

**MAPLETON CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2016**

MAPLETON CITY
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor
Members of the City Council
Mapleton City, Utah**

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mapleton City, Utah (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, budgetary comparison information on pages 48-49, and pension information on pages 50-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated November 8, 2016, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greg Ogden,
Certified Public Accountant
November 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This financial summary offers readers of Mapleton City's financial statements a narrative overview and analysis of the financial activities of Mapleton City for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Mapleton City increased \$1,354,086 to \$57,320,654. The governmental net position increased by \$772,935 and the business-type net position increased by \$581,151.
- The total net position of \$57,320,654 consists of \$50,062,395 in net investment in capital assets, \$1,429,988 in debt service, \$4,492,697 in unrestricted net position, and \$1,335,574 restricted net position for community improvements which includes \$331,515 for Class 'C' Roads, \$221,479 for Development Improvements, \$296,649 for Capital Project Impact Fees (\$60,693 for Public Safety, \$235,956 for Parks), and \$220,436, \$116,636, and \$148,859 for Water, Sewer, and Pressurized Irrigation Impact Fees respectively.
- As reported on page 14, Balance Sheet of Governmental Funds, the General Fund (the primary operating fund) equity decreased by \$178,905 to \$1,611,304. The decrease came primarily from the use of unassigned reserves being transferred to Capital Projects to fund the purchase of a new ambulance and complete small projects.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Mapleton City's basic financial statements. Mapleton City's basic financial statements comprise three components: 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.

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

- *The statement of net position* presents information on all of Mapleton City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Mapleton City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *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 Mapleton City that are principally supported

by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 11-13 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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. Mapleton City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The remaining governmental fund, the Debt Service Fund, is determined to be non-major.

- Proprietary funds - Mapleton City maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Mapleton City uses enterprise funds to account for its Water Utility, Sewer Utility, Solid Waste Collection, and Pressurized Irrigation. All of the funds are shown under the major fund classification. The remaining enterprise fund, Storm Drain, is determined to be non-major.

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 Mapleton City, assets and deferred outflows exceed liabilities and deferred inflows by \$57,320,654.

By far the largest portion of Mapleton City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and 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

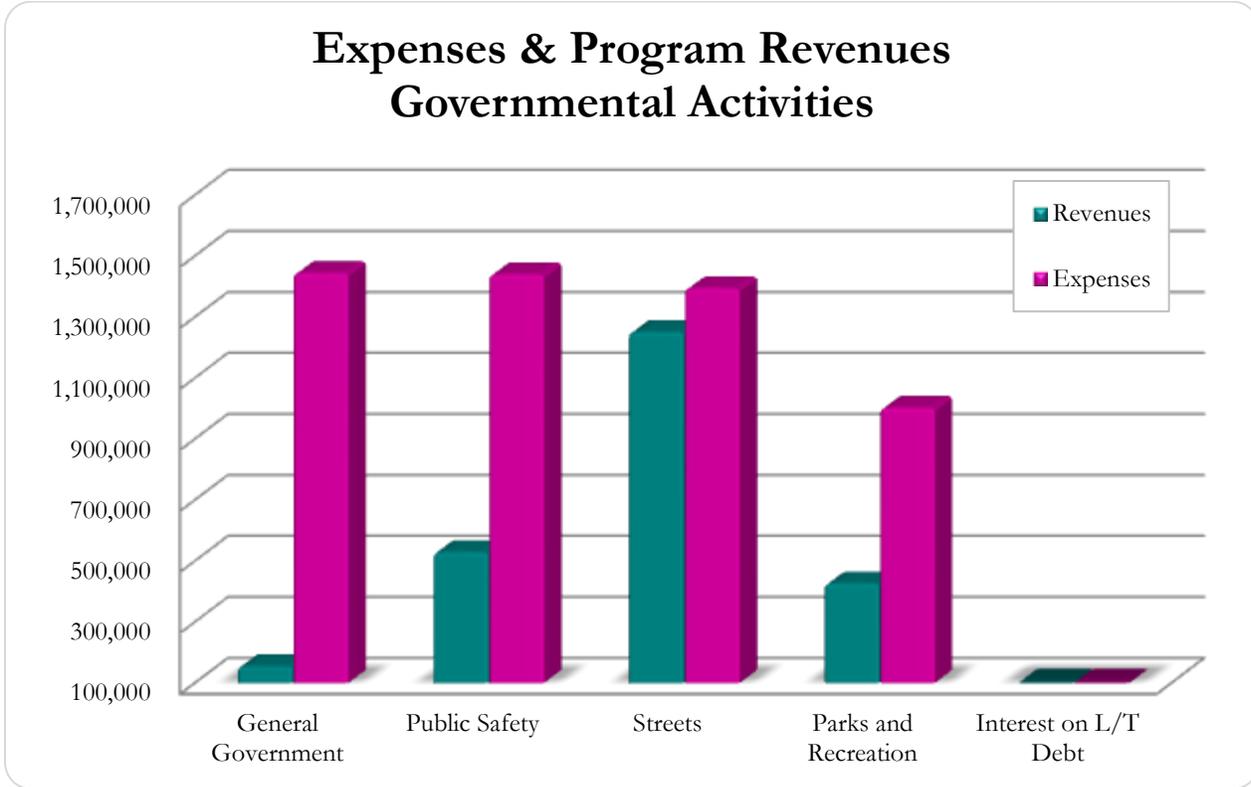
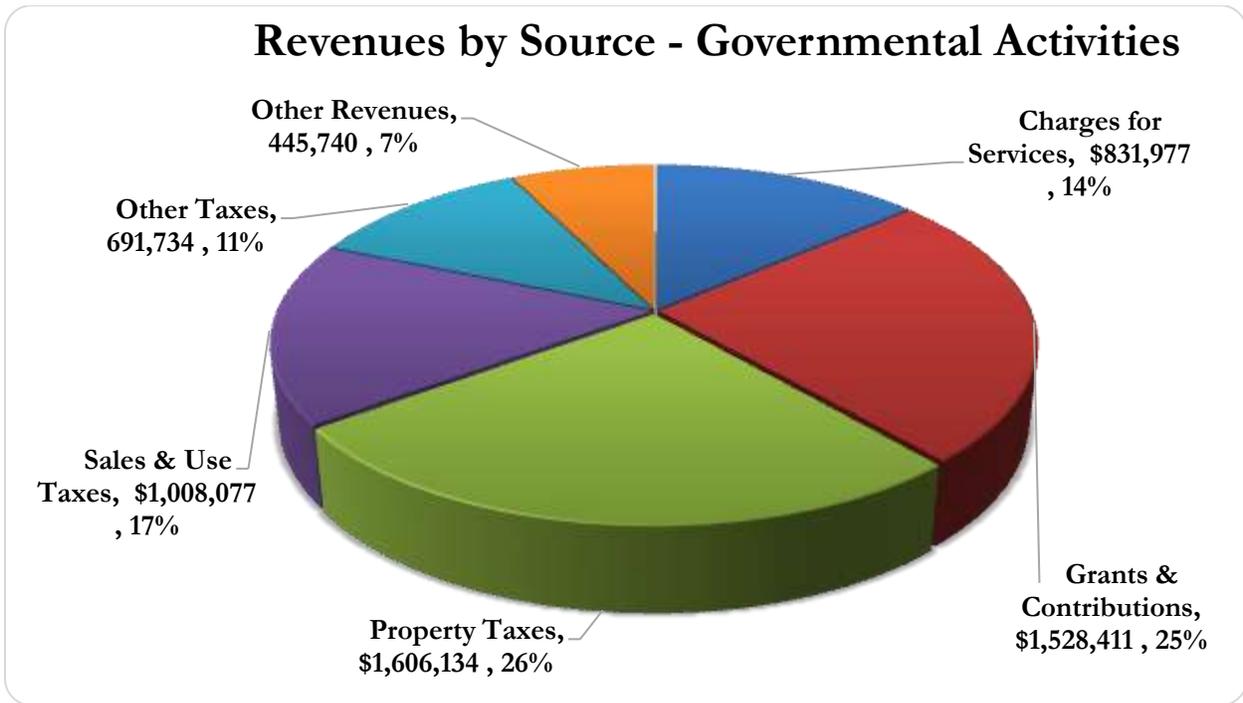
assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET POSITION	Governmental Activities		Business Type Activities	
	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>
	Current and Net Assets	\$ 5,858,894	\$ 6,105,389	\$ 5,224,430
Net Capital Assets	22,894,846	23,411,316	33,416,812	32,800,966
Total Assets	28,753,740	29,516,705	38,641,242	38,449,128
Deferred Outflow of Resources	139,685	412,688	126,749	243,372
Total Assets & Deferred Outflows of Resources	28,893,425	29,929,393	38,767,991	38,692,500
Current Liabilities	1,657,131	1,811,468	1,275,493	1,471,126
Non-Current Liabilities	1,744,015	1,667,924	5,291,747	4,431,286
Total Liabilities	3,401,146	3,479,392	6,567,240	5,902,412
Deferred Inflow of Resources	1,678,148	1,862,935	48,314	56,500
Total Liabilities & Deferred Inflow of Resources	5,079,294	5,342,327	6,615,554	5,958,912
Net Position				
Net Investment in Capital Assets	21,244,846	21,857,885	27,932,697	28,204,510
Restricted	807,945	874,055	2,049,365	1,891,507
Unrestricted	1,761,340	1,855,126	2,170,375	2,637,571
Total Net Position	\$ 23,814,131	\$ 24,587,066	\$ 32,152,437	\$ 32,733,588

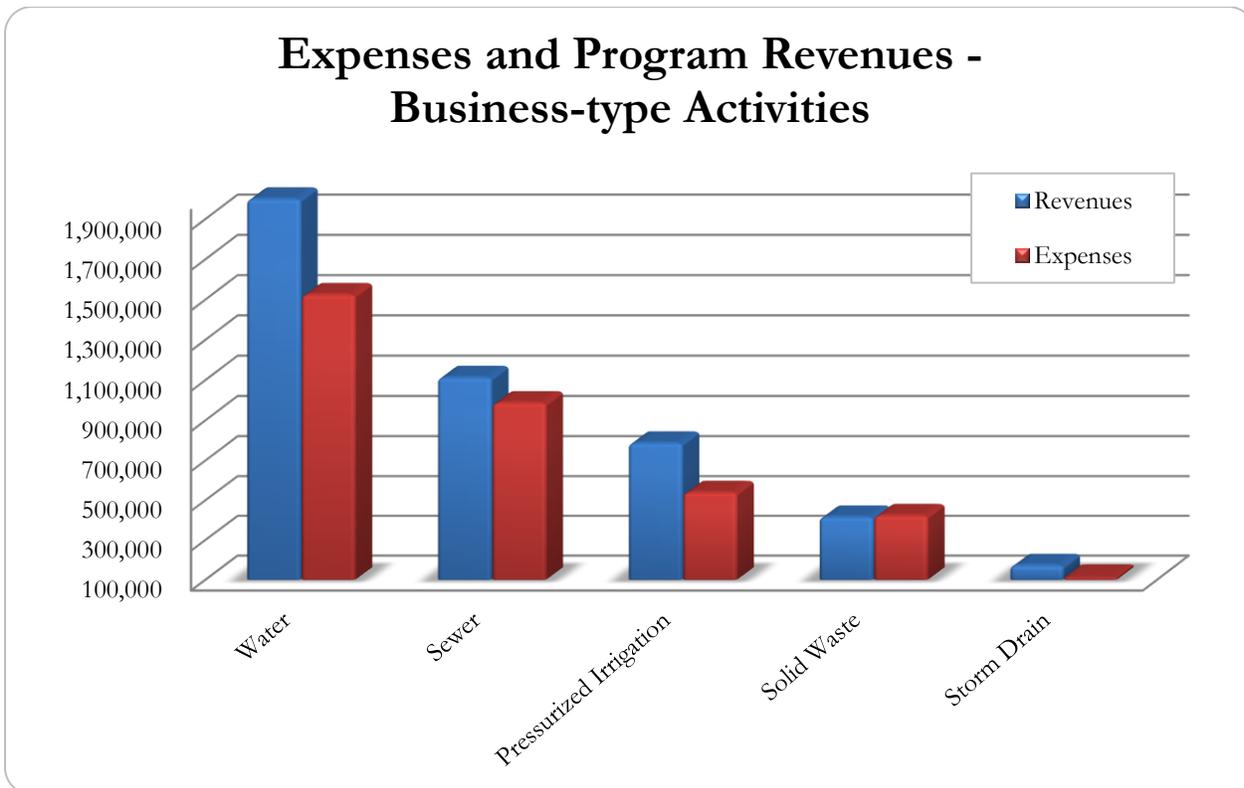
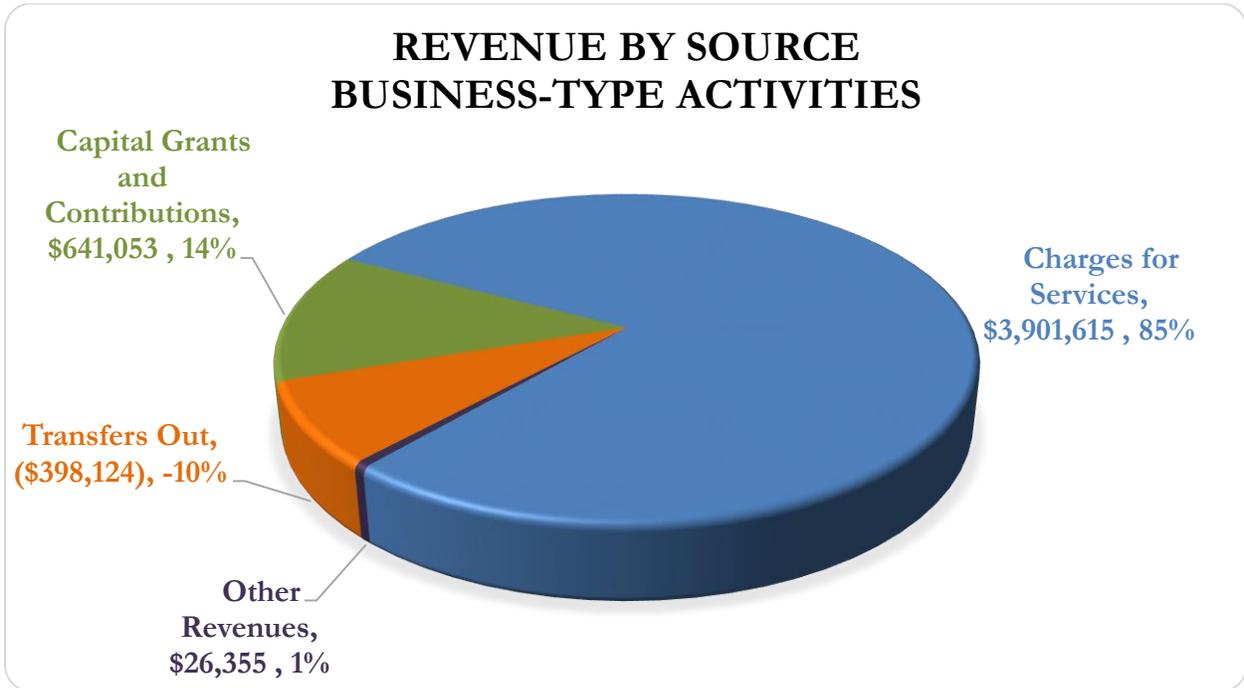
CHANGE IN NET POSITION	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 779,575	\$ 831,977	\$ 4,074,962	\$ 3,901,615
Operating Grants and Contributions	23,122	14,625	-	-
Capital Grants and Contributions	1,671,475	1,513,786	1,125,939	641,053
General Revenues:				
Property Taxes	1,606,381	1,606,134	-	-
Sales and Use Taxes	941,452	1,008,077	-	-
Other Taxes	653,976	691,734	-	-
Other Revenues	252,979	445,740	(195,662)	(371,769)
Total Revenues	5,928,960	6,112,073	5,005,239	4,170,899
Expenses				
General Government	1,380,482	1,443,962	-	-
Public Safety	1,389,320	1,439,628	-	-
Streets	1,523,840	1,394,022	-	-
Parks & Recreation	772,378	1,002,290	-	-
Interest on Long-Term Debt	60,231	59,236	-	-
Water	-	-	1,561,532	1,524,934
Sewer	-	-	1,066,309	987,307
Pressurized Irrigation	-	-	503,725	540,391
Solid Waste	-	-	382,000	424,190
Storm Drain	-	-	104,435	112,926
Total Expenses	5,126,251	5,339,138	3,618,001	3,589,748
Change in Net Position	802,709	772,935	1,387,238	581,151
Net Position - Beginning	23,694,027	23,814,131	31,085,786	32,152,437
Prior Period Adjustment	(682,605)	-	(320,587)	-
Net Position - Ending	\$ 23,814,131	\$ 24,587,066	\$ 32,152,437	\$ 32,733,588

The following graphs display the government-wide activities reflected in the prior tables.

Program revenues included in the second graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.



“Charges for Services” traditionally represent the majority of revenues generated by the Enterprise Funds. This year 85% of Enterprise Fund revenues came from “Charges for Services”, not including Transfers Out.



FINANCIAL ANALYSIS OF GOVERNMENT'S 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. As of June 30, 2016, the City's governmental funds reported combined fund equity of \$3,387,498. This represents an increase of \$126,713 from last year's ending balances. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund. As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund utilized its General Fund reserves to purchase a new ambulance, and to repair a section of parking lot at IRA Allan Park in preparation of the City's 24th of July celebration. Expenditures in the General Fund original budget was increased from \$3,935,480 to \$4,455,271. The \$519,791 increase in expenditures was primarily funded by a \$459,523 increase in appropriations from the General Fund reserves which was transferred to the Capital Projects fund. This year the City transferred \$200,000 from the Water Fund to the General Fund to help pay for over \$600,000 in Street Improvements in the Streets Department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mapleton City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, equals \$56,012,602 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in fixed assets during 2016 totaled \$2,743,433 while accumulated depreciation expense equaled \$2,817,150 therefore net capital assets decreased by \$73,717.

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

General Government

- Land, \$141,600
- Improvements and Infrastructure, \$722,420
- New Ambulance & Equipment, \$161,888
- New Police Vehicle, \$25,860
- Sweeper Vacuum, \$20,497
- Sod Cutter. \$4,845

Proprietary Funds

- Improvements in Infrastructure, \$265,700

MAPLETON CITY'S CAPITAL ASSETS

	Governmental Activities		Business Type Activities	
	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>
Land	7,169,193	7,310,793	1,984,381	1,984,381
Intangible Assets	-	-	25,519	25,519
Water Shares	-	-	31,680	31,680
Buildings	5,984,730	5,984,730	1,031,212	1,042,749
System Improvements	22,160,913	23,794,970	45,140,337	45,886,602
Machinery and Equipment	3,388,383	3,572,752	1,144,370	1,172,771
Construction In-Progress	59,476	-	17,296	-
Less Accumulated Depreciation	<u>(15,867,849)</u>	<u>(17,251,929)</u>	<u>(16,183,322)</u>	<u>(17,542,416)</u>
Net Capital Assets	<u>22,894,846</u>	<u>23,411,316</u>	<u>33,191,473</u>	<u>32,601,286</u>

Long-term debt - At June 30, 2016 the City had total debt outstanding of \$7,320,524. \$5,931,775 is debt secured solely by specific revenue sources. The remaining debt is in capital leases of \$18,431, net pension liability of \$1,221,314, and compensated absences of \$149,004.

MAPLETON CITY'S OUTSTANDING DEBT

	Governmental Activities		Business Type Activities	
	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>
Refunding Bonds				
1997 Sewer	-	-	262,000	91,000
2010 Water	-	-	3,890,000	3,610,000
Revenue Bonds				
1995 Sewer	-	-	650,080	295,080
2004 Sewer	-	-	456,695	400,695
2007 Water			-	-
2010 Tax Refunding Bond	1,650,000	1,535,000	-	-
Notes Payable				
2005 Community Center Loan	-	-	-	-
Leases				
2015 Sweeper/Vacuum, Sod Cutter	-	18,431	-	-
Other Liabilities				
Net Pension Liability	633,806	834,269	297,668	387,045
Compensated Absences	<u>94,015</u>	<u>114,493</u>	<u>32,972</u>	<u>34,511</u>
Total	<u>2,377,821</u>	<u>2,502,193</u>	<u>5,589,415</u>	<u>4,818,331</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$25,909,559. State statute allows for an additional 4% to be used for water or sewer projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water and sewer projects is thus \$51,819,118 which again significantly exceeds the outstanding business-type activity debt.

NEXT YEAR'S BUDGET

The General Fund budget of \$4,768,551 for fiscal year-ending June 30, 2017 reflects a decrease of \$546,022 from the final amended budget of \$5,314,573 for the fiscal year-ended June 30, 2016. This reflects a decrease in capital equipment and project expenses which were funded from general fund reserves in fiscal year 2015-2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Mapleton City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Mapleton City, 125 West 400 North, Mapleton, UT 84664.

BASIC FINANCIAL STATEMENTS

MAPLETON CITY
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
ASSETS			
Cash and Cash Equivalents	\$ 3,245,724	\$ 3,328,296	\$ 6,574,020
Accounts Receivable	1,983,803	348,034	2,331,837
Restricted Assets			
Cash and Cash Equivalents	874,055	1,970,982	2,845,037
Net Pension Asset	1,807	850	2,657
Capital Assets			
Not Being Depreciated	7,310,793	2,041,579	9,352,372
Net of Depreciation	16,100,523	30,559,706	46,660,229
Investment in Joint Venture	-	199,681	199,681
TOTAL ASSETS	<u>29,516,705</u>	<u>38,449,128</u>	<u>67,965,833</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>412,688</u>	<u>243,372</u>	<u>656,060</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>29,929,393</u>	<u>38,692,500</u>	<u>68,621,893</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
LIABILITIES			
Accounts Payable and Accrued Liabilities	203,805	153,600	357,405
Deposits Payable	-	47,250	47,250
Unearned Revenue	6,460	883,231	889,691
Developer Completion Bonds Payable	730,762	-	730,762
Contingent Liability	36,172	-	36,172
Net Pension Liability	834,269	387,045	1,221,314
Due Within One Year	201,619	763,591	965,210
Due in more than One Year	1,466,305	3,667,695	5,134,000
TOTAL LIABILITIES	<u>3,479,392</u>	<u>5,902,412</u>	<u>9,381,804</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,862,935</u>	<u>56,500</u>	<u>1,919,435</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>5,342,327</u>	<u>5,958,912</u>	<u>11,301,239</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	21,857,885	28,204,510	50,062,395
Restricted for			
Community Improvements	849,643	485,931	1,335,574
Debt Service	24,412	1,405,576	1,429,988
Unrestricted	1,855,126	2,637,571	4,492,697
TOTAL NET POSITION	<u>\$ 24,587,066</u>	<u>\$ 32,733,588</u>	<u>\$ 57,320,654</u>

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 1,443,962	\$ 151,673	\$ 3,000	\$ -
Public Safety	1,439,628	490,244	11,625	27,003
Streets	1,394,022	34,650	-	1,216,120
Parks and Recreation	1,002,290	155,410	-	270,663
Interest on Long-Term Debt	59,236	-	-	-
Total Governmental Activities	<u>5,339,138</u>	<u>831,977</u>	<u>14,625</u>	<u>1,513,786</u>
Business-type Activities				
Water	1,524,934	1,763,225	-	289,119
Sewer	987,307	918,153	-	195,109
Pressurized Irrigation	540,391	630,920	-	156,825
Solid Waste	424,190	416,261	-	-
Storm Drain	112,926	173,056	-	-
Total Business-type Activities	<u>3,589,748</u>	<u>3,901,615</u>	<u>-</u>	<u>641,053</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,928,886</u>	<u>\$ 4,733,592</u>	<u>\$ 14,625</u>	<u>\$ 2,154,839</u>

General Revenues
Property Taxes
Vehicle Taxes
Sales Taxes
Franchise Taxes
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues
Change in Net Position
Net Position - Beginning
Net Position - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,289,289)	\$ -	\$ (1,289,289)
(910,756)	-	(910,756)
(143,252)	-	(143,252)
(576,217)	-	(576,217)
(59,236)	-	(59,236)
<u>(2,978,750)</u>	<u>-</u>	<u>(2,978,750)</u>
-	527,410	527,410
-	125,955	125,955
-	247,354	247,354
-	(7,929)	(7,929)
-	60,130	60,130
<u>-</u>	<u>952,920</u>	<u>952,920</u>
<u>(2,978,750)</u>	<u>952,920</u>	<u>(2,025,830)</u>
1,606,134	-	1,606,134
137,099	-	137,099
1,008,077	-	1,008,077
554,635	-	554,635
43,788	26,355	70,143
3,828	-	3,828
398,124	(398,124)	-
<u>3,751,685</u>	<u>(371,769)</u>	<u>3,379,916</u>
772,935	581,151	1,354,086
<u>23,814,131</u>	<u>32,152,437</u>	<u>55,966,568</u>
<u>\$ 24,587,066</u>	<u>\$ 32,733,588</u>	<u>\$ 57,320,654</u>

MAPLETON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,723,147	\$ 1,522,577	\$ -	\$ 3,245,724
Property Taxes Receivable	1,768,167	-	-	1,768,167
Other Receivables	215,636	-	-	215,636
Restricted Cash and Cash Equivalents	<u>552,994</u>	<u>296,649</u>	<u>24,412</u>	<u>874,055</u>
TOTAL ASSETS	<u>\$ 4,259,944</u>	<u>\$ 1,819,226</u>	<u>\$ 24,412</u>	<u>\$ 6,103,582</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY</u>				
LIABILITIES				
Accounts Payable	\$ 133,544	\$ 67,444	\$ -	\$ 200,988
Unearned Revenue	6,460	-	-	6,460
Developer Completion Bonds Payable	730,762	-	-	730,762
Contingent Liability	<u>36,172</u>	<u>-</u>	<u>-</u>	<u>36,172</u>
TOTAL LIABILITIES	<u>906,938</u>	<u>67,444</u>	<u>-</u>	<u>974,382</u>
DEFERRED INFLOW OF RESOURCES	<u>1,741,702</u>	<u>-</u>	<u>-</u>	<u>1,741,702</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,648,640</u>	<u>67,444</u>	<u>-</u>	<u>2,716,084</u>
FUND BALANCE				
Restricted				
Impact Fees	-	296,649	-	296,649
Class C Roads	331,515	-	-	331,515
Debt Service	-	-	24,412	24,412
Development Improvements	221,479	-	-	221,479
Assigned	-	1,455,133	-	1,455,133
Unassigned	<u>1,058,310</u>	<u>-</u>	<u>-</u>	<u>1,058,310</u>
TOTAL FUND EQUITY	<u>1,611,304</u>	<u>1,751,782</u>	<u>24,412</u>	<u>3,387,498</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	<u>\$ 4,259,944</u>	<u>\$ 1,819,226</u>	<u>\$ 24,412</u>	<u>\$ 6,103,582</u>

See the accompanying notes to the financial statements

MAPLETON CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 3,387,498

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

Long-term receivables are not recognized as revenues in the current period and therefore, are not reported in the funds

Net Pension Asset 1,807

Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds 23,411,316

Deferred outflows of resources represent a consumption of net net position that applies to future periods and therefore, are not reported in the funds 412,688

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

Long-term debt outstanding (1,556,248)

Compensated Absences (114,493)

Net Pension Liability (834,269)

Deferred Inflows of resources - Pensions (121,233)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 24,587,066

See the accompanying notes to the financial statements

MAPLETON CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 3,305,945	\$ -	\$ -	\$ 3,305,945
Licenses and Permits	419,010	-	-	419,010
Intergovernmental	372,546	-	-	372,546
Charges for Services	353,313	-	-	353,313
Fines and Forfeitures	59,654	-	-	59,654
Interest	41,337	2,439	12	43,788
Miscellaneous	3,828	-	-	3,828
	<u>4,555,633</u>	<u>2,439</u>	<u>12</u>	<u>4,558,084</u>
EXPENDITURES				
General Government	1,362,511	-	-	1,362,511
Public Safety	1,304,780	24,684	-	1,329,464
Streets	253,328	-	-	253,328
Parks and Recreation	740,752	204,288	-	945,040
Debt Service				
Principal	-	-	115,000	115,000
Interest	-	-	58,763	58,763
Capital Outlay	614,515	442,719	-	1,057,234
	<u>4,275,886</u>	<u>671,691</u>	<u>173,763</u>	<u>5,121,340</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>279,747</u>	<u>(669,252)</u>	<u>(173,751)</u>	<u>(563,256)</u>
OTHER FINANCING SOURCES (USES)				
Impact Fees	-	291,845	-	291,845
Transfers from Other Fund	273,320	683,513	173,263	1,130,096
Transfers to Other Fund	(731,972)	-	-	(731,972)
	<u>(458,652)</u>	<u>975,358</u>	<u>173,263</u>	<u>689,969</u>
NET OTHER FINANCING SOURCES (USES)	<u>(458,652)</u>	<u>975,358</u>	<u>173,263</u>	<u>689,969</u>
NET CHANGE IN FUND BALANCE	(178,905)	306,106	(488)	126,713
BEGINNING FUND BALANCE	<u>1,790,209</u>	<u>1,445,676</u>	<u>24,900</u>	<u>3,260,785</u>
ENDING FUND BALANCE	<u>\$ 1,611,304</u>	<u>\$ 1,751,782</u>	<u>\$ 24,412</u>	<u>\$ 3,387,498</u>

See the accompanying notes to the financial statements

MAPLETON CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCE \$ 126,713

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

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and developer contributions exceeded depreciation and losses on dispositions in the current period. 491,127

Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items. 121,912

Some revenues and expenses reported in the statement of activities do not add to or required the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. 33,183

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS \$ 772,935

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 2,386,976	\$ 557,690	\$ -	\$ 203,165	\$ 180,465	\$ 3,328,296
Due from other Funds	1,910,875	-	-	-	-	1,910,875
Accounts Receivable, Net	178,338	79,989	49,752	39,055	900	348,034
TOTAL CURRENT ASSETS	4,476,189	637,679	49,752	242,220	181,365	5,587,205
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	615,639	1,206,484	148,859	-	-	1,970,982
Net Pension Asset	491	198	126	31	4	850
Capital Assets						
Not Being Depreciated	181,579	-	1,860,000	-	-	2,041,579
Net of Depreciation	11,311,020	9,007,384	9,911,611	-	329,691	30,559,706
Investment in Joint Venture	-	-	-	199,681	-	199,681
TOTAL NONCURRENT ASSETS	12,108,729	10,214,066	11,920,596	199,712	329,695	34,772,798
DEFERRED OUTFLOWS OF RESOURCES						
	161,924	43,319	28,631	6,308	3,190	243,372
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	16,746,842	10,895,064	11,998,979	448,240	514,250	40,603,375
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
CURRENT LIABILITIES						
Accounts Payable	26,601	53,038	1,211	28,976	3,425	113,251
Accrued Interest Payable	36,543	3,806	-	-	-	40,349
Due to other Funds	-	-	1,910,875	-	-	1,910,875
Deposits Payable	47,250	-	-	-	-	47,250
Unearned Revenue	883,231	-	-	-	-	883,231
Compensated Absences	14,170	10,449	8,348	1,544	-	34,511
Current Portion of Long-Term Debt	285,000	444,080	-	-	-	729,080
TOTAL CURRENT LIABILITIES	1,292,795	511,373	1,920,434	30,520	3,425	3,758,547
NONCURRENT LIABILITIES						
Net Pension Liability	221,865	90,075	57,985	13,618	3,502	387,045
Bonds Payable	3,325,000	342,695	-	-	-	3,667,695
TOTAL NONCURRENT LIABILITIES	3,546,865	432,770	57,985	13,618	3,502	4,054,740
TOTAL LIABILITIES	4,839,660	944,143	1,978,419	44,138	6,927	7,813,287
DEFERRED INFLOWS OF RESOURCES						
	32,481	13,166	8,429	2,006	418	56,500
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,872,141	957,309	1,986,848	46,144	7,345	7,869,787
NET POSITION						
Net Investment in Capital Assets	7,882,599	8,220,609	11,771,611	-	329,691	28,204,510
Restricted						
Impact Fees	220,436	116,636	148,859	-	-	485,931
Debt Service	315,728	1,089,848	-	-	-	1,405,576
Designated for Water Shares	79,475	-	-	-	-	79,475
Unrestricted	3,376,463	510,662	(1,908,339)	402,096	177,214	2,558,096
TOTAL NET POSITION	\$ 11,874,701	\$ 9,937,755	\$ 10,012,131	\$ 402,096	\$ 506,905	\$ 32,733,588

See the accompanying notes to the financial statements

MAPLETON CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 1,691,004	\$ 897,842	\$ 613,853	\$ 416,261	\$ 146,756	\$ 3,765,716
Connection Fees	41,200	20,311	17,067	-	-	78,578
Miscellaneous	31,021	-	-	-	26,300	57,321
TOTAL OPERATING REVENUES	1,763,225	918,153	630,920	416,261	173,056	3,901,615
<u>OPERATING EXPENSES</u>						
Salaries and Benefits	513,789	213,348	136,864	30,707	21,322	916,030
Operation and Maintenance	364,896	244,901	78,456	367,825	74,996	1,131,074
Depreciation	525,420	519,924	325,071	-	16,608	1,387,023
TOTAL OPERATING EXPENSES	1,404,105	978,173	540,391	398,532	112,926	3,434,127
OPERATING INCOME (LOSS)	359,120	(60,020)	90,529	17,729	60,130	467,488
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Change in Joint Venture Equity	-	-	-	(25,658)	-	(25,658)
Impact Fees	191,319	116,489	67,545	-	-	375,353
Interest Income	5,739	16,636	3,980	-	-	26,355
Interest Expense	(120,829)	(9,134)	-	-	-	(129,963)
TOTAL NON-OPERATING REVENUES (EXPENSES)	76,229	123,991	71,525	(25,658)	-	246,087
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	435,349	63,971	162,054	(7,929)	60,130	713,575
Transfer to Other Funds	(239,055)	(34,136)	(93,552)	-	(31,381)	(398,124)
Developer Contributions	97,800	78,620	89,280	-	-	265,700
CHANGE IN NET POSITION	294,094	108,455	157,782	(7,929)	28,749	581,151
TOTAL NET POSITION AT BEGINNING OF YEAR	11,580,607	9,829,300	9,854,349	410,025	478,156	32,152,437
TOTAL NET POSITION AT END OF YEAR	\$ 11,874,701	\$ 9,937,755	\$ 10,012,131	\$ 402,096	\$ 506,905	\$ 32,733,588

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 1,756,501	\$ 932,725	\$ 649,909	\$ 410,933	\$ 172,328	\$ 3,922,396
Payments to Suppliers	(372,449)	(232,495)	(95,767)	(355,299)	(86,435)	(1,142,445)
Payments to Employees	(521,607)	(218,409)	(140,108)	(31,512)	(21,895)	(933,531)
NET CASH FLOWS FROM OPERATING ACTIVITIES	862,445	481,821	414,034	24,122	63,998	1,846,420
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	191,319	116,489	67,545	-	-	375,353
Unearned Revenue	132,794	-	-	-	-	132,794
Due from other Fund	324,244	-	-	-	-	324,244
Due to other Fund	-	-	(324,244)	-	-	(324,244)
Transfers to Other Funds	(239,055)	(34,136)	(93,552)	-	(31,381)	(398,124)
Capital Asset Acquisition/Disposition	(361,897)	(79,609)	(63,054)	-	(26,576)	(531,136)
Debt Payments	(280,000)	(582,000)	-	-	-	(862,000)
Interest Expense	(140,600)	(9,134)	-	-	-	(149,734)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(373,195)	(588,390)	(413,305)	-	(57,957)	(1,432,847)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	5,739	16,636	3,980	-	-	26,355
NET CASH FLOWS FROM INVESTING ACTIVITIES	5,739	16,636	3,980	-	-	26,355
NET CHANGE IN CASH AND CASH EQUIVALENTS	494,989	(89,933)	4,709	24,122	6,041	439,928
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,507,626	1,854,107	144,150	179,043	174,424	4,859,350
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,002,615	\$ 1,764,174	\$ 148,859	\$ 203,165	\$ 180,465	\$ 5,299,278

See the accompanying notes to the financial statements

MAPLETON CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Pressurized Irrigation	Waste Collection	Nonmajor Enterprise Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 359,120	\$ (60,020)	\$ 90,529	\$ 17,729	\$ 60,130	\$ 467,488
Adjustments						
Depreciation	525,420	519,924	325,071	-	16,608	1,387,023
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows						
Accounts Receivable, Net	(13,024)	14,572	18,989	(5,328)	(728)	14,481
Net Pension Asset	11	5	3	1	-	20
Deferred Outflows	(62,883)	(27,998)	(18,912)	(3,945)	(2,885)	(116,623)
Prepaid Expenses	-	-	-	-	1,695	1,695
Accounts Payable	(7,553)	12,406	(17,311)	12,526	(13,134)	(13,066)
Deposits Payable	6,300	-	-	-	-	6,300
Compensated Absences	566	491	506	(24)	-	1,539
Net Pension Liability	49,916	20,558	13,887	2,897	2,119	89,377
Deferred Inflows	4,572	1,883	1,272	266	193	8,186
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 862,445	\$ 481,821	\$ 414,034	\$ 24,122	\$ 63,998	\$ 1,846,420
Noncash Financing and Investing Transactions						
Change in Joint Venture Equity	\$ -	\$ -	\$ -	\$ (25,658)	\$ -	\$ (25,658)
Developer Contributions of Capital Assets	\$ 97,800	\$ 78,620	\$ 89,280	\$ -	\$ -	\$ 265,700

See the accompanying notes to the financial statements

MAPLETON CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mapleton City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Mapleton City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

Mayor, City Council and City Administrator

Financial Services: Finance Director, Treasurer, Recorder and Clerks

Development Services: Planning and Zoning, and Code Enforcement

Public Safety: Police, Fire, Ambulance, EMS, and Animal Control

Public Works: Streets, Parks, Water, Sewer, Pressurized Irrigation,
Buildings and Grounds

Literacy Center: Director and Assistant

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

The joint venture with South Utah Valley Solid Waste District is included in the City's reporting entity because of the significance of their operational and financial relationship with the City. Complete financial statements of the joint venture, which issued separate financial statements, can be obtained from their administrative offices.

Basis of Presentation

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

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed but the statements distinguish governmental activities, which normally are supported by taxes and general revenues, from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

NOTE 1 – (CONTINUED)

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function or segment offset by program revenues directly connected to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity; 2) operating grants and contributions which finance annual operating activities, including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets.

For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Taxes, interest, and other revenue sources not properly included with program revenues are reported as general revenues. 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 segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two types of categories: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

The City reports the following major governmental funds:

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

NOTE 1 – (CONTINUED)

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

The *debt service fund* is the only nonmajor governmental fund included in the City's basic financial statements.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

The *solid waste fund* accounts for the activities of the City's garbage collection services.

The *storm drain fund* is the only nonmajor business-type fund included in the City's basic financial statements. It accounts for the City's storm drain activities.

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 on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide 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 on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

NOTE 1 – (CONTINUED)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, At the fund reporting level, governmental funds use the modified accrual basis of accounting. 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 unearned revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property tax, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale taxes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by June 30, 2016 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: sales taxes, property taxes, special assessments, and federal and state grants.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On both the fund financial statements and the government-wide financial statements amounts collected for a marathon which takes place in the next fiscal year and water impact fees prepaid prior to development by the contractors are recorded as unearned revenues.

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

NOTE 1 – (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

Cash, cash equivalents, and investments

Cash and cash equivalents include cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. The City's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are generally considered short-term highly liquid investments with maturities of three months or less from the purchase date. Investments are recorded at fair value in accordance with GASB Statement No. 72 Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net position and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Inventories are recorded at the lower cost or market on a weighted average basis, which approximates the first-in, first out method.

NOTE 1 – (CONTINUED)

Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds or contributions. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, if purchased, and at fair market value at the date of the gift, if donated. Improvements to capital assets are capitalized. Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

All reported capital assets are depreciated except for land, right-of-ways, water rights, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of improvements and replacements.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-40 years
Improvements and infrastructure	10-40 years
Machinery, equipment and vehicles	5-20 years

Compensated absences

Employees may carry over no more vacation time than they can accumulate in an 18 month period. Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. Accumulated sick leave is earned monthly. Sick pay amounts are charged to expenditures when incurred. No sick leave is paid at retirement or termination.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when it is due to for payment in the current fiscal year.

NOTE 1 – (CONTINUED)

Long-term liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, 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 these funds. Bonds are recognized as a liability in the governmental fund financial statements only when they are due for payment in the current fiscal year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The City current has deferred outflows of resources related to debt refunding and pensions.

In addition to liabilities, the statement of net position will sometimes include a separate section 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 and so will not be recognized as an inflow of resources (revenue) until then. The governmental funds report deferred inflows of resources related to property taxes and pensions.

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 Plans (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.

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 – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are divided into five categories as follows:

NOTE 1 – (CONTINUED)

Non-spendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained. Fund balance amounts related to inventory, prepaid expenses and permanent endowments (such as cemetery perpetual care) are classified as non-spendable.

Restricted – This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The City's remaining balances of Class C roads, impact fees, and street lighting revenues are restricted.

Committed – This classification includes amounts that can only be used for specific purposes established by formal action of the City Council, which is the City's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has not committed any fund balance amounts.

Assigned – This classification includes amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. These are established by the City Council. This classification includes the remaining positive fund balances for governmental funds other than the general fund.

Unassigned – This classification holds the remainder of the fund equity and is the amount available for the City to spend.

Net Position Flow Assumptions – The City has established a flow assumption policy to use restricted net position first before using unrestricted net position.

Fund Balance Flow Assumptions – The City has established a flow assumption policy to use restricted fund balance before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use the fund balance in the following order: 1) Committed, 2) Assigned, and 3) Unassigned.

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 balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. The net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

NOTE 1 – (CONTINUED)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense, and the gain or loss on the disposition of capital assets.

Contributions of Capital

Contributions of capital reported in proprietary fund financial statements and the government-wide financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Unearned Revenue

Amounts collected for a marathon which takes place in the next fiscal year and water impact fees prepaid prior to development by the contractors are recorded as unearned revenues.

Estimates and Assumptions

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

NOTE 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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities in the government-wide statement of net position. This difference primarily 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.

NOTE 2 – (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net position. The details of these differences are presented below:

Land	\$ 7,310,793
Buildings	5,984,730
Improvements and Infrastructure	23,794,970
Machinery, Equipment and Vehicles	3,572,752
Less Accumulated Depreciation	<u>(17,251,929)</u>
Net Capital Asset Difference	<u>\$ 23,411,316</u>

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net position. The details of these differences are presented below:

Leases Payable	\$ (18,431)
Bonds Payable	(1,535,000)
Accrued Interest	<u>(2,817)</u>
Total Long-Term Debt Outstanding	<u>\$ (1,556,248)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net position in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Developer Contributions	\$ 864,020
Capital Outlay	1,057,234
Depreciation Expense	<u>(1,430,127)</u>
Net Difference	<u>\$ 491,127</u>

NOTE 2 – (CONTINUED)

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Lease Repayments	\$ 6,912
Bond Repayments	<u>115,000</u>
Net Difference	<u>\$ 121,912</u>

Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Pension Benefits	\$ 54,134
Change in Accrued Interest	(473)
Change in Compensated Absences	<u>(20,478)</u>
Net Difference	<u>\$ 33,183</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor the City Administrator, and the Finance Director submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution. A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

NOTE 3 – (CONTINUED)

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting. Annual budgets for the proprietary funds were legally adopted by the City and prepared on the accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 – DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2016, \$19,510 of the City's bank balances of \$269,510 were uninsured and uncollateralized.

INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

NOTE 4 – (CONTINUED)

The Money Management Act defines the types of securities authorized as appropriate investments for the City’s funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administrative fees, are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At June 30, 2016, the City had the following recurring fair value measurements:

	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
Utah Public Treasurers’ Investment Fund	\$9,669,121	\$ -	\$9,669,121	\$ -

Debt and equity securities classified in Level 2 are valued using the following approach: The Utah Public Treasurers’ Investment Fund uses the application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the City’s average daily balance in the Fund.

NOTE 4 – (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

At June 30, 2016, the City had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>More than 5</u>
Utah Public Treasurers' Investment Fund	\$9,669,121	\$9,669,121	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for deducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At June 30, 2016, the City's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	\$9,669,121	\$ -	\$ -	\$ -	\$9,669,121

The deposits and investments described above are included on the statement of net position as per the following reconciliation:

Deposits	\$ (250,564)
Investments	9,669,121
Cash on Hand	<u>500</u>
Total	<u>\$ 9,419,057</u>
Cash and Cash Equivalents	\$ 6,574,020
Restricted Cash and Cash Equivalents	<u>2,845,037</u>
Total	<u>\$ 9,419,057</u>

NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2016 are presented in the schedule below.

Property taxes are levied on January 1 of 2016, are due in November of 2016, and are budgeted for the 2016 fiscal year. Even though they are not intended to fund the 2016 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

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

The following is a summary of receivables at June 30, 2016:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ -	\$ 374,934	\$ 374,934
Allowance Uncollectibles	-	(26,900)	(26,900)
Property Taxes Receivable	1,768,167	-	1,768,167
Class C Road Receivable	88,785	-	88,785
Sales Tax Receivable	82,736	-	82,736
Franchise Tax Receivable	35,063	-	35,063
Other Receivables	<u>9,052</u>	-	<u>9,052</u>
Total	<u>\$ 1,983,803</u>	<u>\$ 348,034</u>	<u>\$ 2,331,837</u>

NOTE 6 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2016:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 7,169,193	\$ 141,600	\$ -	\$ 7,310,793
Construction in Progress	59,476	-	(59,476)	-
Capital Assets being Depreciated				
Buildings	5,984,730	-	-	5,984,730
Improvements and Infrastructure	22,160,913	1,574,581	59,476	23,794,970
Machinery, Equipment and Vehicles	<u>3,388,383</u>	<u>230,416</u>	<u>(46,047)</u>	<u>3,572,752</u>
Total	38,762,695	1,946,597	(46,047)	40,663,245
Less Accumulated Depreciation	<u>(15,867,849)</u>	<u>(1,430,127)</u>	<u>46,047</u>	<u>(17,251,929)</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,894,846</u>	<u>\$ 516,470</u>	<u>\$ -</u>	<u>\$ 23,411,316</u>

NOTE 6 – (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2016:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,984,381	\$ -	\$ -	\$ 1,984,381
Construction in Progress	17,296	-	(17,296)	-
Intangible Assets	25,519	-	-	25,519
Water Shares	31,680	-	-	31,680
Capital Assets being Depreciated				
Buildings and Structures	1,031,212	3,727	7,810	1,042,749
Improvements	45,140,337	746,265	-	45,886,602
Machinery, Equipment and Vehicles	<u>1,144,370</u>	<u>46,844</u>	<u>(18,443)</u>	<u>1,172,771</u>
Total	49,374,795	796,836	(27,929)	50,143,702
Less Accumulated Depreciation	<u>(16,183,322)</u>	<u>(1,387,023)</u>	<u>27,929</u>	<u>(17,542,416)</u>
Business-type Activities Capital Assets, Net	<u>\$ 33,191,473</u>	<u>\$ (590,187)</u>	<u>\$ -</u>	<u>\$ 32,601,286</u>

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

Government Activities	
General Government	\$ 78,709
Public Safety	136,963
Streets	1,143,079
Parks and Recreation	<u>71,376</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 1,430,127</u>
Business-type Activities	
Water	\$ 525,420
Sewer	519,924
Pressurized Irrigation	325,071
Storm Drain	<u>16,608</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 1,387,023</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City reports the deferred amount on refunding of \$56,050 in the water fund and in the government-wide statement of net position. The deferred amount on refunding resulted from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to pensions of \$187,322 in the business-type funds and activities as well as \$412,688 in the governmental activities.

Property taxes of \$1,741,702, to be collected in November, were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Also, the City reported deferred inflows of resources related to pensions of \$56,500 in the business-type funds and activities as well as \$121,233 in the governmental activities.

These amounts are reported in the governmental funds balance sheet and in the government-wide statement of net position.

NOTE 8 – INVESTMENT IN JOINT VENTURES

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. Additional information is as follows:

a. Participants and their percentage shares:

Mapleton City	2.00%
Provo City	69.75%
Springville City	15.00%
Spanish Fork City	11.75%
Salem City	1.50%
Goshen Town	<u>0.00%</u>
	<u>100.00%</u>

b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.

c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.

NOTE 8 – (CONTINUED)

- d. Summary financial information as of the joint venture's last fiscal year end, June 30, 2015 is as follows:

	<u>South Utah Valley Solid Waste District</u>
Total Assets and Deferred Outflows	\$ 16,701,480
Total Liabilities and Deferred Inflows	<u>6,717,426</u>
Net Position	<u>\$ 9,984,054</u>
Operating Revenues	\$ 6,300,827
Operating Expenses	<u>6,585,327</u>
Net Operating Income (Loss)	(284,500)
Total Non-Operating Income (Expenses)	<u>(418,854)</u>
Change in Net Position	<u>\$ (703,354)</u>

The Joint Venture has the following long-term debt:

	<u>South Utah Valley Solid Waste District</u>
Notes Payable	\$ 3,164,105
Closure and Post Closure Liability	2,549,524
Accrued Compensated Absences	215,408
Net Pension Liability	<u>542,596</u>
Total Long-Term Liabilities	<u>\$ 6,471,633</u>

Audited financial statements for the South Utah Valley Solid Waste District are available at the District offices, 2450 West 400 South Springville, Utah.

NOTE 9 – DEVELOPER COMPLETION BONDS PAYABLE

The City collects deposits from those wishing to develop land for subdivisions within the City. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the account are returned to the developer after the related project is completed. At June 30, 2016, Mapleton City held deposits from developers, including interest, in the following categories and amounts:

Construction Commitments	\$ 322,285
Construction Bonds	397,730
Subdivision Performance Bonds	<u>10,747</u>
Total Developer Completion Bonds	<u>\$ 730,762</u>

NOTE 10 – LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City at June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds Payable					
2010 Tax Refunding Bonds	\$ 1,650,000	\$ -	\$ (115,000)	\$ 1,535,000	\$ 120,000
Leases Payable					
2015 Equipment Lease	-	25,343	(6,912)	18,431	4,669
Other Liabilities					
Net Pension Liability	633,806	269,617	(69,154)	834,269	-
Compensated Absences	<u>94,015</u>	<u>32,069</u>	<u>(11,591)</u>	<u>114,493</u>	<u>76,950</u>
	<u>\$ 2,377,821</u>	<u>\$ 327,029</u>	<u>\$ (202,657)</u>	<u>\$ 2,502,193</u>	<u>\$ 201,619</u>
<u>Business-type Activities</u>					
Refunding Bonds					
1997 Sewer	\$ 262,000	\$ -	\$ (171,000)	\$ 91,000	\$ 91,000
2010 Water	3,890,000	-	(280,000)	3,610,000	285,000
Revenue Bonds					
1995 Sewer	650,080	-	(355,000)	295,080	295,080
2004 Sewer	456,695	-	(56,000)	400,695	58,000
Other Liabilities					
Net Pension Liability	297,668	120,209	(30,832)	387,045	-
Compensated Absences	<u>32,972</u>	<u>1,562</u>	<u>(23)</u>	<u>34,511</u>	<u>34,511</u>
	<u>\$ 5,589,415</u>	<u>\$ 121,771</u>	<u>\$ (892,855)</u>	<u>\$ 4,818,331</u>	<u>\$ 763,591</u>

Long-term debt and obligations payable at June 30, 2016 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Governmental Activities</u>				
Bonds Payable				
Excise Tax Refunding Bonds, Series	1.00% to			
2010 (original amount-- \$2,225,000)	4.00%	2027	\$ 120,000	\$ 1,415,000
Equipment Lease	4.20%	2020	4,669	13,762
Compensated Absences			<u>76,950</u>	<u>37,543</u>
Total Governmental Activities Long-term Debt			<u>\$ 201,619</u>	<u>\$ 1,466,305</u>

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2016, \$1,797,000 of bonds outstanding are considered defeased.

NOTE 10 – (CONTINUED)

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Business-type Activities</u>				
Bonds Payable				
Sewer Revenue Bonds, Series 1995 (original amount--\$6,330,000)	0.00%	2017	\$ 295,080	\$ -
Sewer Refunding Bonds, Series 1997 (original amount--\$3,070,000)	0.00%	2017	91,000	-
Sewer Refunding Bonds, Series 2004 (original amount--\$1,100,000)	2.00%	2024	58,000	342,695
Water Refunding Bonds, Series 2011 (original amount --\$4,965,000)	2.00% to 4.125%	2028	285,000	3,325,000
Compensated Absences			<u>34,511</u>	<u>-</u>
Total Business-type Activities Long-term Debt			<u>\$ 763,591</u>	<u>\$ 3,667,695</u>

The water refunding bonds were issued to advance refund the balance of the water revenue bonds which were issued to refund the balance of the 1982 water loan from GMAC and to purchase and install a new water tank. The City has pledged the water revenues to repay the revenue bonds through the maturity date listed above. Annual principal and interest payments are expected to require less than forty percent of the total water revenues.

The sewer revenue bonds were issued to purchase a portion of the Spanish Fork City sewer plant and to pay for improvements. The City has pledged the sewer revenues to repay the revenue bonds through the maturity dates listed above. Annual principal and interest payments are expected to require less than sixty five percent of the total sewer revenues.

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. On June 30, 2016, \$3,665,000 of bonds outstanding are considered defeased.

Principal and interest requirements to retire the City's long-term bond obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 120,000	\$ 53,963	\$ 729,080	\$ 135,171	\$ 849,080	\$ 189,134
2018	120,000	50,962	354,000	126,393	474,000	177,355
2019	125,000	50,963	360,000	116,281	485,000	167,244
2020	130,000	44,525	371,000	105,169	501,000	149,694
2021	130,000	40,950	327,000	94,274	457,000	135,224
2022-2026	745,000	124,600	1,580,695	296,578	2,325,695	421,178
2027-2028	<u>165,000</u>	<u>6,600</u>	<u>675,000</u>	<u>28,153</u>	<u>840,000</u>	<u>34,753</u>
	<u>\$1,535,000</u>	<u>\$ 372,563</u>	<u>\$4,396,775</u>	<u>\$ 902,019</u>	<u>\$5,931,775</u>	<u>\$1,274,582</u>

NOTE 11 – FUND EQUITY

Net Investment in Capital Assets – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2016 is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Cost of capital assets	\$ 40,663,245	\$ 50,143,702
Less accumulated depreciation	<u>(17,251,929)</u>	<u>(17,542,416)</u>
Book value	23,411,316	32,601,286
Less capital related debt	<u>(1,553,431)</u>	<u>(4,396,776)</u>
Net investment in capital assets	<u>\$ 21,857,885</u>	<u>\$ 28,204,510</u>

Restricted Fund Equity – The Class “C” Roads allotment from the state excise tax is restricted for construction and maintenance of City streets and roads. The City’s bond covenants require certain restrictions of retained earnings in the pressurized irrigation fund. Utah State statute requires unexpended impact fees held at year-end to be restricted for future expansion in the charging department or fund. In addition, funds have been assigned for various capital projects.

NOTE 12 – RETIREMENT PLANS

General Information about the Pension Plan

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

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

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

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

NOTE 12 – (CONTINUED)

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

Summary of Benefits by System

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

*with actuarial reductions

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

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

Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System				
111 - Local Governmental Division Tier 2	N/A	N/A	16.67%	1.78%
Noncontributory System				
15 - Local Governmental Division Tier 1	N/A	N/A	18.47%	N/A
Public Safety Retirement System				
Contributory				
122 Tier 2 DB Hybrid Public Safety	N/A	N/A	22.50%	1.33%
Noncontributory				
43 - Other Division A with 2.5% COLA	N/A	N/A	34.04%	N/A

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

NOTE 12 – (CONTINUED)

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$240,793	N/A
Public Safety System	94,854	-
Tier 2 Public Employees System	11,386	-
Tier 2 Public Safety and Firefighter	25,786	-
Total Contributions	\$372,818	\$ -

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

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

At June 20, 2016, we reported a net pension asset of \$2,656 and a net pension liability of \$1,221,315.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1467588%	\$ -	\$830,433
Public Safety System	0.2182172%	-	390,882
Tier 2 Public Employees System	0.0112444%	25	-
Tier 2 Public Safety and Firefighter System	0.1800977%	<u>2,631</u>	-
Totals		<u>\$ 2,656</u>	<u>\$1,221,315</u>

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

For the year ended June 30, 2016, we recognized pension expense of \$295,214.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 457	\$ 77,288
Change in assumptions	-	72,809
Net difference between projected and actual earnings on pension plan investments	406,941	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,711	27,637
Contributions subsequent to the measurement date	<u>185,902</u>	-
Total	<u>\$ 600,010</u>	<u>\$ 177,734</u>

NOTE 12 – (CONTINUED)

\$185,902 was reported as deferred outflows of resources related to pensions and results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

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

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2016	\$43,576
2017	\$43,576
2018	\$54,839
2019	\$94,297
2020	(\$29)
Thereafter	\$117

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

NOTE 12 – (CONTINUED)

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

Discount rate: the discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage –point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$1,754,622	\$ 830,433	\$58,920
Public Safety System	827,723	390,882	35,213
Tier 2 Public Employees System	4,501	(25)	(3,455)
Tier 2 Public Safety and Firefighter	4,473	(2,631)	(8,087)
Total	\$2,591,319	\$1,218,659	\$82,591

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

NOTE 13 – DEFINED CONTRIBUTIONS SAVINGS PLANS

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

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

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

NOTE 13 – (CONTINUED)

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

	2016	2015	2014
401(k) Plan			
Employer Contributions	\$2,875	\$2,158	\$563
Employee Contributions	\$18,531	\$15,167	\$14,897
457 Plan			
Employer Contributions	\$0	\$0	\$0
Employee Contributions	\$2,225	\$1,850	\$1,300
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$6,820	\$6,400	\$5,775

NOTE 14 – RISK MANAGEMENT

Mapleton City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

NOTE 15 – OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 273,320	\$ 731,972
Debt Services Fund	173,263	-
Capital Project Fund	683,513	-
Water Fund	-	239,055
Sewer Fund	-	34,136
Storm Drain Fund	-	31,381
Pressurized Irrigation Fund	-	93,552
	<u>\$ 1,130,096</u>	<u>\$ 1,130,096</u>

Transfers from the general fund were made to pay the general long-term debt and future capital projects. Other transfers were made from several funds to help pay for portions of vehicle purchases. Transfers were made from utility funds to the general fund for the portion of city usage of utilities for which general fund departments were charged.

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 8, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MAPLETON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 3,195,187	\$ 3,195,187	\$ 3,305,945	\$ 110,758
Licenses and Permits	326,150	326,150	419,010	92,860
Intergovernmental	340,722	348,647	372,546	23,899
Charges for Services	315,700	315,700	353,313	37,613
Fines and Forfeitures	70,000	70,000	59,654	(10,346)
Interest	20,000	20,000	41,337	21,337
Miscellaneous	7,500	7,500	3,828	(3,672)
TOTAL REVENUES	<u>4,275,259</u>	<u>4,283,184</u>	<u>4,555,633</u>	<u>272,449</u>
<u>EXPENDITURES</u>				
General Government	1,415,609	1,418,609	1,362,511	56,098
Public Safety	1,328,641	1,360,566	1,304,780	55,786
Streets	466,105	947,211	867,843	79,368
Parks and Recreation	725,125	728,885	740,752	(11,867)
TOTAL EXPENDITURES	<u>3,935,480</u>	<u>4,455,271</u>	<u>4,275,886</u>	<u>179,385</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	339,779	(172,087)	279,747	451,834
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	60,000	466,106	273,320	(192,786)
Transfers to Other Funds	(343,707)	(803,230)	(731,972)	71,258
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	56,072	(509,211)	(178,905)	330,306
FUND BALANCE ALLOCATION	<u>(56,072)</u>	<u>509,211</u>	<u>-</u>	<u>(509,211)</u>
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (178,905)</u>	<u>\$ (178,905)</u>

MAPLETON CITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

Budgetary Comparison Schedule

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

Budgeting and Budgetary Control

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2015, while overall spending was within the appropriated budget, the departmental budget for parks and recreation exceeded budget appropriations by \$11,867.

MAPLETON CITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY UTAH RETIREMENT SYSTEMS DECEMBER 31, 2015

Last 10 Fiscal Years *

		Non- contributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)					
	2014	0.1444161%	0.2420405%	0.0045715%	0.1744531%
	2015	0.1467588%	0.2182172%	0.0112444%	0.1800977%
Proportionate share of the net pension liability (asset)					
	2014	\$ 627,089	\$ 304,386	\$ (139)	\$ (2,581)
	2015	\$ 830,433	\$ 390,882	\$ (25)	\$ (2,631)
Covered employee payroll					
	2014	\$ 1,319,176	\$ 336,756	\$ 22,641	\$ 72,106
	2015	\$ 1,338,767	\$ 292,885	\$ 72,643	\$ 107,165
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll					
	2014	47.50%	90.40%	-0.60%	-3.60%
	2015	62.03%	133.46%	-0.03%	-2.46%
Plan fiduciary net position as a percentage of the total pension liability					
	2014	90.20%	90.50%	103.50%	120.50%
	2015	87.80%	87.10%	100.20%	110.70%

* In accordance with paragraph 80.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in the required supplementary information. The 10-year schedule will be built prospectively. The schedule above is only for the past two years.

MAPLETON CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2015

Last 10 Fiscal Years *

		Non- contributory System	Public Safety System	Tier 2 Public Employees System **	Tier 2 Public Safety and Firefighter System **			
Actuarial determined contributions								
2014	\$	223,801	\$	113,497	\$	-	\$	10,775
2015	\$	231,980	\$	107,624	\$	8,555	\$	20,065
2016	\$	240,793	\$	94,854	\$	11,386	\$	25,786
Contributions in relation to the contractually required contribution								
2014	\$	223,801	\$	113,497	\$	-	\$	10,775
2015	\$	231,980	\$	107,624	\$	8,555	\$	20,065
2016	\$	240,793	\$	94,854	\$	11,386	\$	25,786
Contribution deficiency (excess)								
2014	\$	-	\$	-	\$	-	\$	-
2015	\$	-	\$	-	\$	-	\$	-
2016	\$	-	\$	-	\$	-	\$	-
Covered employee payroll								
2014	\$	1,338,608	\$	353,132	\$	-	\$	51,678
2015	\$	1,312,933	\$	316,171	\$	57,262	\$	88,981
2016	\$	1,361,793	\$	300,306	\$	76,358	\$	114,594
Contributions as a percentage of covered-employee payroll								
2014		16.72%		32.14%		0.00%		20.85%
2015		17.67%		34.04%		14.94%		22.55%
2016		17.68%		31.59%		14.91%		22.50%

* Amounts presented were determined as of calendar year January 1 - December 31. The City will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the past three years. Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 Systems. Tier 2 Systems were created effective July 1, 2011.

MAPLETON CITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS UTAH RETIREMENT SYSTEMS DECEMBER 31, 2015

Changes in Assumptions Related To Pensions

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

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

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

STATE COMPLIANCE REPORT

**GREG OGDEN, CPA
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(801) 489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE
STATE COMPLIANCE AUDIT GUIDE ON:**

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS**
- **INTERNAL CONTROL OVER COMPLIANCE**

**The Honorable Mayor
Members of the City Council
Mapleton City, Utah**

REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS

I have audited Mapleton City, Utah's (City) 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 City for the year ended June 30, 2016.

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

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

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. I conducted my audit 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 I 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 City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements

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

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *State Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of my 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 black ink that reads "Greg Ogden CPA". The signature is written in a cursive style with a large, stylized "G" and "O".

Greg Ogden,
Certified Public Accountant
November 8, 2016

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
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(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor
Members of the City Council
Mapleton City, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Mapleton City, Utah, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 8, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mapleton, Utah's financial statements are free of material misstatement, I 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 my audit, and

accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the management letter as internal control deficiency #2016-1.

Mapleton City, Utah's Response to Finding

Mapleton City, Utah's response to the finding identified in my audit is described in the management letter. Mapleton City, Utah's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.


Greg Ogden
Certified Public Accountant
November 8, 2016

**MAPLETON CITY, UTAH
MANAGEMENT LETTER
JUNE 30, 2016**

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 8, 2016

Honorable Mayor
Members of the City Council
Mapleton City, Utah

Council Members:

While planning and performing my audit of the basic financial statements of Mapleton City, Utah (City) for the year ended June 30, 2016, I noted matters regarding compliance with requirements of the *Utah Code* and the City's internal control over financial reporting which need to be addressed by the City's management.

My findings from the audit are attached. If the weaknesses and deficiencies noted in this management letter are left uncorrected, an unacceptable amount of errors could occur without detection.

This report is intended solely for the use of the management of Mapleton City. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the City during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss any of these matters with you at your convenience and, if desired, to assist you in implementing any of these suggestions.

 CPA
Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCY

2016-1 CONDITION

The financial statements contained material errors which I discovered during my audit.

CRITERIA

Developer contributions to the City, totaling \$988,120 had not been recorded in the capital assets and revenues. Depreciation expenses were overstated by \$1,463,784. Both of these errors affected several funds.

CAUSE

The developer contributions are an estimate of the value of land under streets, streets and utility system improvements which developers are required to pay for and then donate to the City. Their omission from the capital asset adjustments was an oversight. Depreciation expenses were estimated and recorded in several fund in March 2016 in order to enhance understanding of the financial statements. When the year-end adjustments for depreciation were posted the full amount of depreciation for the year was posted. The earlier posting of estimated depreciation expense had been forgotten.

EFFECT

The unadjusted financial statements were materially misstated.

RECOMMENDATION

I recommend that great care be taken in ensuring that the financial statements are accurate. A list of essential closing entries would be helpful to make certain that none are overlooked. I also recommend checking the financial statement amount against expected results. Carefully comparing the depreciation schedules to the financial statements would have likely detected and prevented both of these errors.

RESPONSE – MAPLETON CITY

A major obstacle for staff is the difficulty in using the fixed asset program. The fixed asset program is a stand-alone program on a laptop. Despite the valiant efforts of IT the program cannot be transferred on to any other computer. Currently staff records all assets that were purchased, disposed of, and contributed at year end. The data is entered into the program on the laptop. Once that is completed the reports must be printed as a PDF file and saved to a USB flash drive. The flash drive is then transferred to staff's computer where the reports are opened to be printed and saved. If changes need to be made the process must be completed all over again.

Due to the frustration in using the program and because developer contributions are not financial transactions run through any system, it was overlooked. Staff will prepare a list of closing entries to include developer contributions and look at establishing a procedure where finance can be notified once a subdivision or project is completed and values can be estimated to be recorded. Staff will also be proactively looking for a new program so that assets can be recorded when the transactions occur rather than waiting until year end and reduce the overwhelming task of trying to capture all the data.

Depreciation expense was posted in March at the request of the department head so that the bottom line of the monthly financial statement would not appear to have excess budget monies available to spend. Staff will discuss with department heads, the merits of continuing this practice or whether to not post depreciation expense until year end and recommend that the department head manage the budget by account rather than the bottom line. Staff will also compare the depreciation schedules to the financial statements.