

Santaquin City Corporation

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2020



Santaquin City Corporation

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June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Member of the City Council  
Santaquin City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Santaquin City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santaquin City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, 2018, on our consideration of Santaquin City, Utah'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 Santaquin City, Utah's internal control over financial reporting and compliance.

### ***Larson & Company, PC***

Larson & Company, PC  
Spanish Fork, Utah  
November 20, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Santaquin City Corporation  
**Management's Discussion and Analysis**  
June 30, 2020

As management of Santaquin 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, 2020.

## **FINANCIAL HIGHLIGHTS**

- \*Total net position for the City as a whole increased by \$3,593,100
- \*Total unrestricted net position for the City as a whole increased by \$1,928,250
- \*Total net position for governmental activities increased by \$3,072,859
- \*Total net position for business-type activities increased by \$520,240

## **BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Santaquin City Corporation. 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 the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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.

Santaquin City Corporation  
**Management's Discussion and Analysis**  
June 30, 2020

**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, storm drain, and irrigation 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.

Santaquin City Corporation  
**Management's Discussion and Analysis**  
June 30, 2020

**FINANCIAL ANALYSIS**

**Santaquin City Corporation's Net Position**

|                                               | Governmental<br>Activities |                   | Business-type<br>Activities |                   | Total             | Total             |
|-----------------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                                               | Current<br>Year            | Previous<br>Year  | Current<br>Year             | Previous<br>Year  | Current<br>Year   | Previous<br>Year  |
| Current and other assets                      | \$ 9,942,148               | 10,543,922        | 4,056,750                   | 3,170,202         | 13,998,898        | 13,714,124        |
| Net capital assets                            | 26,101,723                 | 22,434,803        | 27,574,550                  | 27,798,340        | 53,676,273        | 50,233,143        |
| Deferred outflows of resources                | 331,520                    | 714,372           | 89,296                      | 191,067           | 420,816           | 905,439           |
| <b>Total assets and deferred outflows</b>     | <b>\$ 36,375,390</b>       | <b>33,693,097</b> | <b>31,720,596</b>           | <b>31,159,609</b> | <b>68,095,987</b> | <b>64,852,706</b> |
| Long-term debt outstanding                    | \$ 6,464,281               | 7,080,081         | 14,067,515                  | 13,511,233        | 20,531,796        | 20,591,314        |
| Other liabilities                             | 5,589,262                  | 5,684,865         | 563,247                     | 1,164,515         | 6,152,510         | 6,849,380         |
| Deferred inflows of resources                 | 389,408                    | 68,573            | 103,534                     | 17,800            | 492,942           | 86,373            |
| <b>Total liabilities and deferred inflows</b> | <b>12,442,952</b>          | <b>12,833,519</b> | <b>14,734,296</b>           | <b>14,693,548</b> | <b>27,177,248</b> | <b>27,527,067</b> |
| Net position:                                 |                            |                   |                             |                   |                   |                   |
| Net investment in                             |                            |                   |                             |                   |                   |                   |
| capital assets                                | 19,637,441                 | 15,354,722        | 13,507,035                  | 14,287,107        | 33,144,476        | 29,641,829        |
| Restricted                                    | 1,890,013                  | 3,994,869         | 2,702,314                   | 2,435,255         | 4,592,327         | 6,430,124         |
| Unrestricted                                  | 2,404,984                  | 1,509,987         | 776,951                     | (256,302)         | 3,181,935         | 1,253,685         |
| <b>Total net position</b>                     | <b>\$ 23,932,438</b>       | <b>20,859,579</b> | <b>16,986,300</b>           | <b>16,466,060</b> | <b>40,918,738</b> | <b>37,325,638</b> |

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 \$40,918,738, an increase of \$3,593,100 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 are \$3,181,935 which represents an increase of \$1,928,250 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.

Santaquin City Corporation  
**Management's Discussion and Analysis**  
June 30, 2020

**FINANCIAL ANALYSIS (continued)**

**Santaquin City Corporation's Change in Net Position**

|                                             | Governmental<br>Activities |                  | Business-type<br>Activities |                  | Total             | Total             |
|---------------------------------------------|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
|                                             | Current<br>Year            | Previous<br>Year | Current<br>Year             | Previous<br>Year | Current<br>Year   | Previous<br>Year  |
| <b>Program revenues:</b>                    |                            |                  |                             |                  |                   |                   |
| Charges for services                        | \$ 3,098,543               | 3,059,747        | 4,841,001                   | 4,494,030        | 7,939,544         | 7,553,777         |
| Operating grants                            | 1,135,719                  | 583,206          | -                           | -                | 1,135,719         | 583,206           |
| Capital grants                              | 2,117,844                  | 1,962,244        | 1,833,803                   | 1,902,115        | 3,951,648         | 3,864,359         |
| <b>General revenues:</b>                    |                            |                  |                             |                  |                   |                   |
| Property taxes                              | 1,006,452                  | 874,629          | -                           | -                | 1,006,452         | 874,629           |
| Sales tax                                   | 1,646,451                  | 1,466,725        | -                           | -                | 1,646,451         | 1,466,725         |
| Other taxes                                 | 670,257                    | 500,370          | -                           | -                | 670,257           | 500,370           |
| Other revenues                              | 314,071                    | 462,616          | 93,414                      | 123,858          | 407,485           | 586,474           |
| <b>Total revenues</b>                       | <b>9,989,337</b>           | <b>9,009,537</b> | <b>6,768,218</b>            | <b>6,520,003</b> | <b>16,757,556</b> | <b>15,429,540</b> |
| <b>Expenses:</b>                            |                            |                  |                             |                  |                   |                   |
| General government                          | 1,896,708                  | 1,743,326        | -                           | -                | 1,896,708         | 1,743,326         |
| Public safety                               | 2,219,299                  | 2,878,956        | -                           | -                | 2,219,299         | 2,878,956         |
| Highways and improvements                   | 2,234,369                  | 1,508,621        | -                           | -                | 2,234,369         | 1,508,621         |
| Sanitation                                  | 555,253                    | 503,025          | -                           | -                | 555,253           | 503,025           |
| Parks and recreation                        | 1,559,202                  | 1,315,220        | -                           | -                | 1,559,202         | 1,315,220         |
| Cemetery                                    | 89,906                     | 97,587           | -                           | -                | 89,906            | 97,587            |
| Interest on long-term debt                  | 225,541                    | 201,542          | -                           | -                | 225,541           | 201,542           |
| Water                                       | -                          | -                | 2,000,687                   | 2,187,343        | 2,000,687         | 2,187,343         |
| Sewer                                       | -                          | -                | 2,383,491                   | 2,598,953        | 2,383,491         | 2,598,953         |
| Storm drain                                 | -                          | -                | -                           | 3,628            | -                 | 3,628             |
| <b>Total expenses</b>                       | <b>8,780,278</b>           | <b>8,248,277</b> | <b>4,384,178</b>            | <b>4,789,924</b> | <b>13,164,456</b> | <b>13,038,201</b> |
| <b>Excess (deficiency) before transfers</b> | <b>1,209,060</b>           | <b>761,260</b>   | <b>2,384,040</b>            | <b>1,730,079</b> | <b>3,593,100</b>  | <b>2,391,339</b>  |
| Transfers in (out)                          | 1,863,800                  | 1,447,432        | (1,863,800)                 | (1,447,432)      | -                 | -                 |
| <b>Change in net position</b>               | <b>\$ 3,072,860</b>        | <b>2,208,692</b> | <b>520,240</b>              | <b>282,647</b>   | <b>3,593,100</b>  | <b>2,391,339</b>  |

For the City as a whole, total revenues increased by \$1,328,016 compared to the previous year, while total expenses increased by \$126,255. The total net change of \$3,593,100 is, in private sector terms, the net income for the year which is \$1,201,761 more than the previous year.

Governmental activities revenues of \$9,989,337 is an increase of \$979,800 from the previous year. This is primarily due to an increase in grant revenue during the year. Governmental activities expenses of \$8,780,278 is an increase of \$532,001 from the previous year. While public safety and cemetery expenses decreased, all other department expenses increased.

Business-type activities revenue of \$6,768,218 is an increase of \$248,215 from the previous year. Service revenues increased by \$346,971 and capital grants decreased by \$68,312. Business-type activities expenses of \$4,384,178 is a decrease of \$405,746 from the previous year. This is due to an overall decrease in operation expenses.

Santaquin City Corporation  
**Management's Discussion and Analysis**  
June 30, 2020

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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

*General Fund*

The fund balance of \$2,547,941 reflects an increase of \$1,048,979 from the previous year. Total revenues increased by \$343,333. Tax revenues, including property taxes and sales taxes, increased by \$381,436. Intergovernmental revenue increased by \$552,369. Revenues from charges for services increased by \$35,377. Revenues from licenses and permits increased by \$35,356. All other revenues decreased by \$97,377.

Total expenditures increased by \$358,009. General government expenditures increased by \$187,945, public safety expenditures decreased by \$49,886, streets and highways expenditures decreased by \$15,598, sanitation expenditures increased by \$55,807, parks and recreation expenditures increased by \$188,321, and cemetery expenditures decreased by \$8,581.

Fund balance restricted for parks and recreation and liabilities amounted to \$109,799 and \$42,078, respectively. Assigned fund balance amounted to \$339,416. The unassigned fund balance amounted to \$2,056,647.

*Water Fund*

The change in net position (net income) was \$236,046, which was \$93,913 more than the prior year's net change. Net position restricted for debt service and money in lieu of water was \$511,363 and \$1,315,691, respectively. Unrestricted net position amounts to \$469,543.

*Sewer Fund*

The change in net position (net income) was \$5,699, which was \$87,077 less than the previous year's net change. Net position restricted for debt service was \$875,261. Unrestricted net position amounts to a deficit of \$20,922.

*Storm Drain Fund*

The change in net position (net income) was \$278,495, which was \$230,757 more than the previous year's net change. Unrestricted net position amounts to \$328,400.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$6,880,505. This amount was amended in the final budget to \$7,116,505. Actual revenues, excluding transfers, amounted to \$7,757,003.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$6,641,265. This amount was amended in the final budget to \$6,858,765. Actual expenditures amounted to \$6,492,485.

Transfers in for the year were originally budgeted in the amount of \$2,001,100. The final budget for transfers in was for the amount of \$2,001,100. Actual transfers in were made in the amount of \$2,001,100. Transfers out for the year were originally budgeted in the amount of \$2,109,958. The final budget for transfers out was for the amount of \$2,216,640. Actual transfers out were made in the amount of \$2,216,639.

Santaquin City Corporation  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Santaquin City Corporation's Capital Assets (net of depreciation)**

|                            | Governmental<br>Activities |                   | Business-type<br>Activities |                   | Total             | Total             |
|----------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                            | Current<br>Year            | Previous<br>Year  | Current<br>Year             | Previous<br>Year  | Current<br>Year   | Previous<br>Year  |
| <b>Net Capital Assets:</b> |                            |                   |                             |                   |                   |                   |
| Land                       | \$ 994,142                 | 994,142           | 124,032                     | 124,032           | 1,118,174         | 1,118,174         |
| Water shares and rights    | -                          | -                 | 535,148                     | 535,148           | 535,148           | 535,148           |
| Buildings                  | 5,456,147                  | 4,824,251         | 21,366                      | 23,929            | 5,477,512         | 4,848,180         |
| Improvements               | 2,432,395                  | 943,061           | -                           | -                 | 2,432,395         | 943,061           |
| Water system               | -                          | -                 | 7,333,980                   | 7,955,107         | 7,333,980         | 7,955,107         |
| Sewer system               | -                          | -                 | 14,500,108                  | 15,635,411        | 14,500,108        | 15,635,411        |
| Infrastructure             | 16,092,040                 | 11,334,839        | -                           | -                 | 16,092,040        | 11,334,839        |
| Machinery and equipment    | 1,062,505                  | 709,264           | -                           | -                 | 1,062,505         | 709,264           |
| Work in progress           | 64,494                     | 3,629,247         | 5,059,916                   | 3,594,684         | 5,124,410         | 7,223,931         |
| <b>Totals</b>              | <b>\$ 26,101,723</b>       | <b>22,434,803</b> | <b>27,574,550</b>           | <b>27,868,312</b> | <b>53,676,273</b> | <b>50,303,115</b> |

The total amount of capital assets, net of depreciation, of \$53,676,273 is an increase of \$3,373,157 from the previous year.

Governmental activities capital assets, net of depreciation, of \$26,101,723 is an increase of \$3,666,920 from the previous year.

Business-type activities capital assets, net of depreciation, of \$27,574,550 is a decrease of \$293,762 from the previous year.

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

Santaquin City Corporation  
**Management's Discussion and Analysis**  
June 30, 2020

**Santaquin City Corporation's Outstanding Debt**

|                                     | Current<br>Year      | Previous<br>Year  |
|-------------------------------------|----------------------|-------------------|
| <b>Governmental activities:</b>     |                      |                   |
| 2015 Equipment Lease                | \$ 3,571             | 10,587            |
| 2016 (4) Piece Equipment Lease      | 176,407              | 232,730           |
| 2015 Pierce Saber Pumper Fire Truck | 198,671              | 243,856           |
| 2018 Fire SCBA Equip Lease          | 120,632              | 141,908           |
| 2018 Excise Tax Rev Bonds           | 3,911,000            | 4,300,000         |
| 2015 LBA Lease Revenue              | 2,054,000            | 2,151,000         |
| <b>Total governmental</b>           | <b>\$ 6,464,282</b>  | <b>7,080,081</b>  |
| <b>Business-type activities:</b>    |                      |                   |
| 1993A Sewer Bond                    | \$ 204,000           | 238,000           |
| 2012 P.I. Revenue Refunding         | 3,285,000            | 3,709,000         |
| 2011A-1 Sewer Revenue Bond          | 3,766,000            | 4,100,000         |
| 2011B Sewer Revenue Bond            | 900,000              | 900,000           |
| 2018 WA Booster Pump/Tank           | 1,662,000            | 963,656           |
| 2018 PI Booster Pump/Tank           | 1,662,000            | 963,656           |
| 2011A-2 Sewer Revenue               | 2,588,515            | 2,636,921         |
| <b>Total business-type</b>          | <b>\$ 14,067,515</b> | <b>13,511,233</b> |
| <b>Total outstanding debt</b>       | <b>\$ 20,531,797</b> | <b>20,591,314</b> |

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 Santaquin 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 Santaquin City Recorder, 275 West Main Street, Santaquin, UT 84655.

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## **BASIC FINANCIAL STATEMENTS**

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Santaquin City Corporation  
**STATEMENT OF NET POSITION**

June 30, 2020

|                                                                          | Governmental<br>Activities | Business-type<br>Activities | Total             |
|--------------------------------------------------------------------------|----------------------------|-----------------------------|-------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>                        |                            |                             |                   |
| Assets:                                                                  |                            |                             |                   |
| Current assets:                                                          |                            |                             |                   |
| Cash and cash equivalents                                                | \$ 7,185,420               | 937,040                     | 8,122,460         |
| Accounts receivable, net                                                 | 907,198                    | 391,167                     | 1,298,364         |
| Other current assets                                                     | -                          | 26,230                      | 26,230            |
| Total current assets                                                     | 8,092,618                  | 1,354,436                   | 9,447,054         |
| Non-current assets:                                                      |                            |                             |                   |
| Restricted cash and cash equivalents                                     | 1,849,530                  | 2,702,314                   | 4,551,844         |
| Capital assets:                                                          |                            |                             |                   |
| Not being depreciated                                                    | 17,150,676                 | 5,719,096                   | 22,869,772        |
| Net of accumulated depreciation                                          | 8,951,047                  | 21,855,454                  | 30,806,500        |
| Total non-current assets                                                 | 27,951,253                 | 30,276,864                  | 58,228,117        |
| Total assets                                                             | 36,043,871                 | 31,631,300                  | 67,675,171        |
| Deferred outflows of resources - pensions                                | 331,520                    | 89,296                      | 420,816           |
| <b>Total assets and deferred outflows of resources</b>                   | <b>\$ 36,375,390</b>       | <b>31,720,596</b>           | <b>68,095,987</b> |
| <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>                    |                            |                             |                   |
| Liabilities:                                                             |                            |                             |                   |
| Current liabilities:                                                     |                            |                             |                   |
| Accounts payable and accrued liabilities                                 | \$ 4,144,430               | 4,057                       | 4,148,487         |
| Accrued interest payable                                                 | 49,521                     | 87,400                      | 136,921           |
| Customer security deposits                                               | -                          | 38,550                      | 38,550            |
| Long-term debt due within one year                                       | 523,201                    | 976,879                     | 1,500,079         |
| Total current liabilities                                                | 4,717,152                  | 1,106,885                   | 5,824,037         |
| Non-current liabilities:                                                 |                            |                             |                   |
| Compensated absences                                                     | 476,173                    | 201,645                     | 677,818           |
| Long-term debt due after one year                                        | 5,941,081                  | 13,090,636                  | 19,031,717        |
| Closure and post closure costs                                           | 40,551                     | -                           | 40,551            |
| Net pension liability                                                    | 878,587                    | 231,596                     | 1,110,183         |
| Total non-current liabilities                                            | 7,336,392                  | 13,523,877                  | 20,860,269        |
| Total liabilities                                                        | 12,053,544                 | 14,630,762                  | 26,684,306        |
| Deferred inflows of resources                                            | 6,731                      | -                           | 6,731             |
| Deferred inflows of resources - pensions                                 | 382,677                    | 103,534                     | 486,211           |
| <b>Total liabilities and deferred inflows of resources</b>               | <b>12,442,952</b>          | <b>14,734,296</b>           | <b>27,177,248</b> |
| <b>NET POSITION:</b>                                                     |                            |                             |                   |
| Net investment in capital assets                                         | 19,637,441                 | 13,507,035                  | 33,144,476        |
| Restricted for:                                                          |                            |                             |                   |
| Debt service                                                             | 35                         | 1,386,624                   | 1,386,659         |
| Capital projects and impact fees                                         | 1,662,952                  | -                           | 1,662,952         |
| Money in lieu of water                                                   | -                          | 1,315,691                   | 1,315,691         |
| Other restrictions                                                       | 227,027                    | -                           | 227,027           |
| Unrestricted                                                             | 2,404,984                  | 776,951                     | 3,181,935         |
| <b>Total net position</b>                                                | <b>23,932,438</b>          | <b>16,986,300</b>           | <b>40,918,739</b> |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 36,375,390</b>       | <b>31,720,596</b>           | <b>68,095,987</b> |

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

Santaquin City Corporation  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

| <b><u>FUNCTIONS/PROGRAMS:</u></b>     | <b>Expenses</b>      | <b>Charges<br/>for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> | <b>Net<br/>(Expense)<br/>Revenue<br/>(To Next<br/>Page)</b> |
|---------------------------------------|----------------------|-------------------------------------|---------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------|
| <b>Primary government:</b>            |                      |                                     |                                                   |                                                 |                                                             |
| Governmental activities:              |                      |                                     |                                                   |                                                 |                                                             |
| General government                    | \$ 1,896,708         | 1,329,348                           | -                                                 | -                                               | (567,360)                                                   |
| Public safety                         | 2,219,299            | 608,848                             | 586,382                                           | 96,424                                          | (927,645)                                                   |
| Highways and public improvements      | 2,234,369            | 30,285                              | 537,584                                           | 1,148,660                                       | (517,839)                                                   |
| Sanitation                            | 555,253              | 811,257                             | -                                                 | -                                               | 256,004                                                     |
| Parks, recreation and public property | 1,559,202            | 250,645                             | 11,753                                            | 872,760                                         | (424,045)                                                   |
| Cemetery                              | 89,906               | 68,161                              | -                                                 | -                                               | (21,745)                                                    |
| Interest on long-term debt            | 225,541              | -                                   | -                                                 | -                                               | (225,541)                                                   |
| <b>Total governmental activities</b>  | <b>8,780,278</b>     | <b>3,098,543</b>                    | <b>1,135,719</b>                                  | <b>2,117,844</b>                                | <b>(2,428,171)</b>                                          |
| Business-type activities:             |                      |                                     |                                                   |                                                 |                                                             |
| Water and irrigation                  | 2,000,687            | 2,870,030                           | -                                                 | 520,198                                         | 1,389,541                                                   |
| Sewer                                 | 2,383,491            | 1,932,067                           | -                                                 | 1,074,015                                       | 622,591                                                     |
| Storm Drain                           | -                    | 38,904                              | -                                                 | 239,590                                         | 278,495                                                     |
| <b>Total business-type activities</b> | <b>4,384,178</b>     | <b>4,841,001</b>                    | <b>-</b>                                          | <b>1,833,803</b>                                | <b>2,290,626</b>                                            |
| <b>Total primary government</b>       | <b>\$ 13,164,456</b> | <b>7,939,544</b>                    | <b>1,135,719</b>                                  | <b>3,951,648</b>                                | <b>(137,545)</b>                                            |

(continued on next page)

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

Santaquin City Corporation  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2020

|                                                       | Governmental<br>Activities  | Business-type<br>Activities | Total                    |
|-------------------------------------------------------|-----------------------------|-----------------------------|--------------------------|
| <b>CHANGES IN NET POSITION:</b>                       |                             |                             |                          |
| <b>Net (expense) revenue<br/>(from previous page)</b> | <b>\$ (2,428,171)</b>       | <b>2,290,626</b>            | <b>(137,545)</b>         |
| General revenues:                                     |                             |                             |                          |
| Property taxes                                        | 1,006,452                   | -                           | 1,006,452                |
| Sales tax                                             | 1,646,451                   | -                           | 1,646,451                |
| Other taxes                                           | 670,257                     | -                           | 670,257                  |
| Unrestricted investment earnings                      | 134,359                     | 93,414                      | 227,773                  |
| Gain on sale of capital assets                        | 38,976                      | -                           | 38,976                   |
| Miscellaneous                                         | 140,736                     | -                           | 140,736                  |
| Transfers in (out)                                    | 1,863,800                   | (1,863,800)                 | -                        |
| Total general revenues and transfers                  | <u>5,501,031</u>            | <u>(1,770,386)</u>          | <u>3,730,645</u>         |
| <b>Change in net position</b>                         | <b>3,072,860</b>            | <b>520,240</b>              | <b>3,593,100</b>         |
| Net position - beginning                              | <u>20,859,579</u>           | <u>16,466,060</u>           | <u>37,325,638</u>        |
| <b>Net position - ending</b>                          | <b><u>\$ 23,932,438</u></b> | <b><u>16,986,300</u></b>    | <b><u>40,918,739</u></b> |

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

Santaquin City Corporation  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2020

|                                                                                | General<br>Fund     | Capital<br>Projects<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------------------------|---------------------|-----------------------------|------------------------------------|--------------------------------|
| <b>ASSETS</b>                                                                  |                     |                             |                                    |                                |
| Cash and cash equivalents                                                      | \$ 5,823,987        | 1,338,683                   | 22,751                             | 7,185,420                      |
| Accounts receivable, net of allowances                                         | 761,198             | 146,000                     | -                                  | 907,198                        |
| Restricted cash and cash equivalents                                           | 111,394             | -                           | 1,738,136                          | 1,849,530                      |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 6,696,578</b> | <b>1,484,683</b>            | <b>1,760,887</b>                   | <b>9,942,148</b>               |
| <b>LIABILITIES AND DEFERRED INFLOWS<br/>OF RESOURCES</b>                       |                     |                             |                                    |                                |
| Liabilities:                                                                   |                     |                             |                                    |                                |
| Accounts payable                                                               | \$ 90,336           | 2,482                       | 42                                 | 92,860                         |
| Accrued liabilities                                                            | 4,051,570           | -                           | -                                  | 4,051,570                      |
| Total liabilities                                                              | 4,141,907           | 2,482                       | 42                                 | 4,144,430                      |
| Deferred inflows of resources                                                  | 6,731               | -                           | -                                  | 6,731                          |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b>                 | <b>4,148,637</b>    | <b>2,482</b>                | <b>42</b>                          | <b>4,151,161</b>               |
| <b>FUND BALANCES:</b>                                                          |                     |                             |                                    |                                |
| Restricted for:                                                                |                     |                             |                                    |                                |
| Parks and recreation                                                           | 109,799             | -                           | -                                  | 109,799                        |
| Liabilities                                                                    | 42,078              | -                           | -                                  | 42,078                         |
| Impact fees and grants                                                         | -                   | -                           | 1,662,952                          | 1,662,952                      |
| Comm. Develop. and Renewal Agency                                              | -                   | -                           | 60,255                             | 60,255                         |
| Local Building Authority                                                       | -                   | -                           | 35                                 | 35                             |
| Santaquin SSD                                                                  | -                   | -                           | 14,894                             | 14,894                         |
| Committed for:                                                                 |                     |                             |                                    |                                |
| Senior citizens                                                                | -                   | -                           | 22,709                             | 22,709                         |
| Assigned for:                                                                  |                     |                             |                                    |                                |
| Capital projects                                                               | -                   | 1,482,201                   | -                                  | 1,482,201                      |
| Events                                                                         | 54,848              | -                           | -                                  | 54,848                         |
| Museum                                                                         | 8,773               | -                           | -                                  | 8,773                          |
| Royalty                                                                        | 19,280              | -                           | -                                  | 19,280                         |
| Library                                                                        | 20,363              | -                           | -                                  | 20,363                         |
| Fire department                                                                | 236,152             | -                           | -                                  | 236,152                        |
| Unassigned                                                                     | 2,056,647           | -                           | -                                  | 2,056,647                      |
| <b>TOTAL FUND BALANCES</b>                                                     | <b>2,547,941</b>    | <b>1,482,201</b>            | <b>1,760,845</b>                   | <b>5,790,987</b>               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 6,696,578</b> | <b>1,484,683</b>            | <b>1,760,887</b>                   | <b>9,942,148</b>               |

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

Santaquin City Corporation  
**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

|                                                                      | General<br>Fund     | Capital<br>Projects<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------------------------------------|---------------------|-----------------------------|------------------------------------|--------------------------------|
| <b>REVENUES:</b>                                                     |                     |                             |                                    |                                |
| Taxes:                                                               |                     |                             |                                    |                                |
| Property                                                             | \$ 1,006,452        | -                           | -                                  | 1,006,452                      |
| Sales                                                                | 1,646,451           | -                           | -                                  | 1,646,451                      |
| Other taxes                                                          | 670,257             | -                           | -                                  | 670,257                        |
| License and permits                                                  | 1,032,818           | -                           | -                                  | 1,032,818                      |
| Intergovernmental revenues                                           | 1,129,919           | 924,866                     | 5,800                              | 2,060,585                      |
| Charges for services                                                 | 1,724,318           | -                           | 44,877                             | 1,769,195                      |
| Fines and forfeitures                                                | 296,530             | -                           | -                                  | 296,530                        |
| Interest                                                             | 117,283             | 17,042                      | 34                                 | 134,359                        |
| Miscellaneous revenue                                                | 132,975             | -                           | 7,761                              | 140,736                        |
| <b>Total revenues</b>                                                | <b>7,757,003</b>    | <b>941,908</b>              | <b>58,473</b>                      | <b>8,757,383</b>               |
| <b>EXPENDITURES:</b>                                                 |                     |                             |                                    |                                |
| General government                                                   | 1,655,351           | 166,317                     | 1,988                              | 1,823,656                      |
| Public safety                                                        | 2,370,163           | -                           | 7,500                              | 2,377,663                      |
| Highways and public improvements                                     | 544,126             | 3,817,189                   | 465,821                            | 4,827,136                      |
| Sanitation                                                           | 555,253             | -                           | -                                  | 555,253                        |
| Parks, recreation and public property                                | 1,276,586           | -                           | 1,140,440                          | 2,417,026                      |
| Cemetery                                                             | 91,006              | -                           | -                                  | 91,006                         |
| Debt service:                                                        |                     |                             |                                    |                                |
| Principal                                                            | -                   | 518,799                     | 97,000                             | 615,799                        |
| Interest                                                             | -                   | 141,964                     | 89,697                             | 231,661                        |
| <b>Total expenditures</b>                                            | <b>6,492,485</b>    | <b>4,644,270</b>            | <b>1,802,446</b>                   | <b>12,939,200</b>              |
| <b>Excess (Deficiency) of Revenues over<br/>(Under) Expenditures</b> | <b>1,264,518</b>    | <b>(3,702,362)</b>          | <b>(1,743,973)</b>                 | <b>(4,181,817)</b>             |
| <b>Other Financing Sources and (Uses):</b>                           |                     |                             |                                    |                                |
| Impact fees                                                          | -                   | -                           | 1,192,978                          | 1,192,978                      |
| Gain on sale of capital assets                                       | -                   | 38,976                      | -                                  | 38,976                         |
| Transfers in                                                         | 2,001,100           | 1,983,162                   | 684,685                            | 4,668,947                      |
| Transfers (out)                                                      | (2,216,639)         | (488,508)                   | (100,000)                          | (2,805,147)                    |
| <b>Total other financing sources and (uses)</b>                      | <b>(215,539)</b>    | <b>1,533,630</b>            | <b>1,777,663</b>                   | <b>3,095,754</b>               |
| <b>Net Change in Fund Balances</b>                                   | <b>1,048,979</b>    | <b>(2,168,732)</b>          | <b>33,690</b>                      | <b>(1,086,063)</b>             |
| Fund balances - beginning of year                                    | 1,498,962           | 3,650,933                   | 1,727,155                          | 6,877,050                      |
| <b>Fund balance - end of year</b>                                    | <b>\$ 2,547,941</b> | <b>1,482,201</b>            | <b>1,760,845</b>                   | <b>5,790,987</b>               |

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

Santaquin City Corporation  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**  
June 30, 2020

|                                                                                                                                                |                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| <b>Total Fund Balance for Governmental Funds</b>                                                                                               | <b><u>\$ 5,790,987</u></b>         |
| Total net assets reported for governmental activities in the statement is different because:                                                   |                                    |
| Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:                             |                                    |
| Capital assets, at cost                                                                                                                        | 33,707,124                         |
| Less accumulated depreciation                                                                                                                  | <u>(7,605,401)</u>                 |
| Net capital assets                                                                                                                             | <u>26,101,723</u>                  |
| Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements. | <u>331,520</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>(6,464,281)</u>                 |
| Interest accrued but not yet paid on long-term debt                                                                                            | <u>(49,521)</u>                    |
| Compensated absences                                                                                                                           | <u>(476,173)</u>                   |
| Closure and post closure costs                                                                                                                 | <u>(40,551)</u>                    |
| Net pension liability                                                                                                                          | <u>(878,587)</u>                   |
| Deferred inflows of resources - pensions                                                                                                       | <u>(382,677)</u>                   |
| <b>Total Net Position of Governmental Activities</b>                                                                                           | <b><u><u>\$ 23,932,438</u></u></b> |

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

Santaquin 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, 2020

|                                                               |                              |
|---------------------------------------------------------------|------------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b> | <b><u>\$ (1,086,063)</u></b> |
|---------------------------------------------------------------|------------------------------|

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

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

|                      |                  |
|----------------------|------------------|
| Capital outlays      | 4,353,623        |
| Depreciation expense | <u>(686,703)</u> |
| Net                  | <u>3,666,920</u> |

|                                                                                                                                                |                 |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. | <u>(77,815)</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|                                     |                |
|-------------------------------------|----------------|
| Long-term debt principal repayments | <u>615,799</u> |
|-------------------------------------|----------------|

Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities.

|                            |              |
|----------------------------|--------------|
| Change in accrued interest | <u>6,120</u> |
|----------------------------|--------------|

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

|                                         |                 |
|-----------------------------------------|-----------------|
| Change in compensated absence liability | <u>(52,101)</u> |
|-----------------------------------------|-----------------|

|                                                          |                                   |
|----------------------------------------------------------|-----------------------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b><u><u>\$ 3,072,860</u></u></b> |
|----------------------------------------------------------|-----------------------------------|

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

Santaquin City Corporation  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
June 30, 2020

|                                                                          | Water<br>Fund        | Sewer<br>Fund     | Non-major<br>Storm Drain<br>Fund | Total<br>Proprietary<br>Funds |
|--------------------------------------------------------------------------|----------------------|-------------------|----------------------------------|-------------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES:</b>                    |                      |                   |                                  |                               |
| Assets:                                                                  |                      |                   |                                  |                               |
| Current assets:                                                          |                      |                   |                                  |                               |
| Cash and cash equivalents                                                | \$ 612,023           | -                 | 325,016                          | 937,040                       |
| Accounts receivable, net                                                 | 229,675              | 158,108           | 3,384                            | 391,167                       |
| Other current asset                                                      | -                    | 26,230            | -                                | 26,230                        |
| Total current assets                                                     | 841,698              | 184,338           | 328,400                          | 1,354,436                     |
| Non-current assets:                                                      |                      |                   |                                  |                               |
| Restricted cash and cash equivalents                                     | 1,827,054            | 875,261           | -                                | 2,702,314                     |
| Capital assets:                                                          |                      |                   |                                  |                               |
| Not being depreciated                                                    | 4,625,870            | 1,093,226         | -                                | 5,719,096                     |
| Net of accumulated depreciation                                          | 7,333,980            | 14,521,474        | -                                | 21,855,454                    |
| Total non-current assets                                                 | 13,786,904           | 16,489,960        | -                                | 30,276,864                    |
| Total assets                                                             | 14,628,601           | 16,674,298        | 328,400                          | 31,631,300                    |
| Deferred outflows of resources - pensions                                | 53,138               | 36,159            | -                                | 89,296                        |
| <b>Total assets and deferred outflows of resources</b>                   | <b>\$ 14,681,739</b> | <b>16,710,457</b> | <b>328,400</b>                   | <b>31,720,596</b>             |
| <b>LIABILITIES AND DEFERRED INFLOWS<br/>OF RESOURCES:</b>                |                      |                   |                                  |                               |
| Liabilities:                                                             |                      |                   |                                  |                               |
| Current liabilities:                                                     |                      |                   |                                  |                               |
| Accounts payable                                                         | \$ 2,146             | 1,910             | -                                | 4,057                         |
| Accrued interest payable                                                 | 60,834               | 26,566            | -                                | 87,400                        |
| Customer security deposits                                               | 38,550               | -                 | -                                | 38,550                        |
| Long-term debt, current position                                         | 555,000              | 421,879           | -                                | 976,879                       |
| Total current liabilities                                                | 656,530              | 450,355           | -                                | 1,106,885                     |
| Non-current liabilities:                                                 |                      |                   |                                  |                               |
| Compensated absences                                                     | 126,707              | 74,938            | -                                | 201,645                       |
| Long-term debt, long-term portion                                        | 6,054,000            | 7,036,636         | -                                | 13,090,636                    |
| Net pension liability                                                    | 139,976              | 91,620            | -                                | 231,596                       |
| Total non-current liabilities                                            | 6,320,684            | 7,203,193         | -                                | 13,523,877                    |
| Total liabilities                                                        | 6,977,214            | 7,653,548         | -                                | 14,630,762                    |
| Deferred inflows of resources - pensions                                 | 57,079               | 46,455            | -                                | 103,534                       |
| <b>Total liabilities and deferred inflows of resources</b>               | <b>7,034,293</b>     | <b>7,700,003</b>  | <b>-</b>                         | <b>14,734,296</b>             |
| <b>NET POSITION:</b>                                                     |                      |                   |                                  |                               |
| Net investment in capital assets                                         | 5,350,850            | 8,156,185         | -                                | 13,507,035                    |
| Restricted for:                                                          |                      |                   |                                  |                               |
| Money in lieu of water                                                   | 1,315,691            | -                 | -                                | 1,315,691                     |
| Debt service                                                             | 511,363              | 875,261           | -                                | 1,386,624                     |
| Unrestricted                                                             | 469,543              | (20,992)          | 328,400                          | 776,951                       |
| <b>Total net position</b>                                                | <b>7,647,446</b>     | <b>9,010,454</b>  | <b>328,400</b>                   | <b>16,986,300</b>             |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 14,681,739</b> | <b>16,710,457</b> | <b>328,400</b>                   | <b>31,720,596</b>             |

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

Santaquin City Corporation  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUND**  
For the Year Ended June 30, 2020

|                                             | Water<br>Fund       | Sewer<br>Fund    | Non-Major<br>Storm Drain<br>Fund | Total<br>Proprietary<br>Funds |
|---------------------------------------------|---------------------|------------------|----------------------------------|-------------------------------|
| <b>Operating income:</b>                    |                     |                  |                                  |                               |
| Charges for sales and service               | \$ 2,532,625        | 1,932,067        | 38,904                           | 4,503,596                     |
| Connection fees                             | 85,148              | -                | -                                | 85,148                        |
| Other operating income                      | 252,258             | -                | -                                | 252,258                       |
| <b>Total operating income</b>               | <b>2,870,030</b>    | <b>1,932,067</b> | <b>38,904</b>                    | <b>4,841,001</b>              |
| <b>Operating expenses:</b>                  |                     |                  |                                  |                               |
| Personnel services                          | 640,470             | 362,247          | -                                | 1,002,717                     |
| Utilities                                   | 110,256             | 145,342          | -                                | 255,598                       |
| Repair and maintenance                      | 432,196             | 589,862          | -                                | 1,022,058                     |
| Other supplies and expenses                 | 25,085              | 21,458           | -                                | 46,543                        |
| Water assessment                            | 37,117              | -                | -                                | 37,117                        |
| Depreciation expense                        | 621,127             | 1,137,867        | -                                | 1,758,994                     |
| <b>Total operating expense</b>              | <b>1,866,251</b>    | <b>2,256,776</b> | <b>-</b>                         | <b>4,123,026</b>              |
| <b>Net operating income (loss)</b>          | <b>1,003,779</b>    | <b>(324,709)</b> | <b>38,904</b>                    | <b>717,974</b>                |
| <b>Non-operating income (expense):</b>      |                     |                  |                                  |                               |
| Impact fees                                 | 520,198             | 1,074,015        | 239,590                          | 1,833,803                     |
| Interest income                             | 29,977              | 63,437           | -                                | 93,414                        |
| Interest on long-term debt                  | (134,436)           | (126,716)        | -                                | (261,152)                     |
| <b>Total non-operating income (expense)</b> | <b>415,739</b>      | <b>1,010,736</b> | <b>239,590</b>                   | <b>1,666,066</b>              |
| <b>Income (loss) before transfers</b>       | <b>1,419,518</b>    | <b>686,027</b>   | <b>278,495</b>                   | <b>2,384,040</b>              |
| Transfers out                               | (1,183,472)         | (680,328)        | -                                | (1,863,800)                   |
| <b>Change in net position</b>               | <b>236,046</b>      | <b>5,699</b>     | <b>278,495</b>                   | <b>520,240</b>                |
| Net position - beginning                    | 7,411,400           | 9,004,754        | 49,906                           | 16,466,060                    |
| <b>Net position - ending</b>                | <b>\$ 7,647,446</b> | <b>9,010,454</b> | <b>328,400</b>                   | <b>16,986,300</b>             |

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

Santaquin City Corporation  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2020

|                                                                             | Water<br>Fund       | Sewer<br>Fund      | Non-Major<br>Storm Drain<br>Fund | Total<br>Proprietary<br>Funds |
|-----------------------------------------------------------------------------|---------------------|--------------------|----------------------------------|-------------------------------|
| <b>Cash flows from operating activities:</b>                                |                     |                    |                                  |                               |
| Cash received from customers - service                                      | \$ 2,811,989        | 1,920,863          | 43,404                           | 4,776,257                     |
| Cash paid to suppliers                                                      | (605,568)           | (1,178,876)        | -                                | (1,784,444)                   |
| Cash paid to employees                                                      | (629,628)           | (355,512)          | -                                | (985,140)                     |
| <b>Net cash provided (used) in operating activities</b>                     | <b>1,576,793</b>    | <b>386,476</b>     | <b>43,404</b>                    | <b>2,006,673</b>              |
| <b>Cash flows from noncapital financing activities:</b>                     |                     |                    |                                  |                               |
| Change in due to/due from                                                   | 342,219             | (342,219)          | -                                | -                             |
| Net transfers in (out)                                                      | (1,183,472)         | (680,328)          | -                                | (1,863,800)                   |
| Change in customer deposits                                                 | (1,750)             | -                  | -                                | (1,750)                       |
| <b>Net cash provided (used) in noncapital financing activities</b>          | <b>(843,003)</b>    | <b>(1,022,547)</b> | <b>-</b>                         | <b>(1,865,550)</b>            |
| <b>Cash flows from capital and related financing activities:</b>            |                     |                    |                                  |                               |
| Cash received from impact fees                                              | 520,198             | 1,074,015          | 239,590                          | 1,833,803                     |
| Cash received from bonds issued                                             | 1,513,688           | -                  | -                                | 1,513,688                     |
| Cash payments for capital assets                                            | (1,535,204)         | -                  | -                                | (1,535,204)                   |
| Cash payments for long-term debt principal                                  | (541,000)           | (416,406)          | -                                | (957,406)                     |
| Cash payments for long-term debt interest                                   | (139,168)           | (128,446)          | -                                | (267,614)                     |
| <b>Net cash provided (used) in capital and related financing activities</b> | <b>(181,486)</b>    | <b>529,163</b>     | <b>239,590</b>                   | <b>587,268</b>                |
| <b>Cash flows from investing activities:</b>                                |                     |                    |                                  |                               |
| Cash received from interest earned                                          | 29,977              | 63,437             | -                                | 93,414                        |
| <b>Net cash provided (used) in investing activities</b>                     | <b>29,977</b>       | <b>63,437</b>      | <b>-</b>                         | <b>93,414</b>                 |
| <b>Net increase (decrease) in cash</b>                                      | <b>582,281</b>      | <b>(43,471)</b>    | <b>282,994</b>                   | <b>821,804</b>                |
| Cash balance - beginning                                                    | 1,856,795           | 918,732            | 42,022                           | 2,817,549                     |
| <b>Cash balance - ending</b>                                                | <b>\$ 2,439,077</b> | <b>875,261</b>     | <b>325,016</b>                   | <b>3,639,354</b>              |
| <b>Cash reported on the statement of net position:</b>                      |                     |                    |                                  |                               |
| Cash and cash equivalents                                                   | \$ 612,023          | -                  | 325,016                          | 937,040                       |
| Non-current restricted cash                                                 | 1,827,054           | 875,261            | -                                | 2,702,314                     |
| <b>Total cash and cash equivalents</b>                                      | <b>\$ 2,439,077</b> | <b>875,261</b>     | <b>325,016</b>                   | <b>3,639,354</b>              |

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

Santaquin City Corporation  
**STATEMENT OF CASH FLOWS (continued)**  
For the Year Ended June 30, 2020

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

|                                                                                                             | Water<br>Fund       | Sewer<br>Fund    | Non-Major<br>Storm Drain<br>Fund | Total<br>Proprietary<br>Funds |
|-------------------------------------------------------------------------------------------------------------|---------------------|------------------|----------------------------------|-------------------------------|
| <b>Net operating income (expense)</b>                                                                       | <b>\$ 1,003,779</b> | <b>(324,709)</b> | <b>38,904</b>                    | <b>717,974</b>                |
| Adjustments to reconcile operating income or (loss)<br>to net cash provided (used) in operating activities: |                     |                  |                                  |                               |
| Depreciation and amortization                                                                               | 621,127             | 1,137,867        | -                                | 1,758,994                     |
| Changes in assets and liabilities:                                                                          |                     |                  |                                  |                               |
| (Increase) decrease in receivables                                                                          | (58,041)            | (11,203)         | 4,500                            | (64,744)                      |
| (Increase) decrease in deferred outflows                                                                    | 58,155              | 43,616           | -                                | 101,771                       |
| Increase (decrease) in payables                                                                             | (915)               | (422,214)        | -                                | (423,129)                     |
| Increase (decrease) in compensated absences                                                                 | (978)               | (2,130)          | -                                | (3,108)                       |
| Increase (decrease) in net pension liability                                                                | (95,325)            | (71,494)         | -                                | (166,819)                     |
| Increase (decrease) in deferred inflows                                                                     | 48,991              | 36,743           | -                                | 85,734                        |
| <b>Net cash provided (used) in operating activities</b>                                                     | <b>\$ 1,576,793</b> | <b>386,476</b>   | <b>43,404</b>                    | <b>2,006,673</b>              |

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

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Santaquin City Corporation (the City), is a municipal corporation located in Utah County, Utah. The City operates under a Mayor-Council form of government with an elected mayor and five council members.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

**Santaquin SSD** – The City’s Santiquin Special Service District has the same governing bod as the City’s and is therefore included as part of the operating entity using the blended method.

**Community Development & Renewal Agency** – The City’s Community Development & Renewal Agency has the same governing body as the City’s and is therefore included as part of the operating entity using the blended method.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net position and the statement of activities report information on all 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 net position reports the financial position of the governmental and business-type activities of the City and its discretely presented component units (if any) at year-end.

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.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**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 faced with a choice, it is the City's policy to use restricted resources first, then committed and assigned amounts before spending unassigned amounts. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental funds:**

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

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

**The City reports the following as non-major governmental funds:**

The *senior citizens fund* is used to account for activities relating to senior citizens.

The *park impact fees fund* is used to account for the collection and use of park impact fees.

The *public safety impact fees fund* is used to account for the collection and use of public safety impact fees.

The *transportation impact fees fund* is used to account for the collection and use of transportation impact fees.

The *community development and renewal agency fund* accounts for the activities of the agency.

The *local building authority fund* accounts for the activities of the Local Building Authority.

The *Santaquin special service district fund* is used to account for the water share activity.

*Proprietary funds*

**The City reports the following major and non-major proprietary funds:**

The *water fund* is used to account for the activities of the culinary water production, treatment and distribution.

The *sewer fund* is used to account for the activities of the sewer operations.

The *storm drain fund* is used to account for the activities of the storm drain operations.

**1-E. Assets, Liabilities, Deferred Outflows\Inflows of Resources, and Net Assets 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.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Equity  
(continued)**

**1-E-1. Deposit and Investments (continued)**

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

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

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of any allowance for uncollectible accounts. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. For the year ended June 30, 2019, the City reported \$86,781 as allowance for uncollectible accounts receivable.

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 Utah 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**

Other inventories, which mainly consist of immaterial amounts of expendable supplies for consumption, are not reported. 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.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Equity  
(continued)**

**1-E-6. 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 cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

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

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

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

| <u>Assets</u>          | <u>Years</u> |
|------------------------|--------------|
| Buildings              | 30-45        |
| Improvements           | 30-45        |
| Water system           | 30-45        |
| Sewer system           | 30-45        |
| Infrastructure         | 30-45        |
| Vehicles and equipment | 5-15         |

**1-E-7. 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 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.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Equity  
(continued)**

**1-E-8. Fund Equity**

*Government-wide Financial Statements*

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

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

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

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

*Fund Financial Statements*

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

**Nonspendable fund balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

**Restricted fund balance** - This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of the government or b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance** - This classification includes amounts that can only be used for specific purposes established by formal action of the City Council, with is the City's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Assets or Equity  
(continued)**

**1-E-8. Fund Equity (continued)**

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

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

**1-E-9. 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 pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has only one type of deferred inflows of resources. 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. The city also reports deferred inflows of resources related to pensions as required by GASB 68.

**1-E-10. 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-11. Estimates**

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

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**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 25% of the current year's actual 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.

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2020 consist of the following:

|                                   | Fair Value                  |
|-----------------------------------|-----------------------------|
| Demand deposits - checking        | \$ 1,005,666                |
| State Treasurer's Investment Pool | 11,668,638                  |
| <b>Total cash</b>                 | <b><u>\$ 12,674,304</u></b> |

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

|                                                    |                             |
|----------------------------------------------------|-----------------------------|
| Cash and cash equivalents (current)                | \$ 8,122,460                |
| Restricted cash and cash equivalents (non-current) | 4,551,844                   |
| <b>Total cash and cash equivalents</b>             | <b><u>\$ 12,674,304</u></b> |

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

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-A. Deposits and investments (continued)**

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.

**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, 2020, the City had \$11,668,638 invested in the PTIF, which 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.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-A. Deposits and investments (continued)**

**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, 2020, \$705,554 of the City's demand deposits of \$955,554 were uninsured. The book balance at year-end was \$921,388.

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.

**3-B. Receivables**

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

|                              | General<br>Fund   | Capital<br>Projects<br>Fund | Water<br>Fund  | Sewer<br>Fund  | Storm<br>Drain<br>Fund | Total            |
|------------------------------|-------------------|-----------------------------|----------------|----------------|------------------------|------------------|
| Intergovernmental            | \$ 679,783        | 146,000                     | -              | -              | -                      | 825,783          |
| Installments                 | 6,731             | -                           | -              | -              | -                      | 6,731            |
| Customers                    | 86,916            | -                           | 270,373        | 184,274        | 3,384                  | 544,947          |
| <b>Total receivables</b>     | <b>773,430</b>    | <b>146,000</b>              | <b>270,373</b> | <b>184,274</b> | <b>3,384</b>           | <b>1,377,460</b> |
| Allowance for uncollectibles | (12,232)          | -                           | (40,698)       | (26,166)       | -                      | (79,096)         |
| <b>Net receivables</b>       | <b>\$ 761,198</b> | <b>146,000</b>              | <b>229,675</b> | <b>158,108</b> | <b>3,384</b>           | <b>1,298,364</b> |

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-C. Capital assets**

Capital asset activity for governmental activities was as follows:

|                                                    | Beginning<br>Balance | Additions         | Retirements      | Ending<br>Balance |
|----------------------------------------------------|----------------------|-------------------|------------------|-------------------|
| <b>Governmental activities</b>                     |                      |                   |                  |                   |
| Capital assets, not being depreciated:             |                      |                   |                  |                   |
| Land and rights                                    | \$ 994,142           | -                 | -                | 994,142           |
| Infrastructure                                     | 11,334,839           | 4,757,202         | -                | 16,092,040        |
| Construction in progress                           | 3,629,247            | 3,638,735         | 7,203,488        | 64,494            |
| <b>Total capital assets, not being depreciated</b> | <b>15,958,228</b>    | <b>8,395,937</b>  | <b>7,203,488</b> | <b>17,150,676</b> |
| Capital assets, being depreciated:                 |                      |                   |                  |                   |
| Buildings                                          | 7,223,178            | 891,642           | -                | 8,114,820         |
| Improvements other than buildings                  | 1,199,581            | 1,595,836         | -                | 2,795,417         |
| Machinery and equipment                            | 4,972,515            | 673,696           | -                | 5,646,211         |
| <b>Total capital assets, being depreciated</b>     | <b>13,395,273</b>    | <b>3,161,174</b>  | <b>-</b>         | <b>16,556,448</b> |
| Less accumulated depreciation for:                 |                      |                   |                  |                   |
| Buildings                                          | 2,398,927            | 259,746           | -                | 2,658,674         |
| Improvements other than buildings                  | 256,520              | 106,502           | -                | 363,022           |
| Machinery and equipment                            | 4,263,251            | 320,455           | -                | 4,583,706         |
| <b>Total accumulated depreciation</b>              | <b>6,918,698</b>     | <b>686,703</b>    | <b>-</b>         | <b>7,605,401</b>  |
| <b>Total capital assets being depreciated, net</b> | <b>6,476,575</b>     | <b>2,474,471</b>  | <b>-</b>         | <b>8,951,047</b>  |
| <b>Governmental activities capital assets, net</b> | <b>\$ 22,434,803</b> | <b>10,870,408</b> | <b>7,203,488</b> | <b>26,101,723</b> |

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

|                                       |                   |
|---------------------------------------|-------------------|
| <b>Governmental activities:</b>       |                   |
| General government                    | \$ 21,988         |
| Public safety                         | 258,211           |
| Highways and public improvements      | 184,514           |
| Parks, recreation and public property | 217,058           |
| Cemetery                              | 4,933             |
| <b>Total</b>                          | <b>\$ 686,703</b> |

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-C. Capital assets (continued)**

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

| <b>Business-type activities</b>                     | <b>Beginning<br/>Balance</b> | <b>Additions</b>   | <b>Retirements</b> | <b>Ending<br/>Balance</b> |
|-----------------------------------------------------|------------------------------|--------------------|--------------------|---------------------------|
| Capital assets, not being depreciated:              |                              |                    |                    |                           |
| Land                                                | \$ 124,032                   | -                  | -                  | 124,032                   |
| Water shares                                        | 535,148                      | -                  | -                  | 535,148                   |
| Construction in progress                            | 3,594,684                    | 1,465,232          | -                  | 5,059,916                 |
| <b>Total capital assets, not being depreciated</b>  | <b>4,253,864</b>             | <b>1,465,232</b>   | <b>-</b>           | <b>5,719,096</b>          |
| Capital assets, being depreciated:                  |                              |                    |                    |                           |
| Buildings and improvements                          | 275,389                      | -                  | -                  | 275,389                   |
| Water distribution system                           | 18,959,315                   | -                  | -                  | 18,959,315                |
| Sewer collection/treatment system                   | 28,255,442                   | -                  | -                  | 28,255,442                |
| Machinery and equipment                             | 491,989                      | -                  | -                  | 491,989                   |
| <b>Total capital assets, being depreciated</b>      | <b>47,982,136</b>            | <b>-</b>           | <b>-</b>           | <b>47,982,136</b>         |
| Less accumulated depreciation for:                  |                              |                    |                    |                           |
| Buildings and improvements                          | 251,460                      | 2,564              | -                  | 254,024                   |
| Water distribution system                           | 11,004,208                   | 621,127            | -                  | 11,625,336                |
| Sewer collection system                             | 12,620,031                   | 1,135,303          | -                  | 13,755,334                |
| Machinery and equipment                             | 491,989                      | -                  | -                  | 491,989                   |
| <b>Total accumulated depreciation</b>               | <b>24,367,688</b>            | <b>1,758,994</b>   | <b>-</b>           | <b>26,126,682</b>         |
| <b>Total capital assets being depreciated, net</b>  | <b>23,614,448</b>            | <b>(1,758,994)</b> | <b>-</b>           | <b>21,855,454</b>         |
| <b>Business-type activities capital assets, net</b> | <b>\$ 27,868,312</b>         | <b>(293,762)</b>   | <b>-</b>           | <b>27,574,550</b>         |

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

**Business-type activities:**

|              |                     |
|--------------|---------------------|
| Water        | \$ 621,127          |
| Sewer        | 1,137,867           |
| <b>Total</b> | <b>\$ 1,758,994</b> |

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-D. Long-term debt**

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

|                                     | Original<br>Principal | %<br>Rate | Beginning<br>Balance | Additions | Reductions     | Ending<br>Balance | Within<br>One Year |
|-------------------------------------|-----------------------|-----------|----------------------|-----------|----------------|-------------------|--------------------|
| <b>Direct Borrowings:</b>           |                       |           |                      |           |                |                   |                    |
| 2015 Equipment Lease                |                       |           |                      |           |                |                   |                    |
| Matures 10/16/2020                  | \$ 197,009            | 2.40      | \$ 10,587            | -         | 7,016          | 3,571             | 3,571              |
| 2016 (4) Piece Equipment Lease      |                       |           |                      |           |                |                   |                    |
| Matures 3/1/2023                    | 482,477               | 2.17      | 232,730              | -         | 56,322         | 176,407           | 57,545             |
| 2015 Pierce Saber Pumper Fire Truck |                       |           |                      |           |                |                   |                    |
| Matures 6/24/2024                   | 446,032               | 3.82      | 243,856              | -         | 45,185         | 198,671           | 46,911             |
| 2018 Fire SCBA Equip Lease          |                       |           |                      |           |                |                   |                    |
| Matures 9/26/2024                   | 169,173               | 4.22      | 141,908              | -         | 21,276         | 120,632           | 22,174             |
| <b>Bonds:</b>                       |                       |           |                      |           |                |                   |                    |
| 2018 Excise Tax Rev Bonds           |                       |           |                      |           |                |                   |                    |
| Matures 7/15/2028                   | 4,300,000             | 2.50      | 4,300,000            | -         | 389,000        | 3,911,000         | 393,000            |
| 2015 LBA Lease Revenue              |                       |           |                      |           |                |                   |                    |
| Matures 7/1/2035                    | 2,500,000             | 4.17      | 2,151,000            | -         | 97,000         | 2,054,000         | -                  |
| <b>Total governmental activity</b>  |                       |           |                      |           |                |                   |                    |
| <b>long-term liabilities</b>        |                       |           | <b>\$7,080,081</b>   | <b>-</b>  | <b>615,799</b> | <b>6,464,282</b>  | <b>523,201</b>     |

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

|              | Principal          | Interest         | Total            |
|--------------|--------------------|------------------|------------------|
| 2021         | \$ 523,201         | 150,500          | 673,701          |
| 2022         | 631,606            | 176,123          | 807,729          |
| 2023         | 646,718            | 156,501          | 803,219          |
| 2024         | 603,596            | 136,432          | 740,028          |
| 2025         | 568,161            | 117,219          | 685,380          |
| 2026 - 2030  | 2,514,000          | 343,350          | 2,857,350        |
| 2031 - 2035  | 797,000            | 123,411          | 920,411          |
| 2036         | 180,000            | 3,753            | 183,753          |
| <b>Total</b> | <b>\$6,464,282</b> | <b>1,207,290</b> | <b>7,671,572</b> |

The City has outstanding bonds and other direct borrowings related to governmental activities totaling \$5,965,000 and \$499,282, respectively. The outstanding bonds and other direct borrowings are all secured with their respective revenues and/or property and equipment.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-D. Long-term debt (continued)**

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

|                                                                   | Original<br>Principal | %<br>Rate | Beginning<br>Balance | Additions        | Reductions     | Ending<br>Balance | Due<br>Within<br>One Year |
|-------------------------------------------------------------------|-----------------------|-----------|----------------------|------------------|----------------|-------------------|---------------------------|
| <b>Bonds:</b>                                                     |                       |           |                      |                  |                |                   |                           |
| 1993A Sewer Bond                                                  |                       |           |                      |                  |                |                   |                           |
| Matures 6/30/2020                                                 | \$ 1,000,000          | -         | \$ 238,000           | -                | 34,000         | 204,000           | 34,000                    |
| 2012 P.I. Revenue Refunding                                       |                       |           |                      |                  |                |                   |                           |
| Matures 9/1/2026                                                  | 6,130,000             | 2.52      | 3,709,000            | -                | 424,000        | 3,285,000         | 435,000                   |
| 2011A-1 Sewer Revenue Bond                                        |                       |           |                      |                  |                |                   |                           |
| Matures 1/1/2031                                                  | 6,034,000             | 0.01      | 4,100,000            | -                | 334,000        | 3,766,000         | 338,000                   |
| 2011B Sewer Revenue Bond                                          |                       |           |                      |                  |                |                   |                           |
| Matures 1/1/2033                                                  | 900,000               | 1.00      | 900,000              | -                | -              | 900,000           | -                         |
| 2018 WA Booster Pump/Tank                                         |                       |           |                      |                  |                |                   |                           |
| Matures 1/1/2039                                                  | 1,720,500             | 1.00      | 963,656              | 756,844          | 58,500         | 1,662,000         | 60,000                    |
| 2018 PI Booster Pump/Tank                                         |                       |           |                      |                  |                |                   |                           |
| Matures 1/1/2039                                                  | 1,720,500             | 1.00      | 963,656              | 756,844          | 58,500         | 1,662,000         | 60,000                    |
| 2011A-2 Sewer Revenue                                             |                       |           |                      |                  |                |                   |                           |
| Matures 2/15/2052                                                 | 2,912,000             | 3.00      | 2,636,921            | -                | 48,406         | 2,588,515         | 49,879                    |
| <b>Total business-type activity<br/>    long-term liabilities</b> |                       |           | <b>\$ 13,511,233</b> | <b>1,513,688</b> | <b>957,406</b> | <b>14,067,515</b> | <b>976,879</b>            |

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

|              | Principal            | Interest         | Total             |
|--------------|----------------------|------------------|-------------------|
| 2021         | \$ 976,879           | 267,414          | 1,244,293         |
| 2022         | 993,396              | 249,029          | 1,242,425         |
| 2023         | 1,012,959            | 230,251          | 1,243,210         |
| 2024         | 1,032,570            | 211,042          | 1,243,612         |
| 2024         | 1,052,230            | 191,393          | 1,243,622         |
| 2026 - 2030  | 4,031,867            | 698,584          | 4,730,451         |
| 2031 - 2035  | 2,460,623            | 443,297          | 2,903,920         |
| 2036 - 2040  | 1,264,421            | 261,699          | 1,526,120         |
| 2041 - 2045  | 482,560              | 151,700          | 634,260           |
| 2046 - 2050  | 560,550              | 73,710           | 634,260           |
| 2051 - 2052  | 199,461              | 5,116            | 204,577           |
| <b>Total</b> | <b>\$ 14,067,515</b> | <b>2,783,235</b> | <b>16,850,750</b> |

The City has outstanding bonds related to business-type activities totaling \$14,067,515. The outstanding bonds are all secured with their respective revenues and/or property and equipment.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**3-D. Long-term debt (continued)**

**Capital Lease Requirements:**

The City acquired the following assets through capital leases. Amortization of assets under capital lease are included in depreciation expense. As of June 30, 2020, the net book values are as follows:

|                               | Governmental<br>Activities |
|-------------------------------|----------------------------|
| Machinery and equipment       | \$ 922,044                 |
| Less accumulated depreciation | (766,043)                  |
| <b>Net book value</b>         | <b>\$ 156,001</b>          |

Capital lease requirements to maturity are included on the governmental activities maturity schedule.

**Other long-term liabilities:**

|                               | Beginning           | Increase<br>(Decrease) | Ending           |
|-------------------------------|---------------------|------------------------|------------------|
| <b>Compensated absences:</b>  |                     |                        |                  |
| Governmental                  | \$ 424,072          | 52,101                 | 476,173          |
| Business-type                 | 204,753             | (3,108)                | 201,645          |
| <b>Total</b>                  | <b>\$ 628,825</b>   | <b>48,993</b>          | <b>677,818</b>   |
| <b>Net pension liability:</b> |                     |                        |                  |
| Governmental                  | \$ 1,506,146        | (627,559)              | 878,587          |
| Business-type                 | 398,415             | (166,819)              | 231,596          |
| <b>Total</b>                  | <b>\$ 1,904,561</b> | <b>(794,378)</b>       | <b>1,110,183</b> |

**3-E. Interfund transactions and balances**

**Interfund transfers:**

|                            | Transfers In        | Transfers Out    |
|----------------------------|---------------------|------------------|
| General fund               | \$ 2,001,100        | 2,216,639        |
| Capital projects fund      | 1,983,162           | 488,508          |
| Senior citizens            | 38,500              | -                |
| Transportation Impact Fees | -                   | 100,000          |
| Community Development      | 457,500             | -                |
| Local building authority   | 188,685             | -                |
| Water fund                 | -                   | 1,183,472        |
| Sewer fund                 | -                   | 680,328          |
| <b>Total</b>               | <b>\$ 4,668,947</b> | <b>4,668,947</b> |

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**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. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through the date of the audit report, which is the date the financial statements were available to be issued.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
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**4-D. Pension Plans**

**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:

**Defined Benefit Plans**

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

Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple employer public employee retirement system;

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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](http://www.urs.org).

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**4-D. Pension Plans (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<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years                                   | Up to 4%                                |
| Public Safety System                        | Highest 3 Years      | 20 years an age<br>10 years age 60<br>4 years age 65                                            | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 2.5 % to 4% depending on employer |
| Tier 2 Public Employees System              | Highest 5 Years      | 35 years any age<br>20 years any age 60*<br>10 years age 62*<br>4 years age 65                  | 1.5% per year all years                                   | Up to 2.5%                              |
| Tier 2 Public Safety and Firefighter System | Highest 5 Years      | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years                                   | Up to 2.5%                              |

\* with actuarial reductions

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

**Contribution Rate Summary:** 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 as of June 30, 2020 are as follows:

| <b>Utah Retirement Systems</b>                      | <b>Employee Paid</b> | <b>Employer Contribution Rate</b> | <b>Employer Rate for 401(k) Plan</b> |
|-----------------------------------------------------|----------------------|-----------------------------------|--------------------------------------|
| Contributory System                                 |                      |                                   |                                      |
| 111 - Local Government Div - Tier 2                 | N/A                  | 15.66                             | 1.03                                 |
| Noncontributory System                              |                      |                                   |                                      |
| 15 - Local Government Div - Tier 1                  | N/A                  | 18.47                             | N/A                                  |
| Public Safety System                                |                      |                                   |                                      |
| 122 - Tier 2 DB Hybrid Public Safety (Contributory) | N/A                  | 23.13                             | 0.70                                 |
| 43 - Other Div A with 2.5% COLA (Noncontributory)   | N/A                  | 34.04                             | N/A                                  |
| Tier 2 DC Only                                      |                      |                                   |                                      |
| 211 - Local Government                              | N/A                  | 6.69                              | 10.00                                |
| 222 - Public Safety                                 | N/A                  | 11.83                             | 12.00                                |

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

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**4-D. Pension Plans (continued)**

For the fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

| <b>System</b>                                  | <b>Employer<br/>Contributions</b> | <b>Employee<br/>Contributions</b> |
|------------------------------------------------|-----------------------------------|-----------------------------------|
| Noncontributory System                         | \$ 184,726                        | N/A                               |
| Public Safety System                           | 174,957                           | -                                 |
| Tier 2 Public Employees System                 | 71,137                            | -                                 |
| Tier 2 Public Safety and Firefighter           | 37,254                            | -                                 |
| Tier 2 DC Only System                          | 24,359                            | N/A                               |
| Tier 2 DC Public Safety and Firefighter System | 6,026                             | N/A                               |
| <b>Total Contributions</b>                     | <b>\$ 498,458</b>                 | <b>\$ -</b>                       |

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.

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

At June 30, 2020, we reported a net pension asset of \$0 and a net pension liability of \$1,110,183.

|                                      | (Measurement Date): December 31, 2019 |                          |                        |                                      |                      |
|--------------------------------------|---------------------------------------|--------------------------|------------------------|--------------------------------------|----------------------|
|                                      | Net Pension<br>Asset                  | Net Pension<br>Liability | Proportionate<br>Share | Proportionate<br>Share<br>12/31/2018 | Change<br>(Decrease) |
| Noncontributory System               | \$ -                                  | \$ 478,675               | 0.1270077%             | 0.1253051%                           | 0.0017026%           |
| Public Safety System                 | -                                     | 617,539                  | 0.3846112%             | 0.3764920%                           | 0.0081192%           |
| Tier 2 Public Employees System       | -                                     | 5,969                    | 0.0265400%             | 0.0257681%                           | 0.0007719%           |
| Tier 2 Public Safety and Firefighter | -                                     | 8,000                    | 0.0850476%             | 0.0899718%                           | -0.0049242%          |
| <b>Total</b>                         | <b>\$ -</b>                           | <b>\$ 1,110,183</b>      |                        |                                      |                      |

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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, 2020, we recognize pension expense of \$596,653.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**4-D. Pension Plans (continued)**

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|                                                                                                         | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between expected and actual experience                                                       | \$ 58,343                         | \$ 22,114                        |
| Changes in assumptions                                                                                  | 76,217                            | 244                              |
| Net difference between projected and actual earnings on<br>pension plan investments                     | -                                 | 459,493                          |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 39,495                            | 4,360                            |
| Contributions subsequent to the measurement date                                                        | 246,761                           | -                                |
| <b>Total</b>                                                                                            | <b>\$ 420,816</b>                 | <b>\$ 486,211</b>                |

\$246,761 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, 2019. 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<br>Outflows (Inflows)<br>of Resources |
|--------------------------------|----------------------------------------------------|
| 2020                           | \$ (55,865)                                        |
| 2021                           | (98,225)                                           |
| 2022                           | 9,372                                              |
| 2023                           | (173,950)                                          |
| 2024                           | 815                                                |
| Thereafter                     | 5,697                                              |

**Actuarial assumptions:**

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                              |
|---------------------------|------------------------------------------------------------------------------|
| Inflation                 | 2.50 Percent                                                                 |
| Salary increases          | 3.25 - 9.75 percent, average, including inflation                            |
| Investment rate of return | 6.95 percent, net of pension plan investment<br>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, 2019, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**4-D. Pension Plans (continued)**

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <b>Assets class</b>       | <b>Expected Return Arithmetic Basis</b> |                              |                                                  |
|---------------------------|-----------------------------------------|------------------------------|--------------------------------------------------|
|                           | Target Asset Allocation                 | Real Return Arithmetic Basis | Long Term expected portfolio real rate of return |
| Equity securities         | 40%                                     | 6.15%                        | 2.46%                                            |
| Debt securities           | 20%                                     | 0.40%                        | 0.08%                                            |
| Real assets               | 15%                                     | 5.75%                        | 0.86%                                            |
| Private equity            | 9%                                      | 9.95%                        | 0.89%                                            |
| Absolute return           | 16%                                     | 2.85%                        | 0.46%                                            |
| Cash and cash equivalents | 0%                                      | 0.00%                        | 0.00%                                            |
| <b>Totals</b>             | <b>100.00%</b>                          |                              | <b>4.75%</b>                                     |
|                           | Inflation                               |                              | 2.50%                                            |
|                           | Expected arithmetic nominal return      |                              | 7.25%                                            |

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

**Discount rate:**

The discount rate used to measure the total pension liability was 6.95 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

Santaquin City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**4-D. Pension Plans (continued)**

**Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:**

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

| <b>System</b>                        | <b>1% Decrease<br/>(5.95%)</b> | <b>Discount Rate<br/>(6.95%)</b> | <b>1% Increase<br/>(7.95%)</b> |
|--------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System               | \$ 1,495,070                   | \$ 478,675                       | \$ (368,987)                   |
| Public Safety System                 | 1,599,664                      | 617,539                          | (180,628)                      |
| Tier 2 Public Employees System       | 51,474                         | 5,969                            | (29,198)                       |
| Tier 2 Public Safety and Firefighter | 28,261                         | 8,000                            | (7,040)                        |
| <b>Total</b>                         | <b>\$ 3,174,469</b>            | <b>\$ 1,110,183</b>              | <b>\$ (585,853)</b>            |

**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. The City participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

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

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

|                        | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|------------------------|-------------|-------------|-------------|
| <b>401(k) Plan</b>     |             |             |             |
| Employer Contributions | \$ 69,499   | \$ 60,671   | \$ 32,359   |
| Employee Contributions | 46,355      | 40,228      | 34,719      |
| <b>457 Plan</b>        |             |             |             |
| Employer Contributions | -           | -           | -           |
| Employee Contributions | 15,088      | 20,812      | 25,849      |
| <b>Roth IRA Plan</b>   |             |             |             |
| Employer Contributions | N/A         | N/A         | N/A         |
| Employee Contributions | 17,094      | 12,469      | 5,052       |

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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Santaquin City Corporation  
**Notes to Required Supplementary Information**  
June 30, 2020

**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, 2020, expenditures for all departments were under budgeted expenditures.

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**Changes in Assumptions Related to Pensions**

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

Santaquin City Corporation  
**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

|                                                                      | Budgeted<br>Original | Budgeted<br>Final | Actual           | Variance with<br>Final Budget |
|----------------------------------------------------------------------|----------------------|-------------------|------------------|-------------------------------|
| <b>REVENUES:</b>                                                     |                      |                   |                  |                               |
| Taxes:                                                               |                      |                   |                  |                               |
| Property                                                             | \$ 997,855           | 1,027,855         | 1,006,452        | (21,403)                      |
| Sales                                                                | 1,507,500            | 1,645,500         | 1,646,451        | 951                           |
| Other taxes                                                          | 571,000              | 571,000           | 670,257          | 99,257                        |
| License and permits                                                  | 1,023,250            | 1,044,250         | 1,032,818        | (11,432)                      |
| Intergovernmental revenues                                           | 614,550              | 614,550           | 1,129,919        | 515,369                       |
| Charges for services                                                 | 1,582,500            | 1,634,500         | 1,724,318        | 89,818                        |
| Fines and forfeitures                                                | 307,000              | 307,000           | 296,530          | (10,470)                      |
| Interest                                                             | 151,050              | 151,050           | 117,283          | (33,767)                      |
| Miscellaneous revenue                                                | 125,800              | 120,800           | 132,975          | 12,175                        |
| <b>Total revenues</b>                                                | <b>6,880,505</b>     | <b>7,116,505</b>  | <b>7,757,003</b> | <b>640,498</b>                |
| <b>EXPENDITURES:</b>                                                 |                      |                   |                  |                               |
| General government                                                   | 1,632,689            | 1,736,189         | 1,655,351        | 80,838                        |
| Public safety                                                        | 2,504,084            | 2,481,084         | 2,370,163        | 110,921                       |
| Highways and public improvements                                     | 623,488              | 593,488           | 544,126          | 49,362                        |
| Sanitation                                                           | 445,900              | 557,900           | 555,253          | 2,647                         |
| Parks, recreation and public property                                | 1,302,013            | 1,357,013         | 1,276,586        | 80,427                        |
| Cemetery                                                             | 133,091              | 133,091           | 91,006           | 42,085                        |
| <b>Total expenditures</b>                                            | <b>6,641,265</b>     | <b>6,858,765</b>  | <b>6,492,485</b> | <b>366,280</b>                |
| <b>Excess (Deficiency) of Revenues over<br/>(Under) Expenditures</b> | <b>239,240</b>       | <b>257,740</b>    | <b>1,264,518</b> | <b>1,006,778</b>              |
| <b>Other Financing Sources and (Uses):</b>                           |                      |                   |                  |                               |
| Transfers in                                                         | 2,001,100            | 2,001,100         | 2,001,100        | -                             |
| Transfers (out)                                                      | (2,109,958)          | (2,216,640)       | (2,216,639)      | 1                             |
| <b>Total other financing sources and (uses)</b>                      | <b>(108,858)</b>     | <b>(215,540)</b>  | <b>(215,539)</b> | <b>1</b>                      |
| <b>Net Change in Fund Balances</b>                                   | <b>130,382</b>       | <b>42,200</b>     | <b>1,048,979</b> | <b>1,006,779</b>              |
| Fund balances - beginning of year                                    | 1,498,962            | 1,498,962         | 1,498,962        | -                             |
| <b>Fund balance - end of year</b>                                    | <b>\$ 1,629,344</b>  | <b>1,541,162</b>  | <b>2,547,941</b> | <b>1,006,779</b>              |

Santaquin City Corporation  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
June 30, 2020  
Last 10 Fiscal Years\*

|                                                                                                          | As of December 31, |              |              |              |            |            |
|----------------------------------------------------------------------------------------------------------|--------------------|--------------|--------------|--------------|------------|------------|
|                                                                                                          | 2019               | 2018         | 2017         | 2016         | 2015       | 2014       |
| <b>Noncontributory Retirement System</b>                                                                 |                    |              |              |              |            |            |
| Proportion of the net pension liability (asset)                                                          | 0.1270077%         | 0.1253051%   | 0.1223531%   | 0.1219067%   | 0.1196808% | 0.1283310% |
| Proportionate share of the net pension liability (asset)                                                 | \$ 478,675         | \$ 922,712   | \$ 536,066   | \$ 782,790   | \$ 677,212 | \$ 489,948 |
| Covered employee payroll                                                                                 | \$ 1,046,159       | \$ 1,038,995 | \$ 1,024,428 | \$ 1,035,444 | \$ 996,660 | \$ 972,290 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 45.76%             | 88.81%       | 52.33%       | 75.60%       | 67.95%     | 50.40%     |
| Plan fiduciary net position as a percentage of the total pension liability                               | 93.70%             | 87.00%       | 91.90%       | 87.30%       | 87.80%     | 90.20%     |
| <b>Public Safety System</b>                                                                              |                    |              |              |              |            |            |
| Proportion of the net pension liability (asset)                                                          | 0.3846112%         | 0.3764920%   | 0.3535016%   | 0.3690062%   | 0.3521190% | 0.3020041% |
| Proportionate share of the net pension liability (asset)                                                 | \$ 617,539         | \$ 968,558   | \$ 554,523   | \$ 748,815   | \$ 630,734 | \$ 379,795 |
| Covered employee payroll                                                                                 | \$ 553,539         | \$ 541,782   | \$ 524,521   | \$ 547,351   | \$ 517,969 | \$ 465,866 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 111.56%            | 178.77%      | 105.72%      | 136.81%      | 121.77%    | 81.50%     |
| Plan fiduciary net position as a percentage of the total pension liability                               | 90.90%             | 84.70%       | 90.20%       | 86.50%       | 87.10%     | 90.50%     |
| <b>Tier 2 Public Employees Retirement System</b>                                                         |                    |              |              |              |            |            |
| Proportion of the net pension liability (asset)                                                          | 0.0265400%         | 0.0257681%   | 0.0253088%   | 0.0237908%   | 0.0286768% | 0.0322847% |
| Proportionate share of the net pension liability (asset)                                                 | \$ 5,969           | \$ 11,036    | \$ 2,231     | \$ 2,654     | \$ (63)    | \$ (978)   |
| Covered employee payroll                                                                                 | \$ 368,476         | \$ 301,142   | \$ 247,704   | \$ 195,101   | \$ 185,255 | \$ 158,571 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 1.62%              | 3.66%        | 0.90%        | 1.36%        | -0.03%     | -0.60%     |
| Plan fiduciary net position as a percentage of the total pension liability                               | 96.50%             | 90.80%       | 97.40%       | 95.10%       | 100.20%    | 103.50%    |
| <b>Tier 2 Public Safety and Firefighters Retirement</b>                                                  |                    |              |              |              |            |            |
| Proportion of the net pension liability (asset)                                                          | 0.0850476%         | 0.0899718%   | 0.0495447%   | 0.0126808%   | 0.0000000% | 0.0000000% |
| Proportionate share of the net pension liability (asset)                                                 | \$ 8,000           | \$ 2,254     | \$ (573)     | \$ (110)     | \$ -       | \$ -       |
| Covered employee payroll                                                                                 | \$ 140,183         | \$ 119,740   | \$ 52,283    | \$ 10,447    | \$ -       | \$ -       |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 5.10%              | 1.88%        | -1.10%       | 1.05%        | 0.00%      | 0.00%      |
| Plan fiduciary net position as a percentage of the total pension liability                               | 89.60%             | 95.60%       | 103.00%      | 103.60%      | 0.00%      | 0.00%      |

\* 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.

Santaquin City Corporation  
**SCHEDULE OF CONTRIBUTIONS**  
June 30, 2019  
Last 10 Fiscal Years\*

|                                                              | As of<br>fiscal<br>year<br>ended<br>June 30, | Actuarial<br>Determined<br>Contributions | Contributions in<br>relation to the<br>contractually<br>required<br>contribution | Contribution<br>deficiency<br>(excess) | Covered<br>employee<br>payroll | Contributions as<br>a percentage of<br>covered<br>employee payroll |
|--------------------------------------------------------------|----------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------|--------------------------------|--------------------------------------------------------------------|
| <b>Noncontributory Retirement System</b>                     | 2014                                         | \$ 164,203                               | \$ 164,203                                                                       | \$ -                                   | \$1,023,584                    | 16.04%                                                             |
|                                                              | 2015                                         | 169,108                                  | 169,108                                                                          | -                                      | 962,322                        | 17.57%                                                             |
|                                                              | 2016                                         | 181,090                                  | 181,090                                                                          | -                                      | 1,026,610                      | 17.64%                                                             |
|                                                              | 2017                                         | 186,016                                  | 186,016                                                                          | -                                      | 1,058,370                      | 17.58%                                                             |
|                                                              | 2018                                         | 172,932                                  | 172,932                                                                          | -                                      | 998,931                        | 17.31%                                                             |
|                                                              | 2019                                         | 184,499                                  | 184,499                                                                          | -                                      | 1,057,611                      | 17.31%                                                             |
|                                                              | 2020                                         | 184,726                                  | 184,726                                                                          | -                                      | 1,059,527                      | 17.43%                                                             |
| <b>Public Safety System</b>                                  | 2014                                         | 124,019                                  | 124,019                                                                          | -                                      | 485,468                        | 25.55%                                                             |
|                                                              | 2015                                         | 169,097                                  | 169,097                                                                          | -                                      | 504,698                        | 33.50%                                                             |
|                                                              | 2016                                         | 181,090                                  | 181,090                                                                          | -                                      | 539,194                        | 33.59%                                                             |
|                                                              | 2017                                         | 177,767                                  | 177,767                                                                          | -                                      | 530,197                        | 33.53%                                                             |
|                                                              | 2018                                         | 192,394                                  | 192,394                                                                          | -                                      | 565,201                        | 34.04%                                                             |
|                                                              | 2019                                         | 180,259                                  | 180,259                                                                          | -                                      | 529,552                        | 34.04%                                                             |
|                                                              | 2020                                         | 174,957                                  | 174,957                                                                          | -                                      | 514,240                        | 34.02%                                                             |
| <b>Tier 2 Public Employees System**</b>                      | 2014                                         | 18,434                                   | 18,434                                                                           | -                                      | 128,289                        | 14.37%                                                             |
|                                                              | 2015                                         | 35,488                                   | 35,488                                                                           | -                                      | 224,115                        | 15.83%                                                             |
|                                                              | 2016                                         | 28,092                                   | 28,092                                                                           | -                                      | 188,410                        | 14.91%                                                             |
|                                                              | 2017                                         | 32,772                                   | 32,772                                                                           | -                                      | 219,799                        | 14.91%                                                             |
|                                                              | 2018                                         | 42,046                                   | 42,046                                                                           | -                                      | 278,269                        | 15.11%                                                             |
|                                                              | 2019                                         | 47,259                                   | 47,259                                                                           | -                                      | 304,110                        | 15.54%                                                             |
|                                                              | 2020                                         | 71,137                                   | 71,137                                                                           | -                                      | 454,258                        | 15.66%                                                             |
| <b>Tier 2 Public Safety and Firefighter System**</b>         | 2014                                         | 2,280                                    | 2,280                                                                            | -                                      | 10,934                         | 20.85%                                                             |
|                                                              | 2015                                         | -                                        | -                                                                                | -                                      | -                              | 0.00%                                                              |
|                                                              | 2016                                         | -                                        | -                                                                                | -                                      | -                              | 0.00%                                                              |
|                                                              | 2017                                         | 7,389                                    | 7,389                                                                            | -                                      | 32,839                         | 22.50%                                                             |
|                                                              | 2018                                         | 16,440                                   | 16,440                                                                           | -                                      | 72,839                         | 22.57%                                                             |
|                                                              | 2019                                         | 33,352                                   | 33,352                                                                           | -                                      | 144,444                        | 22.57%                                                             |
|                                                              | 2020                                         | 37,254                                   | 37,254                                                                           | -                                      | 161,063                        | 23.13%                                                             |
| <b>Tier 2 Public Employees DC Only System**</b>              | 2014                                         | -                                        | -                                                                                | -                                      | -                              | 0.00%                                                              |
|                                                              | 2015                                         | 2,579                                    | 2,579                                                                            | -                                      | 38,374                         | 6.72%                                                              |
|                                                              | 2016                                         | 11,135                                   | 11,135                                                                           | -                                      | 166,441                        | 6.69%                                                              |
|                                                              | 2017                                         | 13,355                                   | 13,355                                                                           | -                                      | 199,627                        | 6.69%                                                              |
|                                                              | 2018                                         | 17,673                                   | 17,673                                                                           | -                                      | 265,096                        | 6.67%                                                              |
|                                                              | 2019                                         | 20,695                                   | 20,695                                                                           | -                                      | 309,351                        | 6.67%                                                              |
|                                                              | 2020                                         | 24,359                                   | 24,359                                                                           | -                                      | 360,536                        | 6.76%                                                              |
| <b>Tier 2 Public Safety and Firefighter DC Only System**</b> | 2014                                         | 1,456                                    | 1,456                                                                            | -                                      | 16,095                         | 9.05%                                                              |
|                                                              | 2015                                         | 4,840                                    | 4,840                                                                            | -                                      | 41,400                         | 11.69%                                                             |
|                                                              | 2016                                         | 5,056                                    | 5,056                                                                            | -                                      | 43,519                         | 11.62%                                                             |
|                                                              | 2017                                         | 5,244                                    | 5,244                                                                            | -                                      | 45,160                         | 11.61%                                                             |
|                                                              | 2018                                         | 614                                      | 614                                                                              | -                                      | 5,194                          | 11.83%                                                             |
|                                                              | 2019                                         | 5,555                                    | 5,555                                                                            | -                                      | 46,958                         | 11.83%                                                             |
|                                                              | 2020                                         | 6,026                                    | 6,026                                                                            | -                                      | 50,934                         | 11.83%                                                             |

\* 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 five years.

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

Santaquin City  
**MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING**  
June 30, 2020

As allowed by GASB 34, Santaquin City has adopted an alternative to reporting depreciation on roads (infrastructure assets) maintained by the Public Works Department. Under the modified approach, infrastructure assets are not depreciated and maintenance and preservation costs are expensed.

Infrastructure assets that are part of a network are not required to be depreciated as long as the following requirements are met:

- The assets will be managed using an asset management system
- Document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level as disclosed below

The asset management system will provide:

- An up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale at least every three years
- Estimate yearly the annual amount of funds needed to maintain and preserve the eligible infrastructure assets at the condition level established
- The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved at the disclosed level
- All expenditures, except for additions and improvements, made for the eligible infrastructure assets will be expensed in the period incurred
- Additions and improvements to the eligible infrastructure assets will be capitalized, as they increase the capacity or efficiency of the asset rather than preserve the useful life of the asset

## Roads

Santaquin City will utilize the Pavement Management System to determine the condition of the city roads. The assessment is based on the Ride Index, which is a measurement of ride quality on a scale of 1-5, with 5 representing new or nearly new pavement.

| Category  | Range       | Description                                                                                                               |
|-----------|-------------|---------------------------------------------------------------------------------------------------------------------------|
| Good      | 3.55 – 4.34 | Pavements, which provide an adequate, ride, and exhibit few, if any, visible signs of distress.                           |
| Fair      | 2.75 – 3.54 | Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.                          |
| Poor      | 1.85 – 2.74 | These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough. |
| Very Poor | 1.00 – 1.84 | Pavements in this category are severely deteriorated, and the ride quality must be improved.                              |

Santaquin City  
**MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING**  
June 30, 2020

**Condition Level**

Santaquin City's condition level policy is to maintain 60% of the roads with a rating of "fair" or better and no more than 20% with a rating of "poor-very poor." All city roads are chip sealed on a rotating basis, with all new city streets done in a given year, and the rotation started every four to five years. The whole city had roads chip sealed between the years 2000 and current.

Complete assessments of the roads are performed on a fiscal year basis. The following chart shows the results of the pavement ratings for the last five years:

| <b>Rating</b>    | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| Fair or Better   | 76%         | 76%         | 76%         | 74%         | 73%         |
| Poor - Very Poor | 24%         | 24%         | 24%         | 26%         | 27%         |

The following table shows the estimated amounts needed to maintain and preserve the roads at or above the established condition levels addressed above, and the amounts actually spent for each of the last five fiscal years.

| <b>Fiscal Year</b> | <b>Estimated Spending</b> | <b>Actual Spending</b> |
|--------------------|---------------------------|------------------------|
| 2020               | \$4,784,264               | \$3,757,721            |
| 2019               | \$6,258,750               | \$3,026,690            |
| 2018               | \$944,562                 | \$843,728              |
| 2017               | \$274,661                 | \$792,881              |
| 2016               | \$922,147                 | \$875,500              |

## **SUPPLEMENTARY INFORMATION**

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

The **Senior Citizens Fund** accounts for the activities related to the senior citizens.

The **Park Impact Fees Fund** accounts for the City's collection and spending of impact fees relating to the City's parks.

The **Public Safety Impact Fees Fund** accounts for the City's collection and spending of impact fees relating to the City's public safety department.

The **Transportation Impact Fees Fund** accounts for the City's collection and spending of impact fees relating to the City's transportation department.

The **Community Development & Renewal Agency Fund** accounts for the activities of the Agency.

The **Local Building Authority Fund** accounts for the activities of the Local Building Authority.

The **Santaquin Special Service District Fund** accounts for the activities of what District related to water shares.

Santaquin City Corporation  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2020

|                                                                                | Senior<br>Citizens | Park<br>Impact<br>Fees | Public<br>Safety<br>Impact<br>Fees | Transportation<br>Impact<br>Fees |
|--------------------------------------------------------------------------------|--------------------|------------------------|------------------------------------|----------------------------------|
| <b>ASSETS</b>                                                                  |                    |                        |                                    |                                  |
| Cash and cash equivalents                                                      | \$ 22,751          | -                      | -                                  | -                                |
| Restricted cash and cash equivalents                                           | -                  | 830,346                | 317,191                            | 515,415                          |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 22,751</b>   | <b>830,346</b>         | <b>317,191</b>                     | <b>515,415</b>                   |
| <b>LIABILITIES</b>                                                             |                    |                        |                                    |                                  |
| Accounts payable                                                               | \$ 42              | -                      | -                                  | -                                |
| <b>TOTAL LIABILITIES</b>                                                       | <b>42</b>          | <b>-</b>               | <b>-</b>                           | <b>-</b>                         |
| <b>FUND BALANCES:</b>                                                          |                    |                        |                                    |                                  |
| Restricted for:                                                                |                    |                        |                                    |                                  |
| Impact fees and grants                                                         | -                  | 830,346                | 317,191                            | 515,415                          |
| Comm. Develop. and Renewal Agency                                              | -                  | -                      | -                                  | -                                |
| Local Building Authority                                                       | -                  | -                      | -                                  | -                                |
| Santaquin SSD                                                                  | -                  | -                      | -                                  | -                                |
| Committed for:                                                                 |                    |                        |                                    |                                  |
| Senior citizens                                                                | 22,709             | -                      | -                                  | -                                |
| <b>TOTAL FUND BALANCES</b>                                                     | <b>22,709</b>      | <b>830,346</b>         | <b>317,191</b>                     | <b>515,415</b>                   |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 22,751</b>   | <b>830,346</b>         | <b>317,191</b>                     | <b>515,415</b>                   |

| Community<br>Development<br>& Renewal<br>Agency | Local<br>Building<br>Authority | Santaquin<br>SSD | Total<br>Nonmajor<br>Governmental<br>Funds |
|-------------------------------------------------|--------------------------------|------------------|--------------------------------------------|
| -                                               | -                              | -                | 22,751                                     |
| 60,255                                          | 35                             | 14,894           | 1,738,136                                  |
| <b>60,255</b>                                   | <b>35</b>                      | <b>14,894</b>    | <b>1,760,887</b>                           |
| -                                               | -                              | -                | 42                                         |
| -                                               | -                              | -                | <b>42</b>                                  |
| -                                               | -                              | -                | 1,662,952                                  |
| 60,255                                          | -                              | -                | 60,255                                     |
| -                                               | 35                             | -                | 35                                         |
| -                                               | -                              | 14,894           | 14,894                                     |
| -                                               | -                              | -                | 22,709                                     |
| <b>60,255</b>                                   | <b>35</b>                      | <b>14,894</b>    | <b>1,760,845</b>                           |
| <b>60,255</b>                                   | <b>35</b>                      | <b>14,894</b>    | <b>1,760,887</b>                           |

Santaquin City Corporation  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

|                                                                      | Senior<br>Citizens | Park<br>Impact<br>Fees | Public<br>Safety<br>Impact<br>Fees | Transportation<br>Impact<br>Fees |
|----------------------------------------------------------------------|--------------------|------------------------|------------------------------------|----------------------------------|
| <b>REVENUES:</b>                                                     |                    |                        |                                    |                                  |
| Intergovernmental revenues                                           | \$ -               | 5,800                  | -                                  | -                                |
| Charges for services                                                 | 14,592             | -                      | -                                  | -                                |
| Interest                                                             | 2                  | -                      | -                                  | -                                |
| Miscellaneous revenue                                                | 7,761              | -                      | -                                  | -                                |
| <b>Total revenues</b>                                                | <b>22,356</b>      | <b>5,800</b>           | <b>-</b>                           | <b>-</b>                         |
| <b>EXPENDITURES:</b>                                                 |                    |                        |                                    |                                  |
| General government                                                   | -                  | -                      | -                                  | -                                |
| Public safety                                                        | -                  | -                      | 7,500                              | -                                |
| Highways and public improvements                                     | -                  | -                      | -                                  | 27,912                           |
| Parks, recreation and public property                                | 47,013             | 1,093,428              | -                                  | -                                |
| Debt service:                                                        |                    |                        |                                    |                                  |
| Principal                                                            | -                  | -                      | -                                  | -                                |
| Interest                                                             | -                  | -                      | -                                  | -                                |
| <b>Total expenditures</b>                                            | <b>47,013</b>      | <b>1,093,428</b>       | <b>7,500</b>                       | <b>27,912</b>                    |
| <b>Excess (Deficiency) of Revenues over<br/>(Under) Expenditures</b> | <b>(24,657)</b>    | <b>(1,087,628)</b>     | <b>(7,500)</b>                     | <b>(27,912)</b>                  |
| <b>Other Financing Sources and (Uses):</b>                           |                    |                        |                                    |                                  |
| Impact fees                                                          | -                  | 872,760                | 96,424                             | 223,795                          |
| Transfers in                                                         | 38,500             | -                      | -                                  | -                                |
| Transfers out                                                        | -                  | -                      | -                                  | (100,000)                        |
| <b>Total other financing sources and (uses)</b>                      | <b>38,500</b>      | <b>872,760</b>         | <b>96,424</b>                      | <b>123,795</b>                   |
| <b>Net Change in Fund Balances</b>                                   | <b>13,843</b>      | <b>(214,868)</b>       | <b>88,924</b>                      | <b>95,883</b>                    |
| Fund balances - beginning of year                                    | 8,866              | 1,045,214              | 228,267                            | 419,532                          |
| <b>Fund balance - end of year</b>                                    | <b>\$ 22,709</b>   | <b>830,346</b>         | <b>317,191</b>                     | <b>515,415</b>                   |

| Community<br>Development<br>& Renewal<br>Agency | Local<br>Building<br>Authority | Santaquin<br>SSD | Total<br>Nonmajor<br>Governmental<br>Funds |
|-------------------------------------------------|--------------------------------|------------------|--------------------------------------------|
| -                                               | -                              | -                | 5,800                                      |
| -                                               | -                              | 30,285           | 44,877                                     |
| 32                                              | -                              | -                | 34                                         |
| -                                               | -                              | -                | 7,761                                      |
| <b>32</b>                                       | <b>-</b>                       | <b>30,285</b>    | <b>58,473</b>                              |

|                |                |               |                  |
|----------------|----------------|---------------|------------------|
| -              | 1,988          | -             | 1,988            |
| -              | -              | -             | 7,500            |
| 407,538        | -              | 30,371        | 465,821          |
| -              | -              | -             | 1,140,440        |
| -              | 97,000         | -             | 97,000           |
| -              | 89,697         | -             | 89,697           |
| <b>407,538</b> | <b>188,685</b> | <b>30,371</b> | <b>1,802,446</b> |

**(407,506)      (188,685)      (86)      (1,743,887)**

|                |                |          |                  |
|----------------|----------------|----------|------------------|
| -              | -              | -        | 1,192,978        |
| 457,500        | 188,685        | -        | 684,685          |
| -              | -              | -        | (100,000)        |
| <b>457,500</b> | <b>188,685</b> | <b>-</b> | <b>1,777,663</b> |

|               |           |               |                  |
|---------------|-----------|---------------|------------------|
| <b>49,994</b> | <b>-</b>  | <b>(86)</b>   | <b>33,776</b>    |
| 10,261        | 35        | 14,980        | 1,727,155        |
| <b>60,255</b> | <b>35</b> | <b>14,894</b> | <b>1,760,845</b> |

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

The Honorable Mayor, and  
Members of the City Council  
Santaquin City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2020.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

***Larson & Company, PC***

Larson & Company, PC

Spanish Fork, Utah

November 20, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE  
STATE COMPLIANCE AUDIT GUIDE**

Honorable Mayor  
Members of the City Council  
City of Santaquin, Utah

**Report on Compliance with General State Compliance Requirements**

We have audited the City of Santaquin, Utah's (herein referred to as the "City") compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for year ended June 30, 2020.

General state compliance requirements were tested for the year ended June 30, 2020 in the following areas:

|                                       |                              |
|---------------------------------------|------------------------------|
| Budgetary Compliance                  | Open and Public Meetings Act |
| Fund Balance                          | Fraud Risk Assessment        |
| Justice Courts                        |                              |
| Restricted Taxes and Related Revenues |                              |

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Opinion on General State Compliance Requirements**

In our opinion, the City of Santaquin, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2020.

## Other Matters

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

## Report on Internal Control Over Compliance

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

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

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

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

***Larson & Company, PC***

Larson & Company, PC

Spanish Fork, Utah  
November 20, 2020