	\$	9,400,541	\$	7,018,610	\$ 16,419,151
Restricted cash: Roads and public transit		2,488,308		-	2,488,308
Investment in water stock		-		16,100	16,100
Interactivity receivable		(186,855)		186,855	
Accounts receivable - net of					
allowance for doubtful accounts		5,555,862		1,537,019	7,092,881
Inventory		105,958		204,528	310,486
Prepaid items		81,700		262,412	 344,112
Total current assets		17,445,514		9,225,524	 26,671,038
Noncurrent assets:					
Internal balances		(347,300)		347,300	
Net pension asset		94,293		1,556	95,849
Investment in land		515,160		-	515,160
Capital assets:					
Land		3,901,316		139,434	4,040,750
Buildings		11,695,129		105,020	11,800,149
Improvements other than buildings		34,160,896		36,479,270	70,640,166
Machinery and equipment		4,736,007		1,219,681	5,955,688
Automobiles and trucks		6,521,816		1,272,749	7,794,565
Construction in progress		991,023		125,820	1,116,843
Less accumulated depreciation	(	28,448,037)		(14,243,891)	 (42,691,928
Total capital assets net of		~~ == ~ / = ~			
accumulated depreciation		33,558,150		25,098,083	 58,656,233
Total noncurrent assets		33,820,303		25,446,939	 59,267,242
Deferred outflows of resources:					
Pensions		2,339,871		149,402	2,489,273
Bond insurance		-		31,148	 31,148
Total assets and deferred outflows					
of resources	\$	53,605,688	\$	34,853,013	\$ 88,458,701

# ROY CITY CORPORATION Statement of Net Position, continued June 30, 2016

	Primary Government					
	Governmental		Βι	usiness-type		
		Activities		Activities		Total
LIABILITIES						
Current liabilities:						
Accounts payable	\$	951,753	\$	948,755	\$	1,900,508
Accrued wages		548,343		30,063		578,406
Compensated absences		100,316		10,408		110,724
Interest payable		1,137		63,961		65,098
Current portion of long-term debt		159,828		350,287		510,115
Total current liabilities		1,761,377		1,403,474		3,164,851
Long-term liabilities:						
Compensated absences		1,143,921		78,895		1,222,816
Long-term debt due in more than one year		183,958		4,931,711		5,115,669
Net pension liability		4,008,174		223,024		4,231,198
Guarantee deposits		167,847		-		167,847
Total long-term liabilities		5,503,900		5,233,630		10,737,530
DEFERRED INFLOWS OF RESOURCES						
Pensions		834,029		44,066		878,095
Unearned revenue		3,805,110		26,598		3,831,708
Total liabilities and deferred inflows of						
resources		11,904,416		6,707,768		18,612,184
NET POSITION						
Net investment in capital assets Restricted for:		33,326,150		19,816,085		53,142,235
Roads and public transit		2,689,228		-		2,689,228
Unrestricted	_	5,685,894	_	8,329,160	_	14,015,054
Total net position	\$ 4	41,701,272	\$	28,145,245	\$	69,846,517

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

## ROY CITY CORPORATION Statement of Activities For the Fiscal Year Ended June 30, 2016

			Program Revenues		
			Operating		
		Charges for	Grants and Contributions		
	Expenses	Services			
FUNCTIONS/PROGRAMS					
Primary government:					
Governmental activities:					
General government	\$ 3,538,719	\$ 1,236,287	\$-		
Public safety	8,190,940	1,466,282	163,085		
Public works	2,619,945	50,629	1,192,935		
Parks and recreation	2,768,728	964,713	-		
Interest and fiscal charges	6,488	-	-		
Total governmental activities	17,124,820	3,717,911	1,356,020		
Business-type activities:					
Water and sewer utility	6,826,334	6,833,375	-		
Storm sewer utility	516,205	840,428	-		
Solid waste utility	1,850,687	2,119,428	-		
Total business-type activities	9,193,226	9,793,231	-		
Total primary government	\$ 26,318,046	\$ 13,511,142	\$ 1,356,020		
	General revenues: Property taxes	÷ 10,011,142	<u> </u>		

Property taxes Sales tax Franchise taxes Payments in lieu of taxes Unrestricted investment earnings Contributions from other government units Other revenues not restricted to specific programs Total general revenues and transfers

Changes in net position

Net position - beginning

Net position - ending

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

	Net (Expense) i	Revenue and Changes i	n Net Position	
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
\$-	\$ (2,302,432)	\$-	\$ (2,302,432	
11,719	(6,549,854)	-	(6,549,85	
111,609	(1,264,772)	-	(1,264,77)	
37,019	(1,766,996) (6,488)	-	(1,766,99 (6,48	
160,347	(11,890,542)		(11,890,54	
71,376	-	78,417	78,41	
28,864	-	353,087	353,08	
-	-	268,741	268,74	
100,240	-	700,245	700,24	
\$ 260,587	(11,890,542)	700,245	(11,190,29	
	2,661,134	-	2,661,13	
	4,878,053	-	4,878,05	
	3,005,243	-	3,005,24	
	306,167	-	306,16	
	127,211	70	127,28	
	453,589	-	453,58	
	84,851	207,907	292,75	
	11,516,248	207,977	11,724,22	
	(374,294)	908,222	533,92	
	42,075,566	27,237,023	69,312,58	
	\$ 41,701,272	\$ 28,145,245	\$ 69,846,51	

	 General	 Special evenue Fund development Agency	G	Other overnmental Funds	G	Total Governmental Funds
ASSETS						
Cash	\$ 4,839,629	\$ 1,355,293	\$	2,429,927	\$	8,624,849
Restricted cash	2,488,308	-		-		2,488,308
Accounts receivable, net	5,323,319	189,402		-		5,512,721
Inventory	105,958	-		-		105,958
Prepaid items	80,124	-				80,124
Investment in land	 455,714	 59,446		-		515,160
Total assets	\$ 13,293,052	\$ 1,604,141	\$	2,429,927	\$	17,327,120
LIABILITIES						
Accounts payable	\$ 905,913	\$ 4,847	\$	28,361	\$	939,121
Accrued wages payable	541,999	-		-		541,999
Guarantee deposits	167,847	-		-		167,847
Advance from other funds	 347,300	 -		-		347,300
Total liabilities	1,963,059	4,847		28,361		1,996,267
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	 3,735,059	 26,909		-		3,761,968
Total liabilities and deferred						
inflows of resources	\$ 5,698,118	\$ 31,756	\$	28,361	\$	5,758,235
FUND BALANCES						
Nonspendable:						
Inventory	105,957	-		-		105,957
Prepaid items	80,124	-		-		80,124
Investment in land Restricted for:	455,714	59,446		-		515,160
Roads and public transit	2,689,228	-		-		2,689,228
Debt service	232,000					232,000

# ROY CITY CORPORATION Balance Sheet, continued Governmental Funds June 30, 2016

				Special Revenue Fund Redevelopment Agency		Other Governmental Funds		Total Governmental Funds	
		General							
FUND BALANCES, continued Assigned to:									
Public safety	\$	9,318	\$	-	\$	258,668	\$	267,986	
Storm sewer improvements		-		-		191,407		191,407	
Capital improvements		-		-		206,376		206,376	
Park improvements		-		-		1,578,802		1,578,802	
Cemetery		-		-		164,563		164,563	
Redevelopment		-		1,512,940		-		1,512,940	
Other		26,044		-		1,750		27,794	
Unassigned		3,996,548		-		-		3,996,548	
Total fund balances		7,594,933		1,572,386		2,401,566		11,568,885	
Total liabilities, deferred inflows of resources, and fund balances	\$	13,293,051	\$	1,604,142	\$	2,429,927			

Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and,

therefore, are not reported in the funds.	33,558,150
The proportionate share of the net pension asset and/or the proportionate share of the	
net pension liability and the deferred inflows and outflows of resources relating to	
pensions and pension expenses are not due and payable in the current period and	
therefore, are not reported in the funds.	(2,408,039)
Long-term liabilities, including bonds payable, are not due and payable in the current	
period and, therefore, are not reported in the funds.	(1,589,160)
Internal service funds are used by management to charge the costs of information	
technology and risk management to individual funds. The assets and liabilities of the	
internal service funds are included in governmental activities in the statement of	
net position.	571,436
Net position of governmental activities	\$ 41,701,272

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

# ROY CITY CORPORATION Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2016

				Special				
			Re	venue Fund		Other		Total
			Rec	levelopment	Go	overnmental	G	iovernmental
	Gener	al		Agency		Funds	Funds	
Revenues:								
Taxes	\$ 10,49	5,037	\$	49,393	\$	-	\$	10,544,430
Payments in lieu of taxes	306	6,167		-		-		306,167
Licenses and permits	380	5,127		-		-		386,127
Intergovernmental	1,404	1,758		-		-		1,404,758
Charges for services		7,003		-		-		2,427,003
Impact fees	,	-		-		123,974		123,974
Fines and forfeitures	780	),647		-		-		780,647
Investment earnings		2,785		12,062		2,364		127,211
Property rental		),447		-		-		30,447
Management fee		0,000		-		-		130,000
Contributions and donations		0,000		-		-		30,000
Miscellaneous		1,406		-		160		24,566
Total revenues	16,12	7,377		61,455		126,498		16,315,330
Expenditures:								
Current:								
General government	2.84	5,000		762,644		6,606		3,614,250
Public safety		9,313		-		-		8,009,313
Public works	,	5,178		-		-		1,736,178
Parks and recreation	2,52			_		_		2,525,077
Debt service:	2,02	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,						2,020,011
Principal retirement	111	3,000		_		_		113,000
Interest and fiscal charges		7,014		_		_		7,014
0		,014		-		750,035		750,035
Project outlays				-		,		
Total expenditures	15,23	5,582		762,644		756,641		16,754,867
Excess (deficiency) of revenues								
over (under) expenditures	\$ 893	L,795	\$	(701, 189)	\$	(630,143)	\$	(439,537

# ROY CITY CORPORATION Statement of Revenues, Expenditures, and Changes in Fund Balances, continued Governmental Funds For the Fiscal Year Ended June 30, 2016

	<b>General</b> \$ 891,795		Special venue Funds development Agency	Go	Other overnmental Funds	(	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures			\$ (701,189)	\$	(630,143)	\$	(439,537)
Other financing sources (uses): Proceeds from sale of assets Contributions from other		67,304	 -		-		67,304
government units Transfers in Transfers out		- - (257,025)	266,990 - -		۔ 257,025 -		266,990 257,025 (257,025)
Total other financing sources (uses)		(189,721)	 266,990		257,025		334,294
Net change in fund balances		702,074	(434,199)		(373,118)		(105,243)
Fund balances - beginning of year		6,892,859	2,006,585		2,774,684		11,674,128
Fund balances - end of year	\$	7,594,933	\$ 1,572,386	\$	2,401,566	\$	11,568,885

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

# **ROY CITY CORPORATION**

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Fiscal Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities (page 32-33) are different because:	)	
Net change in fund balances - total governmental funds (page 37)	\$	(105,243)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(858,138)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		106,368
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, deferred bond insurance costs are reported in the governmental fund's operating statement because these transactions require the use of financial resources but are reported on the government- wide statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		113,527
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		186,601
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		99,443
Internal service funds are used by management to charge the cost of information technology and risk management to individual funds. The net revenue or loss of certain activities of internal service funds is reported with governmental activities.		83,148
Change in net position of governmental activities	\$	(374,294)

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

# ROY CITY CORPORATION General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

		Budgeted	Amounts	Actual	Variance with Final Budget -		
		Original	Final	Amounts	Positive/(Negative)		
Revenues:							
Taxes:							
Property	\$	2,645,000	\$ 2,595,000	\$ 2,611,741	\$ 16,741		
Sales	·	4,679,424	4,819,424	4,878,053	58,629		
Telecom gross receipts		445,000	366,000	359,955	(6,045)		
Franchise		2,346,980	2,347,155	2,325,290	(21,865)		
Paramedic		350,000	320,000	319,998	(2)		
Payments in lieu of taxes		320,000	320,000	306,167	(13,833)		
Licenses and permits		320,200	360,200	386,127	25,927		
Intergovernmental		1,312,288	1,270,505	1,404,758	134,253		
Charges for services		2,664,015	2,533,515	2,427,003	(106,512)		
Fines and forfeitures		729,400	754,400	780,647	26,247		
Investment earnings		68,000	93,000	112,785	19,785		
Property rental		30,500	30,500	30,447	(53)		
Management fee		130,000	130,000	130,000	-		
Contributions and donations		30,000	90,000	30,000	(60,000)		
Miscellaneous		25,000	25,000	24,406	(594)		
Total revenues		16,095,807	16,054,699	16,127,377	72,678		
Expenditures:							
General government:							
Legislative		443,927	460,527	445,849	14,678		
Legal		220,131	220,131	201,463	18,668		
Community development		357,643	363,543	336,695	26,848		
Information technology		281,297	281,297	281,297	-		
Justice court		366,909	366,909	363,051	3,858		
Finance		468,326	468,326	406,758	61,568		
Public buildings		614,917	612,917	591,058	21,859		
Risk management		213,290	213,290	213,290			
		2,966,440	2,986,940	2,839,461	147,479		
Public safety:							
Fire		3,621,840	3,571,530	3,564,354	7,176		
Police		4,641,934	4,641,985	4,464,236	177,749		
		8,263,774	8,213,515	8,028,590	184,925		

# ROY CITY CORPORATION General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, continued For the Fiscal Year Ended June 30, 2016

	Budgeted	Amounts	Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive/(Negative)
Public works:				
Administration	172,947	164,799	174,238	(9,439)
Class "C" roads	1,463,000	1,523,000	774,252	748,748
Fleet services	126,949	160,068	140,863	19,205
Streets	685,389	665,044	612,690	52,354
Transportation infrastructure	_	-		
	2,448,285	2,512,911	1,702,043	810,868
Parks and recreation:				
Aquatic center	508,226	525,444	492,653	32,791
Parks and recreation	1,110,565	1,127,568	1,134,623	(7,055)
Recreation complex	913,712	920,110	897,185	22,925
Roy Days	-	10,000	6,273	3,727
	2,532,503	2,583,122	2,530,734	52,388
Debt service:				
Principal	113,000	113,000	113,000	-
Interest and fiscal charges	7,080	7,080	7,014	66
	120,080	120,080	120,014	66
Total expenditures	16,331,082	16,416,568	15,220,842	1,195,726
Excess (deficiency) of revenues				
over (under) expenditures	(235,275)	(361,869)	906,535	1,268,404
Other financing sources (uses):				
Proceeds from sale of assets	10,000	10,000	67,304	57,304
Transfers out	(257,025)	(257,025)	(257,025)	
Total other financing sources				
(uses)	(247,025)	(247,025)	(189,721)	57,304
Net change in fund balance	(482,300)	(608,894)	716,814	1,325,708
Fund balance - beginning of				
year	6,852,076	6,852,076	6,852,076	
Fund balance - end of year	\$ 6,369,776	\$ 6,243,182	\$ 7,568,890	\$ 1,325,708

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

# ROY CITY CORPORATION Redevelopment Agency - Special Revenue Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Budgeted	Amounts	Actual	Variance with Final Budget - Positive		
	Original	Final	Amounts	(Negative)		
Revenues:						
Property tax Investment earnings	\$    47,000	\$     47,000	\$ 49,393 12,062	\$ 2,393 4,062		
Total revenues	55,000	55,000	61,455	6,455		
Expenditures: General government	2,412,646	2,412,646	527,262	1,885,384		
Total expenditures	2,412,646	2,412,646	527,262	1,885,384		
Excess (deficiency) of revenues over expenditures	(2,357,646)	(2,357,646)	(465,807)	1,891,839		
Other financing sources (uses): Contributions from other government units	255,000	255,000	266,990	11,990		
Net change in fund balance	(2,102,646)	(2,102,646)	(198,817)	1,903,829		
Fund balance - beginning of year	1,771,202	1,771,202	1,771,202	-		
Fund balance - end of year	\$ (331,444)	\$ (331,444)	\$ 1,572,385	\$ 1,903,829		

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

# ROY CITY CORPORATION Statement of Net Position Proprietary Funds June 30, 2016

	Bu	siness-type Activiti	ess-type Activities - Enterprise Funds						
	Water & Sewer	Storm Sewer	Solid Waste		Internal				
	Utility Fund	Utility Fund	Utility Fund	Total	Service Funds				
ASSETS									
Current assets:									
Cash	\$ 3,537,170	\$ 593,368	\$ 2,888,072	\$ 7,018,610	\$ 775,691				
Investment in water stock	16,100	-	-	16,100	-				
Accounts receivable - net of									
allowance for doubtful	1 0 1 1 0 0 1	101 000	272.045	1 5 2 7 0 1 0					
accounts	1,041,881	121,923	373,215	1,537,019	-				
Inventory Proposid itoms	186,548	17,052	929	204,529	-				
Prepaid items	261,914	126	372	262,412	1,576				
Total current assets	5,043,613	732,469	3,262,588	9,038,670	777,267				
Noncurrent assets:									
Advance to other fund	347,300	-	-	347,300	-				
Net pension asset	21,453	4,018	-	25,471	424				
Capital assets:									
Land	139,434	-	-	139,434	-				
Buildings	105,020	-	-	105,020	-				
Improvements other than									
buildings	32,785,413	3,693,857	-	36,479,270	-				
Machinery and equipment	750,926	312,939	155,816	1,219,681	516,837				
Automobiles and trucks	774,802	-	497,947	1,272,749	-				
Construction in progress Less accumulated	125,820	-	-	125,820	-				
depreciation	(13,064,028)	(699,686)	(480,176)	(14,243,890)	(344,685)				
	(10,001,020)	(000,000)	(100,110)	(11,210,000)	(011,000)				
Total capital assets net of accumulated depreciation	21,617,387	3,307,110	173,587	25,098,084	172,152				
Total noncurrent assets	21,986,140	3,311,128	173,587	25,470,855	172,576				
DEFERRED OUTFLOWS OF RESOURCES	i		. <u> </u>		. <u></u>				
Pension	105,444	20,044	-	125,488	31,394				
Bond insurance	31,148	-		31,148	-				
Total assets and deferred		• • • • • • • • • •	• • • •		• • • • • • •				
outflows of resources	\$ 27,166,345	\$ 4,063,641	\$ 3,436,175	\$ 34,666,161	\$ 981,237				

# ROY CITY CORPORATION Statement of Net Position, continued Proprietary Funds June 30, 2016

		Rusiness-type	Activities - F	Enterprise Fund	łe	Governmental Activities -	
	Water & Sewer	Storm Se		Solid Waste	15	Internal	
	Utility Fund	Utility Fu		Utility Fund	Total	Service Funds	
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 733,723	\$2,	206 \$	210,726	\$ 946,655	\$ 12,632	
Accrued wages	24,810	5,	253	-	30,063	6,344	
Compensated absences	8,176	2,	232	-	10,408	1,650	
Recaptured losses	-		-	-	-	44,828	
Interest payable	63,961		-	-	63,961	-	
Revenue bonds payable	350,287		-	-	350,287	-	
Total current liabilities	1,180,957	9,	691	210,726	1,401,374	65,454	
Long-term liabilities, less							
current portion:							
Compensated absences	63,634	15,	260	-	78,894	27,391	
Recaptured losses	-		-	-	-	66,958	
Net pension liability	188,143	34,	881	-	223,024	47,575	
Revenue bonds payable	4,931,711		-	-	4,931,711	-	
Total liabilities	6,364,445	59,	832	210,726	6,635,003	207,378	
DEFERRED INFLOWS OF							
RESOURCES							
Pension	37,242	6,	824	-	44,066	9,458	
Unearned revenue		26,	598	-	26,598	-	
Total liabilities and deferred							
inflows of resources	6,401,687	93,	254	210,726	6,705,667	216,836	
NET POSITION							
Net investment in capital							
assets	16,335,389	3,307,	110	173,587	19,816,086	172,152	
Unrestricted	4,429,269	663,	277	3,051,862	8,144,408	592,249	
Total net position	\$ 20,764,658	\$ 3,970,	387 \$	3,225,449	27,960,494	\$ 764,401	
Adjustment to reflect the con	solidation of inte	rnal service	fund activi	ities			
related to enterprise funds		-			184,751		
Net position of business-type	activities				\$ 28,145,245		

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

# ROY CITY CORPORATION Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2016

	Bu	sines	s-type Activities	s - Ent	erprise Funds			Governmental Activities -
	ter & Sewer tility Fund	St	form Sewer	S	olid Waste Itility Fund		Total	Internal Service Funds
Operating revenues: Charges for services Other fees	\$ 5,902,811 930,564	\$	840,428	\$	2,119,428	\$ 3	8,862,667 930,564	\$ 656,321 -
Other income	206,273		-		1,635		207,908	14,090
Total operating revenue	 7,039,648		840,428		2,121,063	10	0,001,139	670,411
Operating expenses:								
Personnel services Contractual services Materials and supplies Other general costs of	1,258,220 3,668,709 959,012		189,725 75,576 156,170		141,622 1,617,484 12,932	ļ	1,589,567 5,361,769 1,128,114	173,173 233,855 43,561
services Depreciation	45,006 697,926		2,551 92,184		5,085 77,267		52,642 867,377	39,067 61,542
Total operating expenses	 6,628,873		516,206		1,854,390		8,999,469	551,198
Operating income	 410,775		324,222		266,673		1,001,670	119,213
Non-operating revenues/ (expenses): Interest income	70		-		-		70	-
Gain/(loss) on sale of assets Interest expense Bond issuance costs	5,768 (228,974) (6,257)		- -		- -		5,768 (228,974) (6,257)	(360) - -
Total non-operating revenues/(expenses)	 (229,393)		_		_		(229,393)	(360)
Income before contributions	181,382		324,222		266,673		772,277	118,853
Contribution from developers	 71,376		28,864		-		100,240	-
Changes in net position	\$ 252,758	\$	353,086	\$	266,673	\$	872,517	\$ 118,853

# ROY CITY CORPORATION Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds											
		iter & Sewer Itility Fund	r Storm Sewer Utility Fund		-	Solid Waste Utility Fund		Total	Internal Service Funds			
Changes in net position	\$	252,758	\$	353,086	\$	266,673	\$	872,517	\$ 118,853			
Total net position - beginning	20,511,900		3,617,301		2,958,776				645,548			
Total net position - ending	\$	20,764,658	\$	3,970,387	\$	3,225,449			\$ 764,401			
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds 35,705												
Change in net position of business-type activities								908,222				

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

# ROY CITY CORPORATION Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2016

	Bus	Governmental Activities -			
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Solid Waste Utility Fund	Total	Internal Service Funds
Cash flows from operating					
activities:					
Cash received from customers					
and users	\$ 6,703,969	\$ 837,597	\$ 2,109,362	\$ 9,650,928	\$-
Cash received from interfund activities	_	-	-	_	656,321
Other income	206,273	-	1,635	207,908	14,090
Payments to suppliers	(4,341,069)	(267,462)	(1,622,817)	(6,231,348)	(363,676)
Payments to employees	(1,268,792)	(190,751)	(142,761)	(1,602,304)	(169,128)
Payments for interfund services	(148,608)	-	(13,126)	(161,734)	-
Net cash provided by operating					
activities	1,151,773	379,384	332,293	1,863,450	137,607
Cash flows from non-capital					
financing activities:					
Payment on interfund advance	30,000		-	30,000	-
Net cash provided by non-					
capital financing activities	30,000	-		30,000	
Cash flows from capital and					
related financing activities:					
Acquisition and construction of					
capital assets	(722,022)	(706,510)	-	(1,428,532)	(68,637)
Principal paid on bond	(340,000)	-	-	(340,000)	-
Interest paid on bond	(233,240)	-	-	(233,240)	-
Fiscal agent fees paid	(1,500)		-	(1,500)	-
Net cash used in capital and					
related financing activities	(1,296,762)	(706,510)	-	(2,003,272)	(68,637)

# ROY CITY CORPORATION Statement of Cash Flows, continued Proprietary Funds For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds									/ernmental ctivities -
	Wa	iter & Sewer		orm Sewer		Solid Waste				Internal
	ι	Jtility Fund	U	tility Fund	ι	Jtility Fund		Total	Ser	vice Funds
Cash flows from investing										
activities:										
Interest received		70		-		-		70		-
Net cash provided by investing										
activities		70		-		-		70		-
Net increase in cash		(114,919)		(327,126)		332,293		(109,752)		68,970
Cash - beginning of year		3,652,089		920,494		2,555,779		7,128,362		706,721
Cash - end of year	\$	3,537,170	\$	593,368	\$	2,888,072	\$	7,018,610	\$	775,691
Reconciliation of operating income to net cash provided by operating activities:										
Operating income	\$	410,775	\$	324,222	\$	266,673	\$	1,001,670	\$	119,213
Adjustments to reconcile		,		,		,	-	, ,		,
operating income to net cash										
provided by operating activities:										
Depreciation		697,926		92,184		77,267		867,377		61,542
(Increase) decrease in accounts										
receivable		(112,430)		(1,854)		(3,926)		(118,210)		-
Increase (decrease) in allowance										
for uncollectible accounts		1,597		(375)		(1,229)		(7)		-
(Increase) decrease in inventory		11,406		(4,292)		(14)		7,100		-
(Increase) decrease in prepaids		(15,588)		28		6		(15,554)		6,560
(Increase) decrease in deferred										
outflows		(74,075)		(14,355)		-		(88,430)		(23,398)
(Increase) decrease in net										
pension asset		(10,232)		(1,983)		-		(12,215)		2,436
Increase (decrease) in accounts										
payable		168,659		(29,503)		(5,345)		133,811		2,374
Increase (decrease in accrued										
wages		(605)		258		(1,139)		(1,486)		293

# ROY CITY CORPORATION Statement of Cash Flows, continued Proprietary Funds For the Fiscal Year Ended June 30, 2016

		Bus	siness	s-type Activitie	es - Ei	nterprise Fun	ds			vernmental Activities -
	Wa	ter & Sewer	Sto	orm Sewer	Sc	olid Waste				Internal
	U	tility Fund	Ut	tility Fund	U	tility Fund		Total	Se	rvice Funds
Increase (decrease) in										
compensated absences		7,734		2,147		-		9,881		8,154
Increase (decrease) in										
deferred inflows		5,571		1,080		-		6,651		1,385
Increase (decrease) in net										
pension liability		61,035		11,827		-		72,862		15,175
Increase (decrease) in										
recaptured losses		-		-		-		-		(56,127)
Total adjustments		740,998		55,162		65,620		861,780		18,394
Net cash provided by operating activities	\$	1,151,773	\$	379,384	\$	332,293	\$	1,863,450	\$	137,607
Non-cash capital and related financing activities:	<b>•</b>	00.007	•		•				<b>•</b>	
Purchase of equipment on account	\$	22,067	\$	90	\$	-			\$	-
Capital contributions from developers		71,376		28,864		-				-
Total non-cash capital and related financing activities	\$	93,443	\$	28,954	\$	-			\$	-

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

NOTES TO THE FINANCIAL STATEMENTS

The City of Roy was incorporated March 10, 1937 as Roy City Corporation. The City is a municipal corporation governed by an elected mayor and five-member council and provides the following services as authorized by its charter; public safety, public utilities, highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

## 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Roy City Corporation (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are the representation of the City's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, as applicable to governmental organizations.

The most significant of the City's accounting policies are described below:

# Reporting Entity

The reporting entity is comprised of the primary government, and component units included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, and agencies that are not legally separate from the City. In addition, Roy City includes the Redevelopment Agency of Roy Utah as a component unit.

Component units are legally separate entities and can be either blended or discretely presented with the primary government. Blending is used if the component unit is an integral part of the primary government and a discrete presentation is used if the component unit is not integral. One of four situations must be met for a component unit to be blended; 1) substantively the same governing body with a financial benefit or burden relationship, 2) substantively the same governing body with operational responsibility, 3) almost exclusive service or benefit to the primary government, or 4) total debt of the component unit repayable almost entirely from resources of the primary government.

Based upon the application of the criteria, the City has one component unit.

<u>Blended Component Unit</u>. The Redevelopment Agency of Roy Utah (RDA) was established to prepare and carry out plans to improve, rehabilitate, and redevelop blighted areas within the City. The RDA is governed by a board of directors composed of the City's mayor and all members of the city council. Although it is a legally separate entity from the City, the RDA is reported as if it were a part of the primary government because it is the same governing body and the administrative staff of Roy City manages the activities of the RDA in essentially the same manner as it manages City activities. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund.

The RDA does not prepare separately issued financial statements. Financial information for the RDA may be obtained at the City administrative offices.

#### **Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, along with fund financial statements which provide a more detailed level of financial information.

## **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the City and its component unit. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City's general revenues, from business-type activities, generally financed in whole or part with fees charged to external customers. The operating activities of the internal service funds are eliminated to avoid duplicating revenues and expenditures.

The statement of net position presents the financial position of the governmental and business-type activities at year-end.

The statement of activities presents a comparison between direct expenses and programs revenues for each function of the City's governmental activities and each identifiable activity of the business-type activities. A function is a grouping of similar activities to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those which are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. The determining factor for identifying which function charges for services pertain to, is which function generates the revenue. For grants and contributions, the determining factor is, to which function is the revenue restricted.

Taxes, fees in lieu, and other revenue sources not properly included among program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

#### Fund Financial Statements

During the year, the City records transactions in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are prepared separately for governmental and proprietary funds and are designed to present financial information at a more detailed level. Major individual governmental and enterprise funds are reported in separate columns with combined columns for nonmajor funds. The internal service funds are presented in a single column of the proprietary fund statements.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City not accounted for by a separate, specialized fund.

The *redevelopment agency special revenue fund* is used to account for specific revenue sources that are legally restricted for the improvement, rehabilitation, and redevelopment of blighted areas within the City. The Redevelopment Agency receives it funding from property tax increment from the taxing entities it encompasses.

The City reports the following major proprietary funds:

The water and sewer utility enterprise fund is used to account for the activities of the City's water and sewer distribution operations.

The solid waste utility enterprise fund is used to account for the activities of the City's solid waste collection and disposal, as well as the recycling program.

Additionally, the City reports the following fund types:

*Internal service funds* are used to account for information technology and risk management services provided to various departments on a cost reimbursement basis.

#### Measurement Focus

#### **Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included in the statement of net position. The statement of activities reports the revenues and expenditures.

#### Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports the source (i.e., revenues and other financing sources) and the uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included in the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

#### **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, while proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, deferred inflows of resources, and the presentation of expenses versus expenditures.

The use of financial resources to acquire capital assets are shown as assets in the government-wide and proprietary fund financial statements and as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide and proprietary fund financial statements, and as other financing sources on the governmental fund financial statements. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than expenditures in the government-wide financial statements.

For the government-wide and proprietary fund financial statements, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements recognize revenues 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 (within sixty days) to pay liabilities of the current period. Sales and franchise taxes, and earned but un-reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the government.

Non-exchange transactions in which the City receives value without directly giving equal value in return, may include property taxes, grants, and donations. On an accrual basis, property taxes are recognized in the year for which the taxes are levied (see Note 3 – Tax Revenue). Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions also must be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. See Note 4 - Deferred Inflows/Outflows of Resources.

On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measureable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measureable.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### Assets, Liabilities, and Net position or Equity

#### Cash, Deposits, and Investments

Cash includes cash on hand, demand deposits with banks, deposits in cash management pools that have the general characteristics of demand deposit accounts, and deposits in a receiver's account for on-line bill pay. The City adopted an investment policy by resolution that allows for the investment of funds in time certificates of deposit with federally insured depositories, in the Utah Public Treasurer's Investment Fund (the Fund), in U. S. backed Government Securities, and other funds and obligations.

The Utah Public Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund does not materially differ from the fair value of the Fund shares.

## Restricted Assets

Class C Road and the Local Option Sales Tax funds are classified as restricted assets on the balance sheet because their use is restricted by laws and regulations. These road funds are restricted for use in maintaining roads and for pedestrian safety throughout the City.

#### Receivables, Payables, and Interfund Balances

Accounts receivable for services related to governmental activities and trade accounts receivable for business-type activities are shown net of allowance for doubtful accounts. The allowance is calculated using a percentage of total accounts receivable in conjunction with an evaluation of items over 180 days.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "inter-activity receivable or inter-activity payable". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual amounts due between governmental activities and business-type activities, which are reclassified as "interactivity balances".

Advances between funds, as reported in fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

## **Inventories and Prepaid Items**

All inventories are valued at cost and accounted for on the first-in, first-out method (FIFO). Inventories of governmental fund types are recorded as expenditures when consumed. Inventories of the proprietary funds are expensed when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The expenditure/expense of prepaid items is reflected in the fiscal year in which services are consumed.

At the fund reporting level, fund balance is designated as non-spendable for an amount equal to inventories and prepaid items, as this amount is not available for general appropriations.

#### Investment in Land

Land acquired by the City and the Redevelopment Agency and held for resale is classified as an investment in land.

#### Capital Assets

General capital assets relate to governmental activities and do not specifically relate to activities of the proprietary funds. These assets generally result from expenditures in the governmental funds. The City reports these assets in the governmental activities column of the governmentwide statement of net position and does not report the assets in the governmental fund financial statements. Capital assets used by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary funds statement of net position.

Capital assets are defined by the City as assets with an initial and individual cost of more than \$1,500 and an estimated useful life of more than two years. These assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Outlays for major improvements are capitalized. The City's infrastructure, referred to below, consists of roads, storm sewer systems, curb, gutter, sidewalk, and street lights.

All reported capital assets, except land and construction in progress, are depreciated using the straight line method over the following useful lives:

Asset Type	Years
Wells	25
Reservoirs	40 - 50
Water distribution and sewer collection systems	50
Infrastructure	15 - 30
Vehicles	5 - 8
Equipment and machinery	5 - 30
Furniture and fixtures	5 - 10
Software	3 - 5

Donated assets are recorded at estimated fair market value at the date of donation. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend an asset's useful life are expensed.

#### **Compensated Absences**

It is the City's policy to allow employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Compensated absences are reported in governmental funds only if an employee has resigned or retired and the accrued leave has not been paid out. The accumulated vacation, sick leave and compensatory time that is not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. Accumulated vacation, sick leave and compensatory time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Year-end liabilities for compensated absences are accrued at the employee's current hourly rate, including social security and Medicare costs, for the maximum possible separation benefit.

Sick leave amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Regular employees accumulate sick leave benefits at the rate of twelve days per year, while firefighters (24 hour shift) accumulate 6.25 days per year. The City has implemented an unused sick leave incentive to increase productivity and encourage longevity within the City. The incentive allows for converting a portion of unused sick leave to either annual leave or a contribution to a City sponsored retirement plan. The incentive is paid annually in December and requires employees to meet strict criteria to be eligible. Employees who retire or

separate under favorable conditions are paid a portion of unused sick leave based on years of service and accumulated sick leave hours. The liability for sick leave is calculated based on percentages that would be paid in the event the employee terminated employment.

#### Accrued Liabilities and Long-term Obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond discounts and premiums are amortized over the life of the applicable debt. Bond insurance costs are recognized as outflows of resources in the reporting period in which they are incurred and amortized using the effective interest method over the life of the bonds.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Recaptured losses are included in long-term obligations and result from an inter-local cooperative agreement with Utah Risk Management Mutual Association. The City reimburses URMMA over five years for claims and legal fees paid on its behalf.

# Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

#### Fund Balance

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

*Non-spendable fund balance* includes amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted fund balance* includes amounts that are mandated for a specific purpose (e.g. Class C Road funds, Local Option Sales Tax, and grants) by external parties, constitutional provisions, or enabling legislation.

*Committed fund balance* includes amounts that are set aside for a specific purpose by a formal action of the City's highest level of decision making authority, the City Council.

Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally, which is passage of a resolution by a majority vote.

Assigned fund balance comprises amounts intended to be used by the City for specific purposes that are neither considered restricted or committed. Intent can be expressed by the City Council or the Management Services Director. The Management Services Director has been designated by resolution to assign fund balance.

*Unassigned fund balance* includes all amounts in the general fund not contained in the previous four classifications. All funds in the category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures or revenue shortfalls.

When both restricted and non-restricted funds are available for expenditure, the City will start with the most restricted category and spend those funds first. Similarly, when an expenditure is incurred for amounts in any of the unrestricted classifications of fund balance, the City will reduce committed amounts first, followed by assigned and then unassigned amounts.

The City has a minimum fund balance policy in the general fund of no less than 8% of budget revenue. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level.

See Note 4 for further details of the various fund balance classifications.

#### Net Position

The net position represents the difference between assets and liabilities. The net position component, "net investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used (i.e. the amount the City has not spent) for the acquisition, construction, or improvement of those assets. The net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining balance of the net position is reported as unrestricted.

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Governmentwide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *total governmental fund balances* and *net position of governmental activities* as reported in the government-wide statement of net position. The difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

#### Capital related items:

When capital assets (property, plant, and equipment) are to be used in governmental activities and are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets		62,006,187
Accumulated depreciation		(28,448,037)
Total difference	\$	33,558,150

Pension related items:

In governmental fund financial statements, a net pension liability is recognized to the extent the liability is expected to be liquidated with expendable available financial resources. However, the statement of net position includes a liability (asset) whenever plan net position is less than (exceeds) the City's total pension liability, even though the City funds the full amount of the actuarially calculated annual contribution each year.

Deferred outflows - pensions	\$ 2,339,871
Net pension asset	94,293
Deferred inflows - pensions	(834,029)
Net pension liability	(4,008,174)
Total difference	\$ (2,408,039)

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net position.

Balances at June 30, 2016 were:

Bonds payable URMMA recaptured losses	\$ 233,137 111,786
Compensated absences	 1,244,237
Total difference	\$ 1,589,160

Internal service funds:

Internal service funds are properly classified as proprietary funds. Nonetheless, the assets and liabilities of internal service funds must be included as part of governmental activities for purposes of government-wide financial reporting whenever they primarily serve governmental funds.

Assets and liabilities of the information technology and risk management internal service funds included in the government-wide statement of net position at June 30, 2016 include:

Cash	\$ 775,691
prepaid items	1,576
Accounts payable	(12,632)
Accrued wages payable	(6,344)
Interactivity payable	 (186,855)
Total difference	\$ 571,436

# Explanation of Differences between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balance – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the amount capital assets exceeded depreciation, the elements of this difference are as follows:

Capital outlay Depreciation expense	\$ 1,306,859 (2,164,997)
Total difference	\$ (858,138)

Another element of the reconciliation is the net effect of various miscellaneous transactions involving capital assets. The detail of the \$106,368 increase to net position is as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (5,241)
Donations of and trade in of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are	
not financial resources.	111,609
Total difference	\$ 106,368

Another element of the reconciliation is the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of the \$113,527 difference is as follows:

Debt repayments:	
Sales tax revenue bonds principal	\$ 113,000
Accrued interest payable	 527
Total difference	\$ 113,527

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the governmental funds. Contributions to the pension plan from non-employer contributing entities for FY 2016 are \$186,601.

Another element of the reconciliation is some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. At year end the \$99,443 difference is as follows:

Compensated absences Pension expenditures	\$ (12,030) 111,473
Total difference	\$ 99,443

Another element of the reconciliation is the use of internal service funds inherently create redundancy, because their expenses are reported a second time as expenditures/expenses in the funds that are billed for the services they provide. The net revenue of the activities of internal service funds should be reported with governmental activities. The detail of the \$83,148 difference is as follows:

Change in net position of the internal service funds		118,853
Less: Profit from charges to business-type activities		(35,705)
Total difference	\$	83,148

A final element of the reconciliation is during the consolidation of internal service funds with governmental activities all inter-fund transfers between such funds should be eliminated. During the fiscal year ending June 30, 2016, there was \$656,321 in transfers requiring elimination.

## Explanation of Differences between Proprietary Fund Statement of Net Position and the Government-wide Statement of Net Position

The proprietary fund statement of net position includes reconciliation between *net position – total proprietary funds* and *net position of business type activities* as reported in the government-wide statements of net position. The description of the difference is as follows:

Interactivity receivable representing charges in excess of cost to business-type activities - prior years	\$ 149,046
Interactivity receivable representing charges in excess of	
cost to business-type activities - current year	 35,705
Total difference	\$ 184,751

# 3. Stewardship, Compliance, and Accountability

#### **Budgetary Information**

Annual budgets are adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities". Budgets are prepared for all governmental and proprietary funds. On or before the first day of April, all

agencies of the City submit requests for appropriation to the City Manager and Budget Officer so that a budget can be prepared. On the first Tuesday in May, the proposed budget is presented to the City Council for tentative acceptance. The City Council then reviews, adjusts, and holds a public hearing on the budget. On or before June 22<sup>nd</sup>, the budget is legally adopted by resolution for the following fiscal year which begins on July 1<sup>st</sup>. If a property tax increase is proposed, the City shall not adopt its final budget until a public hearing has been held. The latest possible date for adoption of a budget with a property tax increase is August 17<sup>th</sup>. All annual appropriations lapse at fiscal year-end.

Budgets are prepared by fund, function and department. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the department level. Budget control is exercised at the department level. The fund budgets may be increased any time during the fiscal year by resolution of the City Council and following a public hearing. The City Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. Transfers of unexpended appropriations from one expenditure account to another within the same department can be made by the department director with the consent of the Budget Officer.

During the fiscal year, the City Council approved several supplemental budgetary appropriations and transfers of appropriations between departments. Included in the appropriations was an increase in the general fund of \$25,486; an increase in the capital projects fund of \$1,446,723; an increase in the water and sewer utility fund of \$43,088; an increase in storm sewer utility fund of \$15,368; an increase in the solid waste utility fund of \$39,000; an increase in the information technology fund of \$2,775; and an increase in the storm sewer development fund of \$140,000.

The increase in the general fund was attributed to a reduction in grant funding and increases in capital, projects, personnel, and operations. Adjustments to the budget were made in various categories including personnel reduced \$18,603; operations and maintenance increased \$137,153; and purchase and construction of capital assets decreased \$93,064. The expenditure changes were covered by a decrease to tax revenue of \$18,825; an increase in licenses of \$40,000; a decrease in intergovernmental of \$41,784; a decrease in charges for services of \$130,500; an increase of fines of \$25,000; and an increase to miscellaneous income of \$25,000. The contribution from fund balance increased \$126,594.

The change in the capital projects fund was for capital improvements related to parks and recreation, and beautification.

The majority of the increase in the water and sewer utility was from new water and sewer projects which increased the budget for depreciation by \$41,780. System repairs and construction projects accounted for a decrease of \$6,195; and overtime for Roy Days increased the budget by \$10,403. A small increase of \$2,900 was made in revenue estimates for the utility due to a rate increase by one of the sewer districts, requiring the net effect of the budget changes, \$43,088, to be taken from retained earnings.

The modest increase in the storm sewer utility budget was the result of the increase depreciation on construction projects, and an increase in overtime for Roy Days. The change was funded by a decrease in contributions to fund balance. The majority of the increase in expenditures was for depreciation on the projects. The increase to the solid waste utility budget was due to a change in method of carrying out the annual clean-up operations. The operations were changed from dumpsters in the neighborhoods to three times a year at the public works facility. The net effect was reduce the contribution to retained earnings for the year.

The increase in information technology was for capital purchases and the related depreciation expense. The increase was taken from reserves. The increase to the storm water development budget was due to an increase in capital projects.

Encumbrance accounting is employed in the governmental funds for budgetary basis. Under this method, outstanding purchase orders and contracts are treated similar to expenditures. For financial statements presented in accordance with generally accepted accounting principles, encumbrances outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year. Accordingly, the GAAP and budgetary financial statements differ.

## **Budget/GAAP Reconciliation**

The following schedules reconcile net change in fund balances and fund balances under encumbrance accounting (budget) to the same balances under GAAP.

General Fund							
Net change in fund balance (budget)	\$	716,814					
Beginning encumbrances		(40,783)					
Ending encumbrances		26,043					
Net change in fund balance (GAAP)	\$	702,074					
Fund balance (budget) Ending encumbrances	\$	7,568,890 26,043					
Fund balance (GAAP)	\$	7,594,933					

# Tax Revenue

Real property taxes are collected by the County Treasurer and remitted to the City shortly after collection. The tax levy is established by June 15<sup>th</sup> with a lien date of January 1<sup>st</sup>. Taxes are due and payable on November 1<sup>st</sup> and delinquent after 12 o'clock noon on November 30<sup>th</sup> of each year. An accrual has been made for uncollected current and prior year's property taxes which remains outstanding at June 30<sup>th</sup>.

Sales taxes and telecom gross receipts taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise taxes are charged to various utility companies doing business within the City including cable television, natural gas, and electric companies. The fees are remitted on a monthly or quarterly basis and an accrual has been made for all fees due and payable to the City at June 30<sup>th</sup>.

#### 4. Detailed Notes for All Funds

#### Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary and internal service funds, cash equivalents are defined as highly liquid investments, with original maturities of less than ninety days that are held for sale in the ordinary course of business.

#### **Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in checking accounts as well as time deposits. Investments are stated at cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet which also includes accounts that are separately held by the City's component unit.

Deposits for the City are governed by the Utah Money Management Act (*Utah Code* Annotated, Title 51, Chapter 7, "the Act") and by the rules of the Utah Money Management Council ("the UMMC"). The Act requires that City funds be deposited with a "qualified depository" which has been certified by the Utah State Commissioner of Financial Institutions as having met its Rule 11. Rule 11 established the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Investments for the City are also governed by the Act and rules of the UMMC. In addition, the City has adopted its own written investment policy which allows for investments in the following: 1) Obligations of the U. S. Treasury including bills, notes, and bonds; 2) U. S. Government Agencies; 3) Banker's Acceptances which are eligible for discounts at a federal reserve bank and which have a remaining term to maturity of 270 days or less; 4) Commercial paper which is rated P-1 by Moody's Investors Services or Standard and Poor's, having a remaining term to maturity of 270 days or less; 5) Negotiable certificates of deposit having a term to maturity of 365 days or less and variable rate certificates maturing in two years or less re-priced semi-annually; 6) Repurchase agreements with qualified depositories or dealers certified by the Utah Money Management Council; 7) Municipal obligations which are of the State, incorporated city, town, school district, or other political subdivision; 8) The Utah State Treasurer's Investment Pool. The policy does not allow for investments in foreign currency.

The investment policy addresses investment-related risks as follows:

*Credit risk* - The City will minimize credit risk, the risk that an issuer or other counterparty of an investment will not fulfill its obligation to pay interest and/or principal, by; 1) limiting investments to those authorized in the policy, 2) utilizing only those financial institutions, brokers, dealers, intermediaries, and advisers which have been certified by the Act, 3) limiting the amount of money invested in a single institution; and 4) diversifying the investment portfolio.

*Interest rate risk* – The City will minimize the risk that the market value of securities in the portfolio will diminish due to changes in general interest rates by; 1) structuring the investment portfolio with staggered maturity dates to meet cash requirements, and 2) investing operating funds primarily in the Utah State Treasurer's Investment Pool.

*Custodial credit risk* – All investment transactions held in safekeeping by a third-party shall be in a separate account in the name of the City and evidenced by a receipt issued within 15 days of the transaction. The third-party bank or trust company must be certified by the UMMC as a depository.

While the City's investment policy allows for a range of investments, at June 30, 2016 the only investment tool utilized was the Utah Public Treasurer's Investment Fund ("PTIF"), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and UMMC requirements. The PTIF is not registered with the SEC as an investment company and is not rated. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionately in any realized gains or losses on investments. The PTIF invests in high-grade securities which are delivered to

the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance.

As of June 30, 2016, the City and the Redevelopment Agency had \$16,030,704, and \$1,331,883, respectively, invested directly with the PTIF. This amounts to 92.20% and 7.80% of total funds of the City and Redevelopment Agency's, respectively. Amounts invested with the PTIF are reported at cost which does not materially differ from fair value.

As of June 30, 2016, \$1,379,705 of the City's bank balance of \$1,629,705 was uninsured and uncollateralized. For the Redevelopment Agency, all of their \$36,044 was insured within FDIC limits. In the Water and Sewer Utility, \$2,028 held in a receiver's account for on-line bill pay was uninsured.

# **Receivables**

Receivables as of year-end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental funds:

	Ge	neral Fund
Taxes	\$	4,336,652
Ambulance services		2,525,598
Special assessments		18,347
Intergovernmental		301,218
Other		21,313
Gross receivables		7,203,128
Less: Allowance for uncollectible accounts		(1,879,809)
Net receivables	\$	5,323,319

# Enterprise funds:

	Water and Sewer Utility Enterprise Fund	 Storm Sewer Utility Enterprise Fund		lid Waste Utility nterprise Fund	Total
Utilities	\$ 1,083,431	\$ 127,789	\$	391,181	\$ 1,602,401
Intergovernmental	8,212	-		-	8,212
Gross receivables	1,091,643	 127,789		391,181	1,610,613
Less: allowance for					
uncollectible accounts	(49,762)	 (5,866)		(17,966)	(73,594)
Net receivables	\$ 1,041,881	\$ 121,923	\$	373,215	\$ 1,537,019

The only receivables not expected to be collected within one year are the \$18,347 of special assessment receivables reported in the general fund.

# Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,901,316	\$-	\$-	\$ 3,901,316
Construction in progress	276,523	893,335	(178,835)	991,023
Total capital assets not being depreciated	4,177,839	893,335	(178,835)	4,892,339
Capital assets being depreciated:				
Buildings	11,698,382	-	(3,253)	11,695,129
Improvements other than buildings	33,969,179	191,717	-	34,160,896
Machinery and equipment	4,635,283	347,723	(246,999)	4,736,007
Automobiles and trucks	6,220,850	300,966	-	6,521,816
Total capital assets being depreciated	56,523,694	840,406	(250,252)	57,113,848
Less accumulated depreciation for:				
Buildings	(4,542,136)	(260,034)	2,520	(4,799,650)
Improvements other than buildings	(14,059,571)	(1,226,017)	-	(15,285,588)
Machinery and equipment	(3,336,813)	(292,762)	174,329	(3,455,246)
Automobiles and trucks	(4,459,830)	(447,723)	-	(4,907,553)
Total accumulated depreciation	(26,398,350)	(2,226,536)	176,849	(28,448,037)
Total capital assets being depreciated, net	30,125,344	(1,386,130)	(73,403)	28,665,811
Governmental activities capital assets, net	\$ 34,303,183	\$ (492,795)	\$ (252,238)	\$ 33,558,150

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 139,434	\$-	\$-	\$ 139,434
Construction in progress	938,393	1,296,697	(2,109,270)	125,820
Total capital assets not being depreciated	1,077,827	1,296,697	(2,109,270)	265,254
Capital assets being depreciated: Buildings Improvements other than buildings Machinery and equipment Automobiles and trucks	14,519 34,308,650 1,066,660	90,501 2,170,620 156,165 19,137	(3,144)	105,020 36,479,270 1,219,681
	1,375,050	19,137	(121,438)	1,272,749
Total capital assets being depreciated	36,764,879	2,436,423	(124,582)	39,076,720

	Beginning		_	Ending
Business-type Activities	Balance	Increases	Decreases	Balance
Less accumulated depreciation for:				
Buildings	(3,946)	(494)	-	(4,440)
Improvements other than buildings	(11,605,319)	(731,720)	-	(12,337,039)
Machinery and equipment	(795,026)	(65,666)	21,954	(838,738)
Automobiles and trucks	(1,029,652)	(69,497)	35,475	(1,063,674)
Total accumulated depreciation	(13,433,943)	(867,377)	57,429	(14,243,891)
Total capital assets being depreciated, net	23,330,936	1,569,046	(67,153)	24,832,829
Business-type activities capital assets, net	\$24,408,763	\$2,865,743	\$ (2,176,423)	\$25,098,083

# **Depreciation Expense**

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

Governmental activities:	
General government	\$ 265,239
Public safety	428,241
Public works, including depreciation of general infrastructure assets	976,403
Parks and recreation	495,111
Information technology	61,542
Total depreciation expense - governmental activities	\$ 2,226,536
Business-type activities:	
Water and sewer utility	\$ 697,926
Storm water utility	92,184
Solid waste utility	77,267
Total depreciation expense - business-type activities	\$ 867,377

# Inter-fund Receivables, Payables, and Transfers

The composition of internal balances as of June 30, 2016, is as follows:

Advances to/from other funds:

Receivable Fund	Payable Fund	/	Amount
Water and sewer utility enterprise fund	General fund	\$	347,300

The funds were used for on-sight improvements of a development within Roy City's central business district. The district is within one of the redevelopment project areas. A portion of the advances are expected to be repaid within the next fiscal year.

Inter-fund transfers:

Transfer In	Transfer Out	 Amount
Fire & Rescue facilities and equipment - capital projects fund Parks and recreational facilities	General fund	\$ 185,500
improvements - capital projects fund	General fund	 71,525
		\$ 257,025

Transfers are used to move revenue from the fund that statute or budget requires them to collect, to the fund the budget authorizes them to expend. The transfers to the capital project fund segregate money for anticipated capital projects. All City transfers are authorized by annual budget appropriation.

## Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 therefore will not be recognized as an outflow of resources (expenditure/expense) until then. The City reports the deferred charge on bond insurance of \$31,148 in the government-wide statement of net position. This amount is deferred and amortized over the life of the water and sewer revenue bonds. In addition, the City has \$2,489,273 in deferred charges related to pension plans. See Note 6 for a summary of this amount.

In addition to liabilities, the statement of financial position reports 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 therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports three such items; available unearned revenue, unavailable revenue and pension plans. Available unearned revenue refers to resources that are received before the period(s) which they are required to be used. Unavailable revenue refers to resources that are reported as a receivable before the period(s) for which they are levied and for other imposed non-exchange transactions where resources are reported as receivables and use is permitted. See Note 6 for additional information on pension plans.

	Governmental Funds	Governmental Activities	Business Activiti	
Property taxes not yet levied	\$ 3,304,692	\$ 3,304,692	\$	-
Property taxes received not yet levied	249,376	249,376		-
Delinquent property taxes	-	43,142		-
Funding received for future use	207,100	207,100	2	6,598
Pensions	-	834,029	4	4,066
Special assessments levied	800	800		-
	\$ 3,761,968	\$ 4,639,139	\$ 7	0,664

The City reports the following deferred inflows of resources on the governmental funds balance sheet and the government-wide statement of net position:

#### Long-Term Debt and Liabilities

#### Sales Tax Revenue Refunding Bonds

In June 2012, the City issued \$577,000 of sales tax revenue refunding bonds for the purpose of refunding the long-term portion of the City's outstanding sales tax revenue bonds and paying costs of issuance of the refunding bonds. The refunding was done to achieve a debt service savings. The bonds were sold at par, carry interest at various rates, 1.4%-2.0%, and mature on October 1, 2017.

Annual debt service for the sales tax revenue refunding bonds is as follows:

Year Ending June 30	In	Interest		Principal		Debt Service
2017	\$	3,438	\$	115,000	\$	118,438
2018		1,176		117,000		118,176
	\$	4,614	\$	232,000	\$	236,614

The refunding and defeasance of Series 2007 bonds was accomplished by depositing the net proceeds \$560,117 (\$577,000 less costs of issuance of \$16,883) with an escrow agent to pay the principal and interest on and to otherwise redeem the refunded bonds. The City reduced its debt service payments by \$17,283 and obtained an economic gain of \$16,112. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The Series 2012 refunding bonds are subject to optional redemption prior to maturity on any interest payment date, at the option of the City, in whole or in part.

## Water and Sewer Revenue Bonds

In March 2008, the City issued bonds with the net revenues of the Water and Sewer Utility Enterprise Fund pledged toward the payment of principal and interest. The \$7,500,000 Series 2008 Water and Sewer Revenue Bonds were used to finance construction projects to replace deteriorating water and sewer system infrastructure; construct additional facilities; and pay costs associated with the issuance of the bonds. The bonds constitute a special limited obligation of the City and not considered general obligation indebtedness.

The bonds bear interest at various rates from 3.75-4.35% and mature in March 2028. Interest is due semi-annually in September and March, while principal payments are due annually in March.

Year Ending June 30	 Interest		Principal		Total Debt Se		I Debt Service
2017	\$ 219,640	ç	\$	350,000		\$	569,640
2018	205,640			365,000			570,640
2019	191,040			380,000			571,040
2020	175,840			400,000			575,840
2021	159,840			410,000			569,840
2022-2026	533,057			2,310,000			2,843,057
2027-2028	70,035			1,065,000	_		1,135,035
	\$ 1,555,092	ļ	\$	5,280,000	=	\$	6,835,092

Annual debt service requirements to maturity for the water and sewer revenue bonds are as follows:

The Series 2008 bonds maturing on March 15, 2028 are subject to mandatory sinking fund redemption. The redemption price is 100% of the principal amount and accrued interest to the redemption date. The principal amounts and dates due are \$520,000 due March 15, 2027, and \$545,000 due March 15, 2028.

## Changes in Long-term Liabilities

During the year ended June 30, 2015, the following activity occurred in liabilities reported as long-term:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 345,000	\$-	\$ (113,000)	\$ 232,000	115,000
Recaptured losses	167,913	-	(56,127)	111,786	44,828
Compensated absences	1,224,051	922,100	(901,915)	1,244,236	100,316
Governmental activities - Long-term liabilities	\$1,736,964	\$ 922,100	\$ (1,071,042)	\$ 1,588,022	\$ 260,144
Business-type activities:					
Bonds payable	\$5,622,303	\$-	\$ (340,305)	\$ 5,281,998	350,287
Compensated absences	79,421	27,490	(17,609)	89,302	10,408
Business-type activities - Long-term liabilities	\$5,701,724	\$ 27,490	\$ (357,914)	\$5,371,300	\$ 360,695

Internal service funds predominantly serve the governmental funds. Accordingly long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$111,786 of internal service funds recaptured losses and \$29,041 of compensated absences is included in the above amounts and will be liquidated with internal service fund assets. All other governmental activities compensated absences are liquidated by the general fund.

# Fund Balances

The City is required to restrict part of its fund balance to account for the extent to which it is bound to honor constraints on the specific purpose of funds. Fund balance allocations are presented in the statement of net position and the balance sheet of the governmental funds. The non-spendable portion of fund balance relates to inventory and prepaid items. The restricted balances consist of debt service for the Series 2012 sales tax revenue refunding bonds and the remaining Class C Roads and Local Option Sales Tax funds. At June 30, 2016, no portion of fund balance was considered to be committed and assigned fund balance is as follows:

	General Fund	Pr	apital ojects <sup>-</sup> und	Dev	Park velopment Fund	 orm Sewer velopment Fund	Ceme Fu	•	RE	DA
Governmental funds:										
Purchase obligations	\$ 26,044	\$	1,750	\$	-	\$ -	\$	-	\$	-
Traffic school	9,318		-		-	-		-		-
Capital improvements	-		206,376		-	-		-		-
Recreational facilities	-	1,	361,719		217,083	-		-		-
Fire apparatus	-		258,668		-	-		-		-
Storm sewer	-		-		-	191,407		-		-
Cemetery	-		-		-		164	1,563		-
Redevelopment	-		-		-	-		-	1,51	2,940
	\$ 35,362	\$1,	828,513	\$	217,083	\$ 191,407	\$ 164	1,563	\$ 1,51	2,940

- *Purchase commitments* represent resources that will be used to liquidate purchase orders which were not completed by year end.
- *Traffic school* represents residual funds acquired from traffic school and set aside for police equipment purchases.
- *Capital improvements* are funds set aside to improve or construct City infrastructure. Funding comes from a transfer from the general fund.
- *Recreational facilities* are funds set aside for improvements to or construction of parks and recreational facilities. Assignments under the capital project fund are annual transfers from the general fund. Park development funds are acquired from a fee charged on building permits.
- *Fire apparatus* are funds set aside for the purchase of fire trucks and ambulances and acquired through a transfer from the general fund.
- Storm sewer is funds set aside to improve or construct storm sewer infrastructure. Storm sewer development funds are acquired from a fee charged on building permits.
- *Cemetery* is funds set aside to expand the City cemetery and acquired through the sale of cemetery plots.
- *Redevelopment* is property tax assessments acquired by the Redevelopment Agency for redevelopment of specific areas of the City.

The Management Services Director has been delegated the authority to assign amounts, which are neither restricted nor committed, to be used for specific purposes.

## 5. Employee Retirement Systems and Pension Plans

## Pension Plan

#### Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (URS). The Utah Retirement Systems (Systems) are comprised of the following pension trust funds:

- *Multiple employer cost sharing, public employees retirement systems:* the Public Employees Non-contributory Retirement System (Non-contributory System); the Public Employees Contributory Retirement System (Contributory System); and the Firefighters Retirement System (Firefighters System).
- *Mixed agent, cost sharing, multiple-employer retirement system:* the Public Safety Retirement System (Public Safety System).
- *Multiple employer, cost sharing, public employees retirement systems:* the Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System).

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 Systems cover Roy City as well as all participating eligible employers in the State of Utah. Roy City is legally obligated to contribute to the retirement system as long as they have employees meeting membership requirements. The Systems are established and governed by the respective sections of Chapter 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 Chapter 49 provides for the administration of the Utah Retirement Systems under the direction of the Utah State Retirement Board (Board). The seven members are appointed by the Governor and include the State Treasurer. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. Utah Retirement Systems is a component unit of the State of Utah. The Authority to establish and amend the defined benefit plans provisions and contribution requirement lies with the Utah State Legislature. URS issue a publicly available financial report that can be obtaining by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website <u>www.urs.org</u>.

## **Benefits Provided**

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA **
Non-Contributory	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%
Contributory	Highest 5 Years	30 Years Any Age 20 Years Age 60* 10 Years Age 62* 4 Years Age 65	1.25% Per Year to June 1975; 2% Per Year July 1975 to Present	Up to 4%
Public Safety	Highest 3 Years	20 Year Any Age 10 Years Age 60 4 Years Age 65	2.5% Per Year Up to 20 Years; 2% Per Year Over 20 Years	Up to 2.5% or 4% Depending on the Employer
Firefighters	Highest 3 Years	20 Year Any Age 10 Years Age 60 4 Years Age 65	2.5% Per Year Up to 20 Years; 2% Per Year Over 20 Years	Up to 4%
Tier 2 Public Employees	Highest 5 Years	35 Years Any Age 20 Years Any Age 60* 10 Years Age 62* 4 Years Age 65	1.5% Per Year All Years	Up to 2.5%
Tier 2 Public Safety and Firefighters	Highest 5 Years	25 Years Any Age 20 Years Any Age 60* 10 Years Age 62* 4 Years Age 65	1.5% Per Year All Years	Up to 2.5%

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

\* With actuarial reductions.

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

## **Contributions**

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

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System: 11 - Local Governmental Division Tier 1 111 - Local Governmental Division Tier 2	N/A N/A	6.000% N/A	14.460% 16.670%
Non-Contributory System: 15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System: 75 - Other Division A Non-Contributory Tier 1 122 - Other Division A Contributory Tier 2	N/A N/A	N/A N/A	35.710% 23.660%
Firefighters System: 31 - Division A Tier 1 132 - Division B Tier 2	1.230% N/A	13.820% N/A	3.990% 10.750%
Tier 2 DC Only: 211 - Local Government	N/A	N/A	6.690%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans. Required contributions for the current year and prior two years are as follows:

	<u> </u>	2016	-	2015	<u> </u>	2014
Local Governmental Contributory System Tier 1 and Tier 2	\$	94,018	\$	75,368	\$	55,016
Local Governmental Non-contributory System	\$	537,756	\$	552,605	\$	516,892
Public Safety Non-contributory System Division A	\$	555,499	\$	573,975	\$	593,454
Firefighters Retirement System Division A	\$	45,897	\$	45,783	\$	35,920
Public Safety and Firefighters Contributory System	\$	113,608	\$	93,295	\$	51,170
Tier 2 DC Only Systems Local Governmental Public Safety and Firefighter	\$ \$	1,915 4,739	\$ \$	827	\$ \$	1,396

#### ROY CITY CORPORATION Notes to the Financial Statements, Continued June 30, 2016

The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

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

The net pension asset and liability were measured as of December 31, 2015. The total pension liability used to calculate the net pension asset and net pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward using general 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.

At June 30, 2016, Roy City reported a net pension asset of \$95,849 and a net pension liability of \$4,231,198. The breakdown by System is as follows:

	Proportionate Share	 t Pension Asset	Net Pension Liability
Non-Contributory System	0.36086300%	\$ -	\$2,041,938
Contributory System	0.17898190%	-	125,798
Public Safety System	1.15196700%	-	2,063,462
Firefighter System	4.47451020%	81,042	-
Tier 2 Public Employees System	0.07704440%	168	-
Tier 2 Public Safety and Firefighters System	1.00195730%	 14,639	
Total		\$ 95,849	\$4,231,198

The proportion of the net pension assets and net pension liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2015.

In addition, Roy City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	0	Deferred utflows of Resources	Ir	eferred flows of esources
Difference between expected and actual experience	\$	2,542	\$	391,138
Changes in assumptions		-		389,770
Net difference between projected and actual earnings on pension plan investments		1,767,716		-
Changes in proportion and differences between contributions and proportionate share of contributions		44,796		97,187
Contributions subsequent to the measurement date		674,219		-
Total	\$	2,489,273	\$	878,095

#### ROY CITY CORPORATION Notes to the Financial Statements, Continued June 30, 2016

Deferred outflows of resources related to pensions of \$674,219 were reported by the City and result from contributions made prior to the 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 next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	(In	red Outflows flows) of esources
2016	\$	189,865
2017		190,214
2018		247,098
2019		381,719
2020		(35,367)
Thereafter		(36,571)

For the year ended June 30, 2016, the City recognized pension expense of \$1,029,447.

#### Actuarial Assumptions

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

Inflation	2.75%
Salary Increases	3.50-10.5%, Average, Including inflation
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expense, Including Inflation

The 7.5% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real rate of return of 4.75% that is net of investment expense.

Active member 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 of January 1, 2009 – 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 below:

	Expected R	Expected Return Arithmetic Basis							
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return						
Equity securities	40%	7.06%	2.82%						
Debt securities	20%	0.80%	0.16%						
Real assets	13%	5.10%	0.66%						
Private equity	9%	11.30%	1.02%						
Absolute return	18%	3.15%	0.57%						
Cash and cash equivalents	0%	0.00%	0.00%						
Totals	100%		5.23%						
	Inflation		2.75%						
	Expected arithmetic non	Expected arithmetic nominal returns							

## Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

System	19	1% Decrease (6.5%)		Discount ate (7.5%)	19	% Increase (8.5%)
Non-contributory	\$	4,314,413	\$	2,041,938	\$	144,877
Contributory	\$	221,543	\$	125,798	\$	45,416
Public Safety	\$	4,369,543	\$	2,063,462	\$	185,887
Firefighters	\$	1,103,137	\$	(81,042)	\$	(1,042,838)
Tier 2 Public Employees	\$	30,843	\$	(168)	\$	(23,671)
Tier 2 Public Safety and Firefighters	\$	24,884	\$	(14,639)	\$	(44,990)
Total	\$	10,064,363	\$	4,135,349	\$	(735,319)

#### ROY CITY CORPORATION Notes to the Financial Statements, Continued June 30, 2016

#### Pension Plan Fiduciary Net Position

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

#### **Deferred Compensation Plan**

The City also participates in deferred compensation plans created in accordance with Internal Revenue Code Section 457 and has adopted Governmental Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". As a result, the City's 457 plans are reported as trust funds of the plan administrator rather than as agency funds of the City.

### <u>401A Plan</u>

The City provides a 401a plan for employees, which is administered by ICMA Retirement Corporation. All permanent full-time employees along with elected officials and permanent intermittent employees are eligible to participate in the plan. The City contributes 15.45% of earnings for merit participants, 16.46% for police officers, 17.64% for firefighters, and 23.94% for administrative participants, minus the City's contribution to the Utah State Retirement System on behalf of the participant for the plan year. Participants are not required to contribute to this plan but may make voluntary after tax contributions. Benefits after termination of employment are paid to individuals based on account balances in lump sum, or as periodic benefit payments, at the option of the participant. Authority to establish and amend the provisions and contribution requirements lies with the Roy City Council.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employees are 100% vested and the City owns none of the plan assets. Total payroll for the fiscal year was \$8,527,799 and eligible payroll under this plan was \$8,233,079 for the same period. At June 30, 2016 total plan assets were \$5,790,692. Total contribution requirements were \$70,487, or .85% of covered payroll, and were paid by the due dates.

#### 6. Other Information

#### Redevelopment Agency

The Redevelopment Agency of Roy Utah (RDA) consists of four project areas and does not pay tax increment to any other taxing agency. The RDA pays the City a management fee, which totaled \$130,000 for FY 2016.

Financial information relating to the project areas for the fiscal year ending June 30, 2016 is as follows:

	Project Area #2	Project Area #3	Project Area #4	General
Tax increment collected Contributions from other	\$ 42,680	\$ 6,713	\$-	\$-
government units	230,696	36,294	-	-
Amount expended for:				
Administrative costs Redevelopment activities	117,091 57,171	10,000 30,000	5,000 209,000	99,000

#### ROY CITY CORPORATION Notes to the Financial Statements, Continued June 30, 2016

## **Commitments**

The City had purchase orders outstanding at the end of the year which had not been fulfilled. For the general fund and special revenue fund the commitments totaled \$26,043 and \$1,750, respectively. The City had no open contracts for which work had not begun at June 30, 2016.

#### **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City uses an internal service fund to account for its risk financing activities with the inter-fund premiums being treated as inter-fund services used. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. At June 30, 2016 and 2015, there were no outstanding claims or judgments that management considered necessary for accrual.

Premiums are paid into the risk management fund by other funds and are available to pay claims, claim reserves and administrative costs of programs. During the fiscal years ending June 30, 2016, 2015, and 2014, there were no reductions in insurance coverage and no settlements exceeded insurance coverage. Net position of the fund is intended for funding future losses and totaled \$475,510 at June 30, 2016.

#### **Contingent Liabilities**

#### <u>Grants</u>

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. At June 30, 2016, the City had not been informed by federal or state agencies of any grant violations.

#### Litigation and Claims

The City is currently named as a defendant in various lawsuits. While the final outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liablity in Utah Retirement Systems - Last 10 Fiscal Years December 31, 2015

	Year Ending December 31	(	Non- Contributory System		ntributory System		Public Safety System		Firefighters System	E	Tier 2 Public Imployees System	and	Tier 2 blic Safety Firefighters System
Proportion of the net pension													
liability / (asset)	2015	0	.3608630%	0.1	789819%	1	1519670%	4	.4745102%	0.0	0770444%	1.0	019573%
	2014	0	.3506427%	0.1	.367805%	1	.2351900%	4	.4969546%	0.0727692%		1.0948718%	
Proportionate share of the net													
pension liability / (asset)	2015	\$	2,041,938	\$	125,798	\$	2,063,462	\$	(81,042)	\$	(168)	\$	(14,639)
	2014	\$	1,522,573	\$	39,453	\$	1,553,354	\$	(256,614)	\$	(2,205)	\$	(16,197)
Covered employee payroll	2015	\$	3,122,071	\$	76,262	\$	1,550,072	\$	1,203,594	\$	497,757	\$	596,172
	2014	\$	3,004,330	\$	73,029	\$	1,667,574	\$	1,180,946	\$	357,223	\$	452,855
Proportionate share of the net pension liability / (asset) as a percentage of its covered employee payroll	2015 2014		65.40% 50.70%		.64.96% 54.00%		133.12% 93.20%		-6.73% -21.70%		-0.03% -0.06%		-2.46% -3.60%
Plan fiduciary net position as a percentage of the total net	-		00.10%	·			55.20%		21.10%		0.00%		0.0070
pension	2015		87.80%		85.70%		87.10%		101.00%	-	100.20%	1	.10.70%
	2014		90.2%		94.0%		90.5%		103.5%		103.5%		120.5%

Note: The schedule above is presented for the current year only. In accordance with paragraph 81.a of GASB 68, a 10 year history is required. The 10 year schedule will need to be built prospectively as the information become available.

## Required Supplementary Information Schedule of Utah State Retirement Systems Contributions - Last 10 Fiscal Years June 30, 2016

						Tier	· 2	
	Non- Contributory System	Public Public Contributory Safety Firefighters Employees System System System System		Safety Firefighters		Public Safety and Firefighters System	Public Employees DC Only System	Public Safety Firefighters DC Only System
			201	6				
Contractually required contribution	\$ 537,756	\$ 11,379	\$ 555,499	\$ 45,897	\$ 82,639	\$ 113,608	\$ 1,915	\$ 4,739
Contribution in relation to the contractually required contribution	(537,756)	(11,379)	(555,499)	(45,897)	(82,639)	(113,608)	(1,915)	(4,739)
Contribution deficiency (excess)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Covered employee payroll	\$ 3,000,792	\$ 78,691	\$ 1,564,573	\$ 1,155,267	\$ 555,939	\$ 685,924	\$ 28,632	\$ 36,480
Contribution as a percentage of covered employee payroll *	17.92%	14.46%	35.50%	3.97%	14.86%	16.56%	6.69%	12.99%
			201	5				
Contractually required contribution	\$ 552,605	\$ 10,778	\$ 573,975	\$ 45,783	\$ 64,590	\$ 93,295	\$ 827	
Contribution in relation to the contractually required contribution	(552,605)	(10.770)	(572.075)	(45 782)	(64 500)	(02.005)	(827)	
	(552,605)	(10,778)	(573,975)	(45,783)	(64,590)	(93,295)	(827)	
Contribution deficiency (excess)	\$-	\$-	\$-	\$-	\$ -	\$	\$-	
Covered employee payroll	\$ 3,063,484	\$ 74,535	\$ 1,607,323	\$ 1,207,295	\$ 432,329	\$ 543,231	\$ 12,301	

## Required Supplementary Information Schedule of Utah State Retirement Systems Contributions - Last 10 Fiscal Years, continued June 30, 2016

						Tier	2	
	Non- Contributory System	Contributory System	Public Safety System	Firefighters System	Public Employees System	Public Safety and Firefighters System	Public Employees DC Only System	Public Safety Firefighters DC Only System
			2015, co	ontinued				
Contribution as a percentage of covered employee payroll *	18.04%	14.46%	35.71%	3.79%	14.94%	17.17%	6.72%	

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

Note: The schedule above is presented for the current year only. The 120 year schedule will ned to be built prospectively as the information becomes available.

### Non-major Governmental Funds

#### **Special Revenue Funds**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Storm Sewer Development – This fund is used to account for impact fees imposed for the expansion and enlargement of the City's storm sewer system. (Impact fees are a one-time charge imposed by a local government to mitigate the impact on infrastructure caused by new development. Fees must be held in a separate ledger account, retain the interest earned, and may only be expended for system improvements in the specific public facility type for which the fee was collected.)

*Park Development* – This fund is used to account for the impact fees imposed for the expansion and enlargement of the City's parks. (Impact fees are a one-time charge imposed by a local government to mitigate the impact on infrastructure caused by new development. Fees must be held in a separate ledger account, retain the interest earned, and may only be expended for system improvements in the specific public facility type for which the fee was collected.)

*Cemetery* – This fund is used to account for monies held to expand and maintain the City cemetery. Funding for the cemetery fund comes from 20% of the sales price of cemetery lots.

### Capital Projects Funds

The City has created capital projects funds In order to distinguish operating activities from capital activities. The capital projects funds are not used for routine capital outlay, rather for the acquisition and construction of major capital assets and for capital acquisition or construction financed with borrowed or contributed resources. The funds are financed by transfers from the general fund and are not used for projects financed by proprietary funds.

*Capital Improvements* – This fund is used to account for construction of and improvements to infrastructure throughout the City.

*Fire and Rescue Facilities and Equipment* – This fund is used to account for the purchase of major fire equipment such as ladder trucks and ambulances.

*Recreational Facilities Improvements* - This fund is used to account for the construction, expansion, and replacement of recreational facilities throughout the City.

## ROY CITY CORPORATION Combining Balance Sheet Non-Major Governmental Funds June 30, 2016

				Special Rev	enue	Funds		
	St	orm Sewer		Park				
	De	evelopment	Development			Cemetery	Total	
ASSETS								
Cash	\$	191,407	\$	217,083	\$	164,563	\$	573,053
Total assets	\$	191,407	\$	217,083	\$	164,563	\$	573,053
LIABILITIES								
Accounts payable	\$	-	\$	-	\$	-	\$	-
Total liabilities		-		-		-		-
FUND BALANCES								
Other		-		-		-		-
Assigned		191,407		217,083		164,563		573,053
Total fund balances		191,407		217,083		164,563		573,053
Total liabilities and fund								
balances	\$	191,407	\$	217,083	\$	164,563	\$	573,053

			Capital Pro	jects	Funds				Total		
		Fir	e & Rescue	F	Recreational				Non-Major		
	Capital	Fa	cilities and		Facilities			G	overnmental		
Im	provements	E	quipment	In	nprovements	Total			Funds		
\$	208,873	\$	286,282	\$	1,361,719	\$	1,856,874	\$	2,429,927		
\$	208,873	\$	286,282	\$	\$ 1,361,719		\$ 1,361,719		1,856,874	\$	2,429,927
\$	747	\$	27,614	\$	-	\$	28,361	\$	28,361		
	747		27,614		-		28,361		28,361		
	1,750		-		-		1,750		1,750		
_	206,376		258,668	_	1,361,719	_	1,826,763		2,399,816		
	208,126		258,668		1,361,719		1,828,513		2,401,566		
\$	208,873	\$	286,282	\$	1,361,719	\$	1,856,874	\$	2,429,927		

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2016

				Special Rev	venue	Funds	
	Storm S			Park			
	Develop	ment	De	velopment	(	Cemetery	 Total
Revenues:							
Impact fees		,674	\$	74,300	\$	-	\$ 123,974
Investment earnings	1	.,216		1,148		-	2,364
Other income		-		-		160	 160
Total revenues	50	,890		75,448		160	 126,498
Expenditures:							
General government		-		-		-	-
Project outlays	30	,214		-		-	 30,214
Total expenditures	30	,214		-		-	 30,214
Excess (deficiency) of revenues over (under)							
expenditures	20	,676		75,448		160	 96,284
Other financing sources: Transfers in		-		-		-	-
Total other financing sources		-		-		-	 -
Net change in fund balance	20	,676		75,448		160	96,284
Fund balance - beginning of	170	704		444 005		101 100	470 700
year	170	,731		141,635		164,403	 476,769
Fund balance - end of year	\$ 191	.,407	\$	217,083	\$	164,563	\$ 573,053

		=	ojects Funds		Total
	apital ovements	Fire & Rescue Facilities and Equipment	Recreational Facilities & Improvements	Total	Non-Major Governmental Funds
\$	-	\$-	\$-	\$-	\$ 123,974
	-	-	-	-	2,364 160
	-				126,498
3	6,606 377,400	-	- 342,421	6,606 719,821	6,606 750,035
3	384,006	-	342,421	726,427	756,641
(3	384,006)		(342,421)	(726,427)	(630,143)
	-	185,500	71,525	257,025	257,025
	-	185,500	71,525	257,025	257,025
(3	384,006)	185,500	(270,896)	(469,402)	(373,118)
5	592,132	73,168	1,632,615	2,297,915	2,774,684
\$ 2	208,126	\$ 258,668	\$ 1,361,719	\$ 1,828,513	\$ 2,401,566

## ROY CITY CORPORATION Storm Sewer Development - Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Budgete	d Amo	unts	Actual			riance with al Budget - Positive
	 Original		Final		Amounts	(Negative)	
Revenues:							
Impact fees	\$ 20,000	\$	20,000	\$	49,674	\$	29,674
Investment earnings	 750		750		1,216		466
Total revenues	 20,750		20,750		50,890		30,140
Expenditures:							
Project outlays	 -		140,000		30,214		109,786
Total expenditures	 -		140,000		30,214		109,786
Excess (deficiency) of revenues							
over (under) expenditures	20,750		(119,250)		20,676		139,926
Fund balance - beginning of year	 170,731		170,731		170,731		-
Fund balance - end of year	\$ 191,481	\$	51,481	\$	191,407	\$	139,926

## ROY CITY CORPORATION Park Development - Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Budgetee	d Amou	nts	Actual		Fina	iance with al Budget - Positive
	Original		Final		Amounts	(Negative)	
Revenues:							
Impact fees	\$ 20,000	\$	20,000	\$	74,300	\$	54,300
Investment earnings	 600		600		1,148		548
Total revenues	 20,600		20,600		75,448		54,848
Expenditures:							
Project outlays	 20,000		20,000		-		20,000
Total expenditures	 20,000		20,000		-		20,000
Excess (deficiency) of revenues							
over (under) expenditures	600		600		75,448		74,848
Fund balance - beginning of year	 141,635		141,635		141,635		-
Fund balance - end of year	\$ 142,235	\$	142,235	\$	217,083	\$	74,848

## ROY CITY CORPORATION Cemetery - Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Fir Budgeted Amounts Actual				Final Po	nce with Budget - sitive	
	0	riginal		Final	 Amounts	(Ne	gative)
Revenues:							
Other income	\$	-	\$	-	\$ 160	\$	160
Total revenues		-		_	 160		160
Net change in fund balance		-		-	160		160
Fund balance - beginning of year		164,403		164,403	 164,403		-
Fund balance - end of year	\$	164,403	\$	164,403	\$ 164,563	\$	160

## ROY CITY CORPORATION Capital Improvement Plan - Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Budgeted	d Amounts	Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Expenditures: Project outlays	\$-	\$ 592,132	\$ 385,756	\$ 206,376
Total expenditures		592,132	385,756	206,376
Deficiency of expenditures over revenues		(592,132)	(385,756)	206,376
Other financing sources: Transfers in				
Total other financing sources				
Net change in fund balance	-	(592,132)	(385,756)	206,376
Fund balance - beginning of year	592,132	592,132	592,132	
Fund balance - end of year	\$ 592,132	\$-	\$ 206,376	\$ 206,376

## ROY CITY CORPORATION Fire and Rescue Facilities and Equipment - Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Budgeted	Amounts	Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Other financing sources: Transfers in	\$ 185,500	\$ 185,500	\$ 185,500	\$-
Total other financing sources	185,500	185,500	185,500	-
Net change in fund balance	185,500	185,500	185,500	-
Fund balance - beginning of year	73,168	73,168	73,168	
Fund balance - end of year	\$ 258,668	\$ 258,668	\$ 258,668	\$-

## ROY CITY CORPORATION Recreational Facilities Improvements - Capital Projects Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual For the Fiscal Year Ended June 30, 2016

	Budgeted		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Expenditures: Project outlays	\$ -	\$ 854,591	\$ 342,421	\$ 512,170
Total expenditures		854,591	342,421	512,170
Deficiency of expenditures over revenues		(854,591)	(342,421)	512,170
Other financing sources: Operating transfers in	71,525	71,525	71,525	
Total other financing sources	71,525	71,525	71,525	
Net change in fund balance	71,525	(783,066)	(270,896)	512,170
Fund balance - beginning of year	1,632,615	1,632,615	1,632,615	
Fund balance - end of year	\$ 1,704,140	\$ 849,549	\$ 1,361,719	\$ 512,170

#### **Internal Service Funds**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

*Information Technology* – This fund is used to account for the accumulation and allocation of costs associated with the electronic data processing. It provides service to all governmental and proprietary funds and is financed by charges made to those funds.

*Risk Management* - This fund is used to account for the costs of insurance premiums and claims made against the City. Monies are accumulated in this fund to pay premiums for liability and property damage insurance and other claims. The City participates in the Utah Risk Management Mutual Association for its liability and property damage insurance. Insurance for facilities, equipment and vehicles is purchased from private insurers. The fund is financed by charges made to the general and proprietary funds.

## ROY CITY CORPORATION Internal Service Funds Combining Statement of Net Position June 30, 2016

		formation echnology	Ма	Risk anagement		Total
ASSETS						
Current assets:						
Cash	\$	180,419	\$	595,272	\$	775,691
Prepaids		-		1,576		1,576
Total current assets		180,419		596,848		777,267
Non-current assets:						
Capital assets:						
Furnishings and fixtures		1,998		-		1,998
Computer hardware		453,378		-		453,378
Software		61,461		-		61,461
Less accumulated depreciation		(344,685)				(344,685)
Total capital assets net of						
accumulated depreciation		172,152		-		172,152
Net pension asset		424		-		424
Total non-current assets		172,576		-		172,576
DEFERRED OUTFLOWS OF RESOURCES						
Pensions		31,394		-		31,394
Total assets and deferred outflows						
of resources		384,389		596,848		981,237
LIABILITIES						
Current liabilities:						
Accounts payable		3,080		9,552		12,632
Accrued wages		6,344		-		6,344
Compensated absences		1,651		-		1,651
Recaptured losses	_	-	_	44,828	_	44,828
Total current liabilities		11,075		54,380		65,455
Recaptured losses				·		44

## ROY CITY CORPORATION Internal Service Funds Combining Statement of Net Position, continued June 30, 2015

	Information Technology			Risk lanagement	Total		
Non-current liabilities:							
Compensated absences	\$	27,390	\$	-	\$	27,390	
Recaptured losses, less current portion		-		66,958		66,958	
Net pension liability		47,575		-		47,575	
Total non-current liabilities		74,965		66,958		141,923	
DEFERRED INFLOWS OF RESOURCES							
Pensions		9,458		-		9,458	
Total liabilities and deferred inflows							
of resources		95,498		121,338		216,836	
NET POSITION							
Invested in capital assets		172,152		-		172,152	
Unrestricted		116,739		475,510		592,249	
Total net position	\$	288,891	\$	475,510	\$	764,401	

## ROY CITY CORPORATION Internal Service Funds Combining Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2016

	nformation echnology	Ma	Risk Management			Total
Operating revenue: Charges for services Other income	\$ 351,621	\$	304,700 14,090		\$	656,321 14,090
Total operating revenue	 351,621		318,790	_		670,411
Operating expenses: Personnel services Contractual services Materials and supplies Other general costs of services Depreciation	 173,173 81,574 43,561 5,161 61,542		- 152,281 - 33,906 -	_		173,173 233,855 43,561 39,067 61,542
Total operating expenses	 365,011		186,187			551,198
Operating income (loss)	(13,390)		132,603			119,213
Other financing sources (uses): Gain/(loss) on sale of assets Total other financing sources	 (360)			_		(360)
Change in net position	 (13,750)		132,603	_		118,853
Total net position - beginning	 302,641		342,907	_		645,548
Total net position - ending	\$ 288,891	\$	475,510		\$	764,401

## ROY CITY CORPORATION Internal Service Funds Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2016

	nformation echnology	M	Risk anagement	Total
Cash flows from operating activities: Cash received from interfund services				
provided Other income	\$ 351,621 -	\$	304,700 14,090	\$ 656,321 14,090
Payments to suppliers Payments to employees	(130,096) (169,128)		(233,580)	(363,676) (169,128)
Net cash provided by operating activities	 52,397		85,210	 137,607
Cash flows from capital and related financing activities:				
Purchase of capital assets	 (68,637)		-	 (68,637)
Net cash used in capital and related financing activities	 (68,637)		-	 (68,637)
Net increase (decrease) in cash	(16,240)		85,210	68,970
Cash - beginning of year	 196,659		510,062	 706,721
Cash - end of year	\$ 180,419	\$	595,272	\$ 775,691
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (13,390)	\$	132,603	\$ 119,213
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	61,542		-	61,542
(Increase) decrease in prepaids	6,577		(17)	6,560 2,426
(Increase) decrease in net pension asset (Increase) decrease in deferred outflows	2,436 (23,398)		-	2,436 (23,398)
Increase (decrease) in accounts payable	(6,377)		8,751	2,374
Increase (decrease) in accrued wages Increase (decrease) in compensated	293		-	293
absences	8,154		-	8,154
Increase (decrease) in net pension liability	15,175		-	15,175

## ROY CITY CORPORATION Internal Service Funds Combining Statement of Cash Flows, continued For the Fiscal Year Ended June 30, 2016

	ormation chnology	Ma	Risk Inagement	_	Total
Increase (decrease) in deferred inflows Increase (decrease) in recaptured losses	1,385		- (56,127)		1,385 (56,127)
Total adjustments	65,787		(47,393)		18,394
Net cash provided by operating activities	\$ 52,397	\$	85,210	\$	137,607

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## ROY CITY CORPORATION Capital Assets Used in the Operation of Governmental Funds Comparative Schedules By Source June 30, 2016 and 2015

	2016	2015
Governmental funds capital assets:		
Land	\$ 3,901,316	\$ 3,901,317
Buildings	11,695,129	11,698,381
Improvements other than buildings	34,160,896	33,969,178
Machinery and equipment	4,221,545	4,036,681
Vehicles	6,521,816	6,226,148
Construction in progress	992,773	276,523
Total governmental funds capital assets	\$ 61,493,475	\$ 60,108,228
Investments in governmental funds capital assets		
by source:		
General fund	\$ 35,203,409	\$ 34,679,806
Capital projects fund	14,510,554	13,790,733
Special revenue funds	7,634,538	7,604,324
Donations	4,144,974	4,033,365
Total governmental funds capital assets	\$ 61,493,475	\$ 60,108,228

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

#### ROY CITY CORPORATION

### Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2016

Function and Activity	Land	Buildings	Improvmnts other than Buildings	Machinery and Equipment	Vehicles	Constructn in Progress	Total
General government:							
Legislative	\$ 1,125,238	\$ -	\$ 4,525	\$ 30,271	\$ 32,931	\$-	\$ 1,192,965
Legal	-	-	-	4,707	-	-	4,707
Justice court	-	-	-	33,353	-	-	33,353
Community dvlpmt.	-	-	-	28,603	44,061	-	72,664
Finance	-	-	3,970	40,680	-	-	44,650
Public buildings		8,992,984	523,388	329,890	175,520		10,021,782
Total	1,125,238	8,992,984	531,883	467,504	252,512		11,370,121
Public safety:							
Fire	69,417	938,782	27,311	809,381	2,087,530	-	3,932,421
Police	-	-	1,768	294,246	1,617,234	-	1,913,248
Total	69,417	938,782	29,079	1,103,627	3,704,764		5,845,669
Public works:							
Administration	185,268	-	22,208	35,911	42,854	-	286,241
Class "C" roads	26,273	227,426	7,861,424	583,541	1,696,482	9,061	10,404,207
Fleet services	-	-	-	104,534	69,390	-	173,924
Streets	327,700	2,275	15,951,599	690,609	255,279	95,364	17,322,826
Total	539,241	229,701	23,835,231	1,414,595	2,064,005	104,425	28,187,198
Parks and recreation:							
Aquatic center	963,940	-	4,503,704	375,928	-	-	5,843,572
Beautification	-	-	-	3,579	-	532,018	535,597
Parks	1,203,480	174,931	4,892,023	473,844	394,488	356,330	7,495,096
Recreation	-	471,596	182,690	79,792	106,047	-	840,125
Recreation complex		887,135	186,286	302,676	-		1,376,097
Total	2,167,420	1,533,662	9,764,703	1,235,819	500,535	888,348	16,090,487
Total governmental							
capital assets	\$ 3,901,316	\$ 11,695,129	\$ 34,160,896	\$ 4,221,545	\$ 6,521,816	\$ 992,773	\$ 61,493,475

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

## ROY CITY CORPORATION Capital Assets Used in the Operation of Governmental Funds Schedule of Changes By Function and Activity For the Fiscal Year Ended June 30, 2016

Function and Activity	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
General government:				
Legislative	\$ 1,192,725	\$ 5,538	\$ (5,298)	\$ 1,192,965
Legal & risk management	4,707	-	-	4,707
Justice court	35,064	-	(1,711)	33,353
Community development	68,735	3,929	-	72,664
Finance	49,964	-	(5,314)	44,650
Public buildings	10,009,765	16,749	(4,732)	10,021,782
Total general government	11,360,960	26,216	(17,055)	11,370,121
Public safety:				
Fire	3,920,570	11,851	-	3,932,421
Police	1,683,517	229,731		1,913,248
Total public safety	5,604,087	241,582		5,845,669
Public works:				
Administration	286,241	-	-	286,241
Class "C" roads	10,357,481	125,176	(78,450)	10,404,207
Fleet services	163,049	10,875	-	173,924
Streets	17,181,003	141,823		17,322,826
Total public works	27,987,774	277,874	(78,450)	28,187,198
Parks and recreation:				
Aquatic center	5,835,252	8,320	-	5,843,572
Beautification	156,447	379,150	-	535,597
Parks	7,061,335	433,761	-	7,495,096
Recreation	835,353	4,772	-	840,125
Recreation complex	1,267,020	113,422	(4,345)	1,376,097
Total parks and recreation	15,155,407	939,425	(4,345)	16,090,487
Total governmental funds				
capital assets	\$ 60,108,228	\$ 1,485,097	\$ (99,850)	\$ 61,493,475

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position

## STATISTICAL SECTION

This part of Roy City Corporation's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	103
REVENUE CAPACITY These schedules contain information to help the reader assess the City's most significant local revenue sources, the sales tax and property tax.	117
DEBT CAPACITY These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	123
DEMOGRAPHICS AND ECONOMIC INFORMATION These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	127
OPERATING INFORMATION These schedules contain service and infrastructure data to help the reader understand	129

how the information in the City's financial report relates to the services the government

provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

## ROY CITY CORPORATION GOVERNMENT-WIDE REVENUES Last Ten Fiscal Years

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2015-16	\$ 13,511,142	\$ 1,356,020	\$ 260,587	\$ 10,850,597	\$ 127,281	\$ 746,347	\$ 26,851,974
2014-15	12,991,240	1,261,884	236,149	10,620,108	818,374	1,303,945	27,231,700
2013-14	11,597,798	1,267,654	435,080	10,491,898	80,969	622,877	24,496,276
2012-13	11,428,781	1,263,404	1,329,151	10,168,511	593,896	731,494	25,515,237
2011-12	10,511,746	1,304,150	511,539	9,829,495	89,863	595,368	22,842,161
2010-11	10,268,538	1,200,056	2,873,376	9,532,826	69,702	402,960	24,347,458
2009-10	10,239,629	1,148,158	2,098,255	9,387,893	91,936	386,565	23,352,436
2008-09	9,653,597	2,169,821	1,166,628	9,565,468	358,593	346,839	23,260,946
2007-08	9,135,184	1,498,917	1,672,163	10,213,606	568,450	344,982	23,433,302
2006-07	8,788,560	1,293,113	45,148	10,144,775	615,774	603,577	21,490,947

## ROY CITY CORPORATION GOVERNMENT-WIDE EXPENSES BY FUNCTION Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Parks and Recreation	Interest and Fiscal Charges	Water and Sewer Utility	Storm Sewer Utility	Solid Waste Utility	Total
2015-16	\$ 3,538,719	\$ 8,190,940	\$ 2,619,945	\$ 2,768,728	\$ 6,488	\$ 6,826,334	\$ 516,205	\$ 1,850,687	\$ 26,318,046
2014-15	4,330,730	7,747,025	2,514,322	2,591,095	8,445	6,075,016	498,700	1,850,632	25,615,965
2013-14	3,328,328	7,760,529	2,558,874	2,536,514	10,185	5,526,567	404,465	1,728,775	23,854,237
2012-13	3,329,353	7,612,498	2,999,507	2,623,244	8,308	4,589,355	382,653	1,608,499	23,153,417
2011-12	3,620,941	7,260,104	2,668,853	2,530,588	64,801	4,315,012	341,969	1,487,770	22,290,038
2010-11	3,258,496	7,248,790	2,639,589	2,414,439	50,897	4,111,957	368,083	1,548,614	21,640,865
2009-10	3,201,528	7,130,287	2,512,928	2,465,297	61,736	4,084,228	346,546	1,468,750	21,271,300
2008-09	3,244,050	7,364,103	2,895,688	2,593,013	92,776	4,103,262	348,115	1,457,305	22,098,312
2007-08	3,014,200	7,242,253	2,453,832	2,707,689	80,034	3,741,916	360,261	1,389,521	20,989,706
2006-07	2,730,889	6,544,530	2,758,402	2,612,841	46,892	4,896,054	274,795	-	19,864,403

#### Notes:

Prior to FY 2008, the Solid Waste Utility Fund was combined with the Water and Sewer Utility Fund.

## ROY CITY CORPORATION GENERAL GOVERNMENTAL REVENUES AND OTHER FINANCING SOURCES Last Ten Fiscal Years

FISCAL YEAR	TAXES	_	ICENSES AND PERMITS	INT	INTERGOVERN- MENTAL		CHARGES FOR SERVICES		FINES AND FORFEITURES		NTEREST AND MISC	FINANCING		 TOTAL
2015-16	\$ 10,801,204	\$	386,127	\$	1,404,758	\$	2,427,003	\$	780,647	\$	327,638	\$	67,304	\$ 16,194,681
2014-15	10,570,367		382,323		1,365,201		2,634,076		774,217		897,476		223,450	16,847,110
2013-14	10,420,699		280,987		1,502,234		2,404,922		700,808		458,139		54,172	15,821,961
2012-13	9,602,554		234,559		1,268,489		3,272,233		730,772		470,957		1,701,928	17,281,492
2011-12	9,348,562		391,361		1,332,855		2,901,616		752,390		458,388		942,911	16,128,083
2010-11	9,045,168		282,723		1,244,242		2,741,540		723,989		430,807		358,950	14,827,419
2009-10	8,914,576		315,060		2,536,801		2,688,425		632,539		548,974		338,225	15,974,600
2008-09	9,114,522		281,482		1,498,797		2,680,954		631,725		470,449		312,092	14,990,021
2007-08	9,481,702		288,299		1,864,813		2,441,681		650,183		666,878		1,368,375	16,761,931
2006-07	9,254,126		328,613		1,302,953		2,633,381		620,453		764,646		392,867	15,297,039

#### Note:

General government is limited to the City's General Fund.

## ROY CITY CORPORATION GENERAL GOVERNMENTAL EXPENDITURES (Budget Basis) AND OTHER USES BY FUNCTION Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Parks and Recreation	Capital Outlay	Debt Service		Other Financing Uses	 Total
2015-16	\$ 2,839,461	\$ 8,028,590	\$ 1,702,0	43 \$ 2,530,734	4 \$ -	\$	120,014	\$ 257,025	\$ 15,477,867
2014-15	3,219,745	7,973,281	2,199,2	57 2,221,230	) -		119,891	1,787,031	17,520,435
2013-14	2,925,292	8,199,184	1,815,2	18 2,209,599	) -		119,596	220,025	15,488,914
2012-13	3,936,031	7,329,098	2,417,5	11 2,204,950	- 6		275,116	647,050	16,809,762
2011-12	3,190,479	7,359,687	1,819,4	27 2,050,860	- 6		311,594	657,142	15,389,195
2010-11	3,063,502	6,985,946	1,724,7	24 1,920,939	) -		277,937	212,340	14,185,388
2009-10	2,994,623	6,913,952	1,834,3	89 1,968,899	- 6		277,501	2,162,693	16,152,057
2008-09	2,945,590	6,915,667	2,109,4	72 1,995,110	) -		278,943	490,275	14,735,057
2007-08	2,916,349	7,045,301	2,596,8	01 2,297,423	- 3		194,232	1,467,290	16,517,396
2006-07	2,703,855	6,520,599	2,348,4	92 2,070,880	- 6		154,894	565,426	14,364,152

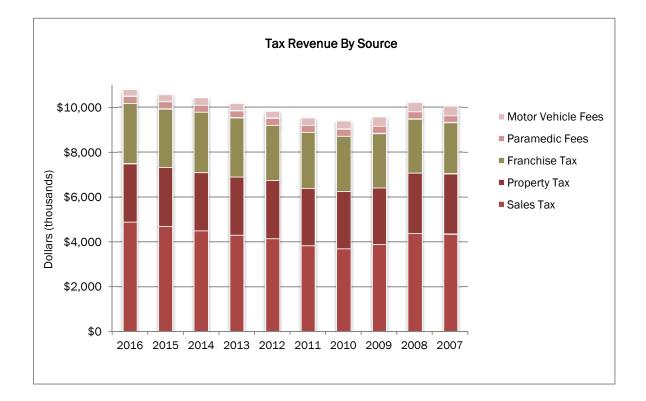
#### Notes:

General government is limited to the City's General Fund.

Other financing uses included transfers to the Capital Projects Fund for construction of capital assets.

## ROY CITY CORPORATION GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE Last Ten Fiscal Years (Amounts Expressed in Thousands)

Fiscal Year	 Sales Tax	P	roperty Tax	Fra	anchise Tax	 amedic <sup>-</sup> ees	Ve	lotor ehicle <sup>-</sup> ees	Total
2016	\$ 4,878	\$	2,612	\$	2,685	\$ 320	\$	306	\$ 10,801
2015	4,690		2,638		2,599	335		309	10,571
2014	4,498		2,587		2,697	308		330	10,420
2013	4,300		2,600		2,634	320		317	10,171
2012	4,142		2,591		2,464	320		312	9,829
2011	3,830		2,558		2,488	320		338	9,534
2010	3,701		2,550		2,455	320		363	9,389
2009	3,891		2,514		2,431	320		409	9,565
2008	4,378		2,702		2,398	317		418	10,213
2007	4,352		2,686		2,282	310		426	10,056



### ROY CITY CORPORATION NET POSITION BY COMPONENT Last Ten Fiscal Years (Amounts Expressed in Thousands)

					Fiscal Ye	ar				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities Invested in capital assets, net										
of related debt	\$ 33,326	\$ 33,958	\$ 34,249	\$ 34,469	\$ 34,239	\$ 35,269	\$ 35,212	\$ 33,055	\$ 32,254	\$ 30,408
Restricted	2,689	2,331	2,301	2,261	2,116	1,735	2,994	2,638	2,699	1,714
Unrestricted Total governmental activities	5,686	5,787	8,085	7,958	7,256	6,476	4,274	5,390	5,965	7,230
net position	\$ 41,701	\$ 42,076	\$ 44,635	\$ 44,688	\$ 43,611	\$ 43,480	\$ 42,480	\$ 41,083	\$ 40,918	\$ 39,352
Business-type activities Invested in capital assets, net										
of related debt	\$ 19,816	\$ 18,786	\$ 18,806	\$ 18,574	\$ 18,334	\$ 17,940	\$ 16,961	\$ 18,165	\$ 17,370	\$ 16,672
Restricted	-	-	-	-	27	1,106	485	902	-	-
Unrestricted Total business-type activities	8,329	8,453	7,658	7,196	6,121	5,014	4,907	2,604	3,433	3,349
net position	\$ 28,145	\$ 27,239	\$ 26,464	\$ 25,770	\$ 24,482	\$ 24,060	\$ 22,353	\$ 21,671	\$ 20,803	\$ 20,021
Primary government Net Investment in capital										
assets	\$ 53,142	\$ 52,744	\$ 53,055	\$ 53,043	\$ 52,573	\$ 53,209	\$ 52,173	\$ 51,220	\$ 49,624	\$ 47,080
Restricted	2,689	2,331	2,301	2,261	2,143	2,841	3,479	3,540	2,699	1,714
Unrestricted Total primary government	14,015	14,240	15,743	15,154	13,377	11,490	9,181	7,994	9,398	10,579
net position	\$ 69,846	\$ 69,315	\$ 71,099	\$ 70,458	\$ 68,093	\$ 67,540	\$ 64,833	\$ 62,754	\$ 61,721	\$ 59,373

### ROY CITY CORPORATION CHANGES IN NET POSITION Last Ten Fiscal Years

(Amounts Expressed in Thousands)

					Fisca	l Year				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 3,539	\$ 4,331	\$ 3,328	\$ 2,961	\$ 3,621	\$ 3,258	\$ 3,202	\$ 3,244	\$ 3,014	\$ 2,731
Public safety	8,191	7,747	7,761	7,612	7,260	7,249	7,130	7,364	7,242	6,544
Public works	2,620	2,514	2,559	2,677	2,669	2,640	2,513	2,896	2,454	2,758
Parks and recreation	2,769	2,591	2,536	2,604	2,531	2,414	2,465	2,593	2,708	2,613
Interest and fiscal charges	6	8	10	8	65	51	62	93	80	47
Total governmental activities expenses	17,125	17,191	16,194	15,862	16,146	15,612	15,372	16,190	15,498	14,693
Business-type activities:										
Water and sewer utility	6,826	6,075	5,527	5,141	4,315	4,112	4,084	4,103	3,742	4,896
Storm sewer utility	516	499	404	438	342	368	346	348	360	275
Solid waste utility	1,851	1,850	1,729	1,711	1,488	1,549	1,469	1,457	1,390	-
Total business-type activities expenses	9,193	8,424	7,660	7,290	6,145	6,029	5,899	5,908	5,492	5,171
Total primary government expenses	\$ 26,318	\$ 25,615	\$ 23,854	\$ 23,152	\$ 22,291	\$ 21,641	\$ 21,271	\$ 22,098	\$ 20,990	\$ 19,864
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,236	\$ 1,191	\$ 966	\$ 987	\$ 1,164	\$ 1,034	\$ 993	\$ 874	\$ 907	\$ 934
Public safety	1,466	1,675	1,454	1,463	1,182	1,040	956	1,064	963	1,021
Public works	51	80	92	114	49	71	129	109	45	82
Parks and recreation	965	941	928	1,079	1,066	1,006	1,028	922	950	1,083
Operating grants and contributions	1,356	1,262	1,268	1,263	1,304	1,200	1,148	2,170	1,499	1,293
Capital grants and contributions	160	178	435	734	511	1,559	1,946	408	1,120	45
Total governmental activities program										
revenues	5,234	5,327	5,143	5,640	5,276	5,910	6,200	5,547	5,484	4,458

### ROY CITY CORPORATION CHANGES IN NET POSITION

Last Ten Fiscal Years

(Amounts Expressed in Thousands)

						Fisca	l Year					
	 2016	 2015	 2014	 2013		2012		2011	 2010	 2009	 2008	 2007
Program Revenues, continued:												
Business-type activities:												
Charges for services:												
Water and sewer utility	6,833	6,169	5,704	5,441		4,775		4,855	4,871	4,522	4,107	5,312
Storm sewer utility	840	835	371	367		364		363	360	359	424	357
Solid waste utility	2,119	2,099	2,083	1,976		1,913		1,900	1,901	1,803	1,739	-
Capital grants and contributions	 100	 58	 -	 595		-		1,314	 152	 759	 552	 -
Total business-type activities program												
revenues	 9,892	 9,161	 8,158	 8,379		7,052		8,432	 7,284	 7,443	 6,822	 5,669
Total primary government program			 		_							
revenues	\$ 15,126	\$ 14,488	\$ 13,301	\$ 14,019	\$	12,328	\$	14,342	\$ 13,484	\$ 12,990	\$ 12,306	\$ 10,127
Net (expense)/revenue:									 			
Governmental activities	\$ (11,891)	\$ (11,864)	\$ (11,051)	\$ (10,222)	\$	(10,870)	\$	(9,702)	\$ (9,172)	\$ (10,643)	\$ (10,014)	\$ (10,235)
Business-type activities	699	737	498	1,089		907		2,403	1,385	1,535	1,330	498
Total primary government net expense	\$ (11,192)	\$ (11,127)	\$ (10,553)	\$ (9,133)	\$	(9,963)	\$	(7,299)	\$ (7,787)	\$ (9,108)	\$ (8,684)	\$ (9,737)
General Revenues and Other												
Changes in Net Position												
Governmental activities:												
Taxes												
Property taxes	\$ 2,661	\$ 2,687	\$ 2,658	\$ 2,602	\$	2,591	\$	2,558	\$ 2,550	\$ 2,514	\$ 2,702	\$ 2,774
Sales taxes	4,878	4,690	4,497	4,300		4,142		3,830	3,701	3,891	4,378	4,352
Franchise taxes	3,005	2,934	3,006	2,954		2,783		2,807	2,775	2,751	2,716	2,592
Payments in lieu of taxes	306	309	330	317		312		338	363	410	418	426
Unrestricted investment earnings	127	818	81	594		88		59	68	214	521	616
Contributions from other government units	454	717	364	479		331		334	321	300	309	358

### ROY CITY CORPORATION CHANGES IN NET POSITION

#### Last Ten Fiscal Years

(Amounts Expressed in Thousands)

					Fisca	al Year				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other										
Changes in Net Position, continued										
Other revenues (uses) not restricted to										
specific programs	85	38	6 62	54	72	69	66	47	(62)	85
Transfers		_	-	-	680	707	727	680	599	585
Total governmental activities	11,516	12,54	1 10,998	11,300	10,999	10,702	10,571	10,807	11,581	11,788
Business-type activities:										
Other revenues (uses) not restricted to										
specific programs	-			199	193	-	-	(131)	3	161
Unrestricted investment earnings	-			-	2	11	24	144	48	-
Transfers	208	20	1 196	-	(680)	(707)	(727)	(680)	(600)	(586
Total business-type activities	208	20	1 196	199	(485)	(696)	(703)	(667)	(549)	(425
Total primary government	\$ 11,724	\$ 12,74	2 \$ 11,194	\$ 11,499	\$ 10,514	\$ 10,006	\$ 9,868	\$ 10,140	\$ 11,032	\$ 11,363
Change in Net Position		_								
Governmental activities	\$ (375	) \$ 67	7 \$ (53)	\$ 1,078	\$ 129	\$ 1,000	\$ 1,399	\$ 164	\$ 1,567	\$ 1,553
Business-type activities	907	93	8 694	1,288	422	1,707	682	868	781	73
Total primary government	\$ 532	\$ 1,61	5 \$ 641	\$ 2,366	\$ 551	\$ 2,707	\$ 2,081	\$ 1,032	\$ 2,348	\$ 1,626

Notes:

Prior to FY 2013, personnel service costs paid to the General Fund by the Utility Funds were considered to be transfers.

Prior to FY 2008, the Solid Waste Utility Fund was combined with the Water and Sewer Utility Fund.

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## ROY CITY CORPORATION CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS Last Ten Fiscal Years

(Amounts Expressed in Thousands)

					Fisca	l Year				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 10,544	\$ 10,311	\$ 10,162	\$ 9,853	\$ 10,136	\$ 9,195	\$ 9,025	\$ 9,156	\$ 9,795	\$ 9,630
Payments in lieu of taxes	306	309	330	317	312	338	363	409	418	426
Licenses and permits	386	382	281	235	391	283	315	281	288	329
Intergovernmental	1,405	1,365	1,497	1,268	1,541	1,321	2,537	1,534	1,900	1,338
Charges for services	2,427	2,634	2,405	2,562	2,902	2,742	2,688	2,681	2,442	2,633
Impact fees	124	97	53	117	95	109	189	56	77	123
Fines and forfeitures	781	774	701	731	752	724	633	632	650	620
Investment earnings	127	818	81	594	88	59	68	214	521	616
Property rental	30	30	34	32	37	39	43	11	11	12
Management fee	130	132	125	120	118	117	136	223	192	190
Contributions and donations	30	628	570	679	531	534	521	300	309	358
Miscellaneous	25	31	28	22	35	30	31	51	33	38
Total revenues	16,315	17,511	16,267	16,530	16,938	15,491	16,549	15,548	16,636	16,313
Expenditures										
General government	3,614	3,522	3,367	3,708	3,527	3,216	3,218	3,192	3,185	2,908
Public safety	8,009	8,046	8,130	7,324	7,361	7,017	6,885	7,026	7,097	6,365
Public works	1,736	2,165	2,040	1,884	1,805	1,946	1,893	2,411	2,015	2,488
Parks and recreation	2,525	2,221	2,228	2,172	2,075	1,920	1,969	1,996	2,309	2,066
Debt service:										
Principal retirement	113	111	109	260	239	467	250	243	155	149
Interest and fiscal charges	7	9	11	15	73	55	64	74	80	47
Intergovernmental	-	1,164	-	-	-	-	-	-	-	-
Capital outlay	750	489	287	307	187	238	3,328	1,050	3,048	702
Total expenditures	\$ 16,754	\$ 17,727	\$ 16,172	\$ 15,670	\$ 15,267	\$ 14,859	\$ 17,607	\$ 15,992	\$ 17,889	\$ 14,725

### ROY CITY CORPORATION CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS Last Ten Fiscal Years (Amounts Expressed in Thousands)

**Fiscal Year** 2016 2015 2014 2013 2012 2011 2010 2009 2008 2007 Excess of revenues over \$ (439) \$ (216)\$ 95 860 \$ \$ 632 \$ (1,058) \$ (444)\$ (1,253) \$ (under) expenditures \$ 1,671 1,588 Other financing sources (uses) Proceeds from Sale of Assets 67 224 54 35 24 17 12 59 35 Contributions from other government units 267 260 ---1,000 Proceeds from revenue bonds 577 --Payment to refunding bond escrow agent (560)-..... ----257 1,870 97 212 565 Transfers in 1,787 220 2.163 490 1,467 (257)(97) Transfers out (1,787)(220)(1,870)(212)(2, 163)(490) (565)(1, 467)Total other financing sources 334 484 54 52 24 17 12 1,059 35 (uses) Net change in fund balances \$ (105)\$ 268 \$ 149 \$ 860 \$ 1,723 \$ 656 \$ (1,041)\$ (432) \$ (194)\$ 1,623 Debt service as a percentage of noncapital expenditures 0.8% 0.7% 0.8% 1.8% 2.1% 3.7% 2.3% 2.2% 1.7% 1.5%

#### Notes:

Capital expenditures reported in various functional categories of expenditures have been deducted to arrive at the debt service percentage of noncapital expenditures.

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# ROY CITY CORPORATION FUND BALANCES OF GOVERNMENTAL FUNDS Last Ten Fiscal Years

(Amounts Expressed in Thousands)

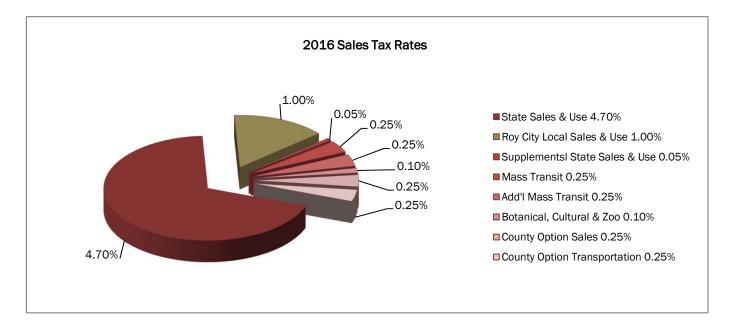
					F	Fiscal Y	ear									
	2016	 2015	 2014	 2013	20	)12	20	011	20	010	20	009	2	800	2	007
General fund																
Non-spendable:																
Inventory	\$ 106	\$ 45	\$ 37	\$ 27	\$	29	\$	26	\$	89	\$	94	\$	101	\$	57
Prepaid items	80	86	45	52		43		44		46		33		113		33
Investment in land	456	456	-	-		-		-		-		-		-		-
Restricted for:																
Roads and public transit	2,689	2,273	2,301	2,261	2	2,115	-	1,736	1	.,201		885		703		563
Debt service	232	345	456	565		825	-	1,036	1	,265	1	,486		1,700		824
Assigned to:																
Recreation	-	-	-	22		-		-		-		-		-		-
Public Safety	9	12	14	63		8		1		40		40		40		54
Land purchase	-	-	-	-		-		-		1		1		1		1
Other	26	41	75	229		4		2		253		283		696		220
Unassigned	3,997	 3,635	 4,672	 3,505	2	2,922	2	2,415	2	2,008	2	2,317		1,799		2,681
Total general fund	\$ 7,595	\$ 6,893	\$ 7,600	\$ 6,724	\$ 5	5,946	\$ 5	5,260	\$ 4	,903	\$5	5,139	\$	5,153	\$ 4	4,433

## ROY CITY CORPORATION FUND BALANCES OF GOVERNMENTAL FUNDS Last Ten Fiscal Years (Amounts Expressed in Thousands)

					Fiscal Y	ear				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Other governmental funds Non-spendable:										
Inventory	\$-	\$-	\$ 494	\$ 494	\$ 1,705	\$ 1,705	\$ 1,705	\$ 1,705	\$ 950	\$ 966
Investment in Land	60	60								
Restricted for:										
Debt service	-	-	-	-	-	-	237	267	296	326
Assigned to:										
Public safety	259	73	73	24	111	77	44	157	114	199
Capital improvements	206	592	-	-	-	-	19	1,039	1,114	2,119
Storm sewer										
improvements	191	171	160	119	181	235	192	66	30	170
Park improvements	1,579	1,774	981	1,088	481	273	169	125	205	258
Cemetery perpetual	165	164	164	161	158	150	142	134	127	120
Redevelopment	1,513	1,712	1,933	1,868	1,021	869	535	299	1,014	822
Other	1	235	-	-	-	-	-	-	216	-
Total other governmental										
funds	3,974	4,781	3,805	3,754	3,657	3,309	3,043	3,792	4,066	4,980
Total governmental funds	\$ 11,569	\$ 11,674	\$ 11,405	\$ 10,478	\$ 9,603	\$ 8,569	\$ 7,946	\$ 8,931	\$ 9,219	\$ 9,413

## ROY CITY CORPORATION SALES TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years

Fiscal Year	Roy City Local Sales & Use	State Sales & Use	Supplemental State Sales & Use	Mass Transit	Additional Mass Transit	Botanical, Cultural & Zoo	County Option Sales	County Option Transportation	Total for Roy City Residents
2016	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2015	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2014	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2013	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2012	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2011	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2010	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2009	1.00%	4.70%	0.05%	0.25%	0.25%	0.10%	0.25%	0.25%	6.85%
2008	1.00%	4.65%	-	0.25%	0.25%	0.10%	0.25%	0.25%	6.75%
2007	1.00%	4.75%	-	0.25%	0.25%	0.10%	0.25%	-	6.60%



### Note:

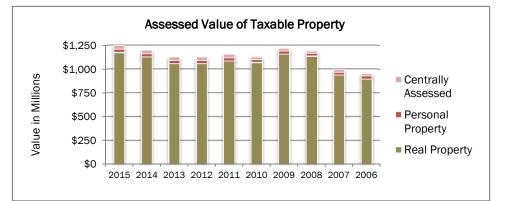
Rates are given as of the second quarter of each year.

### Source:

Utah State Tax Commission web site - Sales Tax Division

## ROY CITY CORPORATION ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (Amounts Expressed in Thousands)

	Real	Prope	erty	Personal	l Property	Cent	trally	Roy City Taxable		RDA Tax	Total Taxable	Total Direct	Estimated Actual	Assessed Value as a Percentage
Fiscal	Real		Duilding	Mobile	Other		essed	Property	Ir	Icrement	Assessed	City	Market	of Actual
Year	Estate		Building	Homes	Other	Prop	perty	Value		Value	Value	Tax Rate	Value	Value
2016	\$ 306,225	\$	867,855	\$ 4,818	\$ 28,504	\$ 4	2,304	\$ 1,229,554	\$	20,152	\$ 1,249,706	2.202	\$ 2,208,667	56.58%
2015	294,210		833,044	4,831	30,652	3	8,246	1,176,928		24,055	1,200,983	2.285	2,026,031	59.28%
2014	297,771		758,694	4,968	28,937	3	8,514	1,099,633		29,251	1,128,884	2.430	1,972,519	57.23%
2013	309,239		747,351	5,207	29,873	3	7,382	1,091,552		37,500	1,129,052	2.389	1,848,974	61.06%
2012	307,044		778,886	5,379	28,328	3	6,249	1,123,097		32,789	1,155,886	2.263	1,855,180	62.31%
2011	301,471		768,147	5,503	26,767	2	7,315	1,094,650		34,553	1,129,203	2.266	1,894,347	59.61%
2010	346,923		809,567	5,659	27,527	2	8,285	1,181,254		36,707	1,217,961	2.084	1,865,033	65.31%
2009	336,573		799,018	5,595	25,644	2	7,690	1,158,495		36,025	1,194,520	2.096	2,023,123	59.04%
2008	247,624		824,163	5,719	26,674	2	4,828	1,072,430		56,578	1,129,008	2.178	1,940,216	58.19%
2007	233,599		704,371	5,684	24,672	2	4,335	936,564		56,097	992,661	2.451	1,650,376	60.15%



Notes:

Taxable property value is based on the calendar year ending six months before the fiscal year ends.

Total property value is excluding fee-in-lieu.

Sources:

Weber County Auditor/Clerk, Assessor, and Treasurer Offices State of Utah/Utah Certified Tax Rates

## ROY CITY CORPORATION PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years Per \$1,000 Assessed Valuation

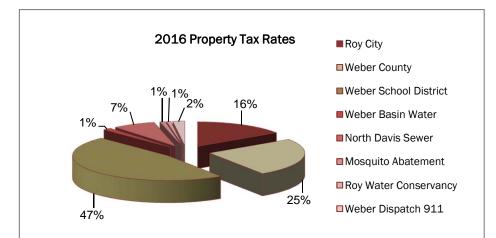
					<b>Overlapping Rates</b>	i			Total
Fiscal Year	Roy City	Weber County	Weber School District	Weber Basin Water Conservancy	North Davis Sewer District	Mosquito Abatement District	Roy Water Conservancy Subdistrict	Weber Area Dispatch 911 & Emergency Svcs District	Direct Rate and Overlapping Rates
2016	2.202	3.543	6.643	0.196	1.025	0.134	0.097	0.288	14.128
2015	2.285	3.711	6.526	0.199	1.025	0.141	0.101	0.303	14.291
2014	2.430	3.718	6.920	0.210	1.025	0.146	0.108	0.310	14.867
2013	2.389	3.966	7.071	0.215	0.993	0.148	0.106	0.316	15.204
2012	2.263	3.916	6.833	0.217	0.928	0.141	0.101	0.301	14.700
2011	2.266	3.832	6.526	0.207	0.864	0.138	0.103	0.309	14.245
2010	2.084	3.560	5.721	0.188	0.763	0.128	0.095	0.286	12.825
2009	2.096	3.447	5.458	0.181	0.763	0.089	0.094	0.278	12.406
2008	2.178	3.608	5.626	0.200	0.763	0.094	0.103	0.293	12.865
2007	2.451	4.063	6.263	0.178	0.763	0.106	0.116	0.302	14.242

#### Notes:

- Overlapping rates are those of local and county governments that apply to property owners within Roy City.
- The total levy for Roy City residents does not include the Central Weber Sewer Improvement District or the Hooper Water Improvement District due to the small number of properties located within those districts.

Source:

Utah State Tax Commission - Property Tax Division Office and web site



## ROY CITY CORPORATION PRINCIPAL PROPERTY TAX PAYERS Current Year (Amounts Expressed in Thousands)

		2016				2007	
Taxpayer	Taxable ssessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable ssessed Value	Rank	Percentage of Total Taxable Assessed Value
PACIFICORP	\$ 19,195	1	1.54%	\$	11,258	2	1.00%
AMERICA FIRST FEDERAL CREDIT	16,569	2	1.33%		7,623	4	0.68%
QUESTAR GAS	13,461	3	1.08%		7,068	5	0.63%
ORCHARD COVE LTD	12,557	4	1.00%		10,283	3	0.91%
WINCO FOODS LLC	8,638	5	0.69%				
DAVIS HOSPITAL & MEDICAL CENTER	7,168	6	0.57%		-		
ROY CITY CENTRE LLC	6,228	7	0.50%		4,321	10	0.38%
AA ALPINE STORAGE ROY LLC	5,950	8	0.48%				
HARMON CITY INC	5,331	9	0.43%		4,697	9	0.42%
K B FAMILY ROY LLC	4,781	10	0.38%				
BOYER IOMEGA	-		-		12,758	1	1.13%
ROY MARKETPLACE LC					6,578	6	0.58%
IBP FUNDING	-		-		6,264	7	0.55%
BOYDEN B REAZIER FAMILY TRUST	 -				5,424	8	0.48%
Total taxable value of 10 largest taxpayers	99,878		8.00%		76,274		6.76%
Total taxable value of other taxpayers	 1,149,828		92.02%		L,052,734		93.24%
Total taxable value of all taxpayers	\$ 1,249,706		100.00%	\$ 2	L,129,008		100.00%

Notes:

Information on the top tax payers is presented based on property tax because it is not available on sales tax. Source:

Weber County Treasurer's Office

## ROY CITY CORPORATION PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Tax Years (Dollar Values Expressed in Thousands)

Tax Year		Total Tax Levy		current Tax llections	fror Gove	llected n Other ernment Units	Percent of Levy Collected	-	Tax Tax		Total Tax llections	Percent of Total Tax Collected to Total Levy (a)
General Fund												
2015	\$	2,755	\$	2,546	\$	-	92.41%	\$	66	\$	2,612	94.81%
2014		2,749		2,554		-	92.91%		83		2,637	95.93%
2013		2,671		2,513		-	94.08%		74		2,587	96.86%
2012		2,604		2,449		-	94.05%		62		2,511	96.43%
2011		2,542		2,399		-	94.37%		42		2,441	96.03%
2010		2,475		2,336		-	94.38%		61		2,397	96.85%
2009		2,462		2,336		-	94.88%		61		2,397	97.36%
2008		2,431		2,290		-	94.20%		73		2,363	97.20%
2007		2,345		2,213		-	94.37%		65		2,278	97.14%
2006		2,297		2,174		-	94.65%		68		2,242	97.61%
Redevelopment	Agen	cy Special	Reven	ue Fund								
2015	\$	316	\$	49	\$	267	100.00%	\$	-	\$	316	100.00%
2014		311		50		261	100.00%		-		311	100.00%
2013		436		72		364	100.00%		-		436	100.00%
2012		569		90		479	15.82%		-		90	15.82%
2011		481		150		331	31.19%		-		150	31.19%
2010		488		154		334	31.56%		-		154	31.56%
2009		473		152		321	32.14%		-		152	32.14%
2008		451		151		300	33.48%		-		151	33.48%
2007		732		423		309	57.79%		-		423	57.79%
2006		802		444		358	55.36%		-		444	55.36%

Notes:

In FY 2014, RDA tax collections were separated between agency tax increment and tax contribution from other governmental units three active districts. Due to the availability of data, adjustments were made retroactive for those districts only.

In FY 2006, the property tax rate was increased to fund equipment and capital improvements.

 a) Property taxes are collected and disbursed to entities by Weber County. The delinquest taxes remittance advice does not include information as to the particular year the tax covers. Delinquent collections cover previous tax year monies received in the current fiscal year. Because the collection cannot be broken down by year, the percentages of total tax collected is skewed.

Source:

Weber County Treasurer's Office

## ROY CITY CORPORATION PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS Last Ten Fiscal Years (Dollar Values Expressed in Thousands)

		Real Property T	axable Value	•		esidential nstruction	-	ommercial onstruction	Co	Other	Bank
Year	Commercial	Residential	Other	Total	Units	Value	Units	Value	Units	Value	Deposits
2016	\$ 205,079	\$ 968,438	\$ 563	\$ 1,174,080	74	\$ 3,885,374	28	\$ 2,944,429	290	\$ 1,840,226	\$ 17,700
2015	201,671	924,999	584	1,127,254	81	3,273,450	27	16,611,350	288	1,113,649	17,516
2014	194,923	861,171	371	1,056,465	97	5,478,286	22	3,531,856	272	1,040,310	14,936
2013	191,895	864,341	353	1,056,589	95	6,724,364	30	6,064,301	183	800,626	15,995
2012	195,103	890,294	533	1,085,930	125	8,160,255	30	3,476,815	243	749,870	12,590
2011	185,033	883,937	647	1,069,617	118	6,870,422	23	2,586,374	231	863,769	11,015
2010	183,183	972,791	517	1,156,491	111	5,371	13	8,693	212	3,837	11,071
2009	164,197	970,536	857	1,135,590	95	3,608	22	6,438	234	613	10,493
2008	154,105	916,801	881	1,071,787	147	8,686	26	6,677	197	684	11,590
2007	143,831	792,990	1,150	937,971	121	7,778	26	5,593	215	794	11,565

Notes:

Taxable property value, construction units and construction values are based on the calendar year ending six months before the fiscal year ends.

Sources:

Weber County Auditor/Clerk's Office Weber County Treasurer's Office Roy City Community Development Department

## ROY CITY CORPORATION RATIOS OF OUTSTANDING DEBT BY TYPE Last Ten Fiscal Years

		Governme	ntal Activities		В	usiness-Type Activities			
Fiend	General	Sales Tax	Opmital	Notes		Water	Total	Percentage	Der
Fiscal Year	Obligation Bonds	Revenue Bonds	Capital	Notes Payable		Revenue Bonds	Primary Government	of Personal Income	Per Capita
2016	\$-	\$ 232,000	\$-	\$-	\$	5,281,998	\$ 5,513,998	0.56%	\$ 145.24
2015	-	345,000	-	-		5,622,303	5,967,303	0.61%	157.54
2014	-	456,000	-	-		5,947,626	6,403,626	0.66%	169.71
2013	-	565,000	-	-		6,331,453	6,896,453	0.71%	183.40
2012	-	674,000	150,600	-		6,627,201	7,451,801	0.77%	199.27
2011	-	740,000	295,651	-		6,925,296	7,960,947	0.83%	215.84
2010	237,000	830,000	435,357	-		7,200,294	8,702,651	0.91%	240.01
2009	267,000	916,000	569,915	-		7,397,420	9,150,335	0.96%	256.51
2008	296,000	100,000	699,514	-		7,573,910	8,669,424	0.95%	247.36
2007	326,000	-	824,338	-		-	1,150,338	0.13%	32.86

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data.

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## ROY CITY CORPORATION RATIOS OF GENERAL BONDED DEBT OUTSTANDING Last Ten Fiscal Years

Fiscal Year	Genera Obligatio Bonds	on	Del Serv Mon Availa	ice ies	Net Bonded Debt	ו י A	Ratio of Net Bonded Debt to Estimated ctual Value of xable Property	D	t Bonded Debt per Capita
2016	\$	-	\$	-	\$ -		0.00%	\$	-
2015		-		-	-		0.00%		-
2014		-		-	-		0.00%		-
2013		-		-	-		0.00%		-
2012		-		-	-		0.00%		-
2011		-		-	-		0.00%		-
2010	237	7,000		-	237,000		0.01%		6.54
2009	267	7,000		-	267,000		0.01%		7.48
2008	296	6,000		-	296,000		0.02%		8.45
2007	326	5,000		-	326,000		0.02%		9.31

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for population data.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

Sources:

U S Census Bureau

Weber County Auditor/Clerk's Office

## ROY CITY CORPORATION DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT As of June 30, 2016

Governmental Unit	 General Bonded Debt Outstanding	Estimated Percentage Applicable to Roy City	Estimated Share of Overlapping Debt
North Davis County Sewer District	\$ 26,970,000	13.33%	\$ 3,595,101
Roy Water Conservancy Subdistrict	967,000	100.00%	967,000
State of Utah	2,949,659,000	0.53%	15,633,193
Weber Basin Water Conservancy District	19,862,674	2.71%	538,278
Weber County	39,895,000	9.78%	3,901,731
Weber County School District	124,270,000	14.20%	 17,646,340
Overlapping debt			\$ 42,281,643
Roy City bonded debt		100.00%	 232,000
Total direct and overlapping general			
bonded obligation debt			\$ 42,513,643

### Note:

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by taking Roy City's taxable property value and dividing by the governmental unit's taxable property value.

Sources:

Individual governmental units

## ROY CITY CORPORATION LEGAL DEBT MARGIN INFORMATION Last Ten Fiscal Years (Amounts Expressed in Thousands)

						Fiscal Year				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 49,182	\$ 47,077	\$ 43,985	\$ 43,662	\$ 44,924	\$ 43,786	\$ 47,250	\$ 46,340	\$ 42,897	\$ 37,463
Total net debt applicable										
to limit	-	-	-	-						
Legal debt margin	\$ 49,182	\$ 47,077	\$ 43,985	\$ 43,662	\$ 44,924	\$ 43,786	\$ 47,250	\$ 46,340	\$ 42,897	\$ 37,463
Total net debt applicable to										
the limit as a percentage										
of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total assessed value								=	\$ 1,229,554	
Debt limit (4% of total assess	sed value)								\$ 49,182	
Debt applicable to limit:										
Total bonded debt								\$ 5,512		
Less:										
Revenue bonds								(5,512)		
Other deductions allowed	by law						_	-		
Total net debt applicable	e to limit							_	-	
Legal debt margin								=	\$ 49,182	

Note: Does not include values for the Redevelopment Agency Special Revenue Fund.

## ROY CITY CORPORATION DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Fiscal Years

			Pe	er Capita	
		Personal	Р	ersonal	Unemployment
Year	Population	Income	I	ncome	Rate
2016	37,964	\$ 977,214,412	\$	25,741	4.0%
2015	37,877	972,952,878		25,687	4.3%
2014	37,733	968,999,361		25,680	5.2%
2013	37,604	966,968,727		25,715	6.6%
2012	37,395	964,076,497		25,781	7.8%
2011	36,884	960,235,555		26,034	8.6%
2010	36,260	957,363,464		26,403	7.6%
2009	35,672	952,600,462		26,704	4.1%
2008	35,048	911,579,390		26,009	3.1%
2007	35,008	865,697,426		24,729	3.3%

### Notes:

Figures for 2006-2010 are from the 2000 U S Census. Subsequent years are from the 2010 U S Census. Population figures from 2006-2010 are estimates as of July 1 of the previous year based on the U S

Census' population estimates.

Personal income figures are estimates based on annual growth rates for the State of Utah. Unemployment figures are rates for Weber County. Information on a city level is not available.

Sources:

U S Census Bureau

State of Utah Governor's Office web sites

Utah Department of Workforce Services

## ROY CITY CORPORATION PRINCIPAL EMPLOYERS Current Year and Ten Years Ago

			Fisca	ll Year		
		2016			2007	
			Percent of			Percent of
			Total			Total
Employer	Employees	Rank	Employment	Employees	Rank	Employment
Hill Air Force Base	10,000 - 14,999	1	10.0%	20,000 - 25,000	1	21.1%
Internal Revenue Service	4,000 - 5,999	2	3.8%	5,000 - 6,999	2	5.5%
McKay-Dee Hospital	3,000 - 3,999	3	2.9%	2,000 - 2,999	5	2.3%
Autoliv ASP	2,000 - 2,999	4	2.1%	2,000 - 2,999	4	2.3%
America First Credit Union	1,000 - 1,999	5	1.2%			-
Fresenius USA, Inc.	1,000 - 1,999	6	1.2%	1,000 - 1,999	8	1.3%
Weber State University	1,000 - 1,999	7	1.2%	2,000 - 2,999	6	2.3%
Associated Food Stores	500-999	8	0.6%	-		-
Columbia Ogden Regional	500-999	9	0.6%	-		-
Marketstar Corp	500-999	10	0.6%	-		-
Convergys	-		-	1,000 - 1,999	7	1.3%
Weber School District	-		-	3,000 - 3,999	3	3.2%
Ogden School District	-		-	1,000 - 1,999	9	1.3%
Wal-Mart	-		-	1,000 - 1,999	10	1.4%
Total	23,500 - 35,990		24.2%	38,000 - 52,990		42.0%

Note:

The Utah Department of Workforce Services provides employment information on a county basis. Roy City is the second largest city in Weber County.

Hill Air Force Base is considered to be in Davis County, which is contiguous to Weber County.

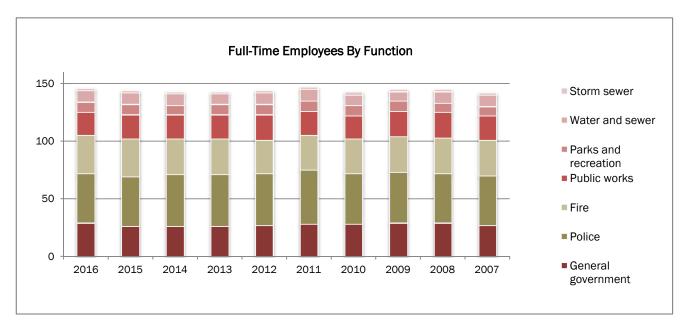
Actual employment numbers are not available to calculate the percentage of total employment by employer.

## Sources:

Weber County Comprehensive Annual Financial Report 2015

## ROY CITY CORPORATION FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION Last Ten Fiscal Years

				Full-	time Emp	oloyees a	s of June	e 30		
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function										
General government	29	26	26	26	27	28	28	29	29	27
Public safety										
Police										
Officers	39	38	40	40	40	42	39	39	38	39
Civilians	4	5	5	5	5	5	5	5	5	4
Fire										
Firefighters and officers	32	32	30	30	28	29	29	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1
Public works	20	21	21	21	22	21	20	22	22	21
Parks and recreation	9	9	8	9	9	9	9	9	8	8
Water and sewer	10	10	10	9	10	10	9	8	10	10
Storm sewer	2	2	2	2	2	2	3	2	2	2
Total	146	144	143	143	144	147	143	145	145	142



Notes:

In 2009, one employee was reclassified from general government to parks & recreation.

In 2016, two employees were reclassified from public works to general government.

## ROY CITY CORPORATION OPERATING INDICATORS BY FUNCTION Last Ten Fiscal Years

					Fiscal	rear				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function										
Police										
Moving violations	3,596	3,805	3,459	4,663	4,623	4,086	1,864	1,980	2,692	2,509
Non-moving violations	2,946	2,719	2,226	3,098	2,870	3,917	3,539	4,002	4,813	4,860
DUI violations	151	164	171	179	132	106	85	121	123	103
Parking violations	189	114	546	435	598	691	272	95	1,096	708
Fire										
Fire calls dispatched	1,187	1,196	1,063	641	955	701	612	652	617	577
Medical calls dispatched	3,963	4,283	3,850	4,283	3,702	3,923	4,196	3,986	3,944	3,814
	5,150	5,479	4,913	4,924	4,657	4,624	4,808	4,638	4,561	4,391
Streets										
Snow removal and sanding:										
Miles	13,390	2,373	7,720	13,802	3,987	9,925	8,504	13,326	19,759	2,728
Hours	1,742	314	886	1,543	506	904	935	1,515	2,692	286
Asphalt resurfacing (tons)	1,598	1,793	857	660	581	747	939	775	1,077	2,420
Water										
Service connections	10,786	10,754	10,718	10,698	10,657	10,610	10,565	10,538	10,510	10,490
Water main breaks	15	16	23	25	16	28	23	28	17	22
Avg daily consumption										
in gallons	2,768,581	2,578,359	2,826,756	2,885,636	2,737,570	2,851,236	2,834,907	2,936,564	2,946,649	3,053,622
Aquatic Center										
Admissions	100,408	97,127	100,023	118,475	120,702	119,648	113,607	72,089	73,944	70,424
Complex										
Admissions	16,325	16,859	20,575	25,070	32,384	37,665	37,727	37,723	31,537	36,244

Sources:

Various City departmental data

## ROY CITY CORPORATION CAPITAL STATISTICS BY FUNCTION Last Ten Fiscal Years

						Fiscal Year				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	24	24	24	20	22	22	22	22
Motorcycle units	0	0	0	2	2	2	2	2	2	2
Animal control units	2	2	2	2	2	2	2	2	2	2
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Streets (miles/units)										
Streets	115.1	114.8	114.8	114.2	114.2	114.2	114.0	114.0	113.3	109.9
Curb and gutter	208.0	207.4	207.4	207.4	207.4	207.4	207.0	207.0	207.2	212.8
Sidewalk	197.0	196.4	196.4	196.4	196.4	196.4	196.0	196.0	196.2	181.4
Streetlights	860	855	849	817	812	806	806	806	806	791
Traffic signals	3	3	3	2	2	2	2	2	2	2
Parks and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks	10	10	10	10	10	10	10	10	10	10
Park acreage	113	113	113	113	113	113	113	113	113	113
Covered picnic areas	18	18	18	18	18	18	18	18	18	16
Baseball diamonds	13	13	13	13	13	13	13	13	13	13
Soccer fields	17	17	17	17	17	13	13	13	13	13
Tennis courts	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	1	1	1
Sewer (miles)										
Sanitary sewers	114.6	114.2	114.0	116.9	116.9	116.9	117.0	117.0	116.7	112.2
Storm sewers	83.7	83.2	83.0	83.0	83.0	83.0	83.0	83.0	82.8	79.1
Water (miles/units)										
Water lines	156.9	156.5	156.4	153.4	153.4	153.4	153.0	153.0	153.0	151.2
Fire hydrants	1,390	1,390	1,381	1,363	1,363	1,358	1,345	1,343	1,341	1,305

Sources:

Various City departmental data

# REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

Honorable Mayor and City Council Roy City Corporation, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roy City Corporation, Utah, (City) 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 and have issued our report thereon dated November 1, 2016.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances 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.

onipoeruy, PC. Roy, Utah

November 1, 2016

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Certified Public Accountants A Professional Corporation

Independent Auditor's Report of Compliance with applicable Requirements and on Internal Control over Compliance in Accordance with the State Compliance Audit Guide

Honorable Mayor and City Council Roy City Corporation, Utah

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

We have audited Roy City Corporation's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the Roy City Corporation 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 and Related Revenues Open and Public Meetings Act Treasurer's Bond Impact Fees

#### 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 the Roy City Corporation'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*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Roy City Corporation occurred. An audit includes examining, on a test basis, evidence about the Roy City Corporation'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 Roy City's compliance.

## Opinion on General State Compliance Requirements and Each Major State Program

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

#### **Other Matters**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the State Compliance Audit Guide and which is described in the accompanying schedule of findings and recommendations as item 2016-1. Our opinion on compliance is not modified with respect to these matters.

Roy City Corporation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations. Roy City Corporation'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 Roy City Corporation 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 Roy City Corporation's internal control over compliance with the compliance

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requirements that could have a direct and material effect on Roy City Corporation 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 Roy City Corporation'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 with a compliance 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 weakness may exist that may not have 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.

Ompoeny, PC.

Roy, Utah November 1, 2016

### ROY CITY CORPORATION Schedule of Findings and Recommendations June 30, 2016

#### 2016-1 Budgetary Compliance

**Finding:** Utah State statues place limits on the unrestricted general fund balance of Municipalities. Unrestricted general fund balances which include committed, assigned, and unassigned general fund balances cannot exceed 25% of the total revenue of the general fund for the fiscal year. Roy City Corporation's unrestricted fund balance exceeded 25% of the total general fund revenue for the fiscal year under audit by \$66.

**<u>Recommendation</u>**: We would recommend that the City maintain fund balances within the legal limitation prescribed by State statues.

<u>City Response:</u> The City is diligent in reviewing fund balance reserves, as well as revenues and expenditures throughout the year. This year, expenditures did not meet budgeted amounts in a few key areas, causing a higher than expected net change in fund balance. Throughout the City, fuel costs were down. Budgets were not significantly altered due to the uncertainty of the oil market. Secondly, it was difficult to fill open positions with qualitied staff. Some positions remained open for long periods of time, causing budgeted funds for personnel to go unused. For FY 2017, the City has budgeted to use fund balance reserves to fund capital improvement projects.