

Santaquin City Corporation
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

Santaquin City Corporation

TABLE OF CONTENTS

June 30, 2020

	<u>Beginning on page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	49
Notes to Required Supplementary Information	51
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	52
Schedule of the Proportionate Share of the Net Pension Liability	53
Schedule of Contributions	54
Modified Approach of Infrastructure Reporting	55
SUPPLEMENTARY INFORMATION	57
Combining Balance Sheet - Governmental Funds	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	62
OTHER REPORTS	
Independent Auditor's Report on Internal control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the <i>State Compliance Audit Guide</i>	66



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 Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous 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
Total assets and deferred outflows	\$ 36,375,390	33,693,097	31,720,596	31,159,609	68,095,987	64,852,706
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
Total liabilities and deferred inflows	12,442,952	12,833,519	14,734,296	14,693,548	27,177,248	27,527,067
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
Total net position	\$ 23,932,438	20,859,579	16,986,300	16,466,060	40,918,738	37,325,638

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 Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
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
General revenues:						
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
Total revenues	9,989,337	9,009,537	6,768,218	6,520,003	16,757,556	15,429,540
Expenses:						
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
Total expenses	8,780,278	8,248,277	4,384,178	4,789,924	13,164,456	13,038,201
Excess (deficiency) before transfers	1,209,060	761,260	2,384,040	1,730,079	3,593,100	2,391,339
Transfers in (out)	1,863,800	1,447,432	(1,863,800)	(1,447,432)	-	-
Change in net position	\$ 3,072,860	2,208,692	520,240	282,647	3,593,100	2,391,339

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
Management's Discussion and Analysis
June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land	\$ 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
Totals	\$ 26,101,723	22,434,803	27,574,550	27,868,312	53,676,273	50,303,115

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 Year	Previous Year
Governmental activities:		
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
Total governmental	\$ 6,464,282	7,080,081
Business-type activities:		
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
Total business-type	\$ 14,067,515	13,511,233
Total outstanding debt	\$ 20,531,797	20,591,314

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 Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
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	<u>8,092,618</u>	<u>1,354,436</u>	<u>9,447,054</u>
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	<u>27,951,253</u>	<u>30,276,864</u>	<u>58,228,117</u>
Total assets	<u>36,043,871</u>	<u>31,631,300</u>	<u>67,675,171</u>
Deferred outflows of resources - pensions	331,520	89,296	420,816
Total assets and deferred outflows of resources	<u>\$ 36,375,390</u>	<u>31,720,596</u>	<u>68,095,987</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
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	<u>4,717,152</u>	<u>1,106,885</u>	<u>5,824,037</u>
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	<u>7,336,392</u>	<u>13,523,877</u>	<u>20,860,269</u>
Total liabilities	<u>12,053,544</u>	<u>14,630,762</u>	<u>26,684,306</u>
Deferred inflows of resources	6,731	-	6,731
Deferred inflows of resources - pensions	382,677	103,534	486,211
Total liabilities and deferred inflows of resources	<u>12,442,952</u>	<u>14,734,296</u>	<u>27,177,248</u>
NET POSITION:			
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
Total net position	<u>23,932,438</u>	<u>16,986,300</u>	<u>40,918,739</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 36,375,390</u>	<u>31,720,596</u>	<u>68,095,987</u>

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

<u>FUNCTIONS/PROGRAMS:</u>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
Primary government:					
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)
Total governmental activities	8,780,278	3,098,543	1,135,719	2,117,844	(2,428,171)
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
Total business-type activities	4,384,178	4,841,001	-	1,833,803	2,290,626
Total primary government	\$ 13,164,456	7,939,544	1,135,719	3,951,648	(137,545)

(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 Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (2,428,171)	2,290,626	(137,545)
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>
Change in net position	3,072,860	520,240	3,593,100
Net position - beginning	<u>20,859,579</u>	<u>16,466,060</u>	<u>37,325,638</u>
Net position - ending	<u>\$ 23,932,438</u>	<u>16,986,300</u>	<u>40,918,739</u>

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

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

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
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
TOTAL ASSETS	\$ 6,696,578	1,484,683	1,760,887	9,942,148
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
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
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,148,637	2,482	42	4,151,161
FUND BALANCES:				
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
TOTAL FUND BALANCES	2,547,941	1,482,201	1,760,845	5,790,987
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,696,578	1,484,683	1,760,887	9,942,148

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 Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
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
Total revenues	7,757,003	941,908	58,473	8,757,383
EXPENDITURES:				
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
Total expenditures	6,492,485	4,644,270	1,802,446	12,939,200
Excess (Deficiency) of Revenues over (Under) Expenditures	1,264,518	(3,702,362)	(1,743,973)	(4,181,817)
Other Financing Sources and (Uses):				
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)
Total other financing sources and (uses)	(215,539)	1,533,630	1,777,663	3,095,754
Net Change in Fund Balances	1,048,979	(2,168,732)	33,690	(1,086,063)
Fund balances - beginning of year	1,498,962	3,650,933	1,727,155	6,877,050
Fund balance - end of year	\$ 2,547,941	1,482,201	1,760,845	5,790,987

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

Total Fund Balance for Governmental Funds	<u>\$ 5,790,987</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	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>
Total Net Position of Governmental Activities	<u><u>\$ 23,932,438</u></u>

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (1,086,063)</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.</p>	
Capital outlays	4,353,623
Depreciation expense	<u>(686,703)</u>
Net	<u>3,666,920</u>
<p>The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements.</p>	
	<u>(77,815)</u>
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Long-term debt principal repayments	<u>615,799</u>
<p>Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities.</p>	
Change in accrued interest	<u>6,120</u>
<p>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.</p>	
Change in compensated absence liability	<u>(52,101)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,072,860</u></u>

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 Fund	Sewer Fund	Non-major Storm Drain Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
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
Total assets and deferred outflows of resources	\$ 14,681,739	16,710,457	328,400	31,720,596
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
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
Total liabilities and deferred inflows of resources	7,034,293	7,700,003	-	14,734,296
NET POSITION:				
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
Total net position	7,647,446	9,010,454	328,400	16,986,300
Total liabilities, deferred inflows of resources and net position	\$ 14,681,739	16,710,457	328,400	31,720,596

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 Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Operating income:				
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
Total operating income	2,870,030	1,932,067	38,904	4,841,001
Operating expenses:				
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
Total operating expense	1,866,251	2,256,776	-	4,123,026
Net operating income (loss)	1,003,779	(324,709)	38,904	717,974
Non-operating income (expense):				
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)
Total non-operating income (expense)	415,739	1,010,736	239,590	1,666,066
Income (loss) before transfers	1,419,518	686,027	278,495	2,384,040
Transfers out	(1,183,472)	(680,328)	-	(1,863,800)
Change in net position	236,046	5,699	278,495	520,240
Net position - beginning	7,411,400	9,004,754	49,906	16,466,060
Net position - ending	\$ 7,647,446	9,010,454	328,400	16,986,300

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 Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Cash flows from operating activities:				
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)
Net cash provided (used) in operating activities	1,576,793	386,476	43,404	2,006,673
Cash flows from noncapital financing activities:				
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)
Net cash provided (used) in noncapital financing activities	(843,003)	(1,022,547)	-	(1,865,550)
Cash flows from capital and related financing activities:				
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)
Net cash provided (used) in capital and related financing activities	(181,486)	529,163	239,590	587,268
Cash flows from investing activities:				
Cash received from interest earned	29,977	63,437	-	93,414
Net cash provided (used) in investing activities	29,977	63,437	-	93,414
Net increase (decrease) in cash	582,281	(43,471)	282,994	821,804
Cash balance - beginning	1,856,795	918,732	42,022	2,817,549
Cash balance - ending	\$ 2,439,077	875,261	325,016	3,639,354
Cash reported on the statement of net position:				
Cash and cash equivalents	\$ 612,023	-	325,016	937,040
Non-current restricted cash	1,827,054	875,261	-	2,702,314
Total cash and cash equivalents	\$ 2,439,077	875,261	325,016	3,639,354

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 Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Net operating income (expense)	\$ 1,003,779	(324,709)	38,904	717,974
Adjustments to reconcile operating income or (loss) 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
Net cash provided (used) in operating activities	\$ 1,576,793	386,476	43,404	2,006,673

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
Total cash	\$ 12,674,304

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
Total cash and cash equivalents	\$ 12,674,304

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 Fund	Capital Projects Fund	Water Fund	Sewer Fund	Storm Drain 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
Total receivables	773,430	146,000	270,373	184,274	3,384	1,377,460
Allowance for uncollectibles	(12,232)	-	(40,698)	(26,166)	-	(79,096)
Net receivables	\$ 761,198	146,000	229,675	158,108	3,384	1,298,364

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
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
Total capital assets, not being depreciated	15,958,228	8,395,937	7,203,488	17,150,676
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
Total capital assets, being depreciated	13,395,273	3,161,174	-	16,556,448
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
Total accumulated depreciation	6,918,698	686,703	-	7,605,401
Total capital assets being depreciated, net	6,476,575	2,474,471	-	8,951,047
Governmental activities capital assets, net	\$ 22,434,803	10,870,408	7,203,488	26,101,723

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

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

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:

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
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
Total capital assets, not being depreciated	4,253,864	1,465,232	-	5,719,096
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
Total capital assets, being depreciated	47,982,136	-	-	47,982,136
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
Total accumulated depreciation	24,367,688	1,758,994	-	26,126,682
Total capital assets being depreciated, net	23,614,448	(1,758,994)	-	21,855,454
Business-type activities capital assets, net	\$ 27,868,312	(293,762)	-	27,574,550

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
Total	\$ 1,758,994

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 Principal	%	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Direct Borrowings:							
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
Bonds:							
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	-
Total governmental activity long-term liabilities			\$7,080,081	-	615,799	6,464,282	523,201

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
Total	\$6,464,282	1,207,290	7,671,572

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 Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds:							
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
Total business-type activity long-term liabilities			\$ 13,511,233	1,513,688	957,406	14,067,515	976,879

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
Total	\$ 14,067,515	2,783,235	16,850,750

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 Activities
Machinery and equipment	\$ 922,044
Less accumulated depreciation	(766,043)
Net book value	\$ 156,001

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

Other long-term liabilities:

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

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
Total	\$ 4,668,947	4,668,947

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
June 30, 2020

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.

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

* with actuarial reductions

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

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:

Utah Retirement Systems	Employee Paid	Employer Contribution Rate	Employer Rate for 401(k) Plan
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:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
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
Total Contributions	\$ 498,458	\$ -

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.

	<u>(Measurement Date): December 31, 2019</u>				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2018	Change (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%
Total	\$ -	\$ 1,110,183			

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 of Resources	Deferred Inflows 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 pension plan investments	-	459,493
Changes in proportion and differences between contributions and proportionate share of contributions	39,495	4,360
Contributions subsequent to the measurement date	246,761	-
Total	\$ 420,816	\$ 486,211

\$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 Outflows (Inflows) 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 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:

Assets class	Expected Return Arithmetic Basis		
	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%
Totals	100.00%		4.75%
	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:

<u>System</u>	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
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)
Total	<u>\$ 3,174,469</u>	<u>\$ 1,110,183</u>	<u>\$ (585,853)</u>

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:

	2020	2019	2018
401(k) Plan			
Employer Contributions	\$ 69,499	\$ 60,671	\$ 32,359
Employee Contributions	46,355	40,228	34,719
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	15,088	20,812	25,849
Roth IRA Plan			
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.

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 Original	Budgeted Final	Actual	Variance with Final Budget
REVENUES:				
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
Total revenues	6,880,505	7,116,505	7,757,003	640,498
EXPENDITURES:				
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
Total expenditures	6,641,265	6,858,765	6,492,485	366,280
Excess (Deficiency) of Revenues over (Under) Expenditures	239,240	257,740	1,264,518	1,006,778
Other Financing Sources and (Uses):				
Transfers in	2,001,100	2,001,100	2,001,100	-
Transfers (out)	(2,109,958)	(2,216,640)	(2,216,639)	1
Total other financing sources and (uses)	(108,858)	(215,540)	(215,539)	1
Net Change in Fund Balances	130,382	42,200	1,048,979	1,006,779
Fund balances - beginning of year	1,498,962	1,498,962	1,498,962	-
Fund balance - end of year	\$ 1,629,344	1,541,162	2,547,941	1,006,779

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
Noncontributory Retirement System						
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%
Public Safety System						
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%
Tier 2 Public Employees Retirement System						
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%
Tier 2 Public Safety and Firefighters Retirement						
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 fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory Retirement System	2014	\$ 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%
Public Safety System	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%
Tier 2 Public Employees System**	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%
Tier 2 Public Safety and Firefighter System**	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%
Tier 2 Public Employees DC Only System**	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%
Tier 2 Public Safety and Firefighter DC Only System**	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:

Rating	2020	2019	2018	2017	2016
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.

Fiscal Year	Estimated Spending	Actual Spending
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 Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees
ASSETS				
Cash and cash equivalents	\$ 22,751	-	-	-
Restricted cash and cash equivalents	-	830,346	317,191	515,415
TOTAL ASSETS	\$ 22,751	830,346	317,191	515,415
LIABILITIES				
Accounts payable	\$ 42	-	-	-
TOTAL LIABILITIES	42	-	-	-
FUND BALANCES:				
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	-	-	-
TOTAL FUND BALANCES	22,709	830,346	317,191	515,415
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 22,751	830,346	317,191	515,415

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

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

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

Community Development & Renewal Agency	Local Building Authority	Santaquin SSD	Total Nonmajor Governmental Funds
-	-	-	5,800
-	-	30,285	44,877
32	-	-	34
-	-	-	7,761
32	-	30,285	58,473
-	1,988	-	1,988
-	-	-	7,500
407,538	-	30,371	465,821
-	-	-	1,140,440
-	97,000	-	97,000
-	89,697	-	89,697
407,538	188,685	30,371	1,802,446
(407,506)	(188,685)	(86)	(1,743,887)
-	-	-	1,192,978
457,500	188,685	-	684,685
-	-	-	(100,000)
457,500	188,685	-	1,777,663
49,994	-	(86)	33,776
10,261	35	14,980	1,727,155
60,255	35	14,894	1,760,845

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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

**CITY OF SANTAQUIN, UTAH
COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE
(MANAGEMENT LETTER)
JUNE 30, 2020**

**CITY OF SANTAQUIN, UTAH
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

Beginning
on Page

MANAGEMENT LETTER:

Communication with Those Charged with Governance	1
Schedule of Findings	
Current Year Internal Control/Other Findings	3
Current Year State Compliance Findings	3
Status of Prior Year Internal Control Findings	4
Status of Prior Year State Compliance Findings	4



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

Mayor and Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and The Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Santaquin City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the supplement on the Modified Approach for Infrastructure Reporting, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements of nonmajor funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Santaquin City, management of Santaquin City, and other various Federal and State funding and auditing agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
November 20, 2020

SCHEDULE OF FINDINGS

Internal Control Finding(s) – Current Year

No Internal Control Findings Noted in Current Period

State Compliance Finding(s) – Current Year

No State Compliance Findings Noted in Current Period

Other Compliance Finding(s) – Current Year

No Other Compliance Findings Noted in Current Period

Status of Internal Control Finding(s) – Prior Year

No Internal Control Findings Noted in Prior Period

State Compliance Finding(s) – Current Year

SC 2019.1 Open and public meetings

Condition: All public meeting minutes were not uploaded to the Utah Public Notice Website (the website) within the required three days after approval.

Criteria: *Utah Code 52-4-2(e)(ii)* states that “within three business days after approving written minutes of an open meeting [a public body shall]:

- (A) Post to the state website a copy of the approved minutes of an open meeting;
- (B) Make the approved minutes and public materials available to the public at the public body’s primary office; and
- (C) If the public body provides online minutes. Post approved minutes and public materials on the public body’s website.

Status of finding: Finding appears to have been addressed and corrected.

Other Compliance Finding(s) – Current Year

OC 2019.1 Bond Compliance

Condition: Sewer operating revenue was not sufficient to meet 120% revenue requirement as listed in bond covenants.

Criteria: Operating revenues should exceed operating expenditures by 120% including principle and interest on bonds.

Cause of condition: Significant repairs and maintenance during the period caused a net loss in operating income.

Status of Finding: Finding appears to have been addressed and corrected.

City of Santaquin
Utah County, Utah

REPORT ON BOND COMPLIANCE
For the Year Ended June 30, 2020

CITY OF SANTAQUIN, UTAH
TABLE OF CONTENTS
June 30, 2020

	<u>Pages</u>
REPORT ON BOND COMPLIANCE	1
Net Revenue Bond Requirement--Sewer Fund	2
Net Revenue Bond Requirement--Water Fund	3
Insurance Coverage	4
Water and Sewer Connection Fees, Connections, and Billing	5
Water and Sewer Rates	6



REPORT ON BOND COMPLIANCE

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

Mayor and Council Members:

We have audited the financial statements of Santaquin City, Utah, for the year ended June 30, 2020, and have issued our report thereon dated November 20, 2020.

As part of our audit, we reviewed your compliance with the requirements of your bond issues.

- The rates for the sewer funds are insufficient to meet the 120% net revenue test of the bond requirements (see page 2).

Based on our review, we are not aware of any areas of non-compliance with the compliance requirements contained in bond purchase agreements other than those noted above.

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
November 20, 2020

CITY OF SANTAQUIN, UTAH
Net Revenue Bond Requirement – Sewer Fund
Year Ended June 30, 2020

Operating Income		(324,709)
Interest Income		63,437
Operating Expense Not Requiring Funds:		
Depreciation		<u>1,137,867</u>
Net Revenues		876,595
Debt Service - 2020 Fiscal Year		
Principal	\$ (533,406)	
Interest	<u>(126,716)</u>	
Total	<u>(660,122)</u>	
Required 120%		<u>(792,147)</u>
Net Revenues In Excess		<u>\$ 84,448</u>

CITY OF SANTAQUIN, UTAH
Net Revenue Bond Requirement – Water Fund
Year Ended June 30, 2020

Operating Income		1,003,779
Interest Income		29,559
Operating Expense Not Requiring Funds:		
Depreciation		<u>621,127</u>
Net Revenues		1,654,465
Debt Service - 2020 Fiscal Year		
Principal	(424,000)	
Interest	<u>(142,814)</u>	
Total	<u>(566,814)</u>	
Required 125%		<u>(708,518)</u>
Net Revenues In Excess		<u><u>\$ 945,948</u></u>

CITY OF SANTAQUIN, UTAH
Insurance Coverage
Year Ended June 30, 2020

<u>COMPANY</u>	<u>COVERAGE AMOUNT</u>	<u>COVERAGE</u>	<u>EXPIRATION DATE</u>
Utah Local Governments' Trust	\$ 5,000,000	General Liability, Bodily Injury, Personal Injury, Property Damage, Public Officials, Errors and Omissions	2/16/2021
Utah Local Governments' Trust	\$ 5,000,000	Automotive Liability, Automotive Bodily Injury, and Property Damage	2/16/2021
Utah Local Governments' Trust	\$ 100,000	Uninsured Motorist	2/16/2021
Utah Local Governments' Trust	\$ 100,000	Underinsured Motorist	2/16/2021

CITY OF SANTAQUIN, UTAH
Water and Sewer Connection Fees,
Connections, and Billings
Year Ended June 30, 2020

CONNECTION FEES

Water connection fees per connection are as follows:

3/4" meter	\$300.00
1" meter	400.00
1 1/2" meter	670.00
2" meter	770.00

Sewer connection fees are \$250.00 per connection.

Pressurized irrigation connection fees are \$250.00 per connection.

CONNECTIONS

Currently the City services 4,133 water connections and 4,038 sewer connections, and 3,887 pressurized irrigation connections.

BILLINGS

For the year ended June 30, 2020, the total water billings were \$1,230,815.

The total pressurized irrigation billings were \$1,054,289, and the total sewer billings were \$1,935,117

CITY OF SANTAQUIN, UTAH

Water and Sewer Rates

Year Ended June 30, 2020

SEWER

The base rate for sewer service shall be \$40.03 per unit per month.

An additional charge of \$0.83 per 1,000 gallons will be assessed as determined by the customer's actual water usage.

WATER

Base Rate	\$ 22.47
0 to 4,000 gallons	\$ 0.58 per 1,000 gallons
4,001 to 8,000 gallons	\$ 0.88 per 1,000 gallons
8,001 to 12,000 gallons	\$ 1.16 per 1,000 gallons
12,001 + gallons	\$ 2.15 per 1,000 gallons

PRESSURIZED IRRIGATION

Base Rate	\$ 16.37 1"
	\$ 13.40 1.5" or larger

An additional charge of \$0.74 per 1,000 gallons is assessed based on usage.