

Providence City
Cache County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Providence City
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June 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the City of Providence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Providence's internal control over financial reporting and compliance.

Ulrich & Associates, P.C.

Ogden, Utah
December 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Providence City
Management's Discussion and Analysis
June 30, 2015

As management of Providence City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$1,075,173.
- *Total unrestricted net position for the City as a whole increased by \$107,825.
- *Total net position for governmental activities increased by \$532,144.
- *Total net position for business-type activities increased by \$543,029.

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Providence City
Management's Discussion and Analysis
June 30, 2015

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

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

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

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

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

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

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

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

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

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

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

Providence City
Management's Discussion and Analysis
June 30, 2015

FINANCIAL ANALYSIS

Providence City's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 3,781,481	3,898,865	5,697,569	5,657,505	9,479,050	9,556,370
Net capital assets	5,040,811	4,376,923	8,592,452	8,195,592	13,633,263	12,572,515
Deferred outflows	33,159	28,326	17,136	14,638	50,295	42,964
Total assets	<u>8,855,451</u>	<u>8,304,114</u>	<u>14,307,157</u>	<u>13,867,735</u>	<u>23,162,608</u>	<u>22,171,849</u>
Other liabilities	935,267	936,115	186,889	209,853	1,122,156	1,145,968
Long-term debt outstanding	-	-	714,000	805,000	714,000	805,000
Deferred inflows	20,042	-	10,357	-	30,399	-
Total liabilities	<u>955,309</u>	<u>936,115</u>	<u>911,246</u>	<u>1,014,853</u>	<u>1,866,555</u>	<u>1,950,968</u>
Net position:						
Net investment in capital assets	5,040,811	4,376,923	7,878,452	7,390,592	12,919,263	11,767,515
Restricted	1,345,789	1,530,325	143,760	143,623	1,489,549	1,673,948
Unrestricted	1,513,543	1,460,750	5,373,699	5,318,667	6,887,242	6,779,417
Total net position	<u>\$ 7,900,142</u>	<u>7,367,998</u>	<u>13,395,911</u>	<u>12,852,882</u>	<u>21,296,054</u>	<u>20,220,880</u>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by \$21,296,054.

Total unrestricted net position at the end of the year is \$6,887,242, which represents an increase of \$107,825 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

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

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

Providence City
Management's Discussion and Analysis
June 30, 2015

FINANCIAL ANALYSIS (continued)

Providence City's Change in Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 788,488	829,283	1,934,541	2,092,196	2,723,030	2,921,479
Operating grants & contributions	259,941	312,237	-	-	259,941	312,237
Capital grants & contributions	-	732,088	99,746	-	99,746	732,088
General revenues:						
Property taxes	595,550	587,253	-	-	595,550	587,253
Sales tax	881,306	871,332	-	-	881,306	871,332
Other taxes	445,068	459,918	-	-	445,068	459,918
Other revenues	205,447	140,751	70,229	55,232	275,676	195,983
Total revenues	<u>3,175,800</u>	<u>3,932,863</u>	<u>2,104,516</u>	<u>2,147,428</u>	<u>5,280,316</u>	<u>6,080,290</u>
Expenses:						
General government	799,501	1,116,265	-	-	799,501	1,116,265
Public safety	268,060	231,713	-	-	268,060	231,713
Highways and public improvements	1,120,437	1,225,224	-	-	1,120,437	1,225,224
Parks and recreation	376,822	284,575	-	-	376,822	284,575
Cemetery	78,837	79,578	-	-	78,837	79,578
Interest on long-term debt	-	-	22,480	25,897	22,480	25,897
Water	-	-	677,924	612,881	677,924	612,881
Waste water	-	-	788,204	792,321	788,204	792,321
Storm water	-	-	72,879	61,312	72,879	61,312
Total expenses	<u>2,643,656</u>	<u>2,937,355</u>	<u>1,561,487</u>	<u>1,492,412</u>	<u>4,205,143</u>	<u>4,429,767</u>
Change in net position	<u>\$ 532,144</u>	<u>995,507</u>	<u>543,029</u>	<u>655,016</u>	<u>1,075,173</u>	<u>1,650,523</u>

For the City as a whole, total revenues decreased by \$799,974 compared to the previous year, while total expenses decreased by \$224,624. The total net change of \$1,075,173 is, in private sector terms, the net income for the year which is \$575,350 less than the previous year's net income.

Governmental activities revenues of \$3,175,800 is \$757,062 less than the previous year. The primary reason for this decrease is a decrease in grant revenues received during the year. Governmental activities expenses of \$2,643,656 is \$293,699 less than the previous year. While public safety and parks and recreation expenses increased during the year, all other department expenses decreased.

Business-type activities revenue of \$2,104,516 is \$42,912 less than the previous year. Business-type activities expenses of \$1,561,487 were more than the previous year by \$69,075. While waste water expenses decreased during the year, water and storm water expenses increased.

Providence City
Management's Discussion and Analysis
June 30, 2015

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$3,061,969 reflects a decrease of \$122,151 from the previous year. Total revenues decreased by \$130,236. Total tax revenues increased by \$3,420. Charges for services, including licenses and permits and fines, decreased by \$103,191. Intergovernmental revenues decreased by \$52,296. Other revenues increased by \$21,831.

Total expenditures decreased by \$245,489. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government decreased by \$255,998, public safety decreased by \$58,242, highways and public improvements increased by \$101,035, parks and recreation increased by \$34,475, and cemetery increased by \$647. Total expenditures for capital outlay for all departments decreased by \$67,107.

Restricted fund balance amounted to \$1,345,788. Unassigned fund balance is \$1,716,181.

Water Fund

Net operating income for the year was \$284,143, compared to the previous year's net operating income of \$493,883. The change in net position (net income) was \$361,544, compared to the previous year's net income of \$520,807. Restricted net position amounts to \$143,623, resulting in an unrestricted net position of \$2,274,699.

Waste Water Fund

Net operating income for the year was \$58,350, compared to the previous year's net operating income of \$61,206. The change in net position (net income) was \$95,595, compared to the previous year's net income of \$63,617. Unrestricted net position amounts to \$2,692,493.

Storm Water Fund

Net operating income for the year was \$53,325, compared to the previous year's net operating income of \$70,025. The change in net position (net income) was \$86,173, compared to the previous year's net income of \$70,025. Unrestricted net position amounts to \$406,645.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, excluding transfers, originally were budgeted at \$2,983,500. This amount was amended during the year to \$3,124,300. Actual revenues, excluding transfers, amounted to \$3,070,536, which was \$53,764 less than budgeted.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$2,766,200. This amount was amended during the year to \$2,934,200. Actual expenditures amounted to \$2,366,485, which was \$567,715 less than budgeted.

Net transfers out of \$826,202 were made from the general fund to the capital projects fund during the year, which was \$84,898 less than the budgeted amount.

Providence City
Management's Discussion and Analysis
June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Providence City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and rights	\$ 1,372,838	730,671	931,882	489,778	2,304,720	1,220,449
Buildings	174,632	193,001	108,976	114,578	283,608	307,579
Improvements	672,936	739,718	-	-	672,936	739,718
Machinery and equipment	92,289	117,058	100,528	132,134	192,818	249,192
Infrastructure	2,719,109	2,500,870	-	-	2,719,109	2,500,870
Water system	-	-	4,258,085	4,246,294	4,258,085	4,246,294
Waste water system	-	-	2,938,704	3,058,393	2,938,704	3,058,393
Storm water system	-	-	49,453	17,145	49,453	17,145
Construction in progress	9,007	95,604	204,825	137,270	213,831	232,874
Totals	<u>\$ 5,040,811</u>	<u>4,376,923</u>	<u>8,592,452</u>	<u>8,195,592</u>	<u>13,633,263</u>	<u>12,572,515</u>

The total amount of capital assets, net of depreciation, of \$13,633,263 has increased by \$1,060,749 from the previous year.

Governmental activities capital assets, net of depreciation, of \$5,040,811 represents an increase of \$663,888 from the previous year.

Business-type activities capital assets, net of depreciation, of \$8,592,452 increased during the year by \$396,860 from the previous year.

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

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

Providence City's Outstanding Debt

	Current Year	Previous Year
Business-type activities:		
2001C Water revenue	\$ 714,000	805,000
Total business-type	<u>\$ 714,000</u>	<u>805,000</u>
Total outstanding debt	<u>\$ 714,000</u>	<u>805,000</u>

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

Providence City
Management's Discussion and Analysis
June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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Providence City
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,556,063	5,283,262	6,839,326
Receivables, net	879,443	270,508	1,149,950
Other current assets	111	-	111
Total current assets	2,435,617	5,553,770	7,989,387
Non-current assets:			
Restricted cash and cash equivalents	1,345,789	143,760	1,489,549
Capital assets:			
Not being depreciated	1,381,844	1,136,707	2,518,551
Net of accumulated depreciation	3,658,967	7,455,746	11,114,712
Net pension asset	76	39	115
Total non-current assets	6,386,675	8,736,251	15,122,927
Total assets	8,822,292	14,290,021	23,112,313
Deferred outflows of resources - pensions	33,159	17,136	50,295
Total assets and deferred outflows of resources	\$ 8,855,451	14,307,157	23,162,608
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 128,145	73,872	202,017
Accrued payroll payable	23,100	-	23,100
Accrued interest payable	-	3,451	3,451
Deposits	33,757	-	33,757
Revenue bonds, current portion	-	93,000	93,000
Total current liabilities	185,001	170,323	355,325
Non-current liabilities:			
Compensated absences liability	71,054	28,483	99,537
Revenue bonds, long-term	-	621,000	621,000
Net pension liability	156,904	81,083	237,987
Total non-current liabilities	227,959	730,565	958,524
Total liabilities	412,960	900,889	1,313,849
Deferred inflows of resources - property taxes	522,307	-	522,307
Deferred inflows of resources - pensions	20,042	10,357	30,399
Total liabilities and deferred inflows of resources	955,309	911,246	1,866,555
NET POSITION:			
Net investment in capital assets	5,040,811	7,878,452	12,919,263
Restricted	1,345,789	143,760	1,489,549
Unrestricted	1,513,543	5,373,699	6,887,242
Total net position	7,900,142	13,395,911	21,296,054
Total liabilities, deferred inflows of resources, and net position	\$ 8,855,451	14,307,157	23,162,608

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

Providence City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 799,501	125,777	6,785	-	(666,938)
Public safety	268,060	56,592	-	-	(211,468)
Highways and public property	1,144,504	497,856	248,555	-	(398,093)
Parks and recreation	352,755	53,057	4,600	-	(295,098)
Cemetery	78,837	55,206	-	-	(23,631)
Total governmental activities	<u>2,643,656</u>	<u>788,488</u>	<u>259,941</u>	<u>-</u>	<u>(1,595,227)</u>
Business-type activities:					
Water	700,404	961,784	-	32,112	293,492
Waste Water	788,204	846,554	-	34,786	93,136
Storm Water	72,879	126,203	-	32,848	86,173
Total business-type activities	<u>1,561,487</u>	<u>1,934,541</u>	<u>-</u>	<u>99,746</u>	<u>472,800</u>
Total primary government	<u>\$ 4,205,143</u>	<u>2,723,030</u>	<u>259,941</u>	<u>99,746</u>	<u>(1,122,427)</u>

(The statement of activities continues on following page)

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

Providence City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	<u>\$ (1,595,227)</u>	<u>472,800</u>	<u>(1,122,427)</u>
General revenues:			
Property taxes	595,550	-	595,550
Sales tax	881,306	-	881,306
Other taxes	445,068	-	445,068
Unrestricted investment earnings	37,962	13,961	51,923
Impact fees	60,059	56,268	116,327
Fixed assets contributed	105,253	-	105,253
Miscellaneous	2,174	-	2,174
Total general revenues	<u>2,127,371</u>	<u>70,229</u>	<u>2,197,600</u>
Change in net position	532,144	543,029	1,075,173
Net position - beginning, restated	<u>7,367,998</u>	<u>12,852,882</u>	<u>20,220,880</u>
Net position - ending	<u><u>\$ 7,900,142</u></u>	<u><u>13,395,911</u></u>	<u><u>21,296,054</u></u>

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

Providence City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,543,936	12,128	1,556,063
Receivables:			
Property taxes	586,186	-	586,186
Due from other governments	231,145	-	231,145
Other receivables	62,112	-	62,112
Other current assets	111	-	111
Restricted cash and cash equivalents	<u>1,345,789</u>	<u>-</u>	<u>1,345,789</u>
TOTAL ASSETS	<u>\$ 3,769,278</u>	<u>12,128</u>	<u>3,781,405</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 128,145	-	128,145
Accrued payroll payable	23,100	-	23,100
Deposits payable	<u>33,757</u>	<u>-</u>	<u>33,757</u>
Total liabilities	<u>185,001</u>	<u>-</u>	<u>185,001</u>
Deferred inflows of resources - property taxes	<u>522,307</u>	<u>-</u>	<u>522,307</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>707,308</u>	<u>-</u>	<u>707,308</u>
FUND BALANCES			
Restricted for:			
Roads	701,999	-	701,999
Perpetual care	242,019	-	242,019
Library	78,755	-	78,755
Impact fees	501	-	501
Parks and public property	322,514	-	322,514
Assigned for:			
Capital projects	-	12,128	12,128
Unassigned	<u>1,716,181</u>	<u>-</u>	<u>1,716,181</u>
TOTAL FUND BALANCES	<u>3,061,969</u>	<u>12,128</u>	<u>3,074,097</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 3,769,278</u>	<u>12,128</u>	<u>3,781,405</u>

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

Providence City
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 1,921,924	-	1,921,924
Licenses and permits	43,620	-	43,620
Intergovernmental revenues	259,941	-	259,941
Charges for services	662,711	-	662,711
Fines and forfeitures	82,157	-	82,157
Interest	37,950	12	37,962
Miscellaneous revenue	2,174	-	2,174
Total revenues	<u>3,010,477</u>	<u>12</u>	<u>3,010,488</u>
EXPENDITURES:			
General government	680,649	-	680,649
Public safety	268,060	-	268,060
Highways and public improvements	1,014,247	6,881	1,021,128
Parks and recreation	311,618	-	311,618
Cemetery	69,012	-	69,012
Capital outlay	22,898	843,400	866,298
Total expenditures	<u>2,366,485</u>	<u>850,281</u>	<u>3,216,766</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>643,992</u>	<u>(850,269)</u>	<u>(206,278)</u>
Other Financing Sources and (Uses):			
Impact fees	60,059	-	60,059
Transfers in	-	826,202	826,202
Transfers (out)	(826,202)	-	(826,202)
Total other financing sources and (uses)	<u>(766,143)</u>	<u>826,202</u>	<u>60,059</u>
Net Change in Fund Balances	<u>(122,151)</u>	<u>(24,067)</u>	<u>(146,219)</u>
Fund balances - beginning of year, restated	3,184,121	36,195	3,220,316
Fund balances - end of year	<u><u>\$ 3,061,969</u></u>	<u><u>12,128</u></u>	<u><u>3,074,097</u></u>

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

Providence City
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 For the Year Ended June 30, 2015

Total Fund Balances for Governmental Funds	<u>\$ 3,074,097</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	11,150,280
Less accumulated depreciation	<u>(6,109,469)</u>
Net capital assets	<u>5,040,811</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>76</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>33,159</u>
Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
Compensated absences	<u>(71,054)</u>
Net pension liability	<u>(156,904)</u>
Deferred inflows of resources - pensions	<u>(20,042)</u>
Total Net Position of Governmental Activities	<u><u>\$ 7,900,142</u></u>

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

Providence City
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ (146,219)**

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

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

Capital outlays	866,298
Contributed fixed assets	105,253
Depreciation expense	<u>(307,663)</u>
Net	<u>663,888</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. 22,979

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

Change in compensated absences (8,504)

Change in Net Position of Governmental Activities **\$ 532,144**

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

Providence City
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,216,692	2,659,425	407,145	5,283,262
Accounts receivable, net	147,929	105,413	17,165	270,508
Total current assets	<u>2,364,621</u>	<u>2,764,839</u>	<u>424,310</u>	<u>5,553,770</u>
Non-current assets:				
Restricted cash and cash equivalents	143,760	-	-	143,760
Capital assets:				
Not being depreciated	927,892	192,486	16,328	1,136,707
Net of accumulated depreciation	4,381,436	3,012,676	61,633	7,455,746
Net pension asset	25	8	6	39
Total non-current assets	<u>5,453,113</u>	<u>3,205,170</u>	<u>77,968</u>	<u>8,736,251</u>
Total assets	<u>7,817,735</u>	<u>5,970,009</u>	<u>502,278</u>	<u>14,290,021</u>
Deferred outflows of resources - pensions	10,858	3,586	2,692	17,136
Total assets and deferred outflows of resources	<u>\$ 7,828,593</u>	<u>5,973,595</u>	<u>504,970</u>	<u>14,307,157</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 21,871	50,575	1,426	73,872
Accrued interest payable	3,451	-	-	3,451
Revenue bonds, current portion	93,000	-	-	93,000
Total current liabilities	<u>118,322</u>	<u>50,575</u>	<u>1,426</u>	<u>170,323</u>
Non-current liabilities:				
Compensated absences	17,680	6,230	4,573	28,483
Revenue bonds, long-term	621,000	-	-	621,000
Net pension liability	51,377	16,968	12,737	81,083
Total non-current liabilities	<u>690,057</u>	<u>23,198</u>	<u>17,310</u>	<u>730,565</u>
Total liabilities	<u>808,379</u>	<u>73,773</u>	<u>18,737</u>	<u>900,889</u>
Deferred inflows of resources - pensions	6,563	2,167	1,627	10,357
Total liabilities and deferred inflows of resources	<u>814,942</u>	<u>75,940</u>	<u>20,363</u>	<u>911,246</u>
NET POSITION:				
Net investment in capital assets	4,595,329	3,205,162	77,961	7,878,452
Restricted	143,760	-	-	143,760
Unrestricted	2,274,562	2,692,493	406,645	5,373,699
Total net position	<u>7,013,650</u>	<u>5,897,655</u>	<u>484,606</u>	<u>13,395,911</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,828,593</u>	<u>5,973,595</u>	<u>504,970</u>	<u>14,307,157</u>

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

Providence City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
Operating income:				
Charges for sales and service	\$ 952,575	843,104	126,203	1,921,882
Connection fees	9,209	3,450	-	12,659
Total operating revenue	961,784	846,554	126,203	1,934,541
Operating expenses:				
Personnel services	139,664	45,547	35,027	220,238
Utilities	128,438	873	509	129,821
Repair & maintenance	197,074	514,308	18,525	729,907
Other supplies & expenses	11,378	6,057	8,456	25,891
Professional services	27,547	50,914	4,875	83,336
Depreciation expense	173,823	170,505	5,486	349,814
Total operating expense	677,924	788,204	72,879	1,539,007
Net operating income (loss)	283,860	58,350	53,325	395,535
Non-operating income (expense):				
Impact fees	56,268	-	-	56,268
Interest income	11,501	2,459	-	13,961
Interest on long-term debt	(22,480)	-	-	(22,480)
Total non-operating income (expense)	45,289	2,459	-	47,749
Income (loss) before capital contributions	329,149	60,809	53,325	443,284
Capital contributions	32,112	34,786	32,848	99,746
Change in net position	361,261	95,595	86,173	543,029
Net position - beginning, restated	6,652,389	5,802,059	398,434	12,852,882
Net position - ending, restated	\$ 7,013,650	5,897,655	484,606	13,395,911

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

Providence City
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers - service	\$ 977,887	830,624	124,562	1,933,072
Cash paid to suppliers	(371,321)	(569,367)	(32,050)	(972,738)
Cash paid to employees	(146,611)	(47,786)	(36,336)	(230,734)
Net cash provided (used) in operating activities	<u>459,955</u>	<u>213,470</u>	<u>56,175</u>	<u>729,601</u>
Cash flows from noncapital financing activities:				
Net cash provided (used) in noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Cash from impact fees	56,268	-	-	56,268
Cash from capital contributions	32,112	34,786	32,848	99,746
Cash payments for capital assets	(504,622)	(192,876)	(49,176)	(746,674)
Cash payments for long-term debt	(91,000)	-	-	(91,000)
Cash payments for long-term debt interest	(23,345)	-	-	(23,345)
Net cash provided (used) in capital and related financing activities	<u>(530,587)</u>	<u>(158,090)</u>	<u>(16,328)</u>	<u>(705,006)</u>
Cash flows from investing activities:				
Cash received from interest earned	11,501	2,459	-	13,961
Net cash provided (used) in investing activities	<u>11,501</u>	<u>2,459</u>	<u>-</u>	<u>13,961</u>
Net increase (decrease) in cash	(59,131)	57,840	39,847	38,556
Cash balance, beginning	2,419,583	2,601,586	367,298	5,388,467
Cash balance, ending	<u>\$ 2,360,452</u>	<u>2,659,425</u>	<u>407,145</u>	<u>5,427,022</u>
Cash reported on the balance sheet:				
Cash and cash equivalents	\$ 2,216,692	2,659,425	407,145	5,283,262
Non-current restricted cash	143,760	-	-	143,760
Total cash and cash equivalents	<u>\$ 2,360,452</u>	<u>2,659,425</u>	<u>407,145</u>	<u>5,427,022</u>

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

Providence City
**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS (continued)**
 For the Year Ended June 30, 2015

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

	Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
Net operating income (loss)	\$ 283,860	58,350	53,325	395,535
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	173,823	170,505	5,486	349,814
Changes in assets and liabilities:				
(Increase) decrease in receivables	16,103	(15,931)	(1,642)	(1,469)
(Increase) decrease in non-current assets	(25)	(8)	(6)	(39)
(Increase) decrease in deferred outflows	(1,583)	(523)	(392)	(2,498)
Increase (decrease) in payables	(19,363)	(1,336)	(2,779)	(23,478)
Increase (decrease) in compensated absences	577	246	556	1,379
Increase (decrease) in deferred inflows	6,563	2,167	1,627	10,357
Net cash provided (used) in operating activities	\$ 459,955	213,470	56,175	729,601

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

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

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

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

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

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

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

Policy regarding use of restricted resources

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

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

Proprietary funds

The City reports the following major proprietary funds:

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

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

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

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

1-E-1. *Deposit and Investments*

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

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

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

1-E-3. *Receivables and Payables*

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

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

1-E-4. *Restricted Assets*

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

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

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

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

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

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

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

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-7. Capital Assets

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

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

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

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

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

1-E-8. Long-term Obligations

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

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

1-E-9. Estimates

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-10. Fund Equity

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-11. Pensions

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A. Budgetary data

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

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

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

2-B. Deficit fund balance or net position

None of the City's funds have deficit balances.

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2015 consist of the following:

	<u>Fair Value</u>
Demand deposits	\$ 3,811,856
Deposits - PTIF	4,517,018
Total cash	<u><u>\$ 8,328,874</u></u>

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

Cash and cash equivalents (current)	\$ 6,839,326
Restricted cash and cash equivalents (non-current)	1,489,549
Total cash and cash equivalents	<u><u>\$ 8,328,874</u></u>

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

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

Deposit and Investment Risk

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

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-A. Deposits and investments (continued)

Interest rate risk

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

Credit risk

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

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2015, \$2,482,921 of the City's bank balances of \$3,075,902 was uninsured and uncollateralized.

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

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of June 30, 2015 for the City's funds are shown below:

	General	Water	Waste Water	Storm Water	Total
Property taxes	\$ 586,186	-	-	-	586,186
Intergovernmental	231,145	-	-	-	231,145
Customers accounts	62,112	147,929	105,413	17,165	332,619
Total receivables	\$ 879,443	147,929	105,413	17,165	1,149,950

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 730,671	642,167	-	1,372,838
Work in process	95,604	208,326	294,923	9,007
Total capital assets, not being depreciated	<u>826,275</u>	<u>850,493</u>	<u>294,923</u>	<u>1,381,844</u>
Capital assets, being depreciated:				
Buildings	806,338	8,796	-	815,133
Improvements other than buildings	1,459,801	-	-	1,459,801
Machinery and equipment	923,578	7,010	-	930,588
Infrastructure	6,162,737	400,176	-	6,562,912
Total capital assets, being depreciated	<u>9,352,454</u>	<u>415,982</u>	<u>-</u>	<u>9,768,436</u>
Less accumulated depreciation for:				
Buildings	613,337	27,164	-	640,501
Improvements other than buildings	720,083	66,782	-	786,865
Machinery and equipment	806,520	31,779	-	838,299
Infrastructure	3,661,867	181,937	-	3,843,804
Total accumulated depreciation	<u>5,801,806</u>	<u>307,663</u>	<u>-</u>	<u>6,109,469</u>
Total capital assets being depreciated, net	<u>3,550,648</u>	<u>108,319</u>	<u>-</u>	<u>3,658,967</u>
Governmental activities capital assets, net	<u>\$ 4,376,923</u>	<u>958,812</u>	<u>294,923</u>	<u>5,040,811</u>

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

Governmental activities:	
General government	\$ 121,432
Highways and public property	128,439
Parks and recreation	46,579
Cemetery	11,213
Total	<u>\$ 307,663</u>

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital assets (continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 489,778	442,104	-	931,882
Construction in progress	137,270	204,825	137,270	204,825
Total capital assets, not being depreciated	627,048	646,929	137,270	1,136,707
Capital assets, being depreciated:				
Water system	6,536,948	169,382	-	6,706,330
Waste water system	6,176,000	34,786	-	6,210,786
Storm water system	21,631	32,848	-	54,479
Buildings	224,095	-	-	224,095
Machinery and equipment	574,436	-	-	574,436
Total capital assets, being depreciated	13,533,110	237,016	-	13,770,126
Less accumulated depreciation for:				
Water system	2,290,654	157,591	-	2,448,245
Waste water system	3,117,607	154,475	-	3,272,081
Storm water system	4,486	541	-	5,026
Buildings	109,517	5,602	-	115,120
Machinery and equipment	442,302	31,606	-	473,908
Total accumulated depreciation	5,964,566	349,814	-	6,314,380
Total capital assets being depreciated, net	7,568,544	(112,798)	-	7,455,746
Business-type activities capital assets, net	\$ 8,195,592	534,131	137,270	8,592,452

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

Business-type activities:	
Water	\$ 173,823
Waste water	170,505
Storm water	5,486
Total	\$ 349,814

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term debt

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

	Original Principal	%	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
<u>Business-type activities:</u>							
2001C Water Revenue Matures 5/1/2022	\$ 979,000	2.90	\$ 805,000	-	91,000	714,000	93,000
Total business-type activity long-term liabilities			<u>\$805,000</u>	<u>-</u>	<u>91,000</u>	<u>714,000</u>	<u>93,000</u>

Revenue bonds are issued where the City pledges income derived from the acquired or constructed assets to pay the debt service. All revenues of the water operations are pledged to the water fund revenue bonds.

Bonded debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2016	\$ 93,000	20,706	113,706
2017	96,000	18,009	114,009
2018	99,000	15,225	114,225
2019	102,000	12,354	114,354
2020	105,000	9,396	114,396
2021 - 2022	219,000	9,570	228,570
Total	<u>\$714,000</u>	<u>85,260</u>	<u>799,260</u>

3-E. Restricted net position

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

General fund:	
Road	\$ 701,999
Perpetual Care	242,019
Library donations	78,755
Street impact fees	501
Park impact fees	322,514
Total general fund	<u>\$ 1,345,789</u>
Enterprise funds:	
Water - sinking/reserve	\$ 114,396
Water - impact fees	29,364
Total enterprise funds	<u>\$ 143,760</u>
Total restricted net position	<u>\$ 1,489,549</u>

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-F. Interfund Transfers

From time to time, transfers are made between funds. During the year, transfers were used to move revenues from the General Fund to the Capital Projects Fund in the amount of \$826,202 to help finance ongoing and future capital projects.

NOTE 4 - OTHER INFORMATION

4-A. General Information about the Pension Plan

Plan description:

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

Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.

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

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

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

Benefits provided:

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 year any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years 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 past-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

Contributions:

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

<u>Utah Retirement Systems</u>	Employee Paid	Pay by Employer for Employee	Employer Contribution Rates
Contribution System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.940%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%

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

At December 31, 2014, we reported a net pension asset of \$115 and a net pension liability of \$237,987.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0548076%	\$ -	\$ 237,987
Tier 2 Public Employees System	0.0038005%	\$ 115	\$ -
Total Net Pension Asset/Liability		<u>\$ 115</u>	<u>\$ 237,987</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$55,097. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,208
Changes in assumptions	\$ -	\$ 23,191
Net difference between projected and actual earnings on pension plan investments	\$ 5,356	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 44,939	\$ -
Total	<u>\$ 50,295</u>	<u>\$ 30,399</u>

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

\$44,939 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, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2015	\$ (6,305)
2016	\$ (6,305)
2017	\$ (6,305)
2018	\$ (6,000)
2019	\$ (20)
Thereafter	\$ (106)

Actuarial assumptions:

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

Inflation	2.75 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

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumption are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

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

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:

Proportionate share of	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
	Net pension (asset) / liability	\$ 571,872	\$ 237,872

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

Pension plan fiduciary net position:

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

4-B. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

4-C. Insurance and bond coverage

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

Description	Issuer	Policy #	Limits	Expiration Date
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust (ULGT)	13080-GL2011	\$5,000,000	7/1/2016
Buildings	ULGT	ULGT-APDP-2010	7,292,500	7/1/2016
Contents	ULGT	ULGT-APDP-2010	1,141,700	7/1/2016
Equipment	ULGT	ULGT-APDP-2010	338,048	7/1/2016
Automobile	ULGT	ULGT-APDP-2010	26 Vehicles	7/1/2016
Bonds:				
City Treasurer/City Recorder	CAN Surety	70011063	600,000	9/15/2016

4-D. Prior period adjustments

There were multiple adjustments posted to the prior period resulting in changes to the beginning fund balance. Adjustments to the General Fund fund balance included accruals for sales taxes and franchise taxes that were not recorded in the previous year. In addition, compensated absences were reported previously as current liabilities and have been restated as long-term liabilities. The adjustments to beginning fund balance are as follows:

	General Fund
Fund balance - beginning	\$ 2,920,187
Sales tax accrual adjustment	177,248
Franchise tax accrual adjustment	24,136
Compensated absences adjustment	62,550
Fund balance - beginning, restated	<u>\$ 3,184,121</u>

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. Prior period adjustments (continued)

There were also multiple adjustments posted to the prior period resulting in changes to the beginning net position. The requirement to apply GASB 68, disclosing net pension assets, deferred outflows of resources, net pension liability, and deferred inflows of resources related to pensions, resulted in prior period adjustments. In addition, in the prior year deferred inflows of resources related to property taxes had been removed from the statement of net position. This was done erroneously and an adjustment has been posted to include deferred inflows of resources for property taxes in the beginning net position. Lastly, the adjustments noted above related to sales and franchise tax accruals also resulted in changes to beginning net position.

The results to beginning net positions are as follows:

	Governmental Activities	Business-type Activities			Total
		Water Fund	Waste Water Fund	Storm Water Fund	
Net position - beginning	\$ 7,819,675	6,706,405	5,820,086	411,964	20,758,130
GASB 68 adjustments	(166,690)	(54,581)	(18,027)	(13,531)	(252,829)
Deferred property tax adjustment	(486,370)	-	-	-	(486,370)
Sales tax accrual adjustment	177,248	-	-	-	177,248
Franchise tax accrual adjustment	24,136	-	-	-	24,136
Net position - beginning, restated	<u>\$ 7,367,999</u>	<u>6,651,824</u>	<u>5,802,059</u>	<u>398,433</u>	<u>20,220,315</u>

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

For the Year Ended June 30, 2015

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,807,000	1,905,000	1,921,924	16,924
Licenses and permits	43,500	43,500	43,620	120
Intergovernmental revenues	325,000	332,800	259,941	(72,859)
Charges for services	605,800	633,800	662,711	28,911
Fines and forfeitures	108,800	108,800	82,157	(26,643)
Interest	20,000	27,000	37,950	10,950
Miscellaneous revenue	20,000	20,000	2,174	(17,826)
Total revenues	2,930,100	3,070,900	3,010,477	(60,423)
Expenditures				
General government	668,800	761,800	680,649	81,151
Public safety	232,200	270,200	268,060	2,140
Highways and public property	1,322,700	1,331,700	1,014,247	317,453
Parks and recreation	450,300	468,300	311,618	156,682
Cemetery	92,200	102,200	69,012	33,188
Total expenditures	2,766,200	2,934,200	2,343,587	590,613
Excess (Deficiency) of Revenues Over (Under) Expenditures	163,900	136,700	643,992	507,792
Other Financing Sources and (Uses)				
Impact fees	53,400	53,400	60,059	6,659
Transfers out	(217,300)	(911,100)	(826,202)	84,898
Total Other Financing Sources and (Uses)	(163,900)	(857,700)	(766,143)	91,557
Net Change in Fund Balances	-	(721,000)	(122,151)	598,849
Fund Balances - beginning of year	3,184,121	3,184,121	3,184,121	-
Fund Balances - end of year	\$ 3,184,121	2,463,121	3,061,969	598,849

Providence City
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2014
Last 10 Fiscal Years*

	Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.0548075 %	0.0038005 %
Proportionate share of the net pension liability (asset)	\$ 237,987	\$ (115)
Covered employee payroll	\$ 475,623	\$ 18,705
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.0 %	-0.6 %
Plan fiduciary net position as a percentage of the total pension liability	90.2 %	103.5 %

* In accordance with paragraph 81.a of GASB 68, employees will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

Providence City
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
December 31, 2014
Last 10 Fiscal Years*

	Noncontributory System	Tier 2 Public Employees System
Contractually required contribution	\$ 86,142	\$ 1,568
Contributions in relation to the contractually required contribution	\$ (86,142)	\$ (1,568)
Contribution deficiency (excess)	-	-
Covered employee payroll	\$ 475,623	\$18,705
Contributions as a percentage of covered-employee payroll **	18.11 %	8.38 %

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above is only for the current year.

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

Providence City
Notes to Required Supplementary Information
 For the Year Ended June 30, 2015

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund and its major Special Revenue Fund, the Municipal Building Authority (MBA) Fund.

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2015, expenditures were within budget appropriations.

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for information purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

Defined Contribution System

	Employee Paid <u>Contributions</u>	Employer Paid <u>Contributions</u>
401(k) Plan	\$ 7,876	\$ 322
457 Plan	2,730	-
Roth IRA Plan	910	-
Traditional IRA Plan	-	-
HRA Plan	-	-

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

OTHER REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Providence as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Providence's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ulrich & Associates, P.C.

Ogden, Utah
December 21, 2015

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

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

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited City of Providence's compliance with the applicable general state and major state program 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 of Providence or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

Budgetary Compliance
Fund Balance
Justice Court
Utah Retirement Systems
Transfers from Utility Enterprise Funds
Open and Public Meetings Act
Conflicts of Interest
Impact Fees
Nepotism
Government Records Access Management Act

City of Providence did not have any state funding classified as a major program during the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City of Providence'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 of Providence or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City of Providence'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 and for each major state program. However, our audit does not provide a legal determination of the City of Providence's compliance.

Opinion on General State Compliance Requirements

In our opinion, the City of Providence complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City of Providence for the year ended June 30, 2015.

Other Matters

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

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

Report On Internal Control Over Compliance

Management of the City of Providence 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 of Providence's internal control over compliance with the compliance requirements that could have a direct and material effect on the City of Providence or on each major state program 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 for each major state program 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 of Providence'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 or major state program 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 or major state program 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 or major state program 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.

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in the following schedule of finds and recommendations as item 2015-1.

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

Ulrich & Associates, P.C.

Ogden, Utah
December 21, 2015

City of Providence
SCHEDULE OF FINDINGS
State Legal Compliance
June 30, 2015

Statement of Condition - 2015-1

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

Criteria

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

Cause

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

Effect

The City is not in compliance with fund balance requirements.

Recommendation

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

Response

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