

ROY CITY CORPORATION

Roy, Utah



Roy Days 2017

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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For the Fiscal Year Ending June 30, 2017



Prepared by:

Cathy A. Spencer
Management Services Director

ROY CITY CORPORATION
Comprehensive Annual Financial Report
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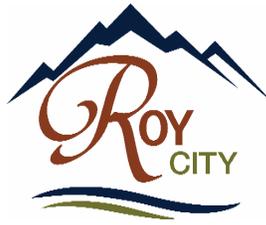
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INTRODUCTORY SECTION

Mayor
Willard S. Cragun

City Manager
Jason R. Poulsen



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

August 31, 2017

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, 2017.

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, 2017, 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, 2017, 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 38,000. 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 22nd. 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 40-42 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than the major governmental funds, this comparison is presented in the governmental fund subsection of this report, which starts on page 90.

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 2017 sales tax revenue increased 4.92% compared to 4.01% in FY 2016. 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 2018.

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 19.59% of the total general fund revenue. In FY 2017, property tax revenue, including prior year delinquencies, grew by \$963,435, or 36.89%. The reason for the increase is the City underwent the truth in taxation process to raise funds to cover personnel and capital improvement enhancements.

With minimal open space in Roy available, residential construction starts remain low. Currently, a few smaller residential subdivisions are under development. A new single family home subdivision, West Park phase one, 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 and phase two is in the planning stages.

Two multi-family projects which received approval in 2015 were completed in FY 2017. 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. Both of these projects bring options to residents that want to move away from the single family homes. The Roy Regency project came under construction in FY 2017. The location will include two four-plex and one three-plex units. Construction should be completed in FY 2018.

In FY 2017, the City has received plan for the construction of three car wash facilities. The locations include 3500 W 4000 S; 5600 S 2700 W; and 5500 S 4300 W. Construction on the facilities should begin in FY 2018.

Bank of Utah completed construction of their new Roy Branch location. The facility is approximately 4,000 square feet and was constructed at a site adjacent to its former facility. Among other amenities, the new modern branch has easier access to drive up banking.

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 2017 the local unemployment rate was 3.9%. This is a decrease of .1% from the same time in 2016. The local unemployment rate is well below the national rate of 4.4%. Of the nonfarm wage and salary employment, locally, jobs were up in all areas except information. Some of the largest increases occurred in other services of 6.8%, leisure and hospitality of 5.6%, professional and business services of 5.2%, manufacturing of 5%, and education and health services of 4.5%.

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 \$4,186,862 at June 30, 2017, and \$4,031,910 at June 30, 2016. 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 2017. For more information on the City's long-term debt, see the Detailed Notes to the Financial Statements pages 69-70.

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 2017, 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 has begun and is expected to be completed in October 2017. For FY 2018, the committee will be looking to extend the lighting northward to the City limits; complete the water feature, and install historical markers at various locations throughout the City.

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 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, become available for sale. Current owners of commercial property located adjacent to the park wish to purchase the property and expand their facilities southward. This will allow that owner to bring additional services to the Wasatch Executive Park site.

With a land swap between Roy City and the Weber School District in FY 2014, the City set in motion its plan to realign George Wahlen North Park. To date, \$2,500,000 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 the park is underway and includes clearing and leveling of the site and new restrooms.

In order to address congestion within the City two round-a-bouts have been constructed on 4800 South and 4000 South. The projects were completed by the City, with participation of a developer of the West Park Subdivision and the local school district. Traffic flow in the area was changed to keep motorists safe. In the area below the Union Pacific Railway, medians have been installed to prevent vehicles from traveling across lanes of traffic.

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.

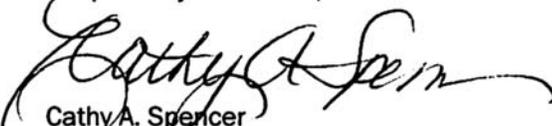
Awards and Acknowledgements

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, 2016. 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 unflinching support for maintaining the highest standards of professionalism in the management of Roy City Corporation's finances.

Respectfully submitted,



Cathy A. Spencer
Management Services Director

ROY CITY CORPORATION
List of Elected and Appointed Officials
June 30, 2017

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

Jason R. Poulsen ----- Interim City Manager
Andrew H. Blackburn ----- City Attorney
Cathy A. Spencer ----- Budget Officer

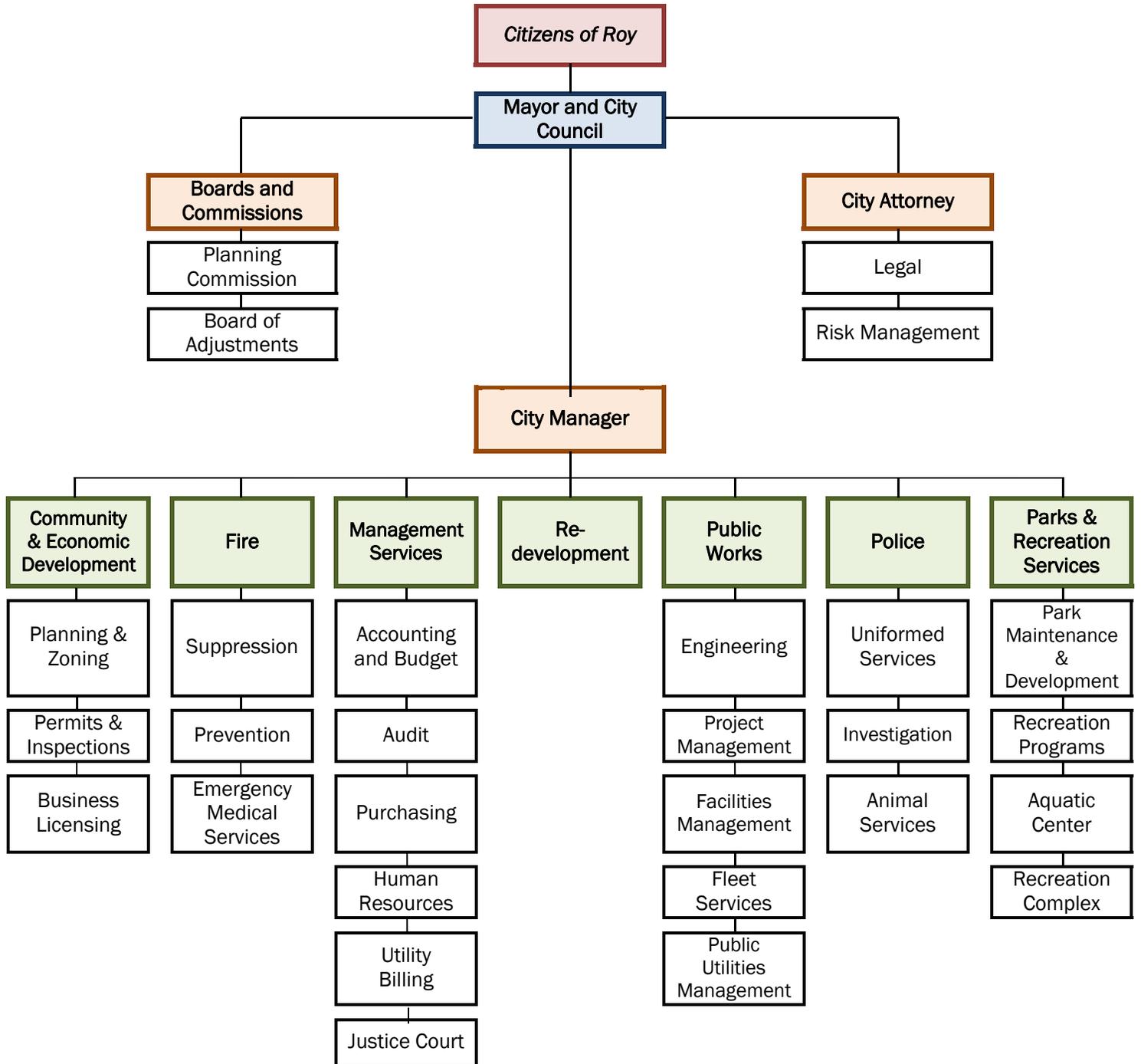
Statutory Appointed Officials

Carl G. Merino ----- Chief of Police
Amy S. Mortenson ----- City Recorder
Nicole L. Higgs ----- City Treasurer
Mark T. Miller ----- City Engineer
Trent D. Nelson ----- Justice Court Judge

Department Directors

Jeffrey R. Comeau ----- Interim Fire Chief
Cathy A. Spencer ----- Management Services Director
S. Ross Oliver ----- Public Works Director
Travis J. Flint ----- Parks & Recreation and Recreational Facilities Director

Roy City Corporation
Organizational Chart





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, 2016

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, 2017, 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, 2017, 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 29 and 82 through 84 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 and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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.

Roy, Utah
August 31, 2017

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 \$959,537. Governmental activities incurred a decrease of \$12,991 from operations, while business-type activities resulted in an increase of \$972,528.
- 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 \$70,806,054 (net position). Of this amount, \$14,554,126 (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 \$11,378,669, a decrease of \$190,216 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 \$3,967,495 or 22.13% 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.

Governmental funds. 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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. 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.

Proprietary funds. 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 \$70,806,054 at the close of the most recent year, June 30, 2017.

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 | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 17,454 | \$ 17,708 | \$ 10,341 | \$ 9,574 | \$ 27,795 | \$ 27,282 |
| Capital assets | 33,975 | 33,558 | 25,007 | 25,098 | 58,982 | 58,656 |
| Total assets | 51,429 | 51,266 | 35,348 | 34,672 | 86,777 | 85,938 |
| Deferred outflows | 2,873 | 2,340 | 172 | 181 | 3,045 | 2,521 |
| Total assets and deferred outflows of resources | 54,302 | 53,606 | 35,520 | 34,853 | 89,822 | 88,459 |
| Long-term debt | 1,583 | 1,588 | 5,094 | 5,371 | 6,677 | 6,959 |
| Other liabilities | 6,119 | 5,677 | 1,228 | 1,266 | 7,347 | 6,943 |
| Total liabilities | 7,702 | 7,265 | 6,322 | 6,637 | 14,024 | 13,902 |
| Deferred inflows | 4,912 | 4,639 | 80 | 71 | 4,992 | 4,710 |
| Total liabilities and deferred inflows of resources | 12,614 | 11,904 | 6,402 | 6,708 | 19,016 | 18,612 |

Roy City Corporation's Net Position, continued
(Stated in Thousands of Dollars)
As of June 30

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net position: | | | | | | |
| Net investment in capital assets | 33,743 | 33,326 | 20,076 | 19,816 | 53,819 | 53,142 |
| Restricted | 2,434 | 2,689 | - | - | 2,434 | 2,689 |
| Unrestricted | 5,511 | 5,686 | 9,042 | 8,329 | 14,553 | 14,015 |
| Total net position | <u>\$ 41,688</u> | <u>\$ 41,701</u> | <u>\$ 29,118</u> | <u>\$ 28,145</u> | <u>\$ 70,806</u> | <u>\$ 69,846</u> |

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 3,816 | \$ 3,718 | \$ 10,407 | \$ 9,793 | \$ 14,223 | \$ 13,511 |
| Grants and contributions: | | | | | | |
| Operating | 1,628 | 1,356 | - | - | 1,628 | 1,356 |
| Capital | 92 | 160 | 42 | 100 | 134 | 260 |
| General revenues | | | | | | |
| Property taxes | 3,641 | 2,661 | - | - | 3,641 | 2,661 |
| Other taxes | 8,549 | 8,189 | - | - | 8,549 | 8,189 |
| Investment earnings | 212 | 127 | - | - | 212 | 127 |
| Contributions from other gvts | 755 | 454 | - | - | 755 | 454 |
| Other | 80 | 85 | 214 | 206 | 294 | 291 |
| Total revenues | <u>18,773</u> | <u>16,750</u> | <u>10,663</u> | <u>10,099</u> | <u>29,436</u> | <u>26,849</u> |
| Expenses: | | | | | | |
| General government | 3,358 | 3,539 | - | - | 3,358 | 3,539 |
| Public safety | 9,060 | 8,191 | - | - | 9,060 | 8,191 |
| Public works | 3,365 | 2,620 | - | - | 3,365 | 2,620 |
| Parks and recreation | 2,999 | 2,768 | - | - | 2,999 | 2,768 |
| Interest and fiscal charges | 4 | 6 | - | - | 4 | 6 |
| Water and sewer utility | - | - | 7,275 | 6,826 | 7,275 | 6,826 |
| Storm sewer utility | - | - | 634 | 516 | 634 | 516 |
| Solid waste utility | - | - | 1,781 | 1,851 | 1,781 | 1,851 |
| Total expenses | <u>18,786</u> | <u>17,124</u> | <u>9,690</u> | <u>9,193</u> | <u>28,476</u> | <u>26,317</u> |
| Increase (decrease) in net position | (13) | (374) | 973 | 906 | 960 | 532 |
| Net position - beginning | <u>41,701</u> | <u>42,075</u> | <u>28,145</u> | <u>27,239</u> | <u>69,846</u> | <u>69,314</u> |
| Net position - ending | <u>\$ 41,688</u> | <u>\$ 41,701</u> | <u>\$ 29,118</u> | <u>\$ 28,145</u> | <u>\$ 70,806</u> | <u>\$ 69,846</u> |

By far, the largest portion of the City's net position, 76.01%, 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 (3.44%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$14,554,126, 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 \$12,991, while business-type activities increased net position by \$972,528.

Governmental activities. The governmental activities portion of the change in net position accounted for a 1.35% decline in the growth for the City as a whole.

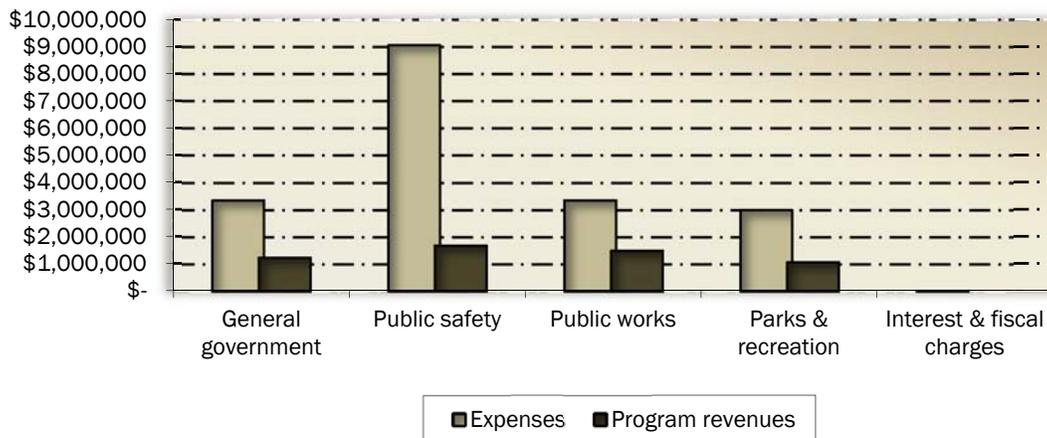
- Overall, property taxes increased by \$979,923 in the governmental funds from FY 2016. Property taxes in the general fund increased by \$963,435, while the increment received by the RDA increased \$16,488. The increase for the general fund can be attributed to property tax increase done to provide funding for personnel and capital improvements. The increase for the RDA is the result of the change in the City's property tax rate.
- Sales tax increased \$240,211 or 4.92%. The economy in the State of Utah continued a strong growth pattern.
- Other taxes were down \$655 over the previous fiscal year. Of that amount, \$40,533 represents a loss in telecom gross receipts. An increase of \$39,878 was provided by franchise taxes. Payments in lieu of taxes reflects an increase, \$119,845, or 39.14%. This is a direct result of the property tax increase.
- Class C Road funds received were up 30.21%, or \$331,185 from 2016. This was due to an issue related to fund allocation percentages throughout the State of Utah. The final settlement for the prior year was not available prior to the preparation of the financial statements so an estimate was made. That estimate proved to be lower than the actual allowing for some of the funding to flow through to FY 2017.
- 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 \$372,110 from the tax in FY 2017. This was the first full year for implementation of the tax.
- Revenue from charges for services increased \$128,479 in comparison to FY 2016. The largest increases came from ambulance and transport services, \$58,327; parking violations, \$10,219; and Aquatic Center revenues, \$83,029. Calls for ambulance services were lower, while the calls for transport services are up. With the more severe winter weather, there was a greater push for

parking violations. The hot summer weather brought in more customers at the Aquatic Center, and required fewer shut down days.

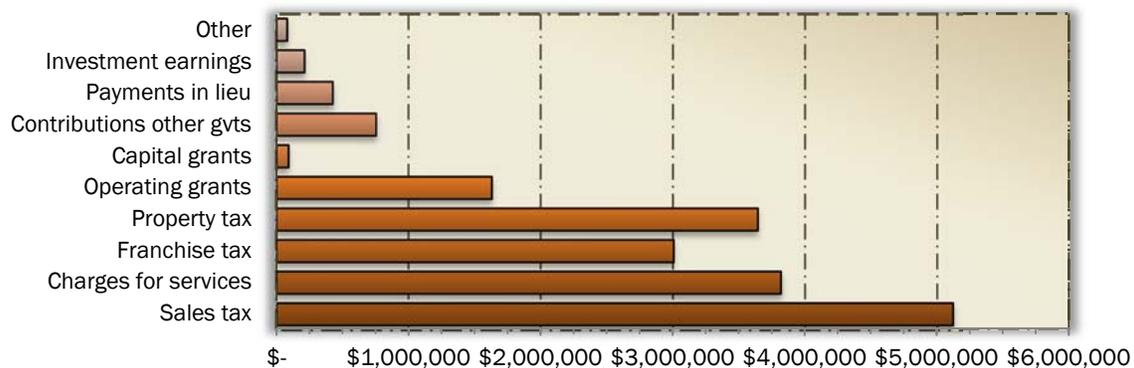
- Roy City’s average yield on investments in the Utah Public Treasurer’s Investment Fund increased .428% from FY 2016, and investment balances were up at the end of the year. As a result, income from interest increased by \$75,942.
- Total expenses for wages and benefits were up \$701,102, or 6.38%, from FY 2016. A 2% cost of living adjustment and a up to a 2.5% merit was given to eligible employees. In addition, there were numerous retirements where employees were paid out for their accrued vacation and sick leave.
- Operating expenses increased from FY 2016 by \$1,187,532. Highlights of the net increase include a decrease of \$31,211 in the Legislative Department as Roy Days activities were moved to a separate department; a \$31,504 increase in the Building Maintenance Division, \$26,153 of which was for street lights; a \$79,769 increase in the Police Department including additional travel and training, office supplies, equipment and supplies, fuel and vehicle maintenance, and \$21,882 in additional Beer Tax grant expenditures; a \$59,570 increase in the Street division including \$50,442 for road maintenance; a \$65,105 increase in Roy Days because the event was moved to its own department; a \$37,067 increase in Parks and Recreation including buildings and grounds maintenance, professional and technical, program supplies, and \$22,690 for RAMP projects. Street repairs and maintenance in the Class C Road Fund were up \$438,823 and up \$212,921 in the Transportation Infrastructure Fund.
- Capital expenditures increased \$1,212,648, or 219.02% over FY 2016. Improvements were made to the HVAC system in the Municipal Building; a round-a-bout was constructed on 4800 South; major road improvements were done; vehicles and mowers were purchased.

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 101.35% 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.

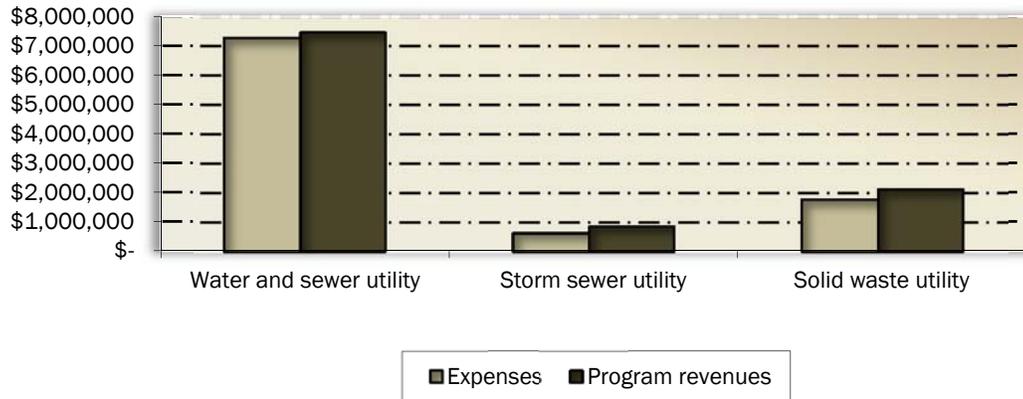
Key elements of the increase to net position of business-type activities include:

- Revenue from water, sewer, capital improvements, storm sewer and garbage services had an increase of \$613,421. Water revenue is up \$15,451, due to a small rate increase. Sewer revenue increased \$548,709. 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 19.35%. Storm sewer revenue increased \$8,290, a result of additional customers. The City's garbage collection revenue increased \$15,608 due to a slight rate increase by the contractor which was passed along to the customers. Also, customers opting out of recycling pay a higher rate for garbage collection. Recycling revenue was down by \$9,711 due to customers opting out of the program.
- Impact and connection fees related to new construction increased \$59,314, largely a result of commercial projects.
- Miscellaneous income increased by \$6,167. The fee charged to transfer services to new homeowners and late fees were up.
- Total expenses for wages and benefits was up \$53,513 from FY 2016. As stated above, a cost of living adjustment of 2%, as well as up to a 2.5% 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 \$545,906 in FY 2017. Utility costs increased by \$16,771 to run the facilities. Water meter costs decreased \$175,101. Crews continued to install meters purchased in the prior year. This will be a five year project. Contract rate for sewer increase by \$481,444 as a result of a capital improvement plan implemented by the sewer district. The maintenance for the water and sanitary sewer systems decreased by \$19,060 as funding is directed toward replacing aging infrastructure. Culinary water fees increased \$19,275 due to an increase by the provider. Maintenance of the storm sewer system was up \$6,895. Disposal fees for solid waste dropped \$9,579. Professional and technical fees for online bill pay increased \$28,112 due to an increase in the user base. Due to the increased rates for water and sewer, franchise fees were up \$905 and \$32,977 for water and sewer, respectively.
- Debt service decreased by \$13,986. Interest expense is reduced as the debt is repaid.

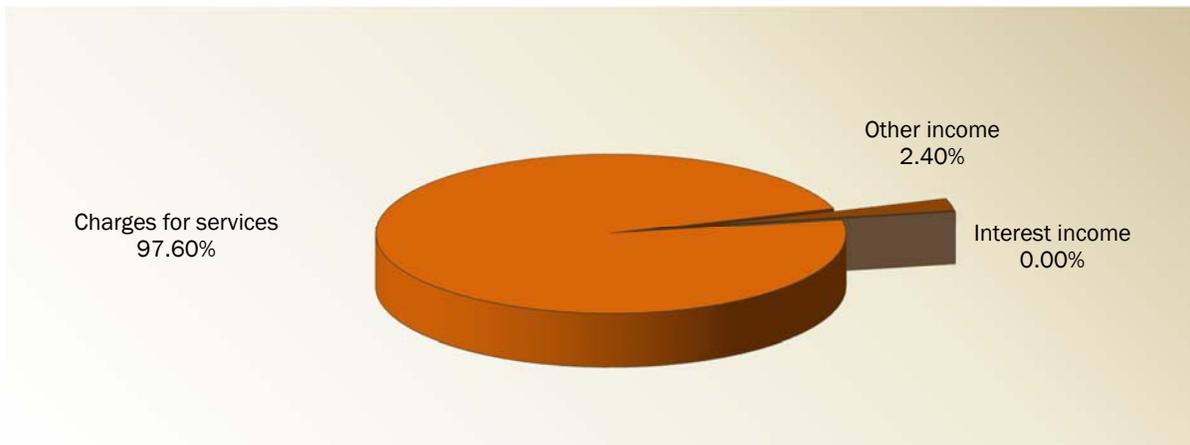
- Reserves for claims increased \$43,574.

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.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,378,669, a decrease of \$190,216 from the prior year. Approximately 34.87%, or \$3,967,495, 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, 2017, \$2,359,969 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 \$3,967,495, while the total fund balance was \$7,288,387. 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 22.13% of total general fund expenditures, while total fund balance represents 40.66% of that same amount. During the fiscal year, the fund balance of Roy City Corporation's general fund (GAAP basis) decreased by \$306,546 which is \$1,008,620 less than the prior year. When comparing FY 2017 to FY 2016 there was 1) a 10.87% increase in revenue of \$1,753,465, 2) a 17.65% decrease in expenditures of \$2,688,710, 3) a 19.72% decrease in the gain on sale of assets of \$13,270, and 4) a 178.49% decrease in the amount transferred to capital projects funds of \$458,755.

Included in the *governmental funds* is \$1,802,746 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 financed by proprietary or special revenue funds. During FY 2017 the fund balance in the capital projects funds decreased by \$25,767 compared to a \$469,402 increase in FY 2016. When comparing FY 2017 to FY 2016, the decrease can be attributed to a 2.08% increase in project expenditures of \$15,120 exceeding a 178.49% increase in transfers from the general fund of \$458,755. At June 30, 2017, fund balances available for specific capital projects include Capital Improvements of \$207,112, Recreational Facilities Improvements of \$1,065,690, and Fire & Rescue Facilities and Equipment of \$529,944.

Also included within the *governmental funds* is \$2,316,184 which is assigned for specific purposes. For these special revenue funds, fund balance increased by \$142,097 compared to an increase of \$363,274 in FY 2016. When comparing FY 2017 to FY 2016, the change of \$142,097 is a result of 1) a 33.38% increase in property tax revenue of \$16,488, 2) a .00% increase in impact fees of \$676, 3) a 131.13% increase in investment earnings of \$3,100, 4) a 77.50% decrease in cemetery fees of \$124, 5) a 76.48% decrease in operating expenditures of \$583,312, 6) a 461.70% increase in capital outlay of \$139,498, and 7) a 3.84% increase in contributions from other government units of \$10,256. At June 30, 2017, available fund balances in these special funds included Redevelopment Agency \$1,784,449; Storm Sewer Development \$191,609; Park Development \$175,527; and Cemetery \$164,599.

Proprietary funds. 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 \$4,436,379, for the storm sewer utility fund unrestricted net position was \$970,485, and for the solid waste utility fund unrestricted net position was \$3,447,655. Net position for all proprietary funds increased. The increase for the water and sewer, storm sewer utility, and solid waste utility funds was \$395,532, \$225,957 and \$347,836, respectively.

The increase in net position for the water and sewer utility fund was higher than the increase in FY 2016 by \$142,774. Operating revenues for the water and sewer utility fund increased \$603,806, or 8.58% from the prior year, while operating expenses increased \$465,044 or 7.01%. Other factors in the

increase in net position are 1) interest expense and bond costs dropped 5.95% or \$13,985, 2) gain on sale of assets increased \$31,275, and 3) contributions from developers decreased \$41,232 or 57.77%.

The increase in net position for the storm sewer utility fund exceeded the increase in FY 2016 by \$127,129. Operating revenues for the storm water utility fund increased \$8,290, or .99% from the prior year, while expenses increased \$118,435 or 22.94%, and contributions from developers decreased \$16,984 or 58.84%.

Operating revenue for the solid waste utility fund was up \$7,492 or .35% from FY 2016. Operating expenses decreased \$73,671 or 3.97%. These factors resulted in an increase in the change in net position of \$81,163 from FY 2016.

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 \$18,051,787 to a final budget of \$20,352,240, an increase of \$2,300,453 or 12.74%. Some of the more significant budget changes to individual revenue and expenditure items are as follows:

- \$50,000 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.
- \$85,000 increase in building permits. Commercial building starts were up in FY 2017.
- \$85,000 increase in grant revenue. Various public safety grants were applied for.
- \$25,000 increase in interest income. Deposits were up as well as interest rates.
- \$33,780 increase in proceeds from the sale of assets. The City began posting surplus property on the Public Surplus web site for sales.
- \$518,996 increase in contribution from fund balance reserves. The City Council approved drawing down fund balance reserves to stay within the 25% limitation instilled by the State of Utah.
- \$95,000 reduction in revenue estimate for the Class C Road funds.
- \$705,734 increase in contribution from the Class C Road funds reserves to fund projects.
- \$25,880 increase in Legislative capital to purchase a vehicle.
- \$25,480 increase in Legal wages and benefits for the hiring of the new City Attorney.
- \$83,875 increase in capital assets for Building Maintenance. Includes upgrading the HVAC system.
- \$125,642 increase for Police wages and benefits; as well as \$120,200 for capital. This was done to cover retirements, and radio systems.
- \$31,017 increase to Fire capital. This was to purchase equipment under a grant.
- \$51,600 increase in road maintenance costs for the Streets; as well as \$72,000 for capital.
- \$25,000 increase in capital for the Recreation Complex.
- \$82,000 increase in capital for Parks and Recreation; as well as a reduction of \$161,595 in the RAMP grant.
- \$100,000 increase in road maintenance for the Class C Road Fund; as well as a \$653,416 increase to capital projects. These items were funded by reserves, so a reduction of \$142,682 to the contribution to fund balance was made.

The budget adjustment in the General Fund resulted in revenues and other financing sources increasing and expenditures and other financing uses increasing. This required a budgeted draw from fund balance of \$1,943,734 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 expenditures surpassed revenues by \$473,842.

Budget to actual. At the conclusion of the fiscal year, there were some differences between final budgeted revenues and expenditures and actual results. Overall revenue classifications were less than expected. Some of the most noteworthy items, sales tax exceeded expectations by \$143,264; motor vehicle fees over by \$116,012; Class C Roads allotment over by \$227,489; and the Aquatic Center over by \$59,416. Revenues related to ambulance fees and transports are down \$50,458. Grant funding, justice court fines and transportation infrastructure were lower than budgeted by \$594,910, \$20,890, and \$97,871, respectively. Investment earnings were higher than projected by \$75,727. In total, general fund revenues exceeded budget by \$11,774 or .61%.

Expenditures were \$1,170,360 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 \$214,965 mainly from being at less than full staffing, equipment, and special public safety supplies; Class C Roads under by \$152,804 on capital projects and professional and technical services; the streets division under budget by \$319,974 including capital projects. The finance department was under budget by \$41,098 from being under staffed for a large part of the year; the fire department under budget by \$39,184 from employee wages and benefits. The parks and recreation department was under budget by \$172,453 from wages and benefits, fuel, and capital. None of the individual departments was over the allotted budget.

Capital Assets and Debt Administration

Capital assets. Roy City Corporation's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$53,818,034 (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 1.27% (a 1.25% increase in governmental activities and a 1.31% 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, \$122,737.
- Roads, curb, gutter, and sidewalks donated by developers from new subdivisions, \$55,616.
- Phase I construction to relocate George Wahlen North Park, \$429,809.
- Replacement of police vehicles, \$208,941.
- Partial replacement of road, curb, gutter, and sidewalk on 4975 South, \$134,395.
- Round-a-bout on 4800 South, \$512,144.
- 2017 Chevrolet Silverado, \$59,158.
- Basketball court at Recreation Complex, \$123,204.
- 2016 Chevrolet ambulance, \$154,865.
- 2016 Ford F-150, \$43,263.
- 16' rotary mower, \$83,600.
- Park improvements and pickleball court at Emma Russell Park, \$142,137.
- Replace roof at public works building, \$115,345.
- 2016 Chevrolet SLV35, \$40,277.
- Upgrade HVAC system at Municipal Building, \$53,033.

Business type activities:

- Water lines, sanitary sewer lines and land drains donated by developers from new subdivisions, \$30,144.
- Web site, \$30,716.
- Police camera server, \$70,055.
- Case 580SN, \$76,200.
- Halverne water and sewerline replacement project, \$199,293.
- PRV pit on 3500 West, \$63,565.
- 3100 West waterline replacement, \$170,557.

| Roy City Corporation's Capital Assets (State in Thousands of Dollars and Net of Depreciation) | | | | | | |
|---|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 3,901 | \$ 3,901 | \$ 139 | \$ 139 | \$ 4,040 | \$ 4,040 |
| Buildings | 11,692 | 11,695 | 105 | 105 | 11,797 | 11,800 |
| Improvmnts other than bldgs | 35,196 | 34,161 | 37,215 | 36,479 | 72,411 | 70,640 |
| Machinery and equipment | 4,933 | 4,736 | 1,180 | 1,220 | 6,113 | 5,956 |
| Automobiles and trucks | 6,506 | 6,522 | 1,271 | 1,273 | 7,777 | 7,795 |
| Construction in progress | 1,721 | 991 | 126 | 126 | 1,847 | 1,117 |
| Accumulated depreciation | (29,974) | (28,448) | (15,029) | (14,244) | (45,003) | (42,692) |
| Total capital assets | \$ 33,975 | \$ 33,558 | \$ 25,007 | \$ 25,098 | \$ 58,982 | \$ 58,656 |

Additional information on Roy City Corporation's capital assets can be found in Note 4 on pages 66-67 of this report.

Long-term debt. 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) | | | | | | |
|--|--------------------------------|--------|---------------------------------|----------|--------------|----------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue bonds | \$ 117 | \$ 232 | \$ 4,930 | \$ 5,280 | \$ 5,047 | \$ 5,512 |

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 \$53,063,000, 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 \$53,063,000 in debt obligation.

Additional information on Roy City Corporation's long-term debt activity can be found in Note 4 on pages 69-70 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 2018 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 3.9%. This compares to the State's average unemployment rate of 3.4%. The metropolitan and State averages decreased .2% and .6%, 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 2018 as the local economy growth continues.
- The budget includes a 2% cost of living adjustment and a 2.5% to 3.75% merit for all employees, Health insurance costs remained the same as FY 2017. 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 decreased by \$473,842 to \$7,095,048. 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

ROY CITY CORPORATION
Statement of Net Position
June 30, 2017

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current assets: | | | |
| Cash | \$ 9,404,186 | \$ 7,541,506 | \$ 16,945,692 |
| Restricted cash: Roads and public transit | 2,287,832 | - | 2,287,832 |
| Investment in water stock | - | 16,100 | 16,100 |
| Interactivity receivable | (187,956) | 187,956 | - |
| Accounts receivable - net of allowance for doubtful accounts | 5,586,772 | 1,613,778 | 7,200,550 |
| Inventory | 54,714 | 372,214 | 426,928 |
| Prepaid items | 69,237 | 264,915 | 334,152 |
| Total current assets | <u>17,214,785</u> | <u>9,996,469</u> | <u>27,211,254</u> |
| Noncurrent assets: | | | |
| Internal balances | (317,300) | 317,300 | - |
| Bond insurance | - | 26,678 | 26,678 |
| Net pension asset | 41,198 | - | 41,198 |
| Investment in land | 515,160 | - | 515,160 |
| Capital assets: | | | |
| Land | 3,901,316 | 139,434 | 4,040,750 |
| Buildings | 11,692,585 | 105,020 | 11,797,605 |
| Improvements other than buildings | 35,195,072 | 37,215,013 | 72,410,085 |
| Machinery and equipment | 4,933,204 | 1,179,569 | 6,112,773 |
| Automobiles and trucks | 6,505,636 | 1,271,070 | 7,776,706 |
| Construction in progress | 1,721,180 | 125,820 | 1,847,000 |
| Less accumulated depreciation | <u>(29,974,259)</u> | <u>(15,028,915)</u> | <u>(45,003,174)</u> |
| Total capital assets net of accumulated depreciation | <u>33,974,734</u> | <u>25,007,011</u> | <u>58,981,745</u> |
| Total noncurrent assets | <u>34,213,792</u> | <u>25,350,989</u> | <u>59,564,781</u> |
| Deferred outflows of resources: | | | |
| Pensions | <u>2,873,677</u> | <u>172,456</u> | <u>3,046,133</u> |
| Total assets and deferred outflows of resources | <u>\$ 54,302,254</u> | <u>\$ 35,519,914</u> | <u>\$ 89,822,168</u> |

ROY CITY CORPORATION
Statement of Net Position, continued
June 30, 2017

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 1,316,779 | \$ 971,310 | \$ 2,288,089 |
| Accrued wages | 227,356 | 14,908 | 242,264 |
| Compensated absences | 144,317 | 24,664 | 168,981 |
| Interest payable | 588 | 59,884 | 60,472 |
| Current portion of long-term debt | 156,641 | 350,268 | 506,909 |
| Total current liabilities | <u>1,845,681</u> | <u>1,421,034</u> | <u>3,266,715</u> |
| Long-term liabilities: | | | |
| Compensated absences | 1,203,682 | 77,441 | 1,281,123 |
| Long-term debt due in more than one year | 77,246 | 4,581,443 | 4,658,689 |
| Net pension liability | 4,436,551 | 241,525 | 4,678,076 |
| Guarantee deposits | 138,292 | - | 138,292 |
| Total long-term liabilities | <u>5,855,771</u> | <u>4,900,409</u> | <u>10,756,180</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 1,066,356 | 54,100 | 1,120,456 |
| Unearned revenue | 3,846,165 | 26,598 | 3,872,763 |
| Total liabilities and deferred inflows of resources | <u>12,613,973</u> | <u>6,402,141</u> | <u>19,016,114</u> |
| NET POSITION | | | |
| Net investment in capital assets | 33,742,734 | 20,075,300 | 53,818,034 |
| Restricted for: | | | |
| Roads and public transit | 2,433,894 | - | 2,433,894 |
| Unrestricted | 5,511,653 | 9,042,473 | 14,554,126 |
| Total net position | <u>\$ 41,688,281</u> | <u>\$ 29,117,773</u> | <u>\$ 70,806,054</u> |

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, 2017

| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Program Revenues</u> |
|--|----------------------|---------------------------------|---|
| | | | <u>Operating Grants and Contributions</u> |
| FUNCTIONS/PROGRAMS | | | |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 3,357,633 | \$ 1,212,965 | \$ 38,524 |
| Public safety | 9,060,658 | 1,534,140 | 162,530 |
| Public works | 3,364,725 | 22,891 | 1,427,489 |
| Parks and recreation | 2,998,691 | 1,045,798 | - |
| Interest and fiscal charges | 4,383 | - | - |
| Total governmental activities | <u>18,786,090</u> | <u>3,815,794</u> | <u>1,628,543</u> |
| Business-type activities: | | | |
| Water and sewer utility | 7,275,028 | 7,432,609 | - |
| Storm sewer utility | 634,642 | 848,718 | - |
| Solid waste utility | 1,780,606 | 2,125,325 | - |
| Total business-type activities | <u>9,690,276</u> | <u>10,406,652</u> | <u>-</u> |
| Total primary government | <u>\$ 28,476,366</u> | <u>\$ 14,222,446</u> | <u>\$ 1,628,543</u> |
| General revenues: | | | |
| 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) Revenue and Changes in Net Position | | | |
|---|----------------------------|-----------------------------|----------------------|
| Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| \$ - | \$ (2,106,144) | \$ - | \$ (2,106,144) |
| - | (7,363,988) | - | (7,363,988) |
| 55,617 | (1,858,728) | - | (1,858,728) |
| 36,042 | (1,916,851) | - | (1,916,851) |
| - | (4,383) | - | (4,383) |
| <u>91,659</u> | <u>(13,250,094)</u> | <u>-</u> | <u>(13,250,094)</u> |
| 30,144 | - | 187,725 | 187,725 |
| 11,880 | - | 225,956 | 225,956 |
| - | - | 344,719 | 344,719 |
| <u>42,024</u> | <u>-</u> | <u>758,400</u> | <u>758,400</u> |
| <u>\$ 133,683</u> | <u>(13,250,094)</u> | <u>758,400</u> | <u>(12,491,694)</u> |
| | 3,641,057 | - | 3,641,057 |
| | 5,118,264 | - | 5,118,264 |
| | 3,004,589 | - | 3,004,589 |
| | 426,012 | - | 426,012 |
| | 212,054 | 54 | 212,108 |
| | 755,046 | - | 755,046 |
| | 80,081 | 214,074 | 294,155 |
| | <u>13,237,103</u> | <u>214,128</u> | <u>13,451,231</u> |
| | (12,991) | 972,528 | 959,537 |
| | 41,701,272 | 28,145,245 | 69,846,517 |
| | <u>\$ 41,688,281</u> | <u>\$ 29,117,773</u> | <u>\$ 70,806,054</u> |

ROY CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2017

| | General | Special Revenue Fund Redevelopment Agency | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 4,482,088 | \$ 1,725,003 | \$ 2,517,115 | \$ 8,724,206 |
| Restricted cash | 2,287,832 | - | - | 2,287,832 |
| Accounts receivable, net | 5,536,326 | - | - | 5,536,326 |
| Inventory | 54,714 | - | - | 54,714 |
| Prepaid items | 40,204 | - | - | 40,204 |
| Investment in land | 455,714 | 59,446 | - | 515,160 |
| Total assets | <u>\$ 12,856,878</u> | <u>\$ 1,784,449</u> | <u>\$ 2,517,115</u> | <u>\$ 17,158,442</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,120,639 | \$ 63 | \$ 183,174 | \$ 1,303,876 |
| Accrued wages payable | 224,586 | - | - | 224,586 |
| Guarantee deposits | 138,292 | - | - | 138,292 |
| Advance from other funds | 317,300 | - | - | 317,300 |
| Total liabilities | <u>1,800,817</u> | <u>63</u> | <u>183,174</u> | <u>1,984,054</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unearned revenue | <u>3,767,674</u> | <u>28,045</u> | <u>-</u> | <u>3,795,719</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 5,568,491</u> | <u>\$ 28,108</u> | <u>\$ 183,174</u> | <u>\$ 5,779,773</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Inventory | 54,714 | - | - | 54,714 |
| Prepaid items | 40,204 | - | - | 40,204 |
| Investment in land | 455,714 | 59,446 | - | 515,160 |
| Restricted for: | | | | |
| Roads and public transit | 2,433,893 | - | - | 2,433,893 |
| Debt service | 117,000 | - | - | 117,000 |

ROY CITY CORPORATION
Balance Sheet, continued
Governmental Funds
June 30, 2017

| | <u>General</u> | <u>Special Revenue Fund Redevelopment Agency</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|---|
| FUND BALANCES, continued | | | | |
| Assigned to: | | | | |
| Public safety | \$ 12,253 | \$ - | \$ 529,944 | \$ 542,197 |
| Legislative programs | 13,775 | - | - | 13,775 |
| Storm sewer improvements | - | - | 191,069 | 191,069 |
| Capital improvements | - | - | 207,112 | 207,112 |
| Park improvements | - | - | 1,241,217 | 1,241,217 |
| Cemetery | - | - | 164,599 | 164,599 |
| Redevelopment | - | 1,696,895 | - | 1,696,895 |
| Other | 193,339 | - | - | 193,339 |
| Unassigned | 3,967,495 | - | - | 3,967,495 |
| Total fund balances | <u>7,288,387</u> | <u>1,756,341</u> | <u>2,333,941</u> | <u>11,378,669</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 12,856,878</u> | <u>\$ 1,784,449</u> | <u>\$ 2,517,115</u> | |

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.

33,974,733

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.

(2,588,031)

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

(1,582,474)

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.

505,384

Net position of governmental activities

\$ 41,688,281

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, 2017

| | General | Special Revenue Fund Redevelopment Agency | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$ 11,698,028 | \$ 65,881 | \$ - | \$ 11,763,909 |
| Payments in lieu of taxes | 426,012 | - | - | 426,012 |
| Licenses and permits | 455,997 | - | - | 455,997 |
| Intergovernmental | 1,645,327 | 277,246 | - | 1,922,573 |
| Charges for services | 2,555,482 | - | - | 2,555,482 |
| Impact fees | - | - | 124,650 | 124,650 |
| Fines and forfeitures | 679,629 | - | - | 679,629 |
| Investment earnings | 188,727 | 17,864 | 5,464 | 212,055 |
| Property rental | 29,208 | - | - | 29,208 |
| Management fee | 132,300 | - | - | 132,300 |
| Contributions and donations | 49,258 | - | - | 49,258 |
| Miscellaneous | 20,874 | - | 36 | 20,910 |
| Total revenues | 17,880,842 | 360,991 | 130,150 | 18,371,983 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 3,285,508 | 177,036 | 9,777 | 3,472,321 |
| Public safety | 8,525,654 | - | - | 8,525,654 |
| Public works | 3,221,212 | - | - | 3,221,212 |
| Parks and recreation | 2,771,985 | - | 2,296 | 2,774,281 |
| Debt service: | | | | |
| Principal retirement | 115,000 | - | - | 115,000 |
| Interest and fiscal charges | 4,933 | - | - | 4,933 |
| Project outlays | - | - | 901,482 | 901,482 |
| Total expenditures | 17,924,292 | 177,036 | 913,555 | 19,014,883 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (43,450) | \$ 183,955 | \$ (783,405) | \$ (642,900) |

ROY CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Governmental Funds
For the Fiscal Year Ended June 30, 2017

| | <u>General</u> | <u>Special Revenue Funds Redevelopment Agency</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|---|
| Excess (deficiency) of revenues over (under) expenditures | \$ (43,450) | \$ 183,955 | \$ (783,405) | \$ (642,900) |
| Other financing sources (uses): | | | | |
| Proceeds from sale of assets | 80,574 | - | - | 80,574 |
| Contributions from other government units | 372,110 | - | - | 372,110 |
| Transfers in | - | - | 715,780 | 715,780 |
| Transfers out | (715,780) | - | - | (715,780) |
| Total other financing sources (uses) | (263,096) | - | 715,780 | 452,684 |
| Net change in fund balances | (306,546) | 183,955 | (67,625) | (190,216) |
| Fund balances - beginning of year | 7,594,933 | 1,572,386 | 2,401,566 | 11,568,885 |
| Fund balances - end of year | <u>\$ 7,288,387</u> | <u>\$ 1,756,341</u> | <u>\$ 2,333,941</u> | <u>\$ 11,378,669</u> |

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, 2017

Amounts reported for governmental activities in the statement of activities (page 33-34) are different because:

| | |
|---|---------------------------|
| Net change in fund balances - total governmental funds (page 38) | \$ (190,216) |
| 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. | 273,066 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | 64,830 |
| 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. | 115,549 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 105,692 |
| 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. | (385,445) |
| 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. | 3,533 |
| Change in net position of governmental activities | <u><u>\$ (12,991)</u></u> |

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, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/(Negative) |
|-----------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 3,602,159 | \$ 3,602,159 | \$ 3,575,176 | \$ (26,983) |
| Sales | 4,975,000 | 4,975,000 | 5,118,264 | 143,264 |
| Telecom gross receipts | 380,000 | 330,000 | 319,422 | (10,578) |
| Franchise | 2,330,093 | 2,330,258 | 2,365,166 | 34,908 |
| Paramedic | 320,000 | 320,000 | 320,000 | - |
| Payments in lieu of taxes | 310,000 | 310,000 | 426,012 | 116,012 |
| Licenses and permits | 306,200 | 421,200 | 455,997 | 34,797 |
| Intergovernmental | 2,007,413 | 2,012,748 | 1,645,327 | (367,421) |
| Charges for services | 2,558,800 | 2,548,800 | 2,555,482 | 6,682 |
| Fines and forfeitures | 774,000 | 777,500 | 679,629 | (97,871) |
| Investment earnings | 88,000 | 113,000 | 188,727 | 75,727 |
| Property rental | 28,500 | 28,500 | 29,208 | 708 |
| Management fee | 132,300 | 132,300 | 132,300 | - |
| Contributions and donations | 433,000 | 443,258 | 421,368 | (21,890) |
| Miscellaneous | 20,000 | 20,003 | 20,874 | 871 |
| Total revenues | <u>18,265,465</u> | <u>18,364,726</u> | <u>18,252,952</u> | <u>(111,774)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Legislative | 371,124 | 417,004 | 412,340 | 4,664 |
| Legal | 300,059 | 325,539 | 296,937 | 28,602 |
| Community development | 397,074 | 408,402 | 373,549 | 34,853 |
| Information technology | 307,095 | 308,455 | 308,455 | - |
| Justice court | 395,777 | 470,526 | 435,990 | 34,536 |
| Finance | 467,735 | 464,126 | 423,028 | 41,098 |
| Public buildings | 780,797 | 875,337 | 869,673 | 5,664 |
| Risk management | 203,210 | 203,210 | 203,210 | - |
| | <u>3,222,871</u> | <u>3,472,599</u> | <u>3,323,182</u> | <u>149,417</u> |
| Public safety: | | | | |
| Fire | 3,757,434 | 3,785,900 | 3,746,716 | 39,184 |
| Police | 4,761,773 | 5,065,140 | 4,850,175 | 214,965 |
| | <u>8,519,207</u> | <u>8,851,040</u> | <u>8,596,891</u> | <u>254,149</u> |

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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive/(Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Public works: | | | | |
| Administration | 181,058 | 180,391 | 166,386 | 14,005 |
| Class "C" roads | 1,165,318 | 1,918,734 | 1,765,930 | 152,804 |
| Fleet services | 177,057 | 191,760 | 179,048 | 12,712 |
| Streets | 935,361 | 1,063,909 | 743,935 | 319,974 |
| Transportation infrastructure | 393,000 | 393,000 | 365,912 | 27,088 |
| | <u>2,851,794</u> | <u>3,747,794</u> | <u>3,221,211</u> | <u>526,583</u> |
| Parks and recreation: | | | | |
| Aquatic center | 520,182 | 557,434 | 510,630 | 46,804 |
| Parks and recreation | 1,459,707 | 1,412,881 | 1,240,428 | 172,453 |
| Recreation complex | 956,935 | 991,328 | 972,509 | 18,819 |
| Roy Days | 88,493 | 108,932 | 106,803 | 2,129 |
| | <u>3,025,317</u> | <u>3,070,575</u> | <u>2,830,370</u> | <u>240,205</u> |
| Debt service: | | | | |
| Principal | 115,000 | 115,000 | 115,000 | - |
| Interest and fiscal charges | 4,939 | 4,939 | 4,933 | 6 |
| | <u>119,939</u> | <u>119,939</u> | <u>119,933</u> | <u>6</u> |
| Total expenditures | <u>17,739,128</u> | <u>19,261,947</u> | <u>18,091,587</u> | <u>1,170,360</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>526,337</u> | <u>(897,221)</u> | <u>161,365</u> | <u>1,058,586</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of assets | 10,000 | 43,780 | 80,573 | 36,793 |
| Transfers out | (312,659) | (1,090,293) | (715,780) | 374,513 |
| Total other financing sources (uses) | <u>(302,659)</u> | <u>(1,046,513)</u> | <u>(635,207)</u> | <u>411,306</u> |
| Net change in fund balance | 223,678 | (1,943,734) | (473,842) | 1,469,892 |
| Fund balance - beginning of year | <u>7,568,890</u> | <u>7,568,890</u> | <u>7,568,890</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 7,792,568</u> | <u>\$ 5,625,156</u> | <u>\$ 7,095,048</u> | <u>\$ 1,469,892</u> |

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, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|------------------|-------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property tax | \$ 51,000 | \$ 51,000 | \$ 65,881 | \$ 14,881 |
| Intergovernmental | 260,000 | 260,000 | 277,246 | 17,246 |
| Investment earnings | 12,000 | 12,000 | 17,864 | 5,864 |
| Total revenues | 323,000 | 323,000 | 360,991 | 37,991 |
| Expenditures: | | | | |
| General government | 1,725,837 | 1,725,837 | 177,036 | 1,548,801 |
| Total expenditures | 1,725,837 | 1,725,837 | 177,036 | 1,548,801 |
| Net change in fund balance | (1,402,837) | (1,402,837) | 183,955 | 1,586,792 |
| Fund balance - beginning of year | 1,572,385 | 1,572,385 | 1,572,385 | - |
| Fund balance - end of year | \$ 169,548 | \$ 169,548 | \$ 1,756,340 | \$ 1,586,792 |

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

ROY CITY CORPORATION
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|-----------------------------|-----------------------------|----------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash | \$ 3,311,765 | \$ 931,380 | \$ 3,298,362 | \$ 7,541,507 | \$ 679,981 |
| Investment in water stock | 16,100 | - | - | 16,100 | - |
| Accounts receivable - net of allowance for doubtful accounts | 1,132,567 | 119,628 | 361,583 | 1,613,778 | - |
| Inventory | 366,905 | 4,465 | 843 | 372,213 | - |
| Prepaid items | 264,644 | 132 | 139 | 264,915 | 29,033 |
| Total current assets | <u>5,091,981</u> | <u>1,055,605</u> | <u>3,660,927</u> | <u>9,808,513</u> | <u>709,014</u> |
| Noncurrent assets: | | | | | |
| Advance to other fund | 317,300 | - | - | 317,300 | - |
| Bond insurance | 26,678 | - | - | 26,678 | - |
| Net pension asset | 20,033 | 3,882 | - | 23,915 | - |
| Capital assets: | | | | | |
| Land | 139,434 | - | - | 139,434 | - |
| Buildings | 105,020 | - | - | 105,020 | - |
| Improvements other than buildings | 33,190,751 | 3,705,737 | - | 36,896,488 | - |
| Machinery and equipment | 676,604 | 347,148 | 155,816 | 1,179,568 | 659,633 |
| Automobiles and trucks | 773,123 | - | 497,947 | 1,271,070 | - |
| Construction in progress | 444,345 | - | - | 444,345 | - |
| Less accumulated depreciation | <u>(13,673,755)</u> | <u>(827,026)</u> | <u>(528,133)</u> | <u>(15,028,914)</u> | <u>(408,793)</u> |
| Total capital assets net of accumulated depreciation | <u>21,655,522</u> | <u>3,225,859</u> | <u>125,630</u> | <u>25,007,011</u> | <u>250,840</u> |
| Total noncurrent assets | <u>22,019,533</u> | <u>3,229,741</u> | <u>125,630</u> | <u>25,374,904</u> | <u>250,840</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension | <u>124,655</u> | <u>23,886</u> | <u>-</u> | <u>148,541</u> | <u>36,183</u> |
| Total assets and deferred outflows of resources | <u>\$ 27,236,169</u> | <u>\$ 4,309,232</u> | <u>\$ 3,786,557</u> | <u>\$ 35,331,958</u> | <u>\$ 996,037</u> |

ROY CITY CORPORATION
Statement of Net Position, continued
Proprietary Funds
June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|---|-----------------------------|-----------------------------|----------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 740,194 | \$ 17,843 | \$ 213,272 | \$ 971,309 | \$ 12,903 |
| Accrued wages | 12,539 | 2,369 | - | 14,908 | 2,771 |
| Compensated absences | 21,104 | 3,560 | - | 24,664 | 3,175 |
| Recaptured losses | - | - | - | - | 39,641 |
| Interest payable | 59,884 | - | - | 59,884 | - |
| Revenue bonds payable | 350,268 | - | - | 350,268 | - |
| Total current liabilities | <u>1,183,989</u> | <u>23,772</u> | <u>213,272</u> | <u>1,421,033</u> | <u>58,490</u> |
| Long-term liabilities, less current portion: | | | | | |
| Compensated absences | 61,384 | 16,057 | - | 77,441 | 28,306 |
| Recaptured losses | - | - | - | - | 77,246 |
| Net pension liability | 203,560 | 37,965 | - | 241,525 | 51,418 |
| Revenue bonds payable | 4,581,443 | - | - | 4,581,443 | - |
| Total liabilities | <u>6,030,376</u> | <u>77,794</u> | <u>213,272</u> | <u>6,321,442</u> | <u>215,460</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension | 45,603 | 8,496 | - | 54,099 | 11,542 |
| Unearned revenue | - | 26,598 | - | 26,598 | - |
| Total liabilities and deferred inflows of resources | <u>6,075,979</u> | <u>112,888</u> | <u>213,272</u> | <u>6,402,139</u> | <u>227,002</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 16,723,811 | 3,225,859 | 125,630 | 20,075,300 | 250,840 |
| Unrestricted | 4,436,379 | 970,485 | 3,447,655 | 8,854,519 | 518,195 |
| Total net position | <u>\$ 21,160,190</u> | <u>\$ 4,196,344</u> | <u>\$ 3,573,285</u> | <u>28,929,819</u> | <u>\$ 769,035</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>187,956</u> | |
| Net position of business-type activities | | | | <u>\$ 29,117,775</u> | |

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, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|---|-----------------------------|-----------------------------|-------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| Operating revenues: | | | | | |
| Charges for services | \$ 6,466,971 | \$ 848,718 | \$ 2,125,325 | \$ 9,441,014 | \$ 675,869 |
| Other fees | 965,639 | - | - | 965,639 | - |
| Other income | 210,844 | - | 3,230 | 214,074 | 11,028 |
| Total operating revenue | <u>7,643,454</u> | <u>848,718</u> | <u>2,128,555</u> | <u>10,620,727</u> | <u>686,897</u> |
| Operating expenses: | | | | | |
| Personnel services | 1,303,579 | 247,872 | 121,069 | 1,672,520 | 183,546 |
| Contractual services | 4,209,862 | 92,995 | 1,600,387 | 5,903,244 | 247,916 |
| Materials and supplies | 791,377 | 165,473 | 9,012 | 965,862 | 39,140 |
| Other general costs of services | 34,202 | 961 | 2,294 | 37,457 | 147,553 |
| Depreciation | 754,897 | 127,340 | 47,957 | 930,194 | 64,108 |
| Total operating expenses | <u>7,093,917</u> | <u>634,641</u> | <u>1,780,719</u> | <u>9,509,277</u> | <u>682,263</u> |
| Operating income | <u>549,537</u> | <u>214,077</u> | <u>347,836</u> | <u>1,111,450</u> | <u>4,634</u> |
| Non-operating revenues and (expenses): | | | | | |
| Interest income | 54 | - | - | 54 | - |
| Gain/(loss) on sale of assets | 37,043 | - | - | 37,043 | - |
| Interest expense | (215,276) | - | - | (215,276) | - |
| Bond issuance costs | (5,970) | - | - | (5,970) | - |
| Total non-operating revenues / (expenses) | <u>(184,149)</u> | <u>-</u> | <u>-</u> | <u>(184,149)</u> | <u>-</u> |
| Income before contributions | 365,388 | 214,077 | 347,836 | 927,301 | 4,634 |
| Contribution from developers | 30,144 | 11,880 | - | 42,024 | - |
| Changes in net position | <u>\$ 395,532</u> | <u>\$ 225,957</u> | <u>\$ 347,836</u> | <u>\$ 969,325</u> | <u>\$ 4,634</u> |

ROY CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|-----------------------------|-----------------------------|--------------------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | |
| Changes in net position | \$ 395,532 | \$ 225,957 | \$ 347,836 | \$ 969,325 | \$ 4,634 |
| Total net position - beginning | <u>20,764,658</u> | <u>3,970,387</u> | <u>3,225,449</u> | | <u>764,401</u> |
| Total net position - ending | <u><u>\$ 21,160,190</u></u> | <u><u>\$ 4,196,344</u></u> | <u><u>\$ 3,573,285</u></u> | | <u><u>\$ 769,035</u></u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>1,100</u> | |
| Change in net position of business-type activities | | | | <u><u>\$ 970,425</u></u> | |

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, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|-----------------------------|-----------------------------|---------------|---|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers and users | \$ 7,332,718 | \$ 851,170 | \$ 2,135,195 | \$ 10,319,083 | \$ - |
| Cash received from interfund activities | - | - | - | - | 675,869 |
| Other income | 210,844 | - | 3,230 | 214,074 | 11,028 |
| Payments to suppliers | (5,198,434) | (231,278) | (1,593,549) | (7,023,261) | (456,693) |
| Payments to employees | (1,299,185) | (247,581) | (121,069) | (1,667,835) | (183,118) |
| Payments for interfund services | (150,687) | - | (13,517) | (164,204) | - |
| Net cash provided by operating activities | 895,256 | 372,311 | 410,290 | 1,677,857 | 47,086 |
| 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 | (591,651) | (34,299) | - | (625,950) | (142,796) |
| Proceeds from sale of assets | 12,076 | - | - | 12,076 | - |
| Principal paid on bond | (350,000) | - | - | (350,000) | - |
| Interest paid on bond | (219,640) | - | - | (219,640) | - |
| Fiscal agent fees paid | (1,500) | - | - | (1,500) | - |
| Net cash used in capital and related financing activities | (1,150,715) | (34,299) | - | (1,185,014) | (142,796) |

ROY CITY CORPORATION
Statement of Cash Flows, continued
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|---|--|-------------------------------------|-------------------------------------|---------------------|--|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| Cash flows from investing activities: | | | | | |
| Interest received | 54 | - | - | 54 | - |
| Net cash provided by investing activities | 54 | - | - | 54 | - |
| Net increase (decrease) in cash | (225,405) | 338,012 | 410,290 | 522,897 | (95,710) |
| Cash - beginning of year | 3,537,170 | 593,368 | 2,888,072 | 7,018,610 | 775,691 |
| Cash - end of year | <u>\$ 3,311,765</u> | <u>\$ 931,380</u> | <u>\$ 3,298,362</u> | <u>\$ 7,541,507</u> | <u>\$ 679,981</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income | \$ 549,537 | \$ 214,077 | \$ 347,836 | \$ 1,111,450 | \$ 4,634 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 754,897 | 127,340 | 47,957 | 930,194 | 64,108 |
| (Increase) decrease in accounts receivable | (88,567) | 3,082 | 14,238 | (71,247) | - |
| Increase (decrease) in allowance for uncollectible accounts | (2,117) | (787) | (2,606) | (5,510) | - |
| (Increase) decrease in inventory | (180,358) | 12,587 | 86 | (167,685) | - |
| (Increase) decrease in prepaids | (2,730) | (6) | 233 | (2,503) | (27,457) |
| (Increase) decrease in deferred outflows | (19,211) | (3,842) | - | (23,053) | (4,789) |
| (Increase) decrease in net pension asset | 1,420 | 136 | - | 1,556 | 424 |
| Increase (decrease) in accounts payable | (139,800) | 15,727 | 2,546 | (121,527) | 271 |
| Increase (decrease) in accrued wages | (12,271) | (2,884) | - | (15,155) | (3,573) |

ROY CITY CORPORATION
Statement of Cash Flows, continued
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Business-type Activities - Enterprise Funds | | | | Governmental |
|--|--|-------------------------------------|-------------------------------------|---------------------|--|
| | Water & Sewer Utility Fund | Storm Sewer Utility Fund | Solid Waste Utility Fund | Total | Activities - Internal Service Funds |
| Increase (decrease) in compensated absences | 10,678 | 2,125 | - | 12,803 | 2,440 |
| Increase (decrease) in deferred inflows | 8,361 | 1,672 | - | 10,033 | 2,084 |
| Increase (decrease) in net pension liability | 15,417 | 3,084 | - | 18,501 | 3,843 |
| Increase (decrease) in recaptured losses | - | - | - | - | 5,101 |
| Total adjustments | 345,719 | 158,234 | 62,454 | 566,407 | 42,452 |
| Net cash provided by operating activities | \$ 895,256 | \$ 372,311 | \$ 410,290 | \$ 1,677,857 | \$ 47,086 |
| Non-cash capital and related financing activities: | | | | | |
| Purchase of equipment on account | \$ 146,272 | \$ (90) | \$ - | | \$ - |
| Capital contributions from developers | 30,144 | 11,880 | - | | - |
| Total non-cash capital and related financing activities | \$ 176,416 | \$ 11,790 | \$ - | | \$ - |

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

NOTES TO THE FINANCIAL STATEMENTS

ROY CITY CORPORATION
Notes to the Financial Statements
June 30, 2017

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.

Blended Component Unit. 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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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 its 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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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 government-wide 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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 Government-wide Statement of Net Position

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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 | \$ 63,948,993 |
| Accumulated depreciation | <u>(29,974,259)</u> |
| Total difference | <u>\$ 33,974,734</u> |

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 | \$ 2,873,677 |
| Net pension asset | 41,198 |
| Deferred inflows - pensions | (1,066,356) |
| Net pension liability | <u>(4,436,551)</u> |
| Total difference | <u>\$ (2,588,032)</u> |

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, 2017 were:

| | |
|-------------------------|---------------------|
| Bonds payable | \$ 117,588 |
| URMMA recaptured losses | 116,887 |
| Compensated absences | <u>1,347,999</u> |
| Total difference | <u>\$ 1,582,474</u> |

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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, 2017 include:

| | | |
|-----------------------|----|------------|
| Cash | \$ | 679,981 |
| prepaid items | | 29,033 |
| Accounts payable | | (12,903) |
| Accrued wages payable | | (2,771) |
| Interactivity payable | | (187,956) |
| Total difference | | \$ 505,384 |

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 | \$ | 2,499,945 |
| Depreciation expense | | (2,226,879) |
| Total difference | | \$ 273,066 |

Another element of the reconciliation is the net effect of various miscellaneous transactions involving capital assets. The detail of the \$64,830 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. | \$ | 9,213 |
| 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. | | 55,617 |
| Total difference | | \$ 64,830 |

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 \$115,549 difference is as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

| | |
|-----------------------------------|------------|
| Debt repayments: | |
| Sales tax revenue bonds principal | \$ 115,000 |
| Accrued interest payable | 549 |
| Total difference | \$ 115,549 |

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 2017 are \$105,692.

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 \$385,455 difference is as follows:

| | |
|----------------------|--------------|
| Compensated absences | \$ (101,323) |
| Pension expenditures | (284,122) |
| Total difference | \$ (385,445) |

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 \$3,533 difference is as follows:

| | |
|---|----------|
| Change in net position of the internal service funds | \$ 4,633 |
| Less: Profit from charges to business-type activities | (1,100) |
| Total difference | \$ 3,533 |

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, 2017, there was \$675,869 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 | \$ 186,856 |
| Interactivity receivable representing charges in excess of cost to business-type activities - current year | 1,100 |
| Total difference | \$ 187,956 |

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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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 22nd, the budget is legally adopted by resolution for the following fiscal year which begins on July 1st. 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 17th. 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 \$1,522,819; an increase in the capital projects fund of \$2,229,528; an decrease in the water and sewer utility fund of \$5,492; an decrease in storm sewer utility fund of \$773; an increase in the solid waste utility fund of \$70,776; an increase in the information technology fund of \$19,299; an increase in the storm sewer development fund of \$18,000; and an increase in the park development fund of \$124,000.

The increase in the general fund was attributed an increases in capital, projects, personnel, and operations. Adjustments to the budget were made in various categories including personnel increased \$186,879; operations and maintenance increased \$283,158; and purchase and construction of capital assets increased \$749,626. The expenditure changes were covered by an increase in licenses and permits of \$115,000; an increase in sale of fixed assets of \$33,780; an increase in charges for services of \$10,000; an increase from grants of \$100,335; and an increase to interest income of \$25,000. The contribution from fund balance increased \$518,996.

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

The increase in the water and sewer utility was due to changes in personnel, capital, and operations. Adjustments to the budget were made including a decrease in personnel of \$8,787; increase to depreciation for purchase and construction of capital assets by \$700; and operations and maintenance increased \$2,595. An increase of \$45,750 was made in revenue estimates for water fees; an increase in sale of fixed assets of \$31,000; and \$82,242, to be contributed to retained earnings.

The increase in the storm sewer utility budget was the result of changes to wages and benefits of \$773. The change was funded by a decrease in contributions to fund balance. The increase to the solid waste utility budget was due to increased fee for disposing residential waste. The effect was reduce the contribution to retained earnings by \$70,776 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 and park development was due to an increase in capital projects which was taken from reserves.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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) | \$ (473,842) |
| Beginning encumbrances | (26,043) |
| Ending encumbrances | 193,339 |
| Net change in fund balance (GAAP) | \$ (306,546) |
| Fund balance (budget) | \$ 7,095,048 |
| Ending encumbrances | 193,339 |
| Fund balance (GAAP) | \$ 7,288,387 |

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 15th with a lien date of January 1st. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. An accrual has been made for uncollected current and prior year's property taxes which remains outstanding at June 30th.

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 30th.

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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, 2017 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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, 2017, the City and the Redevelopment Agency had \$17,113,685, and \$1,693,965, respectively, invested directly with the PTIF. This amounts to 97.83% and 2.17% 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, 2017, \$213,424 of the City's bank balance of \$463,424 was uninsured and uncollateralized. For the Redevelopment Agency, all of their \$31,038 was insured within FDIC limits. In the Water and Sewer Utility, \$5,681.38 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:

| | General Fund |
|--|---------------------|
| Taxes | \$ 4,372,727 |
| Ambulance services | 2,778,120 |
| Special assessments | 18,347 |
| Intergovernmental | 433,250 |
| Other | 31,011 |
| Gross receivables | <u>7,633,455</u> |
| Less: Allowance for uncollectible accounts | <u>(2,097,129)</u> |
| Net receivables | <u>\$ 5,536,326</u> |

Enterprise funds:

| | Water and Sewer Utility Enterprise | Storm Sewer Utility Enterprise | Solid Waste Utility Enterprise Fund | Total |
|--|---|---|--|---------------------|
| Utilities | \$ 1,171,731 | \$ 124,707 | \$ 376,943 | \$ 1,673,381 |
| Intergovernmental | 8,481 | - | - | 8,481 |
| Gross receivables | <u>1,180,212</u> | <u>124,707</u> | <u>376,943</u> | <u>1,681,862</u> |
| Less: allowance for uncollectible accounts | <u>(47,645)</u> | <u>(5,079)</u> | <u>(15,360)</u> | <u>(68,084)</u> |
| Net receivables | <u>\$ 1,132,567</u> | <u>\$ 119,628</u> | <u>\$ 361,583</u> | <u>\$ 1,613,778</u> |

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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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Capital Assets

Capital asset activity for the year ended June 30, 2017 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 | 991,023 | 740,968 | (10,811) | 1,721,180 |
| Total capital assets not being depreciated | <u>4,892,339</u> | <u>740,968</u> | <u>(10,811)</u> | <u>5,622,496</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 11,695,129 | - | (2,544) | 11,692,585 |
| Improvements other than buildings | 34,160,896 | 1,034,175 | - | 35,195,071 |
| Machinery and equipment | 4,736,007 | 426,972 | (229,775) | 4,933,204 |
| Automobiles and trucks | 6,521,816 | 535,178 | (551,358) | 6,505,636 |
| Total capital assets being depreciated | <u>57,113,848</u> | <u>1,996,325</u> | <u>(783,677)</u> | <u>58,326,496</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (4,799,650) | (259,651) | 1,569 | (5,057,732) |
| Improvements other than buildings | (15,285,588) | (1,236,458) | - | (16,522,046) |
| Machinery and equipment | (3,455,246) | (316,384) | 219,041 | (3,552,589) |
| Automobiles and trucks | (4,907,553) | (478,493) | 544,155 | (4,841,891) |
| Total accumulated depreciation | <u>(28,448,037)</u> | <u>(2,290,986)</u> | <u>764,765</u> | <u>(29,974,258)</u> |
| Total capital assets being depreciated, net | <u>28,665,811</u> | <u>(294,661)</u> | <u>(18,912)</u> | <u>28,352,238</u> |
| Governmental activities capital assets, net | <u>\$ 33,558,150</u> | <u>\$ 446,307</u> | <u>\$ (29,723)</u> | <u>\$ 33,974,734</u> |

| Business-type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 139,434 | \$ - | \$ - | \$ 139,434 |
| Construction in progress | 125,820 | 318,525 | - | 444,345 |
| Total capital assets not being depreciated | <u>265,254</u> | <u>318,525</u> | <u>-</u> | <u>583,779</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 105,020 | - | - | 105,020 |
| Improvements other than buildings | 36,479,270 | 417,218 | - | 36,896,488 |
| Machinery and equipment | 1,219,681 | 103,413 | (143,526) | 1,179,568 |
| Automobiles and trucks | 1,272,749 | - | (1,679) | 1,271,070 |
| Total capital assets being depreciated | <u>39,076,720</u> | <u>520,631</u> | <u>(145,205)</u> | <u>39,452,146</u> |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

| Business-type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|--------------------------|--------------------|------------------|-----------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | (4,440) | (2,302) | - | (6,742) |
| Improvements other than buildings | (12,337,039) | (795,828) | - | (13,132,867) |
| Machinery and equipment | (838,738) | (64,488) | 143,491 | (759,735) |
| Automobiles and trucks | (1,063,674) | (67,576) | 1,680 | (1,129,570) |
| Total accumulated depreciation | <u>(14,243,891)</u> | <u>(930,194)</u> | <u>145,171</u> | <u>(15,028,914)</u> |
| Total capital assets being depreciated, net | <u>24,832,829</u> | <u>(409,563)</u> | <u>(34)</u> | <u>24,423,232</u> |
| Business-type activities capital assets, net | <u>\$ 25,098,083</u> | <u>\$ (91,038)</u> | <u>\$ (34)</u> | <u>\$ 25,007,011</u> |

Depreciation Expense

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

Governmental activities:

| | |
|---|---------------------|
| General government | \$ 281,381 |
| Public safety | 457,017 |
| Public works, including depreciation of general infrastructure assets | 978,422 |
| Parks and recreation | 510,058 |
| Information technology | 64,108 |
| Total depreciation expense - governmental activities | <u>\$ 2,290,986</u> |

Business-type activities:

| | |
|---|-------------------|
| Water and sewer utility | \$ 754,897 |
| Storm water utility | 127,340 |
| Solid waste utility | 47,957 |
| Total depreciation expense - business-type activities | <u>\$ 930,194</u> |

Inter-fund Receivables, Payables, and Transfers

The composition of internal balances as of June 30, 2017, is as follows:

Advances to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---------------------|---------------|
| Water and sewer utility enterprise fund | General fund | \$ 317,300 |

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.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

Inter-fund transfers:

| Transfer In | Transfer Out | Amount |
|--|--------------|-------------------|
| Fire & Rescue facilities and equipment - capital projects fund | General fund | \$ 450,500 |
| Parks and recreational facilities improvements - capital projects fund | General fund | 133,780 |
| Capital Improvements - capital projects fund | General fund | 131,500 |
| | | <u>\$ 715,780</u> |

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 \$26,678 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 \$3,046,133 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.

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

| | Governmental Funds | Governmental Activities | Business Type Activities |
|--|---------------------|-------------------------|--------------------------|
| Property taxes not yet levied | \$ 3,277,764 | \$ 3,381,110 | \$ - |
| Property taxes received not yet levied | 322,157 | 269,257 | - |
| Funding received for future use | 194,998 | 194,998 | 26,598 |
| Pensions | - | 1,066,356 | 54,100 |
| Special assessments levied | 800 | 800 | - |
| | <u>\$ 3,795,719</u> | <u>\$ 4,912,521</u> | <u>\$ 80,698</u> |

Long-Term Debt and Liabilities

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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:

| <u>Year Ending June 30</u> | <u>Interest</u> | <u>Principal</u> | <u>Total Debt Service</u> |
|----------------------------|-----------------|------------------|---------------------------|
| 2018 | \$ 1,176 | \$ 117,000 | \$ 118,176 |

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.

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

| <u>Year Ending June 30</u> | <u>Interest</u> | <u>Principal</u> | <u>Total Debt Service</u> |
|----------------------------|---------------------|---------------------|---------------------------|
| 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 | 143,440 | 425,000 | 568,440 |
| 2023-2027 | 435,945 | 2,405,000 | 2,840,945 |
| 2028 | 23,708 | 545,000 | 568,708 |
| | <u>\$ 1,335,453</u> | <u>\$ 4,930,000</u> | <u>\$ 6,265,453</u> |

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.

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Notes to the Financial Statements, Continued
June 30, 2017

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following activity occurred in liabilities reported as long-term:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 232,000 | \$ - | \$ (115,000) | \$ 117,000 | 117,000 |
| Recaptured losses | 111,786 | 57,047 | (51,946) | 116,887 | 39,641 |
| Compensated absences | 1,244,236 | 901,303 | (797,540) | 1,347,999 | 144,317 |
| Governmental activities - Long-term liabilities | <u>\$ 1,588,022</u> | <u>\$ 958,350</u> | <u>\$ (964,486)</u> | <u>\$ 1,581,886</u> | <u>\$ 300,958</u> |
| Business-type activities: | | | | | |
| Bonds payable | \$ 5,281,998 | \$ - | \$ (350,287) | \$ 4,931,711 | 350,268 |
| Compensated absences | 89,302 | 80,400 | (67,597) | 102,105 | 24,664 |
| Business-type activities - Long-term liabilities | <u>\$ 5,371,300</u> | <u>\$ 80,400</u> | <u>\$ (417,884)</u> | <u>\$ 5,033,816</u> | <u>\$ 374,932</u> |

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, \$116,887 of internal service funds recaptured losses and \$31,481 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. No portion of fund balance was considered to be committed. At June 30, 2017 assigned fund balance is as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

| | General Fund | Capital Projects Fund | Park Development Fund | Storm Sewer Development Fund | Cemetery Fund | RDA |
|-------------------------|-------------------|-----------------------------|-----------------------------|------------------------------------|-------------------|---------------------|
| Governmental funds: | | | | | | |
| Purchase obligations | \$ 193,339 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Legislative Programs | 13,775 | | | | | |
| Traffic school | 12,253 | - | - | - | - | - |
| Capital improvements | - | 207,112 | - | - | - | - |
| Recreational facilities | - | 1,065,690 | 175,527 | - | - | - |
| Fire apparatus | - | 529,944 | - | - | - | - |
| Storm sewer | - | - | - | 191,069 | - | - |
| Cemetery | - | - | - | - | 164,599 | - |
| Redevelopment | - | - | - | - | - | 1,696,895 |
| | <u>\$ 219,367</u> | <u>\$ 1,802,746</u> | <u>\$ 175,527</u> | <u>\$ 191,069</u> | <u>\$ 164,599</u> | <u>\$ 1,696,895</u> |

- *Purchase commitments* represent resources that will be used to liquidate purchase orders which were not completed by year end.
- *Legislative programs* represents residual funds acquired from donations and set aside for the Roy Days celebration.
- *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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2017

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 www.urs.org.

Benefits Provided

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

| System | Final Average Salary | Years of Service Required and/or Age Eligible for Benefit | Benefit 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 |

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Notes to the Financial Statements, Continued
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| | | | | |
|--|-----------------|--|---|------------|
| 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% |

* 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 as of June 30, 2017 are as follows:

Contributory System:

| | | | |
|--|-----|--------|---------|
| 11 - Local Governmental Division Tier 1 | N/A | 6.000% | 14.460% |
| 111 - Local Governmental Division Tier 2 | N/A | N/A | 16.680% |

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 | N/A | N/A | 35.710% |
| 122 - Other Division A Contributory Tier 2 | N/A | N/A | 24.990% |

Firefighters System:

| | | | |
|-------------------------|--------|---------|---------|
| 31 - Division A Tier 1 | 1.230% | 13.820% | 3.890% |
| 132 - Division B Tier 2 | N/A | N/A | 12.080% |

Tier 2 DC Only:

| | | | |
|------------------------|-----|-----|---------|
| 211 - Local Government | N/A | N/A | 16.690% |
| 222 - Public Safety | N/A | N/A | 24.990% |
| 232 - Firefighters | N/A | N/A | 12.080% |

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:

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Notes to the Financial Statements, Continued
June 30, 2017

| | 2017 | 2016 | 2015 |
|--|------------|------------|------------|
| Local Governmental Contributory System | | | |
| Tier 1 and Tier 2 | \$ 128,011 | \$ 94,018 | \$ 75,368 |
| Local Governmental Non-contributory System | \$ 526,565 | \$ 537,756 | \$ 552,605 |
| Public Safety Non-contributory System | | | |
| Division A | \$ 580,929 | \$ 555,499 | \$ 573,975 |
| Firefighters Retirement System | | | |
| Division A | \$ 59,120 | \$ 45,897 | \$ 45,783 |
| Public Safety and Firefighters Contributory System | \$ 152,448 | \$ 113,608 | \$ 93,295 |
| Tier 2 DC Only Systems | | | |
| Local Governmental | \$ 3,867 | \$ 1,915 | \$ 827 |
| Public Safety and Firefighter | \$ 5,153 | \$ 4,739 | \$ - |

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, 2016. 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, 2016 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, 2017, Roy City reported a net pension asset of \$41,198 and a net pension liability of \$4,678,076. The breakdown by System is as follows:

| | Proportionate Share | Net Pension Asset | Net Pension Liability |
|--|---------------------|-------------------|-----------------------|
| Non-Contributory System | 0.33581980% | \$ - | \$ 2,156,374 |
| Contributory System | 0.33622740% | - | 110,320 |
| Public Safety System | 1.18393270% | - | 2,402,525 |
| Firefighter System | 4.09520620% | 32,284 | - |
| Tier 2 Public Employees System | 0.07940330% | - | 8,857 |
| Tier 2 Public Safety and Firefighters System | 1.02686700% | 8,914 | - |
| Total | | <u>\$ 41,198</u> | <u>\$ 4,678,076</u> |

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 2016.

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Notes to the Financial Statements, Continued
June 30, 2017

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 53,425 | \$ 331,718 |
| Changes in assumptions | 884,242 | 258,851 |
| Net difference between projected and actual earnings on pension plan investments | 1,298,910 | 378,286 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 87,092 | 151,601 |
| Contributions subsequent to the measurement date | 722,464 | - |
| Total | \$ 3,046,133 | \$ 1,120,456 |

Deferred outflows of resources related to pensions of \$722,464 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, 2016. 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, | Deferred Outflows (Inflows) of Resources |
|--------------------------------|---|
| 2017 | \$ 343,242 |
| 2018 | 401,903 |
| 2019 | 489,553 |
| 2020 | (71,299) |
| 2021 | (2,154) |
| Thereafter | 41,967 |

For the year ended June 30, 2016, the City recognized pension expense of \$1,629,075.

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.60% |
| Salary Increases | 3.35-10.35%, Average, Including inflation |
| Investment Rate of Return | 7.2%, Net of Pension Plan Investment Expense, Including Inflation |

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real rate of return of 4.60% 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, 2016 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 as is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized below:

| Asset Class | Expected Return Arithmetic Basis | | |
|---------------------------|-------------------------------------|------------------------------|--|
| | 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 | <u>100%</u> | | <u>5.23%</u> |
| | Inflation | | <u>2.60%</u> |
| | Expected arithmetic nominal returns | | <u>7.83%</u> |

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. 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

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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determine the total pension liability. The discount rate was reduced to 7.20% from 7.50% from the prior measurement period.

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 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate:

| System | 1% Decrease (6.2%) | Discount Rate (7.2%) | 1% Increase (8.2%) |
|---------------------------------------|-----------------------|-------------------------|-----------------------|
| Non-contributory | \$ 4,466,582 | \$ 2,156,374 | \$ 228,632 |
| Contributory | 265,578 | 110,320 | (20,469) |
| Public Safety | 4,996,710 | 2,402,526 | 293,809 |
| Firefighters | 1,167,482 | (32,284) | (1,005,775) |
| Tier 2 Public Employees | 60,289 | 8,857 | (30,269) |
| Tier 2 Public Safety and Firefighters | 62,364 | (8,914) | (63,689) |
| Total | <u>\$ 11,019,005</u> | <u>\$ 4,636,879</u> | <u>\$ (597,761)</u> |

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.

401A Plan

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 24.37% 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

ROY CITY CORPORATION
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the fiscal year was \$9,032,408 and eligible payroll under this plan was \$8,720,268 for the same period. At June 30, 2017 total plan assets were \$5,942,956. Total contribution requirements were \$49,303, or .57% of covered payroll, and were paid by the due dates.

Roy City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems. Employer contributions to the Utah Retirement Defined Contribution Savings plans for fiscal year ended June 30 were as follows:

| 401(k) Plan | 2017 | 2016 | 2015 |
|------------------------|-----------|-----------|-----------|
| Employer Contributions | \$ 37,457 | \$ 25,961 | \$ 15,800 |

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 \$132,300 for FY 2017.

Financial information relating to the project areas for the fiscal year ending June 30, 2017 is as follows:

| | Project Area #2 | Project Area #3 | Project Area #4 | General |
|---|--------------------|--------------------|--------------------|---------|
| Tax increment collected | \$ 56,915 | \$ 8,967 | \$ - | \$ - |
| Contributions from other government units | 239,595 | 37,650 | - | - |
| Amount expended for: | | | | |
| Administrative costs | 116,425 | 10,585 | - | 5,290 |
| Redevelopment activities | 1,216 | 30,000 | - | 13,520 |

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 \$193,340, respectively. The City had no open contracts for which work had not begun at June 30, 2017.

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, 2017 and 2016, there were no outstanding claims or judgments that management considered necessary for accrual.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
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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, 2017, 2016, and 2015, 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 \$477,441 at June 30, 2017.

Contingent Liabilities

Grants

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, 2017, 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.

Subsequent Event

In October 2017 the City issued \$4,599,000 in Water and Sewer Revenue Bonds Series 2017. Proceeds from the bonds will be used to refund the Water and Sewer Revenue Bonds Series 2008 in March 2018. The bonds bear interest at a rate of 2.057%. The refunding will save the City \$518,332 of debt service expense over the life of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Changes in Pension Assumptions

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability in Utah Retirement Systems - Last 10 Fiscal Years
December 31, 2016

| | Year Ending December 31 | Non- Contributory System | Contributory System | Public Safety System | Firefighters System | Tier 2 Public Employees System | Tier 2 Public Safety and Firefighters System |
|--|-------------------------------|--------------------------------|------------------------|----------------------------|------------------------|---|---|
| Proportion of the net pension liability / (asset) | 2016 | 0.3358198% | 0.3362274% | 1.1839327% | 4.0952062% | 0.0794033% | 1.0268670% |
| | 2015 | 0.3608630% | 0.1789819% | 1.1519670% | 4.4745102% | 0.0770444% | 1.0019573% |
| | 2014 | 0.3506427% | 0.1367805% | 1.2351900% | 4.4969546% | 0.0727692% | 1.0948718% |
| Proportionate share of the net pension liability / (asset) | 2016 | \$ 2,156,374 | \$ 110,320 | \$ 2,402,526 | \$ (32,284) | \$ 8,857 | \$ (8,914) |
| | 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 | 2016 | \$ 2,944,508 | \$ 80,674 | \$ 1,620,081 | \$ 1,150,834 | \$ 651,172 | \$ 848,418 |
| | 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 | 2016 | 73.23% | 136.75% | 148.30% | -2.81% | 1.36% | -1.05% |
| | 2015 | 65.40% | 164.96% | 133.12% | -6.73% | -0.03% | -2.46% |
| | 2014 | 50.70% | 54.00% | 93.20% | -21.70% | -0.06% | -3.60% |
| Plan fiduciary net position as a percentage of the total net pension | 2016 | 87.30% | 92.90% | 86.50% | 100.40% | 95.10% | 103.60% |
| | 2015 | 87.80% | 85.70% | 87.10% | 101.00% | 100.20% | 110.70% |
| | 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 becomes available.

Required Supplementary Information
Schedule of Utah State Retirement Systems Contributions - Last 10 Fiscal Years
June 30, 2017

| | As of Fiscal Year Ended June 30, | Actuarial Determined Contributions | Contributions in Relation to the Contractually Required Contribution | Contribution deficiency (excess) | Covered Paroll | Contributions as a Percentage of Covered Employee Payroll |
|---|--|--|--|--|-------------------|---|
| Noncontributory system | 2017 | \$ 526,565 | \$ 526,565 | \$ - | \$ 2,936,523 | 17.93% |
| | 2016 | 537,756 | 537,756 | - | 3,000,792 | 17.92% |
| | 2015 | 552,605 | 552,605 | - | 3,063,484 | 18.04% |
| Contributory System | 2017 | \$ 11,850 | \$ 11,850 | \$ - | \$ 81,953 | 14.46% |
| | 2016 | 11,379 | 11,379 | - | 78,691 | 14.46% |
| | 2015 | 10,778 | 10,778 | - | 74,535 | 14.46% |
| Public Safety system | 2017 | \$ 580,929 | \$ 580,929 | \$ - | \$ 1,663,874 | 34.91% |
| | 2016 | 555,499 | 555,499 | - | 1,564,573 | 35.50% |
| | 2015 | 573,975 | 573,975 | - | 1,607,323 | 35.71% |
| Firefighters system | 2017 | \$ 45,198 | \$ 45,198 | \$ - | \$ 1,167,685 | 3.87% |
| | 2016 | 45,897 | 45,897 | - | 1,155,267 | 3.97% |
| | 2015 | 45,783 | 45,783 | - | 1,207,295 | 3.79% |
| Tier 2 public employees system* | 2017 | \$ 116,161 | \$ 116,161 | \$ - | \$ 783,685 | 14.82% |
| | 2016 | 82,639 | 82,639 | - | 555,939 | 14.86% |
| | 2015 | 64,590 | 64,590 | - | 432,329 | 14.94% |
| Tier 2 public safety and firefighters system* | 2017 | \$ 152,448 | \$ 152,448 | \$ - | \$ 971,487 | 15.69% |
| | 2016 | 113,608 | 113,608 | - | 685,924 | 16.56% |
| | 2015 | 93,295 | 93,295 | - | 543,231 | 17.17% |
| Tier 2 public employees DC only system* | 2017 | \$ 3,867 | \$ 3,867 | \$ - | \$ 59,555 | 6.49% |
| | 2016 | 1,915 | 1,915 | - | 28,632 | 6.69% |
| | 2015 | 827 | 827 | - | 12,301 | 6.72% |
| Tier 2 public safety and firefighters DC only system* | 2017 | \$ 5,153 | \$ 5,153 | \$ - | \$ 39,670 | 12.99% |
| | 2016 | 4,739 | 4,739 | - | 36,480 | 12.99% |
| | 2015 | - | - | - | - | 0.00% |

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 System.

Tier 2 Systems were created effective July 1, 2011.

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, 2017

| | Special Revenue Funds | | | Total |
|--|----------------------------|---------------------|-------------------|-------------------|
| | Storm Sewer Development | Park Development | Cemetery | |
| ASSETS | | | | |
| Cash | \$ 191,661 | \$ 175,527 | \$ 164,599 | \$ 531,787 |
| Total assets | <u>\$ 191,661</u> | <u>\$ 175,527</u> | <u>\$ 164,599</u> | <u>\$ 531,787</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 592 | \$ - | \$ - | \$ 592 |
| Total liabilities | <u>592</u> | <u>-</u> | <u>-</u> | <u>592</u> |
| FUND BALANCES | | | | |
| Other | - | - | - | - |
| Assigned | 191,069 | 175,527 | 164,599 | 531,195 |
| Total fund balances | <u>191,069</u> | <u>175,527</u> | <u>164,599</u> | <u>531,195</u> |
| Total liabilities and fund balances | <u>\$ 191,661</u> | <u>\$ 175,527</u> | <u>\$ 164,599</u> | <u>\$ 531,787</u> |

| Capital Projects Funds | | | | Total |
|------------------------|--|--------------------------------------|---------------------|------------------------------|
| Capital Improvements | Fire & Rescue Facilities and Equipment | Recreational Facilities Improvements | Total | Non-Major Governmental Funds |
| \$ 209,157 | \$ 709,168 | \$ 1,067,003 | \$ 1,985,328 | \$ 2,517,115 |
| <u>\$ 209,157</u> | <u>\$ 709,168</u> | <u>\$ 1,067,003</u> | <u>\$ 1,985,328</u> | <u>\$ 2,517,115</u> |
| \$ 2,045 | \$ 179,224 | \$ 1,313 | \$ 182,582 | \$ 183,174 |
| <u>2,045</u> | <u>179,224</u> | <u>1,313</u> | <u>182,582</u> | <u>183,174</u> |
| - | - | - | - | - |
| 207,112 | 529,944 | 1,065,690 | 1,802,746 | 2,333,941 |
| <u>207,112</u> | <u>529,944</u> | <u>1,065,690</u> | <u>1,802,746</u> | <u>2,333,941</u> |
| <u>\$ 209,157</u> | <u>\$ 709,168</u> | <u>\$ 1,067,003</u> | <u>\$ 1,985,328</u> | <u>\$ 2,517,115</u> |

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2017**

| | Special Revenue Funds | | | Total |
|---|----------------------------|---------------------|-------------------|-------------------|
| | Storm Sewer Development | Park Development | Cemetery | |
| Revenues: | | | | |
| Impact fees | \$ 20,250 | \$ 104,400 | \$ - | \$ 124,650 |
| Investment earnings | 2,248 | 3,216 | - | 5,464 |
| Other income | - | - | 36 | 36 |
| Total revenues | <u>22,498</u> | <u>107,616</u> | <u>36</u> | <u>130,150</u> |
| Expenditures: | | | | |
| General government | - | - | - | - |
| Park maintenance | - | 2,296 | - | 2,296 |
| Project outlays | 22,836 | 146,876 | - | 169,712 |
| Total expenditures | <u>22,836</u> | <u>149,172</u> | <u>-</u> | <u>172,008</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(338)</u> | <u>(41,556)</u> | <u>36</u> | <u>(41,858)</u> |
| Other financing sources: | | | | |
| Transfers in | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | (338) | (41,556) | 36 | (41,858) |
| Fund balance - beginning of year | <u>191,407</u> | <u>217,083</u> | <u>164,563</u> | <u>573,053</u> |
| Fund balance - end of year | <u>\$ 191,069</u> | <u>\$ 175,527</u> | <u>\$ 164,599</u> | <u>\$ 531,195</u> |

| Capital Projects Funds | | | | Total Non-Major Governmental Funds |
|-------------------------|--|--|--------------|---|
| Capital Improvements | Fire & Rescue Facilities and Equipment | Recreational Facilities & Improvements | Total | |
| \$ - | \$ - | \$ - | \$ - | \$ 124,650 |
| - | - | - | - | 5,464 |
| - | - | - | - | 36 |
| - | - | - | - | 130,150 |
| 9,777 | - | - | 9,777 | 9,777 |
| - | - | - | - | 2,296 |
| 122,737 | 179,224 | 429,809 | 731,770 | 901,482 |
| 132,514 | 179,224 | 429,809 | 741,547 | 913,555 |
| (132,514) | (179,224) | (429,809) | (741,547) | (783,405) |
| 131,500 | 450,500 | 133,780 | 715,780 | 715,780 |
| 131,500 | 450,500 | 133,780 | 715,780 | 715,780 |
| (1,014) | 271,276 | (296,029) | (25,767) | (67,625) |
| 208,126 | 258,668 | 1,361,719 | 1,828,513 | 2,401,566 |
| \$ 207,112 | \$ 529,944 | \$ 1,065,690 | \$ 1,802,746 | \$ 2,333,941 |

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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Impact fees | \$ 25,000 | \$ 25,000 | \$ 20,250 | \$ (4,750) |
| Investment earnings | 1,000 | 1,000 | 2,248 | 1,248 |
| Total revenues | <u>26,000</u> | <u>26,000</u> | <u>22,498</u> | <u>(3,502)</u> |
| Expenditures: | | | | |
| Project outlays | 169,000 | 169,000 | 22,836 | 146,164 |
| Total expenditures | <u>169,000</u> | <u>169,000</u> | <u>22,836</u> | <u>146,164</u> |
| Excess (deficiency) of revenues over (under) expenditures | (143,000) | (143,000) | (338) | 142,662 |
| Fund balance - beginning of year | 191,407 | 191,407 | 191,407 | - |
| Fund balance - end of year | <u>\$ 48,407</u> | <u>\$ 48,407</u> | <u>\$ 191,069</u> | <u>\$ 142,662</u> |

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, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Impact fees | \$ 25,000 | \$ 102,400 | \$ 104,400 | \$ 2,000 |
| Investment earnings | 1,000 | 1,000 | 3,216 | 2,216 |
| Total revenues | 26,000 | 103,400 | 107,616 | 4,216 |
| Expenditures: | | | | |
| Park maintenance | - | - | 2,296 | (2,296) |
| Project outlays | 15,000 | 150,000 | 146,876 | 3,124 |
| Total expenditures | 15,000 | 150,000 | 149,172 | 828 |
| Excess (deficiency) of revenues over (under) expenditures | 11,000 | (46,600) | (41,556) | 5,044 |
| Fund balance - beginning of year | 217,083 | 217,083 | 217,083 | - |
| Fund balance - end of year | \$ 228,083 | \$ 170,483 | \$ 175,527 | \$ 5,044 |

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, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other income | \$ - | \$ - | \$ 36 | \$ 36 |
| Total revenues | - | - | 36 | 36 |
| Net change in fund balance | - | - | 36 | 36 |
| Fund balance - beginning of year | 164,563 | 164,563 | 164,563 | - |
| Fund balance - end of year | <u>\$ 164,563</u> | <u>\$ 164,563</u> | <u>\$ 164,599</u> | <u>\$ 36</u> |

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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|--------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: | | | | |
| Project outlays | \$ 156,500 | \$ 337,876 | \$ 130,764 | \$ 207,112 |
| Total expenditures | <u>156,500</u> | <u>337,876</u> | <u>130,764</u> | <u>207,112</u> |
| Deficiency of expenditures over revenues | <u>(156,500)</u> | <u>(337,876)</u> | <u>(130,764)</u> | <u>207,112</u> |
| Other financing sources: | | | | |
| Transfers in | - | 763,153 | 131,500 | (631,653) |
| Total other financing sources | <u>-</u> | <u>763,153</u> | <u>131,500</u> | <u>(631,653)</u> |
| Net change in fund balance | (156,500) | 425,277 | 736 | (424,541) |
| Fund balance - beginning of year | <u>206,376</u> | <u>206,376</u> | <u>206,376</u> | <u>-</u> |
| Fund balance - end of year | <u><u>\$ 49,876</u></u> | <u><u>\$ 631,653</u></u> | <u><u>\$ 207,112</u></u> | <u><u>\$ (424,541)</u></u> |

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, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Expenditures: | | | | |
| Project outlays | \$ - | \$ 175,000 | \$ 179,224 | \$ (4,224) |
| Total expenditures | - | 175,000 | 179,224 | (4,224) |
| Deficiency of expenditures over revenues | - | (175,000) | (179,224) | (4,224) |
| Other financing sources: | | | | |
| Transfers in | 185,500 | 450,500 | 450,500 | - |
| Total other financing sources | 185,500 | 450,500 | 450,500 | - |
| Net change in fund balance | 185,500 | 275,500 | 271,276 | (4,224) |
| Fund balance - beginning of year | 258,668 | 258,668 | 258,668 | - |
| Fund balance - end of year | <u>\$ 444,168</u> | <u>\$ 534,168</u> | <u>\$ 529,944</u> | <u>\$ (4,224)</u> |

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, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | | |
| Expenditures: | | | | |
| Project outlays | \$ 500,000 | \$ 1,651,499 | \$ 429,809 | \$ 1,221,690 |
| Total expenditures | 500,000 | 1,651,499 | 429,809 | 1,221,690 |
| Deficiency of expenditures over revenues | (500,000) | (1,651,499) | (429,809) | 1,221,690 |
| Other financing sources: | | | | |
| Operating transfers in | - | 289,780 | 133,780 | (156,000) |
| Total other financing sources | - | 289,780 | 133,780 | (156,000) |
| Net change in fund balance | (500,000) | (1,361,719) | (296,029) | 1,065,690 |
| Fund balance - beginning of year | 1,361,719 | 1,361,719 | 1,361,719 | - |
| Fund balance - end of year | \$ 861,719 | \$ - | \$ 1,065,690 | \$ 1,065,690 |

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, 2017

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------|----------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 85,249 | \$ 594,732 | \$ 679,981 |
| Prepays | 27,453 | 1,580 | 29,033 |
| Total current assets | <u>112,702</u> | <u>596,312</u> | <u>709,014</u> |
| Non-current assets: | | | |
| Capital assets: | | | |
| Furnishings and fixtures | 1,998 | - | 1,998 |
| Computer hardware | 557,499 | - | 557,499 |
| Software | 100,136 | - | 100,136 |
| Less accumulated depreciation | (408,793) | - | (408,793) |
| Total capital assets net of accumulated depreciation | <u>250,840</u> | <u>-</u> | <u>250,840</u> |
| Net pension asset | <u>-</u> | <u>-</u> | <u>-</u> |
| Total non-current assets | <u>250,840</u> | <u>-</u> | <u>250,840</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | <u>36,183</u> | <u>-</u> | <u>36,183</u> |
| Total assets and deferred outflows of resources | <u>399,725</u> | <u>596,312</u> | <u>996,037</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 10,919 | 1,984 | 12,903 |
| Accrued wages | 2,771 | - | 2,771 |
| Compensated absences | 3,175 | - | 3,175 |
| Recaptured losses | <u>-</u> | <u>39,641</u> | <u>39,641</u> |
| Total current liabilities | <u>16,865</u> | <u>41,625</u> | <u>58,490</u> |

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ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Net Position, continued
June 30, 2017

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|--|-----------------------------------|----------------------------|-------------------|
| Non-current liabilities: | | | |
| Compensated absences | \$ 28,306 | \$ - | \$ 28,306 |
| Recaptured losses, less current portion | - | 77,246 | 77,246 |
| Net pension liability | 51,418 | - | 51,418 |
| Total non-current liabilities | <u>79,724</u> | <u>77,246</u> | <u>156,970</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 11,542 | - | 11,542 |
| Total liabilities and deferred inflows of resources | 108,131 | 118,871 | 227,002 |
| NET POSITION | | | |
| Invested in capital assets | 250,840 | - | 250,840 |
| Unrestricted | 40,754 | 477,441 | 518,195 |
| Total net position | <u>\$ 291,594</u> | <u>\$ 477,441</u> | <u>\$ 769,035</u> |

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ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

| | Information Technology | Risk Management | Total |
|---------------------------------|---------------------------|--------------------|-------------------|
| Operating revenue: | | | |
| Charges for services | \$ 385,569 | \$ 290,300 | \$ 675,869 |
| Other income | - | 11,028 | 11,028 |
| Total operating revenue | <u>385,569</u> | <u>301,328</u> | <u>686,897</u> |
| Operating expenses: | | | |
| Personnel services | 183,547 | - | 183,547 |
| Contractual services | 88,829 | 159,087 | 247,916 |
| Materials and supplies | 39,140 | - | 39,140 |
| Other general costs of services | 7,242 | 140,310 | 147,552 |
| Depreciation | 64,108 | - | 64,108 |
| Total operating expenses | <u>382,866</u> | <u>299,397</u> | <u>682,263</u> |
| Operating income | 2,703 | 1,931 | 4,634 |
| Total net position - beginning | <u>288,891</u> | <u>475,510</u> | <u>764,401</u> |
| Total net position - ending | <u>\$ 291,594</u> | <u>\$ 477,441</u> | <u>\$ 769,035</u> |

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|--|-----------------------------------|----------------------------|--------------------------|
| Cash flows from operating activities: | | | |
| Cash received from interfund services provided | \$ 385,570 | \$ 290,299 | \$ 675,869 |
| Other income | - | 11,028 | 11,028 |
| Payments to suppliers | (154,826) | (301,867) | (456,693) |
| Payments to employees | (183,118) | - | (183,118) |
| Net cash provided (used) by operating activities | <u>47,626</u> | <u>(540)</u> | <u>47,086</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | <u>(142,796)</u> | - | <u>(142,796)</u> |
| Net cash used in capital and related financing activities | <u>(142,796)</u> | - | <u>(142,796)</u> |
| Net increase (decrease) in cash | (95,170) | (540) | (95,710) |
| Cash - beginning of year | <u>180,419</u> | <u>595,272</u> | <u>775,691</u> |
| Cash - end of year | <u><u>\$ 85,249</u></u> | <u><u>\$ 594,732</u></u> | <u><u>\$ 679,981</u></u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income | <u>\$ 2,703</u> | <u>\$ 1,931</u> | <u>\$ 4,634</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 64,108 | - | 64,108 |
| (Increase) decrease in prepaids | (27,452) | (5) | (27,457) |
| (Increase) decrease in net pension asset | 424 | - | 424 |
| (Increase) decrease in deferred outflows | (4,789) | - | (4,789) |
| Increase (decrease) in accounts payable | 7,838 | (7,567) | 271 |
| Increase (decrease) in accrued wages | (3,573) | - | (3,573) |
| Increase (decrease) in compensated absences | 2,440 | - | 2,440 |
| Increase (decrease) in net pension liability | 3,843 | - | 3,843 |

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows, continued
For the Fiscal Year Ended June 30, 2017

| | <u>Information Technology</u> | <u>Risk Management</u> | <u>Total</u> |
|---|-----------------------------------|----------------------------|------------------|
| Increase (decrease) in deferred inflows | 2,084 | - | 2,084 |
| Increase (decrease) in recaptured losses | - | 5,101 | 5,101 |
| Total adjustments | <u>44,923</u> | <u>(2,471)</u> | <u>42,452</u> |
| Net cash provided by operating activities | <u>\$ 47,626</u> | <u>\$ (540)</u> | <u>\$ 47,086</u> |

**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, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Governmental funds capital assets: | | |
| Land | \$ 3,901,316 | \$ 3,901,316 |
| Buildings | 11,692,586 | 11,695,129 |
| Improvements other than buildings | 35,277,478 | 34,160,896 |
| Machinery and equipment | 4,287,971 | 4,221,545 |
| Vehicles | 6,595,180 | 6,521,816 |
| Construction in progress | 1,721,180 | 992,773 |
| Total governmental funds capital assets | <u>\$ 63,475,711</u> | <u>\$ 61,493,475</u> |
| Investments in governmental funds capital assets by source: | | |
| General fund | \$ 36,228,548 | \$ 35,203,409 |
| Capital projects fund | 15,242,323 | 14,510,554 |
| Special revenue funds | 7,804,250 | 7,634,538 |
| Donations | 4,200,590 | 4,144,974 |
| Total governmental funds capital assets | <u>\$ 63,475,711</u> | <u>\$ 61,493,475</u> |

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, 2017

| 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 | \$ 43,263 | \$ - | \$ 1,203,297 |
| Legal | - | - | - | 4,707 | - | - | 4,707 |
| Justice court | - | - | - | 62,613 | - | - | 62,613 |
| Community dvlpmt. | - | - | - | 28,603 | 72,734 | - | 101,337 |
| Finance | - | - | 3,970 | 40,680 | - | - | 44,650 |
| Public buildings | - | 8,990,441 | 715,150 | 342,275 | 215,797 | - | 10,263,663 |
| Total | 1,125,238 | 8,990,441 | 723,645 | 509,149 | 331,794 | - | 11,680,267 |
| Public safety: | | | | | | | |
| Fire | 69,417 | 938,782 | 35,311 | 864,360 | 2,232,211 | - | 4,140,081 |
| Police | - | - | 1,768 | 222,746 | 1,500,800 | - | 1,725,314 |
| Total | 69,417 | 938,782 | 37,079 | 1,087,106 | 3,733,011 | - | 5,865,395 |
| Public works: | | | | | | | |
| Administration | 185,268 | - | 22,208 | 41,601 | 25,656 | - | 274,733 |
| Class "C" roads | 26,273 | 227,426 | 8,382,629 | 565,275 | 1,679,515 | 3,135 | 10,884,253 |
| Fleet services | - | - | - | 113,061 | 69,390 | - | 182,451 |
| Streets | 327,700 | 2,275 | 16,007,215 | 689,457 | 255,279 | 118,200 | 17,400,126 |
| Trans. Infrastructure | - | - | 134,395 | 10,000 | - | 8,596 | 152,991 |
| Total | 539,241 | 229,701 | 24,546,447 | 1,419,394 | 2,029,840 | 129,931 | 28,894,554 |
| Parks and recreation: | | | | | | | |
| Aquatic center | 963,940 | - | 4,503,704 | 380,356 | - | - | 5,848,000 |
| Beautification | - | - | - | 3,579 | - | 653,005 | 656,584 |
| Parks | 1,203,480 | 174,931 | 4,965,605 | 491,466 | 394,488 | 938,244 | 8,168,214 |
| Recreation | - | 471,596 | 185,667 | 79,792 | 106,047 | - | 843,102 |
| Recreation complex | - | 887,135 | 315,331 | 317,129 | - | - | 1,519,595 |
| Total | 2,167,420 | 1,533,662 | 9,970,307 | 1,272,322 | 500,535 | 1,591,249 | 17,035,495 |
| Total governmental capital assets | \$ 3,901,316 | \$ 11,692,586 | \$ 35,277,478 | \$ 4,287,971 | \$ 6,595,180 | \$ 1,721,180 | \$ 63,475,711 |

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, 2017

| <u>Function and Activity</u> | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2017</u> |
|--|---------------------------------|---------------------|---------------------|----------------------------------|
| General government: | | | | |
| Legislative | \$ 1,192,965 | \$ 43,263 | \$ (32,931) | \$ 1,203,297 |
| Legal & risk management | 4,707 | - | - | 4,707 |
| Justice court | 33,353 | 29,260 | - | 62,613 |
| Community development | 72,664 | 28,673 | - | 101,337 |
| Finance | 44,650 | - | - | 44,650 |
| Public buildings | 10,021,782 | 252,496 | (10,615) | 10,263,663 |
| Total general government | <u>11,370,121</u> | <u>353,692</u> | <u>(43,546)</u> | <u>11,680,267</u> |
| Public safety: | | | | |
| Fire | 3,932,421 | 218,484 | (10,824) | 4,140,081 |
| Police | 1,913,248 | 304,175 | (492,109) | 1,725,314 |
| Total public safety | <u>5,845,669</u> | <u>522,659</u> | <u>(502,933)</u> | <u>5,865,395</u> |
| Public works: | | | | |
| Administration | 286,241 | 5,690 | (17,198) | 274,733 |
| Class "C" roads | 10,404,207 | 595,097 | (115,051) | 10,884,253 |
| Fleet services | 173,924 | 14,052 | (5,525) | 182,451 |
| Streets | 17,322,826 | 78,452 | (1,152) | 17,400,126 |
| Transportation infrastructure | - | 152,991 | - | 152,991 |
| Total public works | <u>28,187,198</u> | <u>846,282</u> | <u>(138,926)</u> | <u>28,894,554</u> |
| Parks and recreation: | | | | |
| Aquatic center | 5,843,572 | 11,840 | (7,412) | 5,848,000 |
| Beautification | 535,597 | 122,737 | (1,750) | 656,584 |
| Parks | 7,495,096 | 763,975 | (90,857) | 8,168,214 |
| Recreation | 840,125 | 2,977 | - | 843,102 |
| Recreation complex | 1,376,097 | 143,498 | - | 1,519,595 |
| Total parks and recreation | <u>16,090,487</u> | <u>1,045,027</u> | <u>(100,019)</u> | <u>17,035,495</u> |
| Total governmental funds capital assets | <u>\$ 61,493,475</u> | <u>\$ 2,767,660</u> | <u>\$ (785,424)</u> | <u>\$ 63,475,711</u> |

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 <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | 107 |
| REVENUE CAPACITY <i>These schedules contain information to help the reader assess the City's most significant local revenue sources, the sales tax and property tax.</i> | 120 |
| DEBT CAPACITY <i>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.</i> | 126 |
| DEMOGRAPHICS AND ECONOMIC INFORMATION <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | 130 |
| OPERATING INFORMATION <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i> | 132 |

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 | Contributions from other Govt Units | Miscellaneous | Total |
|----------------|----------------------------|---|---|---------------|--|---|---------------|---------------|
| 2016-17 | \$ 14,222,446 | \$ 1,628,543 | \$ 133,683 | \$ 12,189,922 | \$ 212,108 | \$ 755,046 | \$ 294,155 | \$ 29,435,903 |
| 2015-16 | 13,511,142 | 1,356,020 | 260,587 | 10,850,597 | 127,281 | 453,589 | 292,758 | 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 |

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 |
|--------------------|---------------------------|----------------------|-----------------------------|-----------------------------|------------------------------------|--------------------------------|----------------------------|----------------------------|---------------|
| 2016-17 | \$ 3,357,633 | \$ 9,060,658 | \$ 3,364,725 | \$ 2,998,691 | \$ 4,383 | \$ 7,275,028 | \$ 634,642 | \$ 1,780,606 | \$ 28,476,366 |
| 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 |

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

| FISCAL YEAR | TAXES | LICENSES AND PERMITS | INTERGOVERNMENTAL | CHARGES FOR SERVICES | FINES AND FORFEITURES | INTEREST AND MISC | OTHER FINANCING SOURCES | TOTAL |
|--------------------|---------------|-----------------------------|--------------------------|-----------------------------|------------------------------|--------------------------|--------------------------------|---------------|
| 2016-17 | \$ 12,124,040 | \$ 455,997 | \$ 1,645,327 | \$ 2,555,482 | \$ 679,629 | \$ 420,367 | \$ 452,684 | \$ 18,333,526 |
| 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 |

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 | Debt Service | Other Financing Uses | Total |
|----------------|-----------------------|------------------|----------------------------|----------------------------|-----------------|----------------------------|---------------|
| 2016-17 | \$ 3,323,182 | \$ 8,596,891 | \$ 3,221,211 | \$ 2,830,370 | \$ 119,933 | \$ 715,780 | \$ 18,807,367 |
| 2015-16 | 2,839,461 | 8,028,590 | 1,702,043 | 2,530,734 | 120,014 | 257,025 | 15,477,867 |
| 2014-15 | 3,219,745 | 7,973,281 | 2,199,257 | 2,221,230 | 119,891 | 1,787,031 | 17,520,435 |
| 2013-14 | 2,925,292 | 8,199,184 | 1,815,218 | 2,209,599 | 119,596 | 220,025 | 15,488,914 |
| 2012-13 | 3,936,031 | 7,329,098 | 2,417,511 | 2,204,956 | 275,116 | 647,050 | 16,809,762 |
| 2011-12 | 3,190,479 | 7,359,687 | 1,819,427 | 2,050,866 | 311,594 | 657,142 | 15,389,195 |
| 2010-11 | 3,063,502 | 6,985,946 | 1,724,724 | 1,920,939 | 277,937 | 212,340 | 14,185,388 |
| 2009-10 | 2,994,623 | 6,913,952 | 1,834,389 | 1,968,899 | 277,501 | 2,162,693 | 16,152,057 |
| 2008-09 | 2,945,590 | 6,915,667 | 2,109,472 | 1,995,110 | 278,943 | 490,275 | 14,735,057 |
| 2007-08 | 2,916,349 | 7,045,301 | 2,596,801 | 2,297,423 | 194,232 | 1,467,290 | 16,517,396 |

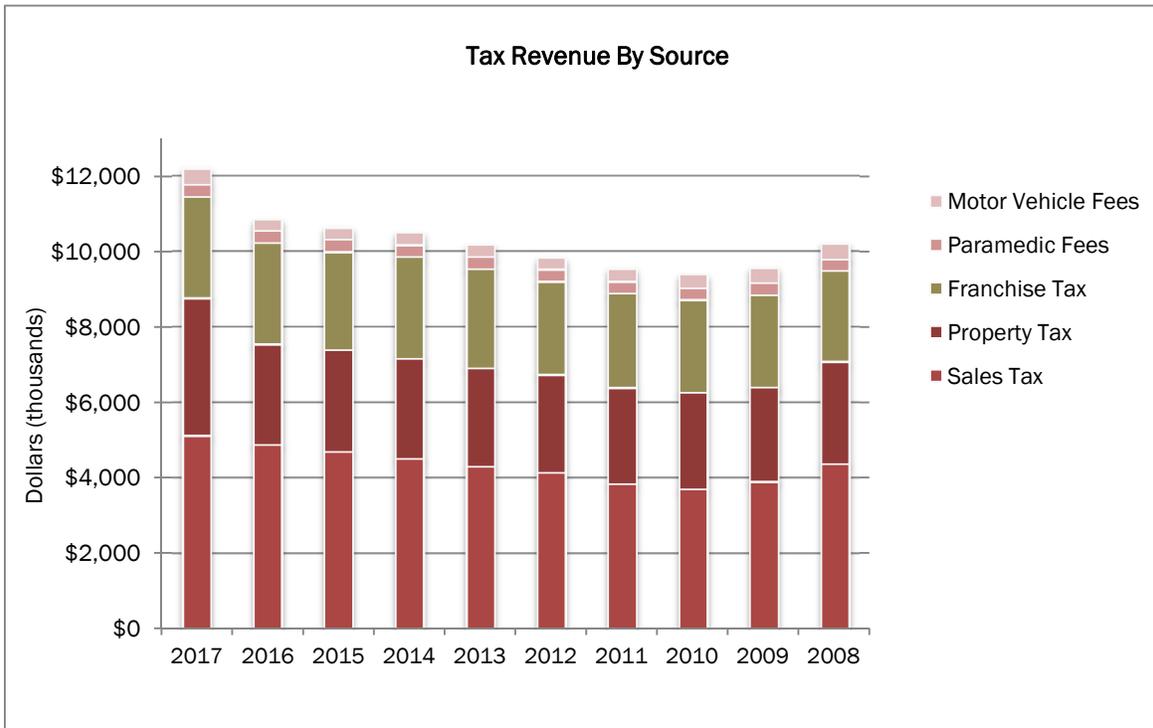
Notes:

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 | Property Tax | Franchise Tax | Paramedic Fees | Motor Vehicle Fees | Total |
|--------------------|------------------|---------------------|----------------------|-----------------------|---------------------------|--------------|
| 2017 | \$ 5,118 | \$ 3,641 | \$ 2,684 | \$ 320 | \$ 426 | \$ 12,189 |
| 2016 | 4,878 | 2,661 | 2,685 | 320 | 306 | 10,850 |
| 2015 | 4,690 | 2,689 | 2,599 | 335 | 309 | 10,622 |
| 2014 | 4,498 | 2,658 | 2,697 | 308 | 330 | 10,491 |
| 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 |



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

| | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 33,743 | \$ 33,326 | \$ 33,958 | \$ 34,249 | \$ 34,469 | \$ 34,239 | \$ 35,269 | \$ 35,212 | \$ 33,055 | \$ 32,254 |
| Restricted | 2,434 | 2,689 | 2,331 | 2,301 | 2,261 | 2,116 | 1,735 | 2,994 | 2,638 | 2,699 |
| Unrestricted | 5,511 | 5,686 | 5,787 | 8,085 | 7,958 | 7,256 | 6,476 | 4,274 | 5,390 | 5,965 |
| Total governmental activities net position | <u>\$ 41,688</u> | <u>\$ 41,701</u> | <u>\$ 42,076</u> | <u>\$ 44,635</u> | <u>\$ 44,688</u> | <u>\$ 43,611</u> | <u>\$ 43,480</u> | <u>\$ 42,480</u> | <u>\$ 41,083</u> | <u>\$ 40,918</u> |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 20,075 | \$ 19,816 | \$ 18,786 | \$ 18,806 | \$ 18,574 | \$ 18,334 | \$ 17,940 | \$ 16,961 | \$ 18,165 | \$ 17,370 |
| Restricted | - | - | - | - | - | 27 | 1,106 | 485 | 902 | - |
| Unrestricted | 9,043 | 8,329 | 8,453 | 7,658 | 7,196 | 6,121 | 5,014 | 4,907 | 2,604 | 3,433 |
| Total business-type activities net position | <u>\$ 29,118</u> | <u>\$ 28,145</u> | <u>\$ 27,239</u> | <u>\$ 26,464</u> | <u>\$ 25,770</u> | <u>\$ 24,482</u> | <u>\$ 24,060</u> | <u>\$ 22,353</u> | <u>\$ 21,671</u> | <u>\$ 20,803</u> |
| Primary government | | | | | | | | | | |
| Net Investment in capital assets | \$ 53,818 | \$ 53,142 | \$ 52,744 | \$ 53,055 | \$ 53,043 | \$ 52,573 | \$ 53,209 | \$ 52,173 | \$ 51,220 | \$ 49,624 |
| Restricted | 2,434 | 2,689 | 2,331 | 2,301 | 2,261 | 2,143 | 2,841 | 3,479 | 3,540 | 2,699 |
| Unrestricted | 14,554 | 14,015 | 14,240 | 15,743 | 15,154 | 13,377 | 11,490 | 9,181 | 7,994 | 9,398 |
| Total primary government net position | <u>\$ 70,806</u> | <u>\$ 69,846</u> | <u>\$ 69,315</u> | <u>\$ 71,099</u> | <u>\$ 70,458</u> | <u>\$ 68,093</u> | <u>\$ 67,540</u> | <u>\$ 64,833</u> | <u>\$ 62,754</u> | <u>\$ 61,721</u> |

ROY CITY CORPORATION
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 3,358 | \$ 3,539 | \$ 4,331 | \$ 3,328 | \$ 2,961 | \$ 3,621 | \$ 3,258 | \$ 3,202 | \$ 3,244 | \$ 3,014 |
| Public safety | 9,061 | 8,191 | 7,747 | 7,761 | 7,612 | 7,260 | 7,249 | 7,130 | 7,364 | 7,242 |
| Public works | 3,365 | 2,620 | 2,514 | 2,559 | 2,677 | 2,669 | 2,640 | 2,513 | 2,896 | 2,454 |
| Parks and recreation | 2,998 | 2,769 | 2,591 | 2,536 | 2,604 | 2,531 | 2,414 | 2,465 | 2,593 | 2,708 |
| Interest and fiscal charges | 4 | 6 | 8 | 10 | 8 | 65 | 51 | 62 | 93 | 80 |
| Total governmental activities expenses | <u>18,786</u> | <u>17,125</u> | <u>17,191</u> | <u>16,194</u> | <u>15,862</u> | <u>16,146</u> | <u>15,612</u> | <u>15,372</u> | <u>16,190</u> | <u>15,498</u> |
| Business-type activities: | | | | | | | | | | |
| Water and sewer utility | 7,275 | 6,826 | 6,075 | 5,527 | 5,141 | 4,315 | 4,112 | 4,084 | 4,103 | 3,742 |
| Storm sewer utility | 635 | 516 | 499 | 404 | 438 | 342 | 368 | 346 | 348 | 360 |
| Solid waste utility | 1,780 | 1,851 | 1,850 | 1,729 | 1,711 | 1,488 | 1,549 | 1,469 | 1,457 | 1,390 |
| Total business-type activities expenses | <u>9,690</u> | <u>9,193</u> | <u>8,424</u> | <u>7,660</u> | <u>7,290</u> | <u>6,145</u> | <u>6,029</u> | <u>5,899</u> | <u>5,908</u> | <u>5,492</u> |
| Total primary government expenses | <u>\$ 28,476</u> | <u>\$ 26,318</u> | <u>\$ 25,615</u> | <u>\$ 23,854</u> | <u>\$ 23,152</u> | <u>\$ 22,291</u> | <u>\$ 21,641</u> | <u>\$ 21,271</u> | <u>\$ 22,098</u> | <u>\$ 20,990</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 1,213 | \$ 1,236 | \$ 1,191 | \$ 966 | \$ 987 | \$ 1,164 | \$ 1,034 | \$ 993 | \$ 874 | \$ 907 |
| Public safety | 1,534 | 1,466 | 1,675 | 1,454 | 1,463 | 1,182 | 1,040 | 956 | 1,064 | 963 |
| Public works | 23 | 51 | 80 | 92 | 114 | 49 | 71 | 129 | 109 | 45 |
| Parks and recreation | 1,046 | 965 | 941 | 928 | 1,079 | 1,066 | 1,006 | 1,028 | 922 | 950 |
| Operating grants and contributions | 1,628 | 1,356 | 1,262 | 1,268 | 1,263 | 1,304 | 1,200 | 1,148 | 2,170 | 1,499 |
| Capital grants and contributions | 92 | 160 | 178 | 435 | 734 | 511 | 1,559 | 1,946 | 408 | 1,120 |
| Total governmental activities program revenues | <u>5,536</u> | <u>5,234</u> | <u>5,327</u> | <u>5,143</u> | <u>5,640</u> | <u>5,276</u> | <u>5,910</u> | <u>6,200</u> | <u>5,547</u> | <u>5,484</u> |

ROY CITY CORPORATION
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Program Revenues, continued: | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and sewer utility | 7,433 | 6,833 | 6,169 | 5,704 | 5,441 | 4,775 | 4,855 | 4,871 | 4,522 | 4,107 |
| Storm sewer utility | 849 | 840 | 835 | 371 | 367 | 364 | 363 | 360 | 359 | 424 |
| Solid waste utility | 2,125 | 2,119 | 2,099 | 2,083 | 1,976 | 1,913 | 1,900 | 1,901 | 1,803 | 1,739 |
| Capital grants and contributions | 42 | 100 | 58 | - | 595 | - | 1,314 | 152 | 759 | 552 |
| Total business-type activities program revenues | <u>10,449</u> | <u>9,892</u> | <u>9,161</u> | <u>8,158</u> | <u>8,379</u> | <u>7,052</u> | <u>8,432</u> | <u>7,284</u> | <u>7,443</u> | <u>6,822</u> |
| Total primary government program revenues | <u>\$ 15,985</u> | <u>\$ 15,126</u> | <u>\$ 14,488</u> | <u>\$ 13,301</u> | <u>\$ 14,019</u> | <u>\$ 12,328</u> | <u>\$ 14,342</u> | <u>\$ 13,484</u> | <u>\$ 12,990</u> | <u>\$ 12,306</u> |
| Net (expense)/revenue: | | | | | | | | | | |
| Governmental activities | \$ (13,250) | \$ (11,891) | \$ (11,864) | \$ (11,051) | \$ (10,222) | \$ (10,870) | \$ (9,702) | \$ (9,172) | \$ (10,643) | \$ (10,014) |
| Business-type activities | 759 | 699 | 737 | 498 | 1,089 | 907 | 2,403 | 1,385 | 1,535 | 1,330 |
| Total primary government net expense | <u>\$ (12,491)</u> | <u>\$ (11,192)</u> | <u>\$ (11,127)</u> | <u>\$ (10,553)</u> | <u>\$ (9,133)</u> | <u>\$ (9,963)</u> | <u>\$ (7,299)</u> | <u>\$ (7,787)</u> | <u>\$ (9,108)</u> | <u>\$ (8,684)</u> |
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 3,641 | \$ 2,661 | \$ 2,687 | \$ 2,658 | \$ 2,602 | \$ 2,591 | \$ 2,558 | \$ 2,550 | \$ 2,514 | \$ 2,702 |
| Sales taxes | 5,118 | 4,878 | 4,690 | 4,497 | 4,300 | 4,142 | 3,830 | 3,701 | 3,891 | 4,378 |
| Franchise taxes | 3,005 | 3,005 | 2,934 | 3,006 | 2,954 | 2,783 | 2,807 | 2,775 | 2,751 | 2,716 |
| Payments in lieu of taxes | 426 | 306 | 309 | 330 | 317 | 312 | 338 | 363 | 410 | 418 |
| Unrestricted investment earnings | 212 | 127 | 818 | 81 | 594 | 88 | 59 | 68 | 214 | 521 |
| Contributions from other government units | 755 | 454 | 717 | 364 | 479 | 331 | 334 | 321 | 300 | 309 |

ROY CITY CORPORATION
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

| | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Revenues and Other | | | | | | | | | | |
| Changes in Net Position, continued | | | | | | | | | | |
| Other revenues (uses) not restricted to specific programs | 80 | 85 | 386 | 62 | 54 | 72 | 69 | 66 | 47 | (62) |
| Transfers | - | - | - | - | - | 680 | 707 | 727 | 680 | 599 |
| Total governmental activities | <u>13,237</u> | <u>11,516</u> | <u>12,541</u> | <u>10,998</u> | <u>11,300</u> | <u>10,999</u> | <u>10,702</u> | <u>10,571</u> | <u>10,807</u> | <u>11,581</u> |
| Business-type activities: | | | | | | | | | | |
| Other revenues (uses) not restricted to specific programs | 214 | 208 | 201 | 196 | 199 | 193 | - | - | (131) | 3 |
| Unrestricted investment earnings | - | - | - | - | - | 2 | 11 | 24 | 144 | 48 |
| Transfers | - | - | - | - | - | (680) | (707) | (727) | (680) | (600) |
| Total business-type activities | <u>214</u> | <u>208</u> | <u>201</u> | <u>196</u> | <u>199</u> | <u>(485)</u> | <u>(696)</u> | <u>(703)</u> | <u>(667)</u> | <u>(549)</u> |
| Total primary government | <u>\$ 13,451</u> | <u>\$ 11,724</u> | <u>\$ 12,742</u> | <u>\$ 11,194</u> | <u>\$ 11,499</u> | <u>\$ 10,514</u> | <u>\$ 10,006</u> | <u>\$ 9,868</u> | <u>\$ 10,140</u> | <u>\$ 11,032</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (13) | \$ (375) | \$ 677 | \$ (53) | \$ 1,078 | \$ 129 | \$ 1,000 | \$ 1,399 | \$ 164 | \$ 1,567 |
| Business-type activities | 973 | 907 | 938 | 694 | 1,288 | 422 | 1,707 | 682 | 868 | 781 |
| Total primary government | <u>\$ 960</u> | <u>\$ 532</u> | <u>\$ 1,615</u> | <u>\$ 641</u> | <u>\$ 2,366</u> | <u>\$ 551</u> | <u>\$ 2,707</u> | <u>\$ 2,081</u> | <u>\$ 1,032</u> | <u>\$ 2,348</u> |

Notes:

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

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 11,764 | \$ 10,544 | \$ 10,311 | \$ 10,162 | \$ 9,853 | \$ 10,136 | \$ 9,195 | \$ 9,025 | \$ 9,156 | \$ 9,795 |
| Payments in lieu of taxes | 426 | 306 | 309 | 330 | 317 | 312 | 338 | 363 | 409 | 418 |
| Licenses and permits | 456 | 386 | 382 | 281 | 235 | 391 | 283 | 315 | 281 | 288 |
| Intergovernmental | 1,645 | 1,405 | 1,365 | 1,497 | 1,268 | 1,541 | 1,321 | 2,537 | 1,534 | 1,900 |
| Charges for services | 2,555 | 2,427 | 2,634 | 2,405 | 2,562 | 2,902 | 2,742 | 2,688 | 2,681 | 2,442 |
| Impact fees | 125 | 124 | 97 | 53 | 117 | 95 | 109 | 189 | 56 | 77 |
| Fines and forfeitures | 680 | 781 | 774 | 701 | 731 | 752 | 724 | 633 | 632 | 650 |
| Investment earnings | 212 | 127 | 818 | 81 | 594 | 88 | 59 | 68 | 214 | 521 |
| Property rental | 29 | 30 | 30 | 34 | 32 | 37 | 39 | 43 | 11 | 11 |
| Management fee | 132 | 130 | 132 | 125 | 120 | 118 | 117 | 136 | 223 | 192 |
| Contributions and donations | 49 | 30 | 628 | 570 | 679 | 531 | 534 | 521 | 300 | 309 |
| Miscellaneous | 21 | 25 | 31 | 28 | 22 | 35 | 30 | 31 | 51 | 33 |
| Total revenues | 18,094 | 16,315 | 17,511 | 16,267 | 16,530 | 16,938 | 15,491 | 16,549 | 15,548 | 16,636 |
| Expenditures | | | | | | | | | | |
| General government | 3,472 | 3,614 | 3,522 | 3,367 | 3,708 | 3,527 | 3,216 | 3,218 | 3,192 | 3,185 |
| Public safety | 8,526 | 8,009 | 8,046 | 8,130 | 7,324 | 7,361 | 7,017 | 6,885 | 7,026 | 7,097 |
| Public works | 3,221 | 1,736 | 2,165 | 2,040 | 1,884 | 1,805 | 1,946 | 1,893 | 2,411 | 2,015 |
| Parks and recreation | 2,774 | 2,525 | 2,221 | 2,228 | 2,172 | 2,075 | 1,920 | 1,969 | 1,996 | 2,309 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 115 | 113 | 111 | 109 | 260 | 239 | 467 | 250 | 243 | 155 |
| Interest and fiscal charges | 5 | 7 | 9 | 11 | 15 | 73 | 55 | 64 | 74 | 80 |
| Intergovernmental | - | - | 1,164 | - | - | - | - | - | - | - |
| Capital outlay | 901 | 750 | 489 | 287 | 307 | 187 | 238 | 3,328 | 1,050 | 3,048 |
| Total expenditures | \$ 19,014 | \$ 16,754 | \$ 17,727 | \$ 16,172 | \$ 15,670 | \$ 15,267 | \$ 14,859 | \$ 17,607 | \$ 15,992 | \$ 17,889 |

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------|-----------------|---------------|---------------|---------------|-----------------|---------------|-------------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Excess of revenues over (under) expenditures | \$ (920) | \$ (439) | \$ (216) | \$ 95 | \$ 860 | \$ 1,671 | \$ 632 | \$ (1,058) | \$ (444) | \$ (1,253) |
| Other financing sources (uses) | | | | | | | | | | |
| Proceeds from sale of assets | 81 | 67 | 224 | 54 | - | 35 | 24 | 17 | 12 | 59 |
| Contributions from other government units | 649 | 267 | 260 | - | - | - | - | - | - | - |
| Proceeds from revenue bonds | | | - | - | - | 577 | - | - | - | 1,000 |
| Payment to refunding bond escrow agent | | | - | - | - | (560) | - | - | - | - |
| Transfers in | 716 | 257 | 1,787 | 220 | 1,870 | 97 | 212 | 2,163 | 490 | 1,467 |
| Transfers out | (716) | (257) | (1,787) | (220) | (1,870) | (97) | (212) | (2,163) | (490) | (1,467) |
| Total other financing sources (uses) | 730 | 334 | 484 | 54 | - | 52 | 24 | 17 | 12 | 1,059 |
| Net change in fund balances | <u>\$ (190)</u> | <u>\$ (105)</u> | <u>\$ 268</u> | <u>\$ 149</u> | <u>\$ 860</u> | <u>\$ 1,723</u> | <u>\$ 656</u> | <u>\$ (1,041)</u> | <u>\$ (432)</u> | <u>\$ (194)</u> |
| Debt service as a percentage of noncapital expenditures | 0.7% | 0.8% | 0.7% | 0.8% | 2.0% | 2.1% | 3.6% | 2.2% | 2.1% | 1.7% |

Notes:

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

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

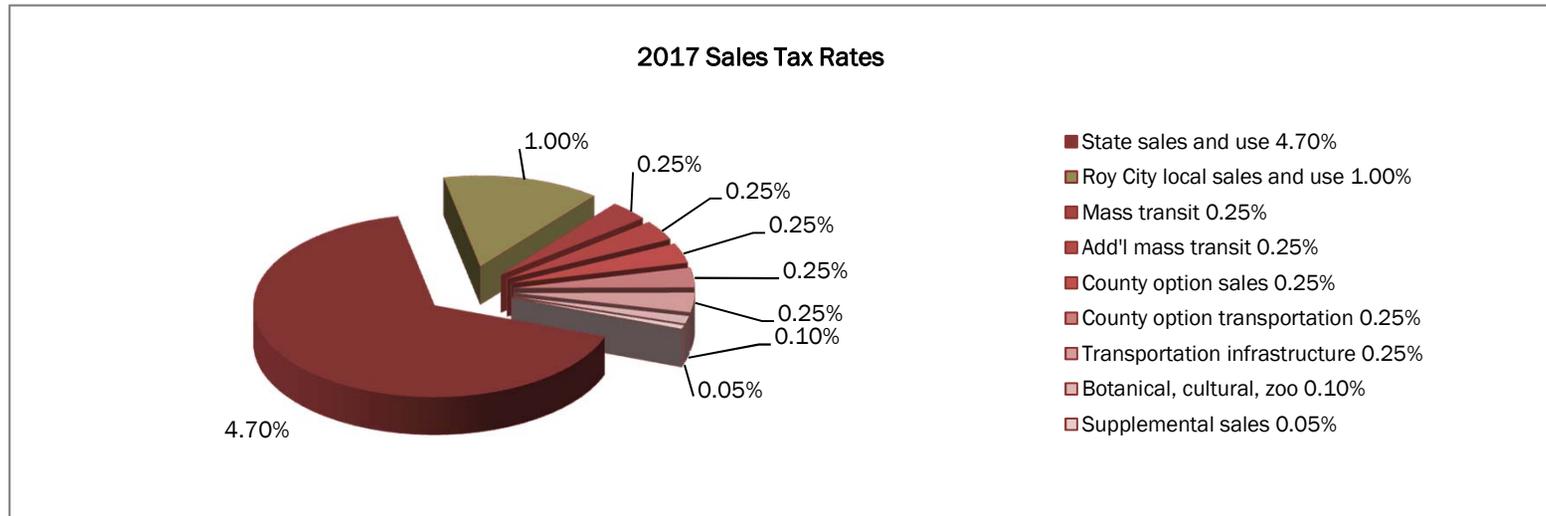
| | Fiscal Year | | | | | | | | | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General fund | | | | | | | | | | |
| Non-spendable: | | | | | | | | | | |
| Inventory | \$ 55 | \$ 106 | \$ 45 | \$ 37 | \$ 27 | \$ 29 | \$ 26 | \$ 89 | \$ 94 | \$ 101 |
| Prepaid items | 40 | 80 | 86 | 45 | 52 | 43 | 44 | 46 | 33 | 113 |
| Investment in land | 456 | 456 | 456 | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | | | | |
| Roads and public transit | 2,434 | 2,689 | 2,273 | 2,301 | 2,261 | 2,115 | 1,736 | 1,201 | 885 | 703 |
| Debt service | 117 | 232 | 345 | 456 | 565 | 825 | 1,036 | 1,265 | 1,486 | 1,700 |
| Assigned to: | | | | | | | | | | |
| Recreation | - | - | - | - | 22 | - | - | - | - | - |
| Public Safety | 12 | 9 | 12 | 14 | 63 | 8 | 1 | 40 | 40 | 40 |
| Legislative | 14 | - | - | - | - | - | - | - | - | - |
| Land purchase | - | - | - | - | - | - | - | 1 | 1 | 1 |
| Other | 193 | 26 | 41 | 75 | 229 | 4 | 2 | 253 | 283 | 696 |
| Unassigned | 3,967 | 3,997 | 3,635 | 4,672 | 3,505 | 2,922 | 2,415 | 2,008 | 2,317 | 1,799 |
| Total general fund | \$ 7,288 | \$ 7,595 | \$ 6,893 | \$ 7,600 | \$ 6,724 | \$ 5,946 | \$ 5,260 | \$ 4,903 | \$ 5,139 | \$ 5,153 |

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Other governmental funds | | | | | | | | | | |
| Non-spendable: | | | | | | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ 494 | \$ 494 | \$ 1,705 | \$ 1,705 | \$ 1,705 | \$ 1,705 | \$ 950 |
| Investment in land | 60 | 60 | 60 | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Debt service | - | - | - | - | - | - | - | 237 | 267 | 296 |
| Assigned to: | | | | | | | | | | |
| Public safety | 530 | 259 | 73 | 73 | 24 | 111 | 77 | 44 | 157 | 114 |
| Capital improvements | 207 | 206 | 592 | - | - | - | - | 19 | 1,039 | 1,114 |
| Storm sewer | | | | | | | | | | |
| improvements | 191 | 191 | 171 | 160 | 119 | 181 | 235 | 192 | 66 | 30 |
| Park improvements | 1,241 | 1,579 | 1,774 | 981 | 1,088 | 481 | 273 | 169 | 125 | 205 |
| Cemetery perpetual | 165 | 165 | 164 | 164 | 161 | 158 | 150 | 142 | 134 | 127 |
| Redevelopment | 1,697 | 1,513 | 1,712 | 1,933 | 1,868 | 1,021 | 869 | 535 | 299 | 1,014 |
| Other | - | 1 | 235 | - | - | - | - | - | - | 216 |
| Total other governmental funds | <u>4,091</u> | <u>3,974</u> | <u>4,781</u> | <u>3,805</u> | <u>3,754</u> | <u>3,657</u> | <u>3,309</u> | <u>3,043</u> | <u>3,792</u> | <u>4,066</u> |
| Total governmental funds | <u><u>\$ 11,379</u></u> | <u><u>\$ 11,569</u></u> | <u><u>\$ 11,674</u></u> | <u><u>\$ 11,405</u></u> | <u><u>\$ 10,478</u></u> | <u><u>\$ 9,603</u></u> | <u><u>\$ 8,569</u></u> | <u><u>\$ 7,946</u></u> | <u><u>\$ 8,931</u></u> | <u><u>\$ 9,219</u></u> |

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

| Fiscal Year | State Sales & Use | Roy City Local | Mass Transit | Add'l Mass Transit | County Option Sales | County Option Transp'n | Transp'n Infra-structure | Botanical, Cultural & Zoo | Supp'l State Sales & Use | Total for Roy City Residents |
|-------------|-------------------|----------------|--------------|--------------------|---------------------|------------------------|--------------------------|---------------------------|--------------------------|------------------------------|
| 2017 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.10% | 0.05% | 7.10% |
| 2016 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2015 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2014 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2013 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2012 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2011 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2010 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2009 | 4.70% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.05% | 6.85% |
| 2008 | 4.65% | 1.00% | 0.25% | 0.25% | 0.25% | 0.25% | 0.00% | 0.10% | 0.00% | 6.75% |



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

Source: Utah State Tax Commission - Sales Tax Division (web site)

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

| Fiscal Year | Real Property | | Personal Property | | Centrally Assessed Property | Roy City Taxable Property Value | RDA Tax Increment Value | Total Taxable Assessed Value | Total Direct City Tax Rate | Estimated Actual Market Value | Assessed Value as a Percentage of Actual Value |
|-------------|---------------|------------|-------------------|-----------|-----------------------------|---------------------------------|-------------------------|------------------------------|----------------------------|-------------------------------|--|
| | Real Estate | Building | Mobile Homes | Other | | | | | | | |
| 2017 | \$ 308,598 | \$ 961,851 | \$ 4,703 | \$ 28,428 | \$ 45,489 | \$ 1,326,579 | \$ 22,490 | \$ 1,349,069 | 2.828 | \$ 2,213,939 | 60.94% |
| 2016 | 306,225 | 867,855 | 4,818 | 28,504 | 42,304 | 1,229,554 | 20,152 | 1,249,706 | 2.202 | 2,208,667 | 56.58% |
| 2015 | 294,210 | 833,044 | 4,831 | 30,652 | 38,246 | 1,176,928 | 24,055 | 1,200,983 | 2.285 | 2,026,031 | 59.28% |
| 2014 | 297,771 | 758,694 | 4,968 | 28,937 | 38,514 | 1,099,633 | 29,251 | 1,128,884 | 2.430 | 1,972,519 | 57.23% |
| 2013 | 309,239 | 747,351 | 5,207 | 29,873 | 37,382 | 1,091,552 | 37,500 | 1,129,052 | 2.389 | 1,848,974 | 61.06% |
| 2012 | 307,044 | 778,886 | 5,379 | 28,328 | 36,249 | 1,123,097 | 32,789 | 1,155,886 | 2.263 | 1,855,180 | 62.31% |
| 2011 | 301,471 | 768,147 | 5,503 | 26,767 | 27,315 | 1,094,650 | 34,553 | 1,129,203 | 2.266 | 1,894,347 | 59.61% |
| 2010 | 346,923 | 809,567 | 5,659 | 27,527 | 28,285 | 1,181,254 | 36,707 | 1,217,961 | 2.084 | 1,865,033 | 65.31% |
| 2009 | 336,573 | 799,018 | 5,595 | 25,644 | 27,690 | 1,158,495 | 36,025 | 1,194,520 | 2.096 | 2,023,123 | 59.04% |
| 2008 | 247,624 | 824,163 | 5,719 | 26,674 | 24,828 | 1,072,430 | 56,578 | 1,129,008 | 2.178 | 1,940,216 | 58.19% |

Notes:

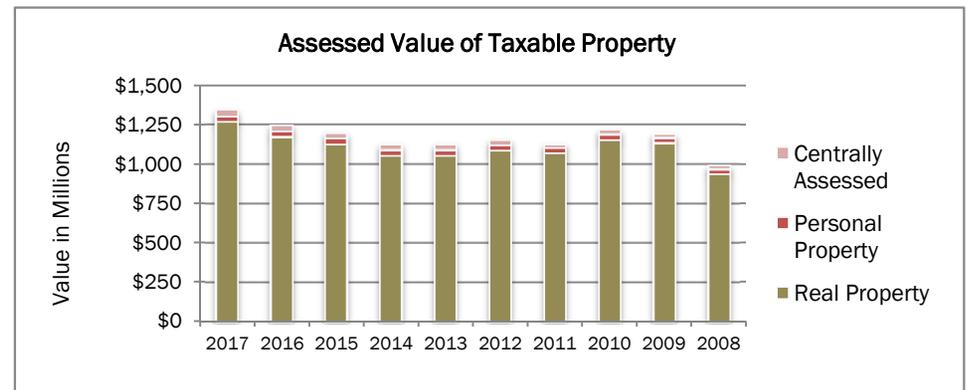
Taxable property value is based on the calendar year ending six months before the fiscal year ends.

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

| Fiscal Year | Overlapping Rates | | | | | | | | | Total Direct Rate and Overlapping Rates |
|-------------|-------------------|--------------|-----------------------|-------------------------------|----------------------------|-----------------------------|-----------------------------------|---|--------|---|
| | 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 | | |
| 2017 | 2.828 | 3.341 | 6.693 | 0.187 | 1.025 | 0.127 | 0.090 | 0.273 | 14.564 | |
| 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 | |

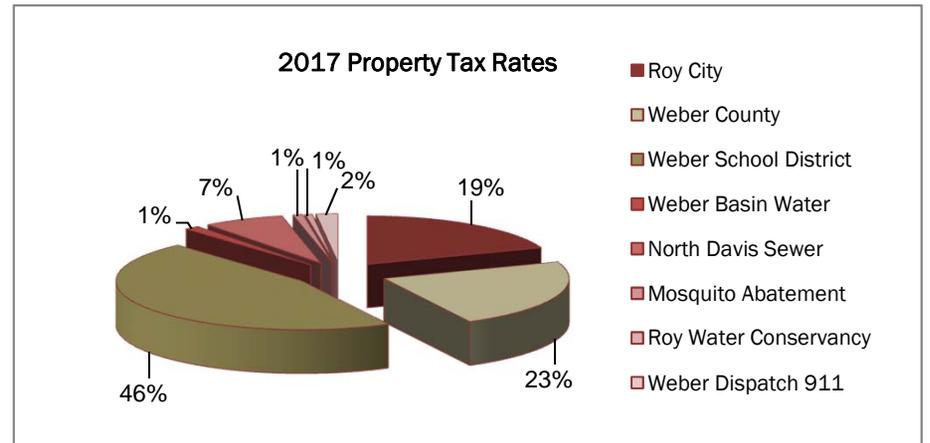
Notes:

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)

| Taxpayer | 2017 | | | 2008 | | |
|---|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| AMERICA FIRST FEDERAL CREDIT | \$ 17,082 | 1 | 1.27% | \$ 7,623 | 4 | 0.68% |
| PACIFICORP | 17,054 | 2 | 1.26% | 11,258 | 2 | 1.00% |
| QUESTAR GAS | 14,387 | 3 | 1.07% | 7,068 | 5 | 0.63% |
| ORCHARD COVE LTD | 14,218 | 4 | 1.05% | 10,283 | 3 | 0.91% |
| WINCO FOODS LLC | 6,486 | 5 | 0.48% | | | |
| AA ALPINE STORAGE ROY LLC | 6,058 | 6 | 0.45% | | | |
| KEL KEN ROY LLC | 4,470 | 7 | 0.33% | | | |
| UNION PACIFIC RAILROAD COMPANY | 3,792 | 8 | 0.28% | | | |
| HARMON CITY INC | 3,643 | 9 | 0.27% | 4,697 | 9 | 0.42% |
| CITTE PROPERTIES LLC | 3,367 | 10 | 0.25% | | | |
| 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% |
| ROY CITY CENTRE LLC | | | | 4,321 | 10 | 0.38% |
| Total taxable value of 10 largest taxpayers | 90,557 | | 6.71% | 76,274 | | 6.76% |
| Total taxable value of other taxpayers | 1,258,512 | | 93.30% | 1,052,734 | | 93.24% |
| Total taxable value of all taxpayers | \$ 1,349,069 | | 100.00% | \$ 1,129,008 | | 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 Collections | Collected from Other Government Units | Percent of Levy Collected | Delinquent Tax Collections (a) | Total Tax Collections | Percent of Total Tax Collected to Total Levy (a) |
|--|-----------------------|--------------------------------|--|----------------------------------|---------------------------------------|------------------------------|---|
| General Fund | | | | | | | |
| 2016 | \$ 3,794 | \$ 3,583 | \$ - | 94.44% | \$ 67 | \$ 3,650 | 96.20% |
| 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% |
| Redevelopment Agency Special Revenue Fund | | | | | | | |
| 2016 | \$ 343 | \$ 66 | \$ 277 | 100.00% | \$ - | \$ 343 | 100.00% |
| 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% |

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.

Property taxes are collected and disbursed to entities by Weber County. The delinquent 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)

| Year | Real Property Taxable Value | | | | Residential Construction | | Commercial Construction | | Other Construction | | Bank Deposits |
|------|-----------------------------|--------------|--------|--------------|--------------------------|---------------|-------------------------|--------------|--------------------|--------------|---------------|
| | Commercial | Residential | Other | Total | Units | Value | Units | Value | Units | Value | |
| 2017 | \$ 212,387 | \$ 1,057,391 | \$ 672 | \$ 1,270,450 | 241 | \$ 14,363,697 | 22 | \$ 4,778,201 | 474 | \$ 4,501,900 | \$ 19,302 |
| 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 |

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

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|-------------------------|---------------|--------------------------|---------------------|--------------------------|-------------------------------|------------|
| | General Obligation Bonds | Sales Tax Revenue Bonds | Capital Lease | Notes Payable | Water Revenue Bonds | | | |
| 2017 | \$ - | \$ 117,000 | \$ - | \$ - | \$ 4,931,711 | \$ 5,048,711 | 0.49% | \$ 132.16 |
| 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 |

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.

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

| Fiscal Year | General Obligation Bonds | Debt Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property | Net Bonded Debt per Capita |
|----------------|--------------------------------|--|-----------------------|--|----------------------------------|
| 2017 | \$ - | \$ - | \$ - | 0.00% | - |
| 2016 | - | - | - | 0.00% | - |
| 2015 | - | - | - | 0.00% | - |
| 2014 | - | - | - | 0.00% | - |
| 2013 | - | - | - | 0.00% | - |
| 2012 | - | - | - | 0.00% | - |
| 2011 | - | - | - | 0.00% | - |
| 2010 | 237,000 | - | 237,000 | 0.01% | 6.54 |
| 2009 | 267,000 | - | 267,000 | 0.01% | 7.48 |
| 2008 | 296,000 | - | 296,000 | 0.02% | 8.45 |

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, 2017

| <u>Governmental Unit</u> | <u>General Bonded Debt Outstanding</u> | <u>Estimated Percentage Applicable to Roy City</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|--|--|--|
| North Davis County Sewer District | \$ 23,755,000 | 13.40% | \$ 3,183,170 |
| Roy Water Conservancy Subdistrict | 818,000 | 100.00% | 818,000 |
| State of Utah | 2,585,224,000 | 0.54% | 13,960,210 |
| Weber Basin Water Conservancy District | 18,618,938 | 2.67% | 497,126 |
| Weber County | 47,115,000 | 9.77% | 4,603,136 |
| Weber County School District | 124,717,000 | 14.18% | 17,684,871 |
| Overlapping debt | | | \$ 40,746,513 |
| Roy City bonded debt | | 100.00% | 117,000 |
| Total direct and overlapping general bonded obligation debt | | | <u>\$ 40,863,513</u> |

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 | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Debt Limit | \$ 53,063 | \$ 49,182 | \$ 47,077 | \$ 43,985 | \$ 43,662 | \$ 44,924 | \$ 43,786 | \$ 47,250 | \$ 46,340 | \$ 42,897 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | <u>\$ 53,063</u> | <u>\$ 49,182</u> | <u>\$ 47,077</u> | <u>\$ 43,985</u> | <u>\$ 43,662</u> | <u>\$ 44,924</u> | <u>\$ 43,786</u> | <u>\$ 47,250</u> | <u>\$ 46,340</u> | <u>\$ 42,897</u> |
| 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 | | | | | | | | | | <u>\$ 1,326,579</u> |
| Debt limit (4% of total assessed value) | | | | | | | | | | \$ 53,063 |
| Debt applicable to limit: | | | | | | | | | | |
| Total bonded debt | | | | | | | | \$ 4,930 | | |
| Less: | | | | | | | | | | |
| Revenue bonds | | | | | | | | (4,930) | | |
| Other deductions allowed by law | | | | | | | | - | | |
| Total net debt applicable to limit | | | | | | | | - | | - |
| Legal debt margin | | | | | | | | | | <u>\$ 53,063</u> |

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

ROY CITY CORPORATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| Year | Population | Personal Income | Per Capita Personal Income | Unemployment Rate |
|-------------|-------------------|----------------------------|---|------------------------------|
| 2017 | 38,201 | \$ 1,020,340,886 | \$ 26,710 | 3.9% |
| 2016 | 37,964 | 977,214,412 | 25,741 | 4.0% |
| 2015 | 37,877 | 972,952,879 | 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 | 957,363,465 | 26,403 | 7.6% |
| 2009 | 35,672 | 952,600,463 | 26,704 | 4.1% |
| 2008 | 35,048 | 911,579,390 | 26,009 | 3.1% |

Notes:

Figures for 2008-2010 are from the 2000 U S Census. Subsequent years are from the 2010 U S Census.

Population figures from 2008-2010 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**

| Employer | Fiscal Year | | | | | |
|----------------------------|------------------------|------|-----------------------------------|------------------------|------|-----------------------------------|
| | 2017 | | | 2007 | | |
| | Employees | Rank | Percent of Total Employment | Employees | Rank | Percent of Total Employment |
| Hill Air Force Base | 10,000 - 14,999 | 1 | 10.0% | 20,000 - 25,000 | 1 | 21.1% |
| Internal Revenue Service | 5,000 - 6,999 | 2 | 5.0% | 5,000 - 6,999 | 2 | 5.6% |
| McKay-Dee Hospital | 3,000 - 3,999 | 3 | 3.0% | 2,000 - 2,999 | 5 | 2.3% |
| Autoliv ASP | 2,000 - 2,999 | 4 | 2.1% | 2,000 - 2,999 | 4 | 2.3% |
| Weber State University | 2,000 - 2,999 | 5 | 2.1% | 2,000 - 2,999 | 6 | 2.3% |
| America First Credit Union | 1,000 - 1,999 | 6 | 1.2% | | | - |
| Fresenius USA, Inc. | 1,000 - 1,999 | 7 | 1.2% | 1,000 - 1,999 | 8 | 1.4% |
| Associated Food Stores | 500 - 999 | 8 | 0.6% | - | | - |
| Columbia Ogden Regional | 500 - 999 | 9 | 0.6% | - | | - |
| Congra Foods | 500 - 999 | 10 | 0.6% | - | | - |
| Weber School District | - | | - | 3,000 - 3,999 | 3 | 3.3% |
| Convergys | - | | - | 1,000 - 1,999 | 7 | 1.4% |
| Ogden School District | - | | - | 1,000 - 1,999 | 9 | 1.4% |
| Wal-Mart | - | | - | 1,000 - 1,999 | 10 | 1.4% |
| Total | 25,500 - 38,990 | | 26.4% | 38,000 - 53,000 | | 42.5% |

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.

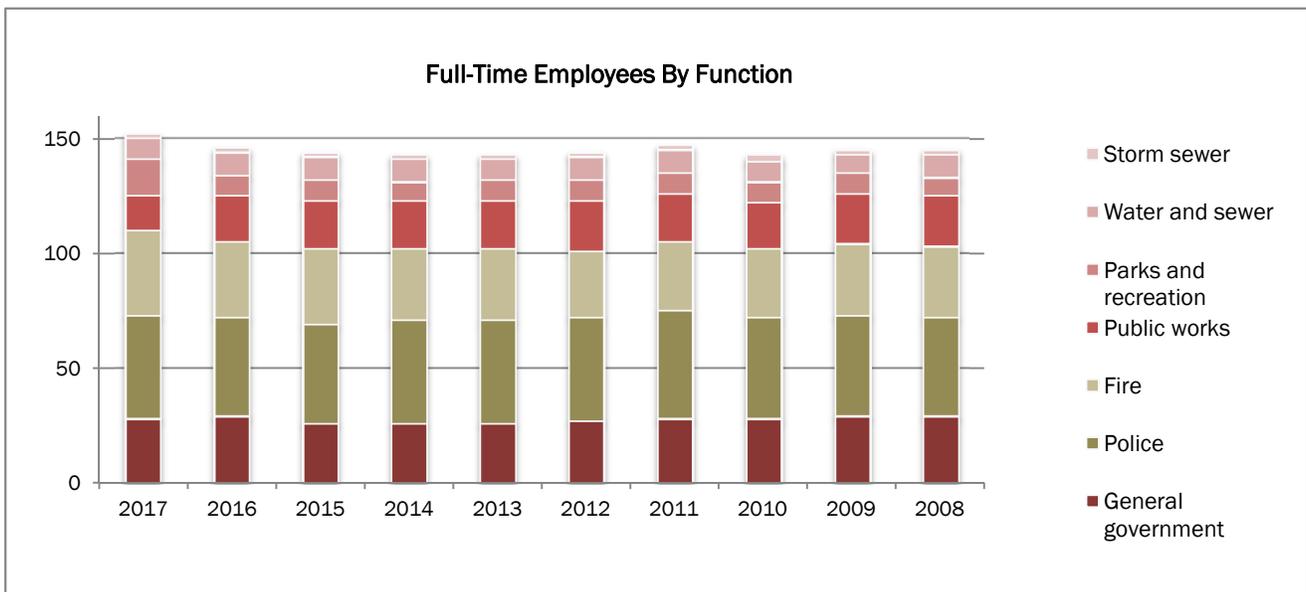
Actual employment numbers are not available to calculate the percentage of total employment by employer.

Sources:

Weber County Comprehensive Annual Financial Report 2016

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

| Function | Full-time Employees as of June 30 | | | | | | | | | |
|---------------------------|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General government | 28 | 29 | 26 | 26 | 26 | 27 | 28 | 28 | 29 | 29 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 39 | 39 | 38 | 40 | 40 | 40 | 42 | 39 | 39 | 38 |
| Civilians | 6 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 36 | 32 | 32 | 30 | 30 | 28 | 29 | 29 | 30 | 30 |
| Civilians | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public works | 15 | 20 | 21 | 21 | 21 | 22 | 21 | 20 | 22 | 22 |
| Parks and recreation | 16 | 9 | 9 | 8 | 9 | 9 | 9 | 9 | 9 | 8 |
| Water and sewer | 9 | 10 | 10 | 10 | 9 | 10 | 10 | 9 | 8 | 10 |
| Storm sewer | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2 |
| Total | 152 | 146 | 144 | 143 | 143 | 144 | 147 | 143 | 145 | 145 |



Notes:

In 2017, staffing was reclassified between public works and parks and recreation to better reflect actual duties.

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

ROY CITY CORPORATION
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|-------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Court filings | | | | | | | | | | |
| Moving violations | 4,016 | 3,596 | 3,805 | 3,459 | 4,663 | 4,623 | 4,086 | 1,864 | 1,980 | 2,692 |
| Non-moving violations | 3,164 | 2,946 | 2,719 | 2,226 | 3,098 | 2,870 | 3,917 | 3,539 | 4,002 | 4,813 |
| DUI violations | 192 | 151 | 164 | 171 | 179 | 132 | 106 | 85 | 121 | 123 |
| Parking violations | 464 | 189 | 114 | 546 | 435 | 598 | 691 | 272 | 95 | 1,096 |
| Fire | | | | | | | | | | |
| Fire calls dispatched | 1,249 | 1,187 | 1,196 | 1,063 | 641 | 955 | 701 | 612 | 652 | 617 |
| Medical calls dispatched | 4,092 | 3,963 | 4,283 | 3,850 | 4,283 | 3,702 | 3,923 | 4,196 | 3,986 | 3,944 |
| | 5,341 | 5,150 | 5,479 | 4,913 | 4,924 | 4,657 | 4,624 | 4,808 | 4,638 | 4,561 |
| Streets | | | | | | | | | | |
| Snow removal and sanding: | | | | | | | | | | |
| Miles | 22,004 | 13,390 | 2,373 | 7,720 | 13,802 | 3,987 | 9,925 | 8,504 | 13,326 | 19,759 |
| Hours | 2,156 | 1,742 | 314 | 886 | 1,543 | 506 | 904 | 935 | 1,515 | 2,692 |
| Asphalt resurfacing (tons) | 1,251 | 1,598 | 1,793 | 857 | 660 | 581 | 747 | 939 | 775 | 1,077 |
| Water | | | | | | | | | | |
| Service connections | 10,852 | 10,786 | 10,754 | 10,718 | 10,698 | 10,657 | 10,610 | 10,565 | 10,538 | 10,510 |
| Water main breaks | 15 | 15 | 16 | 23 | 25 | 16 | 28 | 23 | 28 | 17 |
| Avg daily consumption in gallons | 2,632,164 | 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 |
| Aquatic Center | | | | | | | | | | |
| Admissions | 111,066 | 100,408 | 97,127 | 100,023 | 118,475 | 120,702 | 119,648 | 113,607 | 72,089 | 73,944 |
| Complex | | | | | | | | | | |
| Admissions | 17,317 | 16,325 | 16,859 | 20,575 | 25,070 | 32,384 | 37,665 | 37,727 | 37,723 | 31,537 |

Sources:
Various City departmental data

ROY CITY CORPORATION
CAPITAL STATISTICS BY FUNCTION
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 24 | 22 | 22 | 24 | 24 | 24 | 20 | 22 | 22 | 22 |
| Motorcycle units | 0 | 0 | 0 | 0 | 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 | 115.1 | 114.8 | 114.8 | 114.2 | 114.2 | 114.2 | 114.0 | 114.0 | 113.3 |
| Curb and gutter | 208.0 | 208.0 | 207.4 | 207.4 | 207.4 | 207.4 | 207.4 | 207.0 | 207.0 | 207.2 |
| Sidewalk | 197.0 | 197.0 | 196.4 | 196.4 | 196.4 | 196.4 | 196.4 | 196.0 | 196.0 | 196.2 |
| Streetlights | 973 | 860 | 855 | 849 | 817 | 812 | 806 | 806 | 806 | 806 |
| Traffic signals | 3 | 3 | 3 | 3 | 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 | 120 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 |
| Covered picnic areas | 17 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Baseball diamonds | 14 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Soccer fields | 17 | 17 | 17 | 17 | 17 | 17 | 13 | 13 | 13 | 13 |
| Tennis courts | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Pickleball courts | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Swimming pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Gymnasiums | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Sewer (miles) | | | | | | | | | | |
| Sanitary sewers | 114.6 | 114.6 | 114.2 | 114.0 | 116.9 | 116.9 | 116.9 | 117.0 | 117.0 | 116.7 |
| Storm sewers | 83.7 | 83.7 | 83.2 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 83.0 | 82.8 |
| Water (miles/units) | | | | | | | | | | |
| Water lines | 156.9 | 156.9 | 156.5 | 156.4 | 153.4 | 153.4 | 153.4 | 153.0 | 153.0 | 153.0 |
| Fire hydrants | 1,390 | 1,390 | 1,390 | 1,381 | 1,363 | 1,363 | 1,358 | 1,345 | 1,343 | 1,341 |

Sources:
Various City departmental data

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 31, 2017.

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.

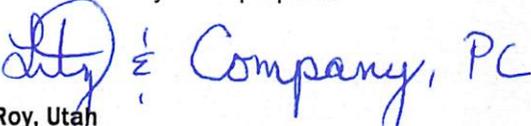
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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


Roy, Utah
August 31, 2017

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, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

| | |
|-------------------------|---------------------------------------|
| Budgetary Compliance | Restricted Taxes and Related Revenues |
| Fund Balance | Open and Public Meetings Act |
| Justice Courts | Treasurer's Bond |
| Utah Retirement Systems | Cash Management |

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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* 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

In our opinion, Roy City Corporation complied, in all material respects, with the general compliance requirements referred to above for the year ended June 30, 2017.

Report On Internal Control Over Compliance

Management of Roy City Corporation is responsible for establishing and maintaining effective internal control over compliance with the state 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 state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Roy City Corporation's internal control over compliance.

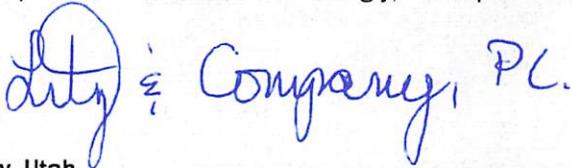
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement 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 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.

A handwritten signature in blue ink, appearing to read "Duty & Company, P.C.", is written over the printed text.

Roy, Utah
August 31, 2017