

Myton City
Duchesne County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

Myton City
TABLE OF CONTENTS
June 30, 2016

	<u>Beginning on page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Government Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	45
Notes to Required Supplementary Information	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	48
Schedule of the Proportionate Share of the Net Pension Liability	49
Schedule of Contributions	50
OTHER INFORMATION	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor's Report in Accordance with the <i>State Compliance Audit Guide</i>	55

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Independent Auditors' Report

Myton City Town Council
Myton, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Myton City, as of and for the year ended June 30, 2016, which collectively comprise Myton 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.

Auditors' 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 opinion.

Opinion

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

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Other Matters

Required Supplementary Information

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

Supplementary & Other Information

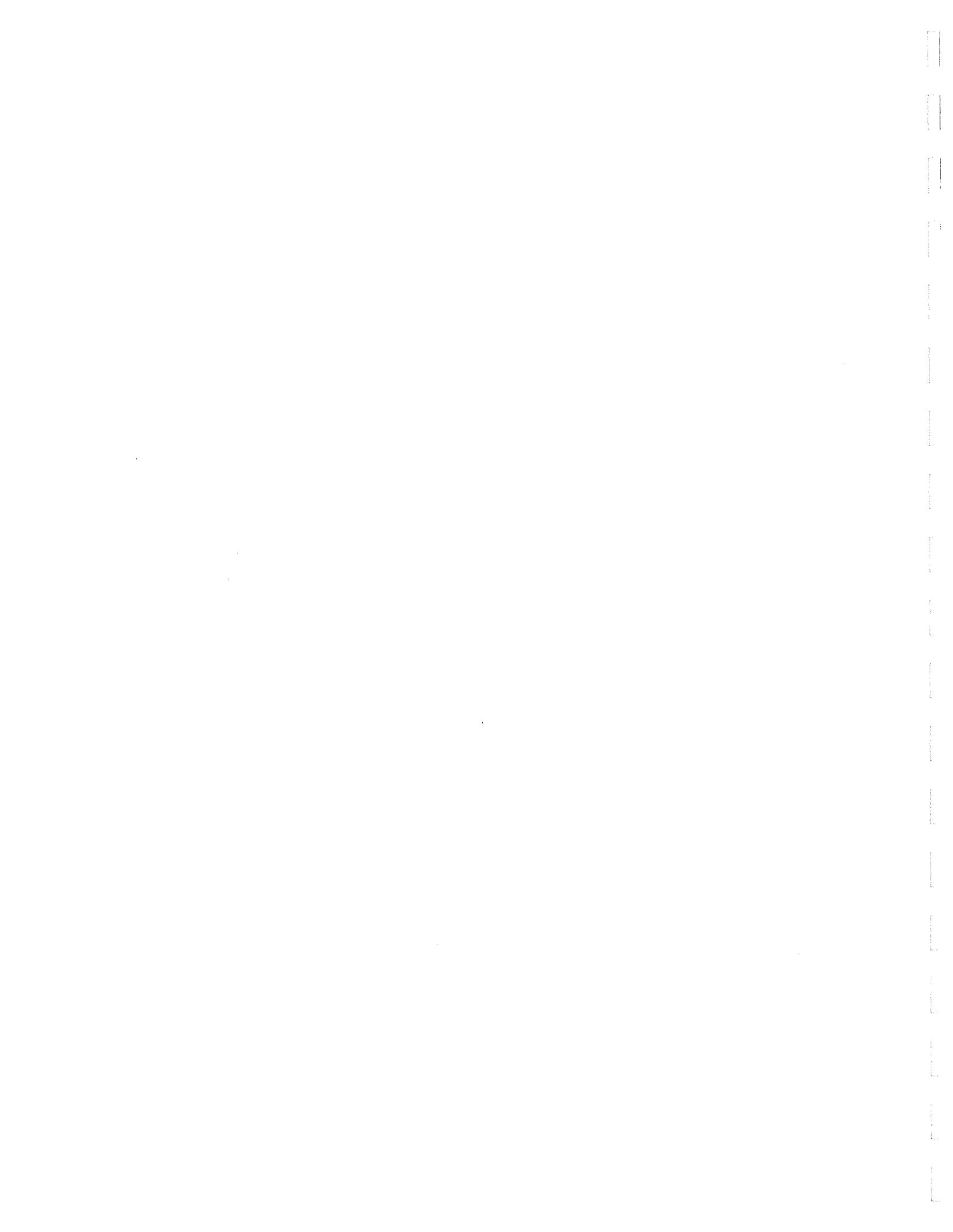
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Myton City's basic financial statements. The supplemental schedule of impact fees and insurance coverage is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule of impact fees and insurance coverage has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of Myton City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Myton City's internal control over financial reporting and compliance.

Aycock, Miles & Associates, CPAs

December 29, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank.

Myton City Corporation
Management's Discussion and Analysis
June 30, 2016

As management of Myton City Corporation (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, 2016

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole decreased by \$542,278
- *Total unrestricted net position for the City as a whole increased by \$84,661
- *Total net position for governmental activities decreased by \$470,248
- *Total net position for business-type activities decreased by \$72,029

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of City of Duchesne. 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, liabilities, and deferred inflows, 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.

Myton City Corporation
Management's Discussion and Analysis
June 30, 2016

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. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major governmental funds, the general fund and the capital projects fund.

The City adopts an annual appropriated budget for all its 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 maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, sewer, and storm drain utilities.

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.

Myton City Corporation
Management's Discussion and Analysis
June 30, 2016

FINANCIAL ANALYSIS

Myton City Corporation'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	\$ 183,056	566,510	1,034,726	1,028,989	1,217,782	1,595,499
Non-current assets	2,980,945	3,090,083	1,622,105	1,708,828	4,603,051	4,798,911
Deferred outflows of resources	10,046	3,404	10,456	3,543	20,502	6,947
Total assets and deferred outflows	\$ 3,174,048	3,659,997	2,667,287	2,741,360	5,841,335	6,401,357
Current liabilities	\$ 59,071	64,301	54,368	45,805	113,438	110,106
Long-term liabilities	338,832	350,846	531,679	544,612	870,511	895,458
Deferred inflows of resources	32,901	31,358	4,816	2,488	37,717	33,846
Total liabilities and deferred inflows	430,804	446,505	590,862	592,905	1,021,666	1,039,410
Net position:						
Net investment in capital assets	2,648,945	2,744,083	1,097,105	1,169,828	3,746,051	3,913,911
Restricted	28,000	28,000	81,734	540,812	109,734	568,812
Unrestricted	66,299	441,409	897,585	437,814	963,884	879,223
Total net position	\$ 2,743,244	3,213,492	2,076,425	2,148,454	4,819,669	5,361,947

As noted earlier, 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 inflow of resources at the close of the year by \$4,819,669, a decrease of \$542,278 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$963,884, which represents an increase of \$84,661 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, 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 difference in the amount of debt issued and that which has been paid during the year.

Myton City Corporation
Management's Discussion and Analysis
June 30, 2016

FINANCIAL ANALYSIS (continued)

Myton City Corporation'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	\$ 23,374	22,755	278,150	510,622	301,525	533,377
Operating grants	93,016	99,986	-	-	93,016	99,986
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	86,679	86,881	-	-	86,679	86,881
Sales tax	114,007	198,587	-	-	114,007	198,587
Other taxes	37,783	42,690	-	-	37,783	42,690
Other revenues	10,176	18,984	6,783	3,529	16,959	22,514
Total revenues	365,036	469,883	284,934	514,151	649,970	984,034
Expenses:						
General government	470,200	462,968	-	-	470,200	462,968
Public safety	133,546	160,433	-	-	133,546	160,433
Highways and improvements	203,461	149,867	-	-	203,461	149,867
Parks and recreation	28,076	35,213	-	-	28,076	35,213
Public utility	-	-	348,955	358,863	348,955	358,863
Housing	-	-	8,009	9,485	8,009	9,485
Total expenses	835,284	808,482	356,964	368,348	1,192,248	1,176,830
Change in net position	\$ (470,248)	(338,599)	(72,030)	145,803	(542,278)	(192,796)

For the City as a whole, total revenues decreased by \$334,065 compared to the previous year, while total expenses increased by \$15,418. The total net change of \$542,278 is, in private sector terms, the net loss for the year which is \$349,483 less than the previous year's net change (net loss).

Governmental activities revenues of \$365,036 is a decrease of \$104,847 from the previous year. This is primarily due to a decrease in sales tax revenue from the previous year. Governmental activities expenses of \$835,284 is an increase of \$26,803 from the previous year.

Business-type activities revenue of \$284,934 is a decrease of \$229,217 from the previous year. Business-type activities expenses of \$356,964 is a decrease of \$11,384 from the previous year.

Myton City Corporation
Management's Discussion and Analysis
June 30, 2016

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance deficit of \$104,266 reflects a decrease of \$322,777 from the previous year. Total revenues decreased by \$96,630. Tax revenues, including property taxes and sales taxes, decreased by \$84,133. Intergovernmental revenue decreased by \$6,970. All other revenues decreased by a total of \$5,528.

Total expenditures, excluding transfers, increased by \$24,954. Current expenditure changes by department were as follows: general government increased by \$6,440; public safety decreased by \$29,759; streets and highways increased by \$1,586; and parks and recreation decreased by \$7,849. Capital outlay expenditures increased by \$54,536.

Total transfers out during the year amounted to \$14,000, with \$14,000 transferred to the debt service fund.

Utility Fund

Net operating loss for the year was \$79,764 compared to the previous year net operating income of \$141,367. The change in net position (net income) was \$80,909 compared to the previous year's net income of \$139,840.

The unrestricted net position amounts to \$849,989.

Housing Fund

Net operating income for the year was \$8,825 compared to the previous year net operating income of \$5,915. The change in net position (net income) was \$8,878 compared to the previous year's net income of \$5,963.

The unrestricted net position amounts to \$47,596.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$445,051. This amount was amended in the final budget to \$381,378. Actual revenues amounted to \$369,422, which was \$11,956 less than budgeted.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$527,413. This amount was amended in the final budget to \$663,457. Actual expenditures amounted to \$678,199, which was \$14,742 over the budgeted amount.

Myton City Corporation
Management's Discussion and Analysis
June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Myton City Corporation'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 water rights	\$ 264,998	264,998	63,705	63,705	328,702	328,703
Buildings	1,853,374	1,853,374	51,760	51,760	1,905,134	1,905,134
Improvements other than buildings	487,347	403,411	-	-	487,347	403,411
Machinery and equipment	623,439	627,939	-	-	623,439	627,939
Infrastructure	3,414,678	3,414,678	-	-	3,414,678	3,414,678
Water system	-	-	1,946,423	1,946,423	1,946,423	1,946,423
Sewer System	-	-	1,233,342	1,233,342	1,233,342	1,233,342
General plant	-	-	238,442	238,442	238,442	238,442
Total	6,643,836	6,564,400	3,533,672	3,533,672	10,177,508	10,098,072
Less accumulated depreciation	(3,662,889)	(3,474,317)	(1,911,567)	(1,824,844)	(5,574,456)	(5,299,160)
Net Capital Assets:	\$ 2,980,947	3,090,083	1,622,105	1,708,828	4,603,052	4,798,912

The total amount of capital assets, net of depreciation, of \$4,603,052 is a decrease of \$195,860 from the previous year.

Governmental activities capital assets, net of depreciation, of \$2,980,947 is a decrease of \$109,137 from the previous year.

Business-type activities capital assets, net of depreciation, of \$1,622,105 is a decrease of \$86,723 from the previous year.

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

Myton City Corporation
Management's Discussion and Analysis
 June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Myton City Corporation's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
2008 CIB Town Hall	\$ 332,000	346,000
Total governmental	\$ 332,000	346,000
Business-type activities:		
2015 Water Tank	525,000	539,000
Total business-type	\$ 525,000	539,000
Total outstanding debt	\$ 857,000	885,000

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

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 the Myton City Corporation'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 Myton City Clerk, P.O. Box 185, Myton City, UT 84052 or by phone at (435)722-2711.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Myton City Corporation
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 80,279	902,594	982,873
Accounts receivable, net	64,777	34,293	99,070
Total current assets	<u>145,056</u>	<u>936,887</u>	<u>1,081,943</u>
Non-current assets:			
Restricted cash and cash equivalents	28,000	97,839	125,839
Investments	10,000	-	10,000
Capital assets:			
Not being depreciated	264,998	63,705	328,702
Net of accumulated depreciation	2,715,948	1,558,401	4,274,349
Total non-current assets	<u>3,018,945</u>	<u>1,719,944</u>	<u>4,738,890</u>
Total assets	<u>3,164,002</u>	<u>2,656,831</u>	<u>5,820,833</u>
Deferred outflows of resources - pensions	10,046	10,456	20,502
Total assets and deferred outflows of resources	<u>\$ 3,174,048</u>	<u>2,667,287</u>	<u>5,841,335</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 45,071	15,388	60,458
Customer deposits	-	16,105	16,105
Accrued interest payable	-	7,875	7,875
Revenue bonds due within one year	14,000	15,000	29,000
Total current liabilities	<u>59,071</u>	<u>54,368</u>	<u>113,438</u>
Non-current liabilities:			
Revenue bonds due after one year	318,000	510,000	828,000
Net pension liability	20,832	21,679	42,511
Total non-current liabilities	<u>338,832</u>	<u>531,679</u>	<u>870,511</u>
Total liabilities	<u>397,903</u>	<u>586,046</u>	<u>983,949</u>
Deferred inflows of resources - property taxes	28,274	-	28,274
Deferred inflows of resources - pensions	4,627	4,816	9,443
Total liabilities and deferred inflows of resources	<u>430,804</u>	<u>590,862</u>	<u>1,021,666</u>
NET POSITION:			
Net investment in capital assets	2,648,945	1,097,105	3,746,051
Restricted for:			
Debt service	28,000	17,900	45,900
Construction	-	63,834	63,834
Unrestricted	66,299	897,585	963,884
Total net position	<u>2,743,244</u>	<u>2,076,425</u>	<u>4,819,669</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,174,048</u>	<u>2,667,287</u>	<u>5,841,335</u>

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

Myton City Corporation
STATEMENT OF ACTIVITIES
 June 30, 2016

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	470,200	1,782	28,000	-	(440,418)
Public safety	133,546	21,008	24,183	-	(88,355)
Streets and highways	203,461	-	40,833	-	(162,628)
Parks and recreation	28,076	585	-	-	(27,491)
Total governmental activities	835,284	23,374	93,016	-	(718,893)
Business-type activities:					
Water	348,955	261,316	-	-	(87,639)
Housing	8,009	16,834	-	-	8,825
Total business-type activities	356,964	278,150	-	-	(78,814)
Total primary government	\$ 1,192,248	301,525	93,016	-	(797,707)

(continued on next page)

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

Myton City Corporation
STATEMENT OF ACTIVITIES (continued)
 June 30, 2016

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (718,893)	(78,814)	(797,707)
General revenues:			
Property taxes	86,679	-	86,679
Sales tax	114,007	-	114,007
Other taxes	37,783	-	37,783
Unrestricted investment earnings	2,074	6,783	8,857
Miscellaneous	8,102	-	8,102
Total general revenues	248,645	6,783	255,429
Change in net position	(470,248)	(72,030)	(542,278)
Net position - beginning	3,213,492	2,148,455	5,361,947
Net position - ending	\$ 2,743,244	\$ 2,076,425	4,819,669

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

Myton City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	78,784	1,495	80,279
Accounts receivable, net of allowances	64,777	-	-	64,777
Due from other funds	-	120,101	-	120,101
Restricted cash and cash equivalents	28,000	-	-	28,000
TOTAL ASSETS	\$ 92,777	198,885	1,495	293,157
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 45,071	-	-	45,071
Due to other funds	120,101	-	-	120,101
Total liabilities	165,171	-	-	165,171
Deferred inflows of resources - property taxes	31,871	-	-	31,871
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	197,043	-	-	197,043
FUND BALANCES:				
Restricted for:				
Debt service	28,000	-	-	28,000
Assigned for:				
Capital projects	-	198,885	-	198,885
Debt service	-	-	1,495	1,495
Unassigned	(132,266)	-	-	(132,266)
TOTAL FUND BALANCES	(104,266)	198,885	1,495	96,114
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 92,777	198,885	1,495	293,157

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

Myton City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 88,487	-	-	88,487
Sales	114,007	-	-	114,007
Other taxes	37,783	-	-	37,783
License and permits	1,280	-	-	1,280
Intergovernmental revenues	93,016	-	-	93,016
Charges for services	22,094	-	-	22,094
Interest	1,146	807	121	2,074
Miscellaneous revenue	11,608	-	-	11,608
Total revenues	369,422	807	121	370,350
Expenditures:				
Current:				
General government	426,636	-	-	426,636
Public safety	124,459	-	-	124,459
Highways and public improvements	25,687	53,873	-	79,560
Parks, recreation and public property	17,481	-	-	17,481
Capital outlay	83,936	-	-	83,936
Debt service:				
Principal	-	-	14,000	14,000
Total expenditures	678,199	53,873	14,000	746,072
Excess (deficiency) of revenues over (under) expenditures	(308,777)	(53,066)	(13,879)	(375,722)
Other financing sources and (uses):				
Transfers in	-	-	14,000	14,000
Transfers (out)	(14,000)	-	-	(14,000)
Total other financing sources and (uses)	(14,000)	-	14,000	-
Net change in fund balances	(322,777)	(53,066)	121	(375,722)
Fund balances - beginning of year	218,511	251,951	1,374	471,836
Fund balance - end of year	\$ (104,266)	198,885	1,495	96,113

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

Myton City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2016

Total Fund Balance for Governmental Funds	\$ <u>96,114</u>
 Total net position reported for governmental activities in the statement of net position 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	6,643,836
Less accumulated depreciation	<u>(3,662,890)</u>
Net capital assets	<u>2,980,945</u>
 Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>10,046</u>
 Other long-term assets are not available to pay for current-period expenditures, and therefore, are not reported in the funds.	
Non-current investments	<u>10,000</u>
 Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	<u>(332,000)</u>
Net pension liability	<u>(20,832)</u>
 Certain revenue is deferred in governmental funds but not in the statement of net assets because it qualifies for recognition under the economic resources measurement focus.	
Delinquent property tax deferred	<u>3,597</u>
Deferred inflows of resources - pensions	<u>(4,627)</u>
Total Net Position of Governmental Activities	\$ <u><u>2,743,244</u></u>

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

Myton City Corporation
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (375,722)</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlays	83,936
Depreciation expense	<u>(189,567)</u>
Net	<u>(105,632)</u>
<p>Gain (loss) from retired assets sold is not reported in governmental fund statements, while it is reported in the Statement of Activities.</p>	
	<u>(3,506)</u>
<p>The Statement of Activities show pension benefits, pension expenses, and non-employer contributions related GASB 68 that are not shown in the fund statements.</p>	
	<u>2,420</u>
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
Long-term debt principal repayments	<u>14,000</u>
<p>Governmental funds do not report certain revenues because these revenues are not available for current period expenses.</p>	
Change in deferred inflow of resources - delinquent property tax	<u>(1,807)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (470,248)</u></u>

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

Myton City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2016

	Utility Fund	Housing Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 856,581	46,013	902,594
Accounts receivable, net	32,488	1,805	34,293
Total current assets	<u>889,069</u>	<u>47,818</u>	<u>936,887</u>
Non-current assets:			
Restricted cash and cash equivalents	97,839	-	97,839
Capital assets:			
Not being depreciated	33,552	30,153	63,705
Net of accumulated depreciation	1,513,578	44,823	1,558,401
Total non-current assets	<u>1,644,969</u>	<u>74,975</u>	<u>1,719,944</u>
Total assets	<u>2,534,038</u>	<u>122,793</u>	<u>2,656,831</u>
Deferred outflows of resources - pensions	10,456	-	10,456
Total assets and deferred outflows of resources	<u>\$ 2,544,494</u>	<u>122,793</u>	<u>2,667,287</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 15,166	221	15,388
Customer security deposits	16,105	-	16,105
Accrued interest payable	7,875	-	7,875
Revenue bonds, current portion	15,000	-	15,000
Total current liabilities	<u>54,146</u>	<u>221</u>	<u>54,368</u>
Non-current liabilities:			
Revenue bonds, long-term	510,000	-	510,000
Net pension liability	21,679	-	21,679
Total non-current liabilities	<u>531,679</u>	<u>-</u>	<u>531,679</u>
Total liabilities	<u>585,825</u>	<u>221</u>	<u>586,046</u>
Deferred inflows of resources - pensions	4,816	-	4,816
Total liabilities and deferred inflows of resources	<u>590,641</u>	<u>221</u>	<u>590,862</u>
NET POSITION:			
Net investment in capital assets	1,022,130	74,975	1,097,105
Restricted for:			
Debt service	17,900	-	17,900
Construction	63,834	-	63,834
Unrestricted	849,989	47,596	897,585
Total net position	<u>1,953,853</u>	<u>122,571</u>	<u>2,076,425</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,544,494</u>	<u>122,793</u>	<u>2,667,287</u>

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

Myton City Corporation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
June 30, 2016

	Utility Fund	Housing Fund	Total Enterprise Fund
Operating income:			
Charges for sales and service	\$ 253,190	16,834	270,024
Connection fees	100	-	100
Other operating income	8,026	-	8,026
Total operating income	261,316	16,834	278,150
Operating expenses:			
Personnel services	120,113	-	120,113
Cost of sales	92,451	-	92,451
Utilities	6,976	4,140	11,116
Repair and maintenance	19,769	806	20,576
Professional and technical	11,465	2,024	13,489
Other supplies and expenses	2,046	-	2,046
Insurance expense	2,400	175	2,575
Depreciation expense	85,861	863	86,723
Total operating expense	341,080	8,009	349,089
Net operating income (loss)	(79,764)	8,825	(70,939)
Non-operating income (expense):			
Interest income	6,730	53	6,783
Interest on long-term debt	(7,875)	-	(7,875)
Total non-operating income (expense)	(1,145)	53	(1,092)
Change in net position	(80,909)	8,878	(72,030)
Net position - beginning	2,034,762	113,693	2,148,455
Net position - ending	\$ 1,953,853	122,571	2,076,425

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

Myton City Corporation
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Utility Fund	Housing Fund	Total Enterprise Fund
Cash flows from operating activities:			
Cash received from customers - service	\$ 254,797	16,808	271,604
Cash paid to suppliers	(132,591)	(7,146)	(139,737)
Cash paid to employees	(120,113)	-	(120,113)
Net cash provided (used) in operating activities	2,093	9,661	11,754
Cash flows from noncapital financing activities:			
Change in customer deposits	(312)	-	(312)
Net cash provided (used) in noncapital financing activities	(312)	-	(312)
Cash flows from capital and related financing activities:			
Cash payments for long-term debt principal	(14,000)		(14,000)
Cash payments for long-term debt interest	(5,008)	-	(5,008)
Net cash provided (used) in capital and related financing activities	(19,008)	-	(19,008)
Cash flows from investing activities:			
Cash received from interest earned	6,730	53	6,783
Net cash provided (used) in investing activities	6,730	53	6,783
Net increase (decrease) in cash	(10,497)	9,714	(783)
Cash balance, beginning	964,917	36,298	1,001,216
Cash balance, ending	\$ 954,420	46,013	1,000,433
Cash reported on the statement of net position:			
Cash an cash equivalents	\$ 856,581	46,013	902,594
Non-current restricted cash	97,839	-	97,839
Total cash and cash equivalents	\$ 954,420	46,013	1,000,433

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

Myton City Corporation
STATEMENT OF CASH FLOWS
PROPRIETARY (continued)
For the Year Ended June 30, 2016

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	Water Fund	Housing Fund	Total Enterprise Funds
Net operating income (expense)	\$ (79,764)	8,825	(70,939)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	85,861	863	86,723
Changes in assets and liabilities:			
(Increase) decrease in receivables	(6,519)	-	(6,519)
(Increase) decrease in deferred outflows	(6,913)	-	(6,913)
Increase (decrease) in payables	5,034	(27)	5,007
Increase (decrease) in net pension liabilities	2,067	-	2,067
Increase (decrease) in deferred inflows	2,328	-	2,328
Net cash provided (used) in operating activities	\$ 2,093	9,661	11,754

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

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Myton City (the City), a municipal corporation located in Duchesne County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present their 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 assets and the statement of changes in net assets 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.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental fund:

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* accounts for financial resources used for the acquisition or construction of the capital facilities of the City (other than those of the enterprise funds).

The City reports the following as a non-major governmental fund:

The *debt service fund* accounts for the resources accumulated and payments made for principal interest on long-term general obligation debt of governmental funds.

Proprietary funds

The City reports the following major proprietary funds:

The *utility fund* is used to account for the activities regarding culinary water distribution, the operations of sewer system, and the collection and disposal of garbage.

The *housing fund* is used to account for the operations of the City's housing projects. In the current year the City has elected to present the housing fund as a major fund.

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

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. 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.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

1-E-3. *Receivables and Payable*

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.

During the course of operations, there may be transactions 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 Duchesne 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 assets.

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.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

1-E-6. Pensions

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

1-E-7. Capital Assets

Capital assets includes 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 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:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Utility systems	40
Infrastructure	25
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 assets. Bond issuance costs, 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.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

1-E-9. Fund Equity

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

Net investment in capital assets represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position are net assets 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 are all other net position that does not meet the definition of "restricted" or "net investments in capital assets."

Equity is classified in governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned, as follows:

Nonspendable fund balance cannot be spent because it is either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance with constraints placed 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.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the governments highest level of decision making authority, the City Council. A resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy.

Unassigned fund balance is a 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 a specific purpose within the General Fund.

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

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

1-E-10. 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 of resources related to pension 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. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Additionally, the City reports deferred inflows of resources related pensions as required by GASB 68.

1-E-11. Estimates

The preparation of financial statements, in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.. 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 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. 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.

Myton City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2016 consist of the following:

	Fair Value
Cash on hand	\$ 50
Demand deposits - checking	45,715
Investments - escrow	73,834
Investments - PTIF	999,113
Total cash	\$ 1,118,712

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

Cash and cash equivalents (current)	\$ 519,424
Investments (non-current)	10,000
Restricted cash and cash equivalents (non-current)	589,288
Total cash and cash equivalents	\$ 1,118,712

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 72.

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.

The City has \$10,000 in escrow that is to be held for fifteen years with a maturity date of February 2026. The fair value of this investment is unobservable and the effect of fair value measurement on earnings is not significant; therefore the investment is valued at cost.

Myton City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

3-A. Deposits and investments (continued)

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2016, the City's investments in PTIF had an approximate fair vaule of \$1,062,656. The PTIF uses a Level 2 fair value measurement.

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.

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 and investments of the City are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. 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, 2016, all of the City's demand deposits are covered by FDIC insurance.

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. 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.

	General Fund	Water Fund	Housing Fund	Total
Customers, current	\$ 533	92,472	1,805	94,811
Property tax	31,946	-	-	31,946
Intergovernmental	30,019	-	-	30,019
Other receivables	2,278	80	-	2,358
Total receivables	64,777	92,552	1,805	159,135
Allowance for uncollectibles	-	(60,065)	-	(60,065)
Net receivables	\$ 64,777	32,488	1,805	99,070

Myton City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 264,998	-	-	264,998
Total capital assets, not being depreciated	264,998	-	-	264,998
Capital assets, being depreciated:				
Buildings	1,853,374	-	-	1,853,374
Improvements other than buildings	403,411	83,936	-	487,347
Machinery and equipment	627,939	-	4,500	623,439
Infrastructure	3,414,678	-	-	3,414,678
Total capital assets, being depreciated	6,299,402	83,936	4,500	6,378,838
Less accumulated depreciation for:				
Buildings	310,736	46,334	-	357,070
Improvements other than buildings	223,448	10,733	-	234,181
Machinery and equipment	437,109	34,939	994	471,054
Infrastructure	2,503,024	97,561	-	2,600,585
Total accumulated depreciation	3,474,317	189,567	994	3,662,889
Total capital assets being depreciated, net	2,825,086	(105,631)	3,506	2,715,949
Governmental activities capital assets, net	\$ 3,090,083	(105,631)	3,506	2,980,947

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

Governmental activities:	
General government	\$ 44,635
Public safety	10,195
Highways and public improvements	124,142
Parks, recreation and public property	10,595
Total	\$ 189,567

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

3-C. Capital Assets (continued)

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

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and water shares	\$ 63,705	-	-	63,705
Total capital assets, not being depreciated	63,705	-	-	63,705
Capital assets, being depreciated:				
Water system	1,946,423	-	-	1,946,423
Sewer system	1,233,342	-	-	1,233,342
General plant	238,442	-	-	238,442
Buildings	51,760	-	-	51,760
Total capital assets, being depreciated	3,469,968	-	-	3,469,968
Less accumulated depreciation for:				
Water system	811,297	39,908	-	851,204
Sewer system	858,154	27,112	-	885,266
General Plant	149,318	18,841	-	168,159
Buildings	6,075	863	-	6,937
Total accumulated depreciation	1,824,844	86,723	-	1,911,567
Total capital assets being depreciated, net	1,645,124	(86,723)	-	1,558,401
Business-type activities capital assets, net	\$ 1,708,828	(86,723)	-	1,622,105

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

Business-type activities:	
Water	\$ 39,908
Sewer	27,112
General	18,841
Housing	863
Total	\$ 86,723

Myton City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

3-D. Long-term debt

Long-term debt activity for the governmental activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008 CIB Town Hall Matures 7/1/2038	\$ 430,000	0.00	\$ 346,000	-	14,000	332,000	14,000
Total governmental activity long-term liabilities			\$ 346,000	-	14,000	332,000	14,000

The revenue bond was issued to fund the construction of a new city hall. The bond is payable from the general fund.

Bond debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2017	\$ 14,000	\$ -	\$ 14,000
2018	14,000	-	14,000
2019	14,000	-	14,000
2020	14,000	-	14,000
2021	14,000	-	14,000
2022 - 2026	70,000	-	70,000
2027 - 2031	70,000	-	70,000
2032 - 2036	70,000	-	70,000
2037 - 2038	52,000	-	52,000
Total	\$ 332,000	\$ -	\$ 332,000

Myton City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

3-D. Long-term debt (continued)

Long-term debt activity for the business-type activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2015 Water Tank							
Matures 7/1/2044	\$ 539,000	2.06	\$ 539,000	-	14,000	525,000	15,000
Total business-type activity							
long-term liabilities			\$ 539,000	-	14,000	525,000	15,000

The Water Revenue bond was issued to finance construction of water facilities and is payable from the revenue generated by the water system.

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

	Principal	Interest	Total
2017	\$ 15,000	\$ 7,875	\$ 22,875
2018	15,000	7,650	22,650
2019	15,000	7,425	22,425
2020	15,000	7,200	22,200
2021	15,000	6,975	21,975
2022 - 2026	81,000	31,350	112,350
2027 - 2031	87,000	25,113	112,113
2032 - 2036	93,000	18,405	111,405
2037 - 2041	102,000	11,160	113,160
2042 - 2044	87,000	3,315	90,315
Total	\$ 525,000	\$ 126,468	\$ 651,468

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - OTHER INFORMATION

4-A. 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 participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding Convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

4-C. 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:

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.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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 percentage per year of service	Cola **
Noncontributory System	Highest 3 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%

* 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.

Contributions:

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

Contribution rates are as follows:

Utah Retirement Systems	Employee Paid	Paid by Employer for Employee	Employer Contribution Rate	Employer rate for 401(k) plan
Noncontributory System				
15 - Local Government Div - Tier 1	N/A	N/A	18.47%	N/A

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

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 12,421	N/A
Total Contributions	\$ 12,421	-

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

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

At June 30, 2016, we reported a net pension asset of \$0 and a net pension liability of \$42,511.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0075127%	\$ -	\$ 42,511
Total Net Pension Asset/Liability		\$ -	\$ 42,511

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

For the year ended June 30, 2016, we recognize pension expense of \$7,482.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,876
Changes in assumptions	-	2,371
Net difference between projected and actual earnings on pension plan investments	14,356	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	5,196
Contributions subsequent to the measurement date	6,146	-
Total	\$ 20,502	\$ 9,443

\$6,146 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

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

<u>Year Ended December 31,</u>	Net Deferred Outflows (Inflows) of Resources
2016	\$ 832
2017	832
2018	874
2019	2,373
2020	-
Thereafter	-

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Actuarial assumptions:

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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:

<u>Assets class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long Term expected portfolio real rate of return</u>
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100.00%		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.

Myton City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

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:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 89,820	\$ 42,511	\$ 3,016
Total	\$ 89,820	\$ 42,511	\$ 3,016

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

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

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

- 401(k) Plan
- Roth IRA Plan

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Employee and employer contributions to the Utah Retirement Contribution Savings Plans for fiscal year ended June 30, 2016, were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
401(k) Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	960	1,000	870
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	1,140	1,125	995

4-D. Subsequent events

Subsequent events have been evaluated through December 29, 2016. There have been no subsequent events that provide additional evidence about conditions that existed at the balance sheet date.

This page intentionally left blank.

Myton City
Notes to Required Supplementary Information
June 30, 2016

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2016, spending exceeded appropriations in the following departments:

- General government by \$14,565
- Highways and public improvements by \$1,961

Changes in Assumptions Related to Pensions

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

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

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

Myton City
**SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
 For the Year Ended June 30, 2016

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 318,467	249,300	240,277	(9,023)
Licenses and permits	1,160	1,160	1,280	120
Intergovernmental revenues	90,824	93,685	93,016	(669)
Charges for services	18,300	24,523	22,094	(2,429)
Interest	3,100	1,200	1,146	(54)
Miscellaneous revenue	13,200	11,510	11,608	98
Total revenues	445,051	381,378	369,422	(11,956)
Expenditures				
General government	337,483	496,007	510,572	(14,565)
Public safety	140,100	125,224	124,459	765
Highways and public improvements	26,530	23,726	25,687	(1,961)
Parks and recreation	23,300	18,500	17,481	1,019
Total expenditures	527,413	663,457	678,199	(14,742)
Excess (deficiency) of revenues over (under) expenditures	(82,362)	(282,079)	(308,777)	(26,698)
Other financing sources and (uses)				
Transfers in (out)	(14,000)	(14,000)	(14,000)	-
Total other financing sources and (uses)	(14,000)	(14,000)	(14,000)	-
Net change in fund balances	(96,362)	(296,079)	(322,777)	(26,698)
Fund balances - beginning of year	307,522	307,522	429,886	122,364
Fund balances - end of year	\$ 211,160	11,443	107,109	95,666

Myton City
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2016
 Last 10 Fiscal Years*

	2015	2014
Noncontributory Retirement System		
Proportion of the net pension liability (asset)	0.0075127%	0.0088568%
Proportionate share of the net pension liability (asset)	\$ 42,511	\$ 38,458
Covered employee payroll	\$ 66,918	\$ 77,410
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.53%	49.70%
Plan fiduciary net position as a percentage of the total pension liability	87.80%	90.20%

* In accordance with paragraph 81.a of GASB 68, employers 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 last two years.

Myton City
SCHEDULE OF CONTRIBUTIONS
 June 30, 2016
 Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory Retirement System	2014	\$ 11,061	\$ 11,061	\$ -	\$ 63,972	17.29%
	2015	16,509	16,509	-	78,369	21.07%
	2016	12,421	12,421	-	67,247	18.47%

* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past 3 years.

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

Compliance & Management Section



Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Myton City Council

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and business-type activities of Myton City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Myton City's basic financial statements, and have issued our report thereon dated December 29, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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

As part of obtaining reasonable assurance about whether Myton City'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.

Aycock, Miles & Associates, CPAs

December 29, 2016



Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Report on Utah Compliance with General Requirements

Myton City Council

We have audited Myton City's compliance with the applicable general state compliance requirements described in the State Compliance Audit Guide, issued by the Office of the Utah State Auditor, which could have a direct and material effect on Myton City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas: budgetary compliance, fund balance, retirement systems, restricted taxes and related revenues, open and public meetings act, treasurer's bond, cash management, etc.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

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

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance which are required to be reported in accordance with the State Compliance Audit Guide. Please see schedule of findings.

Report on Internal Control Over Compliance

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

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

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

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

Purpose of this Report

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

Aycock, Miles & Associates, CPAs

December 29, 2016

Schedule of Findings and Management Responses

- 2016-1 *Finding*—Myton City exceeded their legally adopted budget in the general, capital projects and public utility funds.
- Criteria*— The City is required to spend within its annual budget that has been formally approved for individual funds.
- Effect*—Expenditures exceeded the expectations of the Council and the public.
- Recommendation*—We recommend that the City review monthly the budget vs. actual reports so that they make amendments to the budget as necessary or modify rates of expenditure.
- Management Response*—The City agrees with the auditor recommendations. The City will periodically review and amend its budget as considered necessary.
- 2016-2 *Finding*—The Myton City’s general fund had a deficit fund balance at the end of the year. The 2017 budget for the City did not have an appropriation in place to retire the budget.
- Criteria*—Utah State Code has established that if there is a deficit fund balance in a fund at the close for the last completed fiscal year, the governing body of a city shall include an item of appropriation for the deficit in the current budget of at least 5% of the total revenue of the fund.
- Effect*—The City runs the risk that it could be unable to meet the ongoing obligations that result from day to day operations.
- Recommendation*—We recommend that the City amend their 2017 budget and enter an appropriation of at least 5% of the general funds revenue.
- Management Response*—The City will amend the 2017 budget to include deficit retirement in the general fund of at least an amount equal to or greater than 5% of the budgeted revenues.

