

**GRANTSVILLE CITY CORPORATION
GRANTSVILLE, UTAH
BASIC FINANCIAL STATEMENTS**

For The Year Ended June 30, 2016

Together with Independent Auditor's Report



GRANTSVILLE CITY

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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
Grantsville City, Utah

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City, Utah (the 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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison, as listed as supplemental information in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, budgetary comparison is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC
Provo, Utah
November 18, 2016

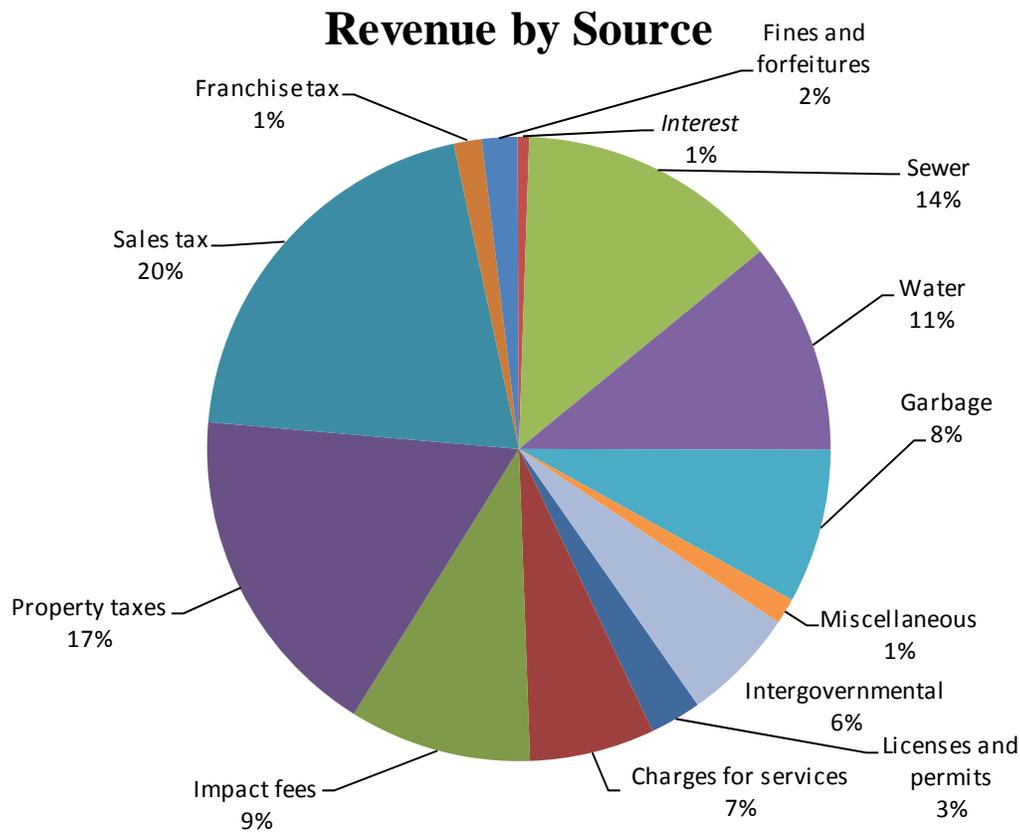
**GRANTSVILLE CITY CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2016**

As management of Grantsville City Corporation, we offer readers of the Grantsville City financial statements this narrative overview and analysis of the financial activities of Grantsville City for the fiscal year ended June 30, 2016.

During the year, some assets previously contributed from developers had not been recorded, and were therefore recorded as adjustments to the City’s net position. These adjustments to net position are generally not factored into management’s discussion and analysis below.

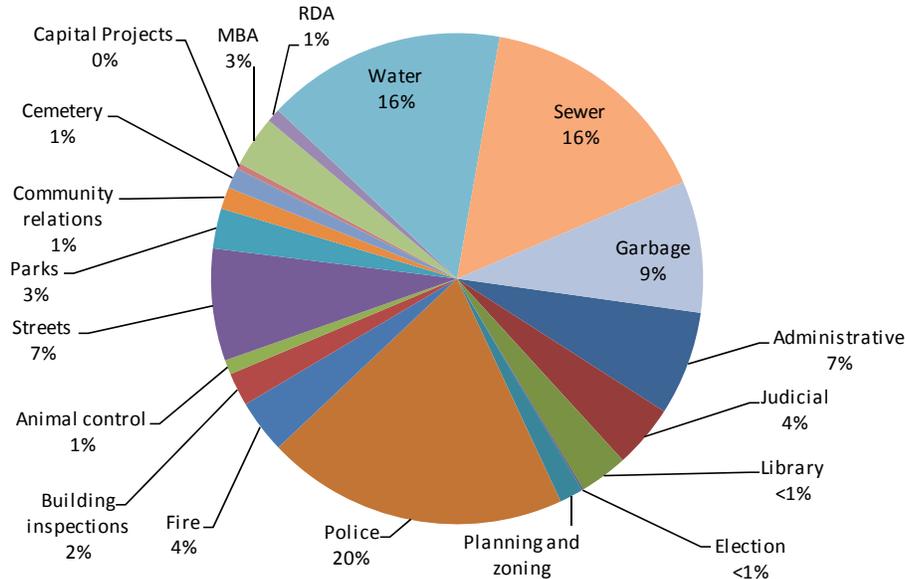
Financial Highlights

- Total net position increased by \$621,869.
- Total general fund revenues, including taxes, exceeded total general fund expenditures by \$772,092; before transfers and proceeds on sale of assets.
- Total net position in the business-type activities increased by \$673,947.
- Total revenues from all sources were \$8,913,310.
- Actual revenues received in the general fund were \$59,118 less than budgeted while actual expenditures were \$476,412 less than budgeted.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$1,000,684.
- The Water, Sewer, and Garbage enterprise funds posted changes in net position of \$279,934, \$353,845, and \$40,168 respectively.



**GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016**

Expenses/Expenditures by Department



Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to Grantsville City's basic financial statements. Grantsville 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 contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Grantsville City's finances, in a manner similar to private-sector business. The statements consist of the Statement of Net Position and the Statement of Activities.

The statement of net position presents information on all of Grantsville 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 Grantsville City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave.).

Both of the government-wide financial statements distinguish functions of Grantsville 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 governmental activities of Grantsville City include general government, public safety, highways and public works, and parks and recreation. The business-type activities of Grantsville City include water, sewer, and garbage utilities.

GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

The government-wide financial statements are found immediately following this discussion and analysis.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

Grantsville City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Redevelopment Agency Fund which are considered to be major funds.

Grantsville City adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general, redevelopment agency, and municipal building authority funds to demonstrate compliance with this budget.

Proprietary funds. Grantsville City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Grantsville City uses enterprise funds to account for its Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund, all of which are considered to be major funds of Grantsville City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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 Grantsville City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,444,355 at the close of the most recent fiscal year.

By far the largest portion of Grantsville City's net position (74.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Grantsville City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Grantsville 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.

GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,994,351	\$ 6,038,904	\$ 3,848,002	\$ 2,972,062	\$ 10,842,353	\$ 9,010,966
Capital assets	11,853,417	12,228,218	16,326,254	15,006,716	28,179,671	27,234,934
Total assets	18,847,768	18,267,122	20,174,256	17,978,778	39,022,024	36,245,900
Deferred outflows of resources	427,860	146,689	130,398	50,758	558,258	197,447
Total assets and deferred outflows of resources	19,275,628	18,413,811	20,304,654	18,029,536	39,580,282	36,443,347
Long-term debt outstanding	4,812,103	4,743,090	343,026	276,950	5,155,129	5,020,040
Other liabilities	358,530	229,087	163,430	186,565	521,960	415,652
Total liabilities	5,170,633	4,972,177	506,456	463,515	5,677,089	5,435,692
Total deferred inflows of resources	1,411,386	1,369,903	47,452	36,215	1,458,838	1,406,118
Net position:						
Net investment in capital assets	7,990,905	8,237,706	16,226,254	14,806,716	24,217,159	23,044,422
Restricted	1,141,378	930,218	1,174,171	868,468	2,315,549	1,798,686
Unrestricted	3,561,326	2,903,807	2,350,321	1,854,622	5,911,647	4,758,429
Total net position	<u>\$ 12,693,609</u>	<u>\$ 12,071,731</u>	<u>\$ 19,750,746</u>	<u>\$ 17,529,806</u>	<u>\$ 32,444,355</u>	<u>\$ 29,601,537</u>

Included in Grantsville City's net position is \$2,315,549 which represents resources that are subject to external restrictions on how they may be used. The unrestricted net position \$5,911,647 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Grantsville City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

There was an increase of \$1,295,816 in total net position in the current year. This increase is comprised of a \$621,869 increase in governmental activities and a \$673,947 increase in business-type activities.

GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,260,403	\$ 1,189,973	\$ 2,726,302	\$ 2,595,753	\$ 3,986,705	\$ 3,785,726
Operating grants and contributions	475,854	481,649	-	-	475,854	481,649
Capital grants and contributions	231,326	1,078,760	803,857	794,966	1,035,183	1,873,726
General revenues:						
Property taxes	1,466,998	1,349,065	-	-	1,466,998	1,349,065
Sales tax	1,700,709	1,642,214	-	-	1,700,709	1,642,214
Franchise tax	121,070	137,818	-	-	121,070	137,818
Unrestricted investment earnings	37,856	21,313	13,075	7,474	50,931	28,787
Gain on sale of assets	19,652	3,913	56,208	32,988	75,860	36,901
Total revenues	<u>5,313,868</u>	<u>5,904,705</u>	<u>3,599,442</u>	<u>3,431,181</u>	<u>8,913,310</u>	<u>9,335,886</u>
Program expenses:						
General government	1,223,461	1,164,994	-	-	1,223,461	1,164,994
Public safety	1,916,720	1,857,608	-	-	1,916,720	1,857,608
Highway and public works	863,136	423,402	-	-	863,136	423,402
Parks and recreation	509,766	411,891	-	-	509,766	411,891
Redevelopment	65,000	-	-	-	65,000	-
Interest on long term debt	113,916	117,696	-	-	113,916	117,696
Water	-	-	1,145,928	1,006,269	1,145,928	1,006,269
Sewer	-	-	1,149,371	1,090,699	1,149,371	1,090,699
Garbage	-	-	630,196	604,780	630,196	604,780
Total expenses	<u>4,691,999</u>	<u>3,975,591</u>	<u>2,925,495</u>	<u>2,701,748</u>	<u>7,617,494</u>	<u>6,677,339</u>
Increase (Decrease) in Net Position	<u>\$ 621,869</u>	<u>\$ 1,929,114</u>	<u>\$ 673,947</u>	<u>\$ 729,433</u>	<u>\$ 1,295,816</u>	<u>\$ 2,658,547</u>

Governmental activities. Governmental activities increased Grantsville City's net position by \$621,869. The increase in governmental activities is primarily explained by the following:

- An increase in charges for services, property taxes and sales taxes. With the recent boost in the local economy, there are more residents, more building and other permits requested, and therefore a general increase in governmental revenues.

Business-type activities. Business-type activities increased Grantsville City's net position by \$673,947. The increase in business-type activities is primarily due to:

- An increase in fees collected for each of the utility services offered by the City: water, sewer, and garbage. As noted earlier, the increases are the result of more residents that have moved into the area.

Financial Analysis of the Government's Funds

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

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

GRANTSVILLE CITY CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

As of the end of the current fiscal year, Grantsville City’s governmental funds reported combined ending fund balances of \$5,270,825. Approximately 19% of this total amount, or \$1,000,684, constitutes unassigned fund balance, which is available for spending at the government’s discretion. Nonspendable amounts, consisting of inventory and prepaid expenditures, make up approximately 2%, or \$98,427, of total fund balance. The remainder of the fund balance, 79% or \$4,171,714, is restricted or assigned to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of Grantsville City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,000,684, while total fund balance reached \$2,246,496. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25% of total general fund expenditures, while total fund balance represents 56% of that amount.

Proprietary funds. Grantsville City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$1,218,051; for the Sewer Utility Fund, unrestricted net position amounted to \$739,057; and for the Garbage Utility Fund, unrestricted net position amounted to \$393,213.

General Fund Budgetary Highlights

Actual expenditures in the general fund were \$476,412 less than budgeted expenditures.

Capital Assets and Debt Administration

Capital assets. Grantsville City’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$28,179,671 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The total net increase in Grantsville City’s investment in capital assets was primarily the result of infrastructure assets contributed by developers, and completion of the West Bench Water Pipeline project.

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 614,132	\$ 767,432	\$ -	\$ -	\$ 614,132	\$ 767,432
Water rights	-	-	2,577,143	947,450	2,577,143	947,450
Buildings	4,551,152	4,667,610	197,944	221,424	4,749,096	4,889,034
Utility distribution and collection systems	-	-	13,304,407	13,185,417	13,304,407	13,185,417
Improvements	466,183	525,228	-	-	466,183	525,228
Machinery and equipment	506,944	540,708	246,760	173,148	753,704	713,856
Infrastructure	5,715,006	5,727,240	-	-	5,715,006	5,727,240
Construction in progress	-	-	-	479,277	-	479,277
	<u>\$ 11,853,417</u>	<u>\$ 12,228,218</u>	<u>\$ 16,326,254</u>	<u>\$ 15,006,716</u>	<u>\$ 28,179,671</u>	<u>\$ 27,234,934</u>

Additional information on Grantsville City’s capital assets can be found at Note 6.

GRANTSVILLE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2016

Long-term debt. At the end of the current fiscal year, Grantsville City had total bonded debt outstanding of \$3,862,512. All of Grantsville City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Outstanding Debt
Revenue Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Revenue bonds	3,862,512	3,990,512	-	-	3,862,512	3,990,512

Grantsville City's total debt decreased by \$128,000 during the current fiscal year, as a result of payments on the debt.

Additional information on Grantsville City's long-term debt can be found in Note 8.

Requests for Information

This financial report is designed to provide a general overview of Grantsville City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Finance Director, 429 East Main Street, Grantsville, Utah 84029.

BASIC FINANCIAL STATEMENTS

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 3,905,398	\$ 2,251,153	\$ 6,156,551
Receivables:			
Accounts, net	-	228,323	228,323
Taxes	1,627,970	-	1,627,970
Grant receivable	17,959	-	17,959
Intergovernmental receivable	-	190,271	190,271
Inventory	78,022	104,066	182,088
Note receivable	91,994	-	91,994
Internal Balances	100,000	(100,000)	-
Prepaid items	20,405	-	20,405
Restricted assets:			
Cash and cash equivalents	1,084,378	1,174,171	2,258,549
Receivables: Class "C" road funds receivable	65,000	-	65,000
Capital assets not being depreciated:			
Land	614,132	-	614,132
Water rights	-	2,577,143	2,577,143
Capital assets, net of accumulated depreciation:			
Buildings	4,551,152	197,944	4,749,096
Utility distribution and collection systems	-	13,304,407	13,304,407
Improvements	466,183	-	466,183
Machinery and equipment	506,944	246,760	753,704
Infrastructure	5,715,006	-	5,715,006
Net pension asset	3,225	18	3,243
Total Assets	<u>18,847,768</u>	<u>20,174,256</u>	<u>39,022,024</u>
Deferred Outflows of Resources			
Deferred outflows of resources relating to pensions	427,860	130,398	558,258
Total Assets and Deferred Outflows of Resources	<u>\$ 19,275,628</u>	<u>\$ 20,304,654</u>	<u>\$ 39,580,282</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET POSITION (Continued)
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities:			
Accounts payable	\$ 157,879	\$ 144,530	\$ 302,409
Accrued liabilities	96,345	18,900	115,245
Accrued interest payable	70,621	-	70,621
Liabilities payable from restricted assets	8,000	-	8,000
Unearned revenues	25,685	-	25,685
Noncurrent liabilities:			
Due within one year	222,640	38,640	261,280
Due in more than one year	3,753,172	9,660	3,762,832
Net pension liability	836,291	294,726	1,131,017
Total Liabilities	<u>5,170,633</u>	<u>506,456</u>	<u>5,677,089</u>
Deferred Inflows of Resources:			
Property tax	1,252,360	-	1,252,360
Deferred inflows of resources relating to pensions	159,026	47,452	206,478
Total Deferred Inflows of Resources	<u>1,411,386</u>	<u>47,452</u>	<u>1,458,838</u>
Net Position:			
Net investment in capital assets	7,990,905	16,226,254	24,217,159
Restricted for:			
Roads	477,052	-	477,052
Impact fees	486,928	1,174,171	1,661,099
Debt service	177,398	-	177,398
Unrestricted	3,561,326	2,350,321	5,911,647
Total Net Position	<u>12,693,609</u>	<u>19,750,746</u>	<u>32,444,355</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 19,275,628</u>	<u>\$ 20,304,654</u>	<u>\$ 39,580,282</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General government	\$ 1,223,461	\$ 526,357	\$ -	\$ -	\$ (697,104)	\$ -	\$ (697,104)
Public safety	1,916,720	582,878	112,223	-	(1,221,619)	-	(1,221,619)
Highway and public works	863,136	-	355,179	231,221	(276,736)	-	(276,736)
Parks and recreation	509,766	151,168	8,452	105	(350,041)	-	(350,041)
Redevelopment	65,000	-	-	-	(65,000)	-	(65,000)
Interest on long-term debt	113,916	-	-	-	(113,916)	-	(113,916)
Total Governmental Activities	<u>4,691,999</u>	<u>1,260,403</u>	<u>475,854</u>	<u>231,326</u>	<u>(2,724,416)</u>	<u>-</u>	<u>(2,724,416)</u>
Business-type Activities:							
Water	1,145,928	918,377	-	470,851	-	243,300	243,300
Sewer	1,149,371	1,137,561	-	333,006	-	321,196	321,196
Garbage	630,196	670,364	-	-	-	40,168	40,168
Total Business-type Activities	<u>2,925,495</u>	<u>2,726,302</u>	<u>-</u>	<u>803,857</u>	<u>-</u>	<u>604,664</u>	<u>604,664</u>
Total Government	<u>\$ 7,617,494</u>	<u>\$ 3,986,705</u>	<u>\$ 475,854</u>	<u>\$ 1,035,183</u>	<u>(2,724,416)</u>	<u>604,664</u>	<u>(2,119,752)</u>
			General Revenues:				
			Property tax		1,466,998	-	1,466,998
			Sales tax		1,700,709	-	1,700,709
			Franchise tax		121,070	-	121,070
			Unrestricted investment earnings		37,856	13,075	50,931
			Gain on sale of assets		19,652	56,208	75,860
			Transfers		<u>-</u>	<u>-</u>	<u>-</u>
			Total General Revenues and Transfers		<u>3,346,285</u>	<u>69,283</u>	<u>3,415,568</u>
			Changes in Net Position		621,869	673,947	1,295,816
			Net Position, Beginning		12,071,740	17,529,806	29,601,546
			Adjustment for previously unrecorded assets (note 14)		<u>-</u>	<u>1,546,993</u>	<u>1,546,993</u>
			Net Position, Ending		<u>\$ 12,693,609</u>	<u>\$ 19,750,746</u>	<u>\$ 32,444,355</u>

The accompanying notes are an integral part of the financial statements.

**GRANTSVILLE CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue				Total Governmental Funds
	General	Capital Projects	Redevelopment Agency	Municipal Building Authority	
Assets:					
Cash and cash equivalents	\$ 1,095,730	\$ 2,667,436	\$ 38,079	\$ 104,153	\$ 3,905,398
Receivables, net:					
Taxes	1,627,994	-	-	-	1,627,994
Other receivable	17,935	-	-	-	17,935
Inventories	78,022	-	-	-	78,022
Note receivable	91,994	-	-	-	91,994
Notes receivable - interfund	-	100,000	-	-	100,000
Prepaid items	20,405	-	-	-	20,405
Restricted assets:					
Cash and cash equivalents	906,980	-	-	177,398	1,084,378
Receivables: Intergovernmental	65,000	-	-	-	65,000
Total Assets	\$ 3,904,060	\$ 2,767,436	\$ 38,079	\$ 281,551	\$ 6,991,126
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 95,142	\$ 27,737	\$ 35,000	\$ -	\$ 157,879
Accrued liabilities	96,345	-	-	-	96,345
Liabilities payable from restricted assets	8,000	-	-	-	8,000
Unearned revenues	25,685	-	-	-	25,685
Total Liabilities	225,172	27,737	35,000	-	287,909
Deferred Inflows of Resources:					
Unavailable revenue - property tax	1,340,398	-	-	-	1,340,398
Unavailable revenue - note receivable	91,994	-	-	-	91,994
Total Deferred Inflows of Resources	1,432,392	-	-	-	1,432,392
Fund Balances:					
Nonspendable:					
Inventories	78,022	-	-	-	78,022
Prepaid	20,405	-	-	-	20,405
Restricted:					
Roads	477,052	-	-	-	477,052
Impact fees	486,928	-	-	-	486,928
Debt service	-	-	-	177,398	177,398
Assigned:					
Cemetery care	183,405	-	-	-	183,405
Municipal Building Authority	-	-	-	104,153	104,153
Redevelopment Agency	-	-	3,079	-	3,079
Capital projects	-	2,739,699	-	-	2,739,699
Unassigned:	1,000,684	-	-	-	1,000,684
Total Fund Balances	2,246,496	2,739,699	3,079	281,551	5,270,825
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,904,060	\$ 2,767,436	\$ 38,079	\$ 281,551	\$ 6,991,126

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

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

Total fund balance - governmental funds	\$	5,270,825
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.		11,853,417
Notes receivable and the accrued interest are not current financial resources and are therefore reported as deferred inflows of resources in the funds.		91,994
Some of the City's property taxes (delinquent taxes) will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds. Receivables and revenues are recorded on the accrual basis in the statement of activities.		88,038
Pension liabilities, assets, deferred inflows, and deferred outflows are not due and payable in the current period and, therefore, are not recorded in the governmental funds.		
Net pension asset		3,225
Deferred outflows of resources relating to pensions		427,860
Net pension liability		(836,291)
Deferred inflows of resources relating to pensions		(159,026)
Accrued Interest payable is not due and payable in the current period and, therefore, is not recorded in the funds.		(70,621)
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the funds.		(3,975,812)
Total net position - governmental activities	\$	<u>12,693,609</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Redevelopment Agency</u>	<u>Building Authority</u>	<u>Governmental Funds</u>
Revenues:					
Taxes	\$ 3,283,935	\$ -	\$ -	\$ -	\$ 3,283,935
Licenses and permits	223,690	-	-	-	223,690
Intergovernmental	495,959	-	-	-	495,959
Charges for services	277,842	-	-	266,575	544,417
Impact fees	262,243	-	-	-	262,243
Fines and forfeitures	153,851	-	-	-	153,851
Interest	34,778	-	-	2,251	37,029
Miscellaneous	56,202	-	-	-	56,202
Total Revenues	<u>4,788,500</u>	<u>-</u>	<u>-</u>	<u>268,826</u>	<u>5,057,326</u>
Expenditures:					
Current:					
General government	1,115,039	-	-	-	1,115,039
Public safety	1,890,227	-	-	-	1,890,227
Highway and public works	483,625	-	-	-	483,625
Parks and recreation	389,346	-	-	-	389,346
Redevelopment	-	-	65,000	-	65,000
Debt service:					
Principal	-	-	-	128,000	128,000
Interest	-	-	-	116,253	116,253
Capital outlay:					
General government	39,484	27,736	-	-	67,220
Public safety	39,514	-	-	-	39,514
Highway and public works	53,073	-	-	-	53,073
Parks and recreation	6,100	-	-	-	6,100
Total Expenditures	<u>4,016,408</u>	<u>27,736</u>	<u>65,000</u>	<u>244,253</u>	<u>4,353,397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>772,092</u>	<u>(27,736)</u>	<u>(65,000)</u>	<u>24,573</u>	<u>703,929</u>
Other Financing Sources (Uses):					
Transfer in (out)	(550,000)	550,000	-	-	-
Proceeds from sale of assets	20,300	90,595	-	-	110,895
Total Other Financing Sources (Uses)	<u>(529,700)</u>	<u>640,595</u>	<u>-</u>	<u>-</u>	<u>110,895</u>
Net Change in Fund Balances	242,392	612,859	(65,000)	24,573	814,824
Fund Balance, Beginning	<u>2,004,104</u>	<u>2,126,840</u>	<u>68,079</u>	<u>256,978</u>	<u>4,456,001</u>
Fund Balance, Ending	<u>\$ 2,246,496</u>	<u>\$ 2,739,699</u>	<u>\$ 3,079</u>	<u>\$ 281,551</u>	<u>\$ 5,270,825</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 814,824
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	138,171
Depreciation Expense	(475,024)
Disposal of assets	(37,949)
Accrued interest on note receivable is recorded as revenue in the statement of activity but deferred until available in the governmental funds.	
	827
Compensated absences do not require current financial resources and therefore are not recorded as an expenditure in the governmental funds.	
	(16,400)
Property taxes levied in prior years but not yet collected are not recognized in the governmental funds because they are not available. They are, however, recorded as revenues in the statement of activities. During the year, the net effect of delinquent taxes during the year was:	
	4,842
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	
	128,000
Pension liabilities do not require current financial resources and therefore are not recorded in the governmental funds.	
	62,241
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expense is reported when due and paid.	
	2,337
Change in net position of governmental activities	\$ 621,869

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – 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>		
Revenues:				
Taxes	\$ 3,233,618	\$ 3,233,618	\$ 3,283,935	\$ 50,317
Licenses and permits	185,000	300,000	295,248	(4,752)
Intergovernmental	445,000	445,000	467,402	22,402
Charges for services	138,100	184,000	193,994	9,994
Fines and forfeitures	194,500	150,000	153,851	3,851
Other revenue	330,000	330,000	264,643	(65,357)
Contributions and transfers	80,000	80,000	8,452	(71,548)
Miscellaneous	139,600	125,000	120,975	(4,025)
Total Revenues	<u>4,745,818</u>	<u>4,847,618</u>	<u>4,788,500</u>	<u>(59,118)</u>
Expenditures:				
General government:				
Administrative	535,270	535,270	499,551	35,719
Judicial	325,600	325,600	302,422	23,178
Library	241,250	241,250	230,877	10,373
Election	10,000	10,000	7,127	2,873
Planning and zoning	113,450	118,450	114,546	3,904
Public safety:				
Police	1,507,700	1,507,700	1,445,521	62,179
Fire	260,300	270,300	256,384	13,916
Building inspections	136,250	165,000	158,602	6,398
Animal control	72,850	72,850	69,234	3,616
Highway and public works:				
Streets	298,400	208,400	169,298	39,102
Class "C" roads	350,000	370,000	367,400	2,600
Parks and recreation:				
Parks	338,800	338,800	191,853	146,947
Community relations	57,100	110,000	104,442	5,558
Cemetery	219,200	219,200	99,151	120,049
Total Expenditures	<u>4,466,170</u>	<u>4,492,820</u>	<u>4,016,408</u>	<u>476,412</u>
Excess of Revenues Over Expenditures	<u>279,648</u>	<u>354,798</u>	<u>772,092</u>	<u>417,294</u>
Other Financing Uses:				
Sale of capital assets	-	-	20,300	20,300
Transfers out	(550,000)	(550,000)	(550,000)	-
Total Other Financing Uses	<u>(550,000)</u>	<u>(550,000)</u>	<u>(529,700)</u>	<u>20,300</u>
Net Change in Fund Balance	<u>\$ (270,352)</u>	<u>\$ (195,202)</u>	<u>242,392</u>	<u>\$ 437,594</u>
Fund Balance, Beginning			<u>2,004,104</u>	
Fund Balance, Ending			<u>\$ 2,246,496</u>	

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – REDEVELOPMENT AGENCY
SPECIAL REVENUE 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>		
Revenues:				
Taxes	\$ -	\$ 65,000	\$ -	\$ (65,000)
Total Revenues	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>(65,000)</u>
Expenditures:				
Redevelopment	30,000	65,000	65,000	-
Total Expenditures	<u>30,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>(30,000)</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Net Change in Fund Balance	<u>\$ (30,000)</u>	<u>\$ -</u>	<u>(65,000)</u>	<u>\$ (65,000)</u>
Fund Balance, Beginning			<u>68,079</u>	
Fund Balance, Ending			<u>\$ 3,079</u>	

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – MUNICIPAL BUILDING AUTHORITY
SPECIAL REVENUE 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>		
Revenues:				
Charges for services	\$ 266,290	\$ 266,290	\$ 266,575	\$ 285
Interest	1,000	1,000	2,251	1,251
Total Revenues	<u>267,290</u>	<u>267,290</u>	<u>268,826</u>	<u>1,536</u>
Expenditures:				
Debt:				
Interest	116,515	116,253	116,253	-
Principal	150,775	151,037	128,000	23,037
Total Expenditures	<u>267,290</u>	<u>267,290</u>	<u>244,253</u>	<u>23,037</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	24,573	<u>\$ 24,573</u>
Fund Balance, Beginning			<u>256,978</u>	
Fund Balance, Ending			<u>\$ 281,551</u>	

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Totals</u>
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,257,439	\$ 610,897	\$ 382,817	\$ 2,251,153
Accounts receivable, net	76,558	87,296	64,469	228,323
Intergovernmental receivable	-	190,271	-	190,271
Inventory of supplies	79,732	7,304	17,030	104,066
Total Current Assets	<u>1,413,729</u>	<u>895,768</u>	<u>464,316</u>	<u>2,773,813</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	976,883	197,288	-	1,174,171
Capital assets not being depreciated:				
Water rights	2,577,143	-	-	2,577,143
Capital assets, net of accumulated depreciation:				
Utility distribution and collection systems	6,220,832	7,083,575	-	13,304,407
Buildings	12,838	185,106	-	197,944
Equipment	140,387	106,373	-	246,760
Net Pension Asset	5	10	3	18
Total Noncurrent Assets	<u>9,928,088</u>	<u>7,572,352</u>	<u>3</u>	<u>17,500,443</u>
Total Assets	<u>11,341,817</u>	<u>8,468,120</u>	<u>464,319</u>	<u>20,274,256</u>
Deferred Outflows of Resources				
Deferred outflows of resources relating to pensions	64,047	57,110	9,241	130,398
Total Assets and Deferred Outflows of Resources	<u>11,405,864</u>	<u>8,525,230</u>	<u>473,560</u>	<u>20,404,654</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Totals</u>
Liabilities:				
Current Liabilities:				
Accounts payable	\$ 58,602	\$ 35,394	\$ 50,534	\$ 144,530
Accrued liabilities	9,400	8,200	1,300	18,900
Compensated absences	21,600	14,000	3,040	38,640
Notes payable - interfund	-	100,000	-	100,000
Total Current Liabilities	<u>89,602</u>	<u>157,594</u>	<u>54,874</u>	<u>302,070</u>
Noncurrent Liabilities:				
Compensated absences	5,400	3,500	760	9,660
Net pension liability	141,863	131,575	21,288	294,726
Total Noncurrent Liabilities	<u>147,263</u>	<u>135,075</u>	<u>22,048</u>	<u>304,386</u>
Total Liabilities	<u>236,865</u>	<u>292,669</u>	<u>76,922</u>	<u>606,456</u>
Deferred Inflows of Resources				
Deferred inflows of resources relating to pensions	22,865	21,162	3,425	47,452
Net Position:				
Net investment in capital assets	8,951,200	7,275,054	-	16,226,254
Restricted for capital projects	976,883	197,288	-	1,174,171
Unrestricted	1,218,051	739,057	393,213	2,350,321
Total Net Position	<u>11,146,134</u>	<u>8,211,399</u>	<u>393,213</u>	<u>19,750,746</u>
Total Liabilities Deferred Inflows of Resources, and Net Position	<u>\$ 11,405,864</u>	<u>\$ 8,525,230</u>	<u>\$ 473,560</u>	<u>\$ 20,404,654</u>

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Totals
Operating Revenues:				
Charges for services	\$ 817,598	\$ 947,290	\$ 670,364	\$ 2,435,252
Intergovernmental revenue	30,859	190,271	-	221,130
Connection fees	6,540	-	-	6,540
Other	63,380	-	-	63,380
Total Operating Revenues	918,377	1,137,561	670,364	2,726,302
Operating Expenses:				
Salaries and wages	261,263	237,010	33,333	531,606
Employee benefits	144,079	132,728	18,269	295,076
Professional services	77,676	70,210	9,955	157,841
Materials and supplies	118,659	79,338	30,043	228,040
Depreciation	392,365	473,761	-	866,126
Utilities	150,069	156,324	1,548	307,941
Waste collection and disposal	-	-	536,997	536,997
Other operating expenses	1,817	-	51	1,868
Total Operating Expenses	1,145,928	1,149,371	630,196	2,925,495
Operating Income (Loss)	(227,551)	(11,810)	40,168	(199,193)
Nonoperating Revenues (Expenses):				
Capital contributions	162,285	110,750	-	273,035
Investment earnings	10,780	2,295	-	13,075
Impact fees	308,566	222,256	-	530,822
Interest expense	-	-	-	-
Gain (loss) on disposal of assets	25,854	30,354	-	56,208
Total Nonoperating Revenues (Expenses)	507,485	365,655	-	873,140
Changes in Net Position	279,934	353,845	40,168	673,947
Net Position, Beginning	9,319,207	7,857,554	353,045	17,529,806
Adjustment for assets previously unrecorded (note 14)	1,546,993	-	-	1,546,993
Net Position, Ending	\$ 11,146,134	\$ 8,211,399	\$ 393,213	\$ 19,750,746

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Totals
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 1,148,004	\$ 1,134,078	\$ 666,030	\$ 2,948,112
Payments to suppliers	(374,983)	(295,401)	(579,998)	(1,250,382)
Payments to employees and related benefits	(407,198)	(369,329)	(51,365)	(827,892)
Net cash flows from operating activities	365,823	469,348	34,667	869,838
Cash Flows From Capital and Related				
Financing Activities:				
Grants	-	(190,271)	-	(190,271)
Impact fees	308,566	222,256	-	530,822
Purchases of capital assets	(70,518)	(238,909)	-	(309,427)
Note payable - interfund	-	(100,000)	-	(100,000)
Net cash flows used by capital and related financing activities	238,048	(306,924)	-	(68,876)
Cash Flows From Investing Activities:				
Interest on investments	10,780	2,295	-	13,075
Net cash flows from investing activities	10,780	2,295	-	13,075
Net Increase (Decrease) In Cash	614,651	164,719	34,667	814,037
Cash At Beginning Of Year	1,619,671	643,466	348,150	2,611,287
Cash At End Of Year	\$ 2,234,322	\$ 808,185	\$ 382,817	\$ 3,425,324

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Totals</u>
Reconciliation of operating income to net cash flows from operating activities:				
Operating income (loss)	\$ (227,551)	\$ (11,810)	\$ 40,168	\$ (199,193)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation expense	392,365	473,761	-	866,126
(Increase) Decrease in assets and deferred outflows				
Accounts receivables	229,627	(3,483)	(4,335)	221,809
Inventory	9,526	-	(3,185)	6,341
Net pension asset	107	95	15	217
Deferred outflows of resources related to pensions	(39,743)	(34,340)	(5,557)	(79,640)
Increase (Decrease) in liabilities and deferred inflows				
Accounts payable	(15,762)	10,471	1,782	(3,509)
Accrued liabilities	(1,000)	1,600	300	900
Payable from restricted assets	-	-	-	-
Retention payable	(20,526)	-	-	(20,526)
Compensated absences	4,900	2,900	600	8,400
Net pension liability	28,356	25,237	4,083	57,676
Deferred inflows of resources related to pensions	5,524	4,917	796	11,237
Net cash flows from operating activities	<u>\$ 365,823</u>	<u>\$ 469,348</u>	<u>\$ 34,667</u>	<u>\$ 869,838</u>
Value of assets contributed from developers	\$ 162,285	\$ 110,750	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grantsville City Corporation (the City) operates under a council form of government and provides the following services as authorized by its charter: public safety, highways, recreation, water, sewer, and garbage.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds are secured by a lease agreement with the City and have been retired through lease payments from the City. The Municipal Building Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's, the financial data is included in the reporting entity using the blended method.

The City's Redevelopment Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

The City's basic financial statements include all City operations.

Government-Wide and Fund Financial Statements

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

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, for the fiscal year ended June 30, 2016 the City elected to record as receivable and revenue the sixth payment for the class "C" road distribution even though it was collected within the 60 day window after fiscal year-end. This is due to the allocation method being reanalyzed, and therefore holding the sixth and final payment for the fiscal year ended June 30, 2016. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

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

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by proprietary or special revenue funds).

The Redevelopment Agency accounts for revenues derived from specific taxes which are to finance particular functions of the City.

Municipal Building Authority Special Revenue Fund accounts for the rental revenues from the City Building and the related bond payments.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Sewer Fund accounts for the activities of the City's sewer collection operations.

The Garbage Fund accounts for the activities of the City's solid waste collection of the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. The general fund's general government, fire, and parks and recreation departments use significant utility services provided by the water fund, and therefore is charged for those utilities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund, the Sewer enterprise fund, and the Garbage enterprise fund are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statement –

- (1) Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.
- (4) The City Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved at a public hearing.

Budgeted amounts are as originally adopted, or as amended by the City Council

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalents accounts and the restricted cash and cash equivalents accounts.

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market. In the governmental fund financial statements, expenditures are recorded as inventory is used (consumption method).

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Asset and Net Pension Liability

In the governmental and business-type activities, the City reports Net Pension Asset and Net Pension Liability. The net pension asset and liability is the City's proportionate share of the Utah Retirement Systems Pension Plan's (URS) funding or shortfall in relation to the City's proportionate share of the calculated retirement benefits for the retirement plans offered by the URS. See Note 9 for more information on the URS Pension Plan.

Capital Assets

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Utility distribution and collection systems	10-50
Infrastructure	10-30
Vehicles	5-10
Equipment	3-30

Compensated Absences

All vacation pay and compensation time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

Pensions

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

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 (expense/ expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

Equity Classifications

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

- (1) Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net position – consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

- (1) Nonspendable fund balance 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 intact.
- (2) Restricted fund balance classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) Committed fund balance classification include those funds that can only be used for specific purposed pursuant to constraints imposed by formal action of the city council, which is government’s highest level of decision making authority.
- (4) Assigned fund balance classification includes amounts that are constrained by the government’s intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the City Finance Director. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.
- (5) Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

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

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When committed, assigned, or unassigned resources are available for use, it is the city's policy to use committed resources first, followed by assigned resources, then unassigned resources as they are needed.

Property Taxes

Property taxes attach as an enforceable lien on property as of the first of January. Taxes are levied on October 1 and are due and payable at November 30.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 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.

Custodial credit risk – deposits is the risk that in the event of bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council. As of June 30, 2016, \$722,794 of the local government's bank balances of \$1,000,285 was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the local government will not be able to recover the value of its investment that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; banker acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

The City is authorized to invest in the PTIF, an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The 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.

	6/30/2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt Securities				
Utah Public Treasurer's Investment Fund	\$ 7,471,760	\$ -	\$ 7,471,760	\$ -
Total debt securities	7,471,760	-	7,471,760	-
Total investments by fair value level	\$ 7,471,760	\$ -	\$ 7,471,760	\$ -

For the year ended June 30, 2016, the City had deposits of \$7,437,865 with the PTIF, with the fair value of these investments being \$7,471,760. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

All cash and cash equivalent balances estimate their fair value. As of June 30, 2016, the City had the following cash and cash equivalents:

Cash on hand	\$ 725
Cash on deposit	976,510
Utah State Treasurer's investment pool account	<u>7,437,865</u>
Total cash and cash equivalents	<u>\$ 8,415,100</u>

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

As of June 30, 2016, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 7,471,760	\$ 7,471,760	\$ -	\$ -	\$ -
Total	\$ 7,471,760	\$ 7,471,760	\$ -	\$ -	\$ -

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

Certain cash and cash equivalent amounts are restricted to use as follows as of June 30, 2016, which are reported in the aggregate in the Statement of Net Position:

Restricted for bond payments	\$ 177,398
Restricted for unspent class "C" road monies	412,053
Restricted revenue for future construction - impact fees	1,661,099
Restricted for court bail held	<u>8,000</u>
Total restricted cash and cash equivalents	<u><u>\$ 2,258,549</u></u>

NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts receivable at June 30, 2016 for all funds is \$41,300.

NOTE 5 NOTE RECEIVABLE

The note receivable consists of an amount due from an entity for a land purchase in 2006. The original amount of the note was \$82,725. The note receivable bears interest at 1%, and principal and all accrued interest is due on April 12, 2035. Accrued interest related to the note as of June 30, 2016 is \$9,269.

NOTE 6 CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 767,432	\$ -	\$ (153,300)	\$ 614,132
Total capital assets, not being depreciated	<u>767,432</u>	<u>-</u>	<u>(153,300)</u>	<u>614,132</u>
Capital assets, being depreciated:				
Buildings	5,497,156	-	-	5,497,156
Improvements	825,724	6,100	(63,087)	768,737
Machinery and equipment	1,938,739	132,070	(232,565)	1,838,244
Infrastructure	7,050,422	231,223	-	7,281,645
Total capital assets being depreciated	<u>15,312,041</u>	<u>369,393</u>	<u>(295,652)</u>	<u>15,385,782</u>
Less accumulated depreciation for:				
Buildings	829,546	116,458	-	946,004
Improvements	300,496	38,661	(36,603)	302,554
Machinery and equipment	1,398,031	76,448	(143,179)	1,331,300
Infrastructure	1,323,182	243,457	-	1,566,639
Total accumulated depreciation	<u>3,851,255</u>	<u>475,024</u>	<u>(179,782)</u>	<u>4,146,497</u>
Total capital assets, being depreciated, net	<u>11,460,786</u>	<u>(105,631)</u>	<u>(115,870)</u>	<u>11,239,285</u>
Governmental activities capital assets, net	<u>\$ 12,228,218</u>	<u>\$ (105,631)</u>	<u>\$ (269,170)</u>	<u>\$ 11,853,417</u>

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 479,277	\$ 244,941	\$ (724,218)	\$ -
Water rights	2,494,443	82,700	-	2,577,143
Total capital assets, not being depreciated	<u>2,973,720</u>	<u>327,641</u>	<u>(724,218)</u>	<u>2,577,143</u>
Capital assets, being depreciated:				
Buildings	786,511	-	-	786,511
Utility distribution and collection systems	22,650,584	930,279	-	23,580,863
Machinery and equipment	696,858	137,135	(35,000)	798,993
Total capital assets being depreciated	<u>24,133,953</u>	<u>1,067,414</u>	<u>(35,000)</u>	<u>25,166,367</u>
Less accumulated depreciation for:				
Buildings	565,087	23,480	-	588,567
Utility distribution and collection systems	9,465,167	811,289	-	10,276,456
Machinery and equipment	523,710	31,357	(2,834)	552,233
Total accumulated depreciation	<u>10,553,964</u>	<u>866,126</u>	<u>(2,834)</u>	<u>11,417,256</u>
Total capital assets, being depreciated, net	<u>13,579,989</u>	<u>201,288</u>	<u>(32,166)</u>	<u>13,749,111</u>
Business-type activities capital assets, net	<u>\$ 16,553,709</u>	<u>\$ 528,929</u>	<u>\$ (756,384)</u>	<u>\$ 16,326,254</u>

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

Governmental activities:	
General government	\$ 82,322
Public safety	71,077
Highway and public works	263,849
Parks and recreation	57,776
Total depreciation expense - governmental activities	<u>\$ 475,024</u>
Business-type activities:	
Water	\$ 392,365
Sewer	473,761
Total depreciation expense - business-type activities	<u>\$ 866,126</u>

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7 DEFERRED OUTFLOWS/ INFLOW OF RESOURCES

The governmental funds report unavailable revenues from long-term notes receivable of \$91,994 which will be recognized as an inflow of resources in the period in which the amounts become available.

The governmental funds also report unavailable resources from property taxes of \$1,340,398 as a deferred inflows of resources due to the property taxes being recognized as receivables prior to the period for which the taxes are levied. These amounts are also reported as deferred inflows of resources on the government-wide statement of net position.

As a result of implanting GASB 68, the governmental and business-type activities also report deferred outflows of resources and deferred inflows of resources relating to pensions.

NOTE 8 LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Governmental Activities:					
Revenue bonds					
Library	\$ 2,341,512	\$ -	\$ 77,000	\$ 2,264,512	\$ 79,000
Fire Station	1,649,000	-	51,000	1,598,000	53,000
Compensated absences	96,900	78,319	61,919	113,300	90,640
Total governmental activity long-term liabilities	<u>\$ 4,087,412</u>	<u>\$ 78,319</u>	<u>\$ 189,919</u>	<u>\$ 3,975,812</u>	<u>\$ 222,640</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Business-type Activities:					
Note payable - interfund	\$ 200,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Compensated absences	39,900	47,644	39,244	48,300	38,640
Total business-type activity long-term liabilities	<u>\$ 239,900</u>	<u>\$ 47,644</u>	<u>\$ 139,244</u>	<u>\$ 148,300</u>	<u>\$ 138,640</u>

Compensated absences in the governmental activities are generally liquidated by the general fund.

MBA Lease Revenue Bonds, Series 2011

The MBA Lease Revenue Bond, Series 2011 was issued in February 2012 for \$2,500,000. This bond was issued to construct the municipal library. The bond has an interest rate of 2.5 percent and matures in October 2037. The MBA has pledged the base rental as security to the bond.

MBA Lease Revenue Bonds, Series 2006

The MBA Lease Revenue Bond, Series 2006 was issued in May 2006 for \$2,000,000. This bond was issued to construct the municipal fire station. The bond has an interest rate of 3.5 percent and matures in January 2037. The MBA has pledged the base rental as security to the bond.

Note Payable – Interfund

During the fiscal year 2014, the City’s Sewer Fund borrowed \$300,000 from the City’s Capital Projects Fund. The loan carries an interest rate of 0% and is to be repaid in three annual payments of \$100,000.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT (Continued)

The following is a schedule of the future minimum payments for all long term debt:

Fiscal Year Ended June 30	Revenue Bonds				Note Payable - Interfund	
	Library		Fire Station		Operating Cash Flow	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 79,000	\$ 56,875	\$ 53,000	\$ 55,930	\$ 100,000	\$ -
2018	81,000	54,900	55,000	54,075	-	-
2019	83,000	52,875	57,000	52,150	-	-
2020	85,000	50,800	59,000	50,155	-	-
2021	87,000	48,675	61,000	48,090	-	-
2022	89,000	46,500	63,000	45,955	-	-
2023	91,000	44,275	65,000	43,750	-	-
2024	94,000	42,000	67,000	41,475	-	-
2025	96,000	39,650	70,000	39,130	-	-
2026	98,000	37,250	72,000	36,680	-	-
2027	101,000	34,800	75,000	34,160	-	-
2028	103,000	32,275	77,000	31,535	-	-
2029	106,000	29,700	80,000	28,840	-	-
2030	109,000	27,050	83,000	26,040	-	-
2031	111,000	24,325	86,000	23,135	-	-
2032	114,000	21,550	89,000	20,125	-	-
2033	117,000	18,700	92,000	17,010	-	-
2034	120,000	15,775	95,000	13,790	-	-
2035	123,000	12,775	98,000	10,465	-	-
2036	126,000	9,700	102,000	7,035	-	-
2037	129,000	6,550	99,000	3,465	-	-
2038	122,512	3,225	-	-	-	-
	<u>\$ 2,264,512</u>	<u>\$ 710,225</u>	<u>\$ 1,598,000</u>	<u>\$ 682,990</u>	<u>\$ 100,000</u>	<u>\$ -</u>
	Interest Rate: 2.50%		Interest Rate: 3.50%		Interest Rate: 0.0%	

The interfund note payable is included in “Internal balances” on the Statement of Net Position (page 10)

NOTE 9 PENSION PLAN

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- 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 Firefighter 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.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9 PENSION PLAN (Continued)

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 System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits Provided

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

Summary of Benefits by System

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

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except 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.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9 PENSION PLAN (Continued)

Contributions

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

<u>Utah Retirement Systems</u>	<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 Div - Tier 2	N/A	N/A	16.67%	1.78%
Noncontributory System				
15 - Local Governmental Div - 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	23.66%	1.33%
Noncontributory				
75 - Other Div A with 4% COLA	N/A	N/A	35.71%	N/A
Tier 2 DC Only				
211 - Local Government	N/A	N/A	6.69%	10.00%
222 - Public Safety	N/A	N/A	12.99%	12.00%

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

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

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 165,602	N/A
Public Safety System	114,520	-
Tier 2 Public Employees System	21,379	-
Tier 2 Public Safety and Firefighter	38,868	-
Tier 2 DC Only System	6,014	N/A
Tier 2 DC Public Safety and Firefighter System	10,970	N/A
Total Contributions	<u>\$ 357,353</u>	

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

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

At June 30, 2016, we reported a net pension asset of \$3,243 and a net pension liability of \$1,131,017.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.1071196%	\$ -	\$ 606,135
Public Safety System	0.2903026%	-	524,882
Tier 2 Public Employees System	0.0209987%	46	-
Tier 2 Public Safety and Firefighter System	0.2188118%	3,197	-
Total Net Pension Asset / Liability		<u>\$ 3,243</u>	<u>\$ 1,131,017</u>

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9 PENSION PLAN (Continued)

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

For the year ended June 30, 2016 we recognized pension expense of \$284,469.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 555	\$ 81,811
Changes in assumptions	-	69,420
Net difference between projected and actual earnings on pension plan investments	374,765	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,552	55,247
Contributions subsequent to the measurement date	181,387	-
Total	\$ 558,259	\$ 206,478

\$181,387 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2016	\$ 24,418
2017	24,418
2018	39,040
2019	82,392
2020	(63)
Thereafter	190

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

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9 PENSION PLAN (Continued)

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 approved by the Society of Actuaries.

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

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

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

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

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.

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9 PENSION PLAN (Continued)

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

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

<u>System</u>	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Noncontributory System	\$ 1,280,703	\$ 606,135	\$ 43,006
Public Safety System	1,111,480	524,882	47,284
Tier 2 Public Employees System	8,406	(46)	(6,452)
Tier 2 Public Safety and Firefighter	5,434	(3,197)	(9,825)
Total	\$ 2,406,023	\$ 1,127,774	\$ 74,013

Pension Plan Fiduciary Net Position

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

Defined Contribution Savings Plans

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

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
401(k) Plan			
Employer Contributions	\$ 75,999	\$ 74,517	\$ 63,235
Employee Contributions	61,975	61,803	51,555
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	9,247	19,596	10,751
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	1,230	195	-

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10 REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17B-4-1305(2), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2015:

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2016</u>
Industrial Park	\$ <u>0</u>
TOTAL INCREMENT RECEIVED	\$ <u>0</u>

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount at June 30, 2015, of bonds issued to finance the costs associated with the project area was \$0.

D. The agency expended the following during the year:

	<u>2016</u>
Tax increment payments	\$ <u>65,000</u>
TOTAL EXPENDITURES	\$ <u>65,000</u>

NOTE 11 COMMITMENTS AND CONTINGENCIES

The City believes that possible contingencies (contingencies incurred but not reported) where the loss cannot be reasonably estimated are immaterial to the financial statements of the City. The City had outstanding construction commitments \$196,379 at June 30, 2016.

NOTE 12 RISK MANAGEMENT

The City, as a provider of municipal services, is exposed to a number of risks. Among these are: police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur. The City has not incurred any claims in excess of its coverage for any of the past three years.

NOTE 13 TRANSFERS

During the year transfers were made which will not be repaid. These transfers occurred primarily to finance future capital projects needs within the city.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 550,000
Capital Projects	<u>550,000</u>	<u>-</u>
	<u>\$ 550,000</u>	<u>\$ 550,000</u>

GRANTSVILLE CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 14 PRIOR PERIOD ADJUSTMENT – ASSETS NOT PREVIOUSLY REPORTED

During the year, it was noted that water rights were contributed or otherwise banked with the City, but had not been reported in the financial statements of the City. As result, the City made an adjustment to the beginning net position of the Statement of Activities (page 12) and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (page 22) to reflect the impact the contributed assets had on the prior years' financial statements. The resulting adjustment to the City's fixed assets were made in the respective asset accounts in the Statement of Net Position (page 10), and the Statement of Net Position – Proprietary Fund (page 20), and the schedules of fixed assets for the governmental and proprietary activities shown in Note 6.

REQUIRED SUPPLEMENTARY INFORMATION

GRANTSVILLE CITY CORPORATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2015
Last 10 Fiscal Years*

<u>For the year ended December 31,</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of its covered- employee payroll</u>
Noncontributory Retirement System					
2015	0.1071196%	\$ 606,135	\$ 889,139	68.17%	87.8%
2014	0.1128161%	489,874	938,533	52.20%	90.2%
Public Safety System					
2015	0.2930256%	\$ 524,882	\$ 346,266	151.58%	87.1%
2014	0.3203390%	402,853	390,094	103.30%	90.5%
Tier 2 Public Employees Retirement System					
2015	0.0209987%	\$ (46)	\$ 135,666	-0.03%	100.2%
2014	0.0159796%	(484)	78,361	-0.06%	103.5%
Tier 2 Public Safety and Firefighters Retirement					
2015	0.2188118%	\$ (3,197)	\$ 130,209	-2.46%	110.7%
2014	0.2401135%	(3,552)	99,322	-3.60%	120.5%

* This schedule will be built out prospectively to show a 10-year history.

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2016**

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
Nontributory System					
2016	\$ 165,602	\$ 165,602	\$ -	\$ 912,608	18.15%
2015	162,322	162,322	-	886,795	18.30%
2014	169,228	169,228	-	978,767	17.29%
Public Safety System					
2016	\$ 114,520	\$ 114,520	\$ -	\$ 320,694	35.71%
2015	134,180	134,180	-	375,748	35.71%
2014	138,805	138,805	-	406,218	34.17%
Tier 2 Public Employees System*					
2016	\$ 21,379	\$ 21,379	\$ -	\$ 143,386	14.91%
2015	15,489	15,489	-	103,673	14.94%
2014	10,676	10,676	-	76,308	13.99%
Tier 2 Public Safety and Firefighter System*					
2016	\$ 38,868	\$ 38,868	\$ -	\$ 164,864	23.58%
2015	27,656	27,656	-	116,644	23.71%
2014	23,477	23,477	-	104,948	22.37%
Tier 2 Public Employees DC Only System*					
2016	\$ 6,014	\$ 6,014	\$ -	\$ 92,255	6.52%
2015	5,865	5,865	-	87,277	6.72%
2014	4,642	4,642	-	83,188	5.58%
Tier 2 Public Safety and Firefighter DC Only System					
2016	\$ 10,970	\$ 10,970	\$ -	\$ 84,449	12.99%
2015	10,179	10,179	-	78,361	12.99%
2014	6,316	6,316	-	55,112	11.46%

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

** This schedule will be built out prospectively to show a 10-year history. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

The accompanying notes are an integral part of the financial statements.

GRANTSVILLE CITY CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

Changes in Assumption

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.

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

SUPPLEMENTAL INFORMATION

GRANTSVILLE CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - CAPITAL PROJECTS 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>		
Expenditures:				
Current:				
General government	379,648	379,648	27,736	351,912
Total Expenditures	<u>379,648</u>	<u>379,648</u>	<u>27,736</u>	<u>351,912</u>
Other Financing Sources:				
Transfer in	379,648	550,000	550,000	-
Proceeds from sale of assets		-	90,595	(90,595)
Total Other Financing Sources	<u>379,648</u>	<u>550,000</u>	<u>640,595</u>	<u>(90,595)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 170,352</u>	612,859	<u>\$ 261,317</u>
Fund Balance, Beginning			<u>2,126,840</u>	
Fund Balance, Ending			<u>\$ 2,739,699</u>	



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

Honorable Mayor and Members of the City Council
Grantsville City
Grantsville, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2016

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
November 18, 2016



**INDEPENDENT AUDITORS' REPORT AS REQUIRED BY THE STATE
COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE
REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and
Members of the City Council
Grantsville City, Utah

Report On Compliance with General State Compliance Requirements

We have audited Grantsville City's ("the 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
Utah Retirement Systems
Justice Court
Restricted Taxes and Related Revenues
Open and Public Meetings Act
Treasurer's Bond
Impact Fees

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion, Grantsville City, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2016.

Report on Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we 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, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Gilbert & Stewart

November 18, 2016