

Santaquin City Corporation
Utah County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2015, 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, and the supplement on the Modified Approach for Infrastructure Reporting and required information relating to pensions on pages 3-11, and 49-54 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 on pages 55-57 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 December 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santaquin City's internal control over financial reporting and compliance.


Larson & Company, PC

Spanish Fork, Utah
December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2015

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, 2015.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole decreased by \$251,988.
- *Total unrestricted net position for the City as a whole increased by \$86,241.
- *Total net position for governmental activities increased by \$695,669.
- *Total net position for business-type activities decreased by \$947,657.

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 of resources, liabilities and deferred inflow of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets 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, 2015

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 two enterprise funds to account for the operations of the water, sewer, 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, 2015

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	\$ 3,394,644	2,252,922	1,628,989	1,434,305	5,023,633	3,687,227
Net capital assets	16,260,251	16,172,726	31,652,831	33,620,920	47,913,082	49,793,647
Deferred outflows of resources	167,260	121,879	44,461	32,398	211,721	154,277
Total assets and deferred outflows	<u>19,822,154</u>	<u>18,547,527</u>	<u>33,326,281</u>	<u>35,087,624</u>	<u>53,148,436</u>	<u>53,635,151</u>
Long-term liabilities	1,031,271	1,221,186	15,327,674	16,137,345	16,358,944	17,358,531
Other liabilities	2,465,305	1,812,154	414,631	450,716	2,879,936	2,262,870
Deferred inflows of resources	125,366	9,644	32,070	-	157,436	9,644
Total liabilities and deferred inflows	<u>3,621,941</u>	<u>3,042,983</u>	<u>15,774,375</u>	<u>16,588,061</u>	<u>19,396,316</u>	<u>19,631,044</u>
Net position:						
Net investment in capital assets	15,228,980	14,951,541	16,325,158	17,483,575	31,554,138	32,435,116
Restricted	915,634	717,281	2,227,371	1,882,975	3,143,005	2,600,255
Unrestricted	55,598	(164,278)	(1,000,622)	(866,987)	(945,024)	(1,031,265)
Total net position	<u>\$ 16,200,213</u>	<u>15,504,544</u>	<u>17,551,906</u>	<u>18,499,563</u>	<u>33,752,119</u>	<u>34,004,106</u>

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 inflows of resources at the close of the year by \$33,752,119, a decrease of \$251,987 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is a deficit of \$945,024, which represents an increase of \$86,241 from the previous year. Unrestricted net position are those 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, 2015

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	1,731,455	1,505,782	3,139,940	3,032,707	4,871,395	4,538,489
Operating grants	929,500	383,897	-	-	929,500	383,897
Capital grants	457,560	323,167	814,184	3,984,679	1,271,744	4,307,846
General revenues:						
Property taxes	716,939	708,517	-	-	716,939	708,517
Sales tax	1,059,084	984,764	-	-	1,059,084	984,764
Other taxes	517,437	429,009	-	-	517,437	429,009
Other revenues	433,133	138,907	9,711	10,199	442,844	149,106
Total revenues	<u>5,845,107</u>	<u>4,474,042</u>	<u>3,963,835</u>	<u>7,027,586</u>	<u>9,808,942</u>	<u>11,501,628</u>
Expenses:						
General government	1,294,753	1,210,707	-	-	1,294,753	1,210,707
Public safety	1,938,587	1,917,190	-	-	1,938,587	1,917,190
Highways and improvements	1,545,744	1,049,130	-	-	1,545,744	1,049,130
Sanitation	318,414	289,110	-	-	318,414	289,110
Parks and recreation	891,285	887,921	-	-	891,285	887,921
Cemetery	74,890	75,940	-	-	74,890	75,940
Interest on long-term debt	37,930	24,208	-	-	37,930	24,208
Water	-	-	1,675,584	1,642,676	1,675,584	1,642,676
Sewer	-	-	2,000,995	1,688,950	2,000,995	1,688,950
Irrigation	-	-	282,747	150,233	282,747	150,233
Total expenses	<u>6,101,603</u>	<u>5,454,206</u>	<u>3,959,327</u>	<u>3,481,859</u>	<u>10,060,929</u>	<u>8,936,065</u>
Excess (deficiency) before transfers	(256,496)	(980,164)	4,508	3,545,727	(251,987)	2,565,563
Transfers in (out)	952,165	894,308	(952,165)	(894,308)	-	-
Change in net position	<u>695,669</u>	<u>(85,856)</u>	<u>(947,657)</u>	<u>2,651,419</u>	<u>(251,988)</u>	<u>2,565,563</u>

For the City as a whole, total revenues decreased by \$1,692,686 compared to the previous year, while total expenses increased by \$1,124,864. The total net change of (\$251,988) is, in private sector terms, the net loss for the year which is \$2,817,551 less than the previous year.

Governmental activities revenues of \$5,845,107 is an increase of \$1,371,065 from the previous year. Revenues from charges for services increased during the year, as did revenues from grants and taxes. Governmental activities expenses of \$6,101,603 is an increase of \$647,397 from the previous year. The largest increases occurred in the highways and improvements department.

Business-type activities revenue of \$3,963,835 is a decrease of \$3,063,751 from the previous year. Revenues from capital grants decreased by \$3,170,495. Business-type activities expenses of \$3,959,327 is an increase of \$477,468 from the previous year. This is due to an increase in operation expenses in the water, sewer and irrigation funds.

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2015

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$1,056,043 reflects an increase of \$349,009 from the previous year. Total revenues increased by \$710,580. Tax revenues, including property taxes and sales taxes increased by \$171,170. Licenses and permits revenue increased by \$59,531. Revenues from charges for services increased by \$109,391. All other revenues increased by \$370,486.

Total expenditures decreased by \$49,245. Expenditure changes from the previous year, by department: general government decreased by \$31,156; public safety increased by \$15,091; streets and highways decreased by \$51,438; sanitation increased by \$29,304; parks and recreation decreased by \$45,007; and cemetery increased by \$3,615. Capital outlay expenditures increased by \$30,345.

Fund balance restricted for parks and recreation and liabilities amounted to \$19,073 and \$45,178, respectively. Assigned fund balances amounted to \$152,632. The unassigned fund balance amounts to \$839,159.

Water Fund

The change in net position (net loss) from operations was \$586,075, which was \$16,325 more than the previous year's amount (net loss). The amounts restricted for money in lieu of water and debt service are \$635,316 and \$819,077, respectively. Unrestricted net position amounts to \$794,701.

Sewer Fund

The change in net position (net loss) was \$361,582, which was \$3,582,750 less than the previous year's net income. The amount restricted for debt service is \$772,977. Unrestricted net position amounts to a deficit of \$1,795,323.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$4,231,922. This amount was amended in the final budget to \$4,614,732. Actual revenues, excluding transfers, amounted to \$4,839,612.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$4,628,668. This amount was amended in the final budget to \$4,861,517. Actual expenditures amounted to \$4,855,558.

Net transfers in for the year were originally budgeted in the amount of \$396,916. The final budget for net transfers in was for the amount of \$393,956. Actual net transfers in were made in the amount of \$364,956.

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2015

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	\$ 934,165	934,165	124,032	124,032	1,058,197	1,058,197
Water shares and rights	-	-	535,148	535,148	535,148	535,148
Buildings and improvements	3,561,644	3,760,361	34,185	36,749	3,595,830	3,797,110
Water system	-	-	10,711,154	11,559,833	10,711,154	11,559,833
Sewer system	-	-	20,243,317	21,357,484	20,243,317	21,357,484
Infrastructure	10,625,988	10,625,988	-	-	10,625,988	10,625,988
Machinery and equipment	838,327	827,557	4,995	7,673	843,322	835,230
Work in progress	300,128	24,656	-	-	300,128	24,656
Totals	<u>\$ 16,260,251</u>	<u>16,172,726</u>	<u>31,652,831</u>	<u>33,620,920</u>	<u>47,913,082</u>	<u>49,793,647</u>

The total amount of capital assets, net of depreciation, of \$47,913,082 is a decrease of \$1,880,565 from the previous year.

Governmental activities capital assets, net of depreciation, of \$16,260,251 is an increase of \$87,525 from the previous year.

Business-type activities capital assets, net of depreciation, of \$31,652,831 is a decrease of \$1,968,089 from the previous year.

The net decrease in capital assets is equal to the amount that depreciation charged on capital assets exceeded investment in new capital assets during the 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, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Santaquin City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2006 Ambulance Lease	\$ 6,100	13,563
2006 Fire Truck Lease	23,858	53,009
2005 Sales Tax Revenue (General)	156,000	306,000
2012 (3) Piece Equipment Lease	46,640	68,976
2010 Dump Truck Lease	33,894	55,469
2012 Equipment Lease (EMS)	66,855	100,282
2013 (4) Piece Equipment Lease	93,044	122,821
2014 Equipment Lease	43,233	55,034
2014 (7) Equipment Lease	153,077	-
2015 Pierce Saber Pumper Fire Truck	408,570	446,032
Compensated absences	364,483	293,055
Total governmental	\$ 1,395,754	1,514,241
Business-type activities:		
1993B Sewer Bond	\$ 66,000	132,000
1993A Sewer Bond	373,000	406,000
2012 Sewer Revenue Refunding	570,000	605,000
2012 P.I. Revenue Refunding	5,199,000	5,516,000
2011 A-1 Sewer Revenue Bond	5,403,000	5,720,000
2011B Sewer Revenue Bond	900,000	900,000
2011 A-2 Sewer Revenue	2,816,674	2,858,345
Compensated absences	102,676	96,740
Total business-type	\$ 15,430,350	16,234,085
Total outstanding debt	\$ 16,826,103	17,748,326

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,340,081	-	1,340,081
Accounts receivable, net of allowances	93,438	306,032	399,470
Internal balances	917,772	(917,772)	-
Other current assets	-	13,153	13,153
Total current assets	2,351,291	(598,587)	1,752,704
Non-current assets:			
Restricted cash and cash equivalents	1,042,580	2,227,371	3,269,951
Capital assets:			
Not being depreciated	11,860,280	659,180	12,519,460
Net of accumulated depreciation	4,399,971	30,993,651	35,393,622
Net pension asset	773	205	978
Total non-current assets	17,303,604	33,880,407	51,184,011
Total assets	19,654,895	33,281,820	52,936,715
Deferred outflows of resources - pensions	167,260	44,461	211,721
Total assets and deferred outflows of resources	\$ 19,822,154	33,326,281	53,148,436
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 1,376,173	18,126	1,394,298
Accrued interest payable	5,498	76,383	81,881
Customer security deposits	880	34,800	35,680
Long-term debt due within one year	414,057	842,939	1,256,996
Total current liabilities	1,796,608	972,248	2,768,855
Non-current liabilities:			
Compensated absences	364,483	102,676	467,159
Closure and post closure costs	31,174	-	31,174
Long-term debt due after one year	617,214	14,484,735	15,101,948
Net pension liability	687,097	182,646	869,743
Total non-current liabilities	1,699,968	14,770,057	16,470,025
Total liabilities	3,496,576	15,742,305	19,238,880
Deferred inflows of resources - property taxes	4,720	-	4,720
Deferred inflows of resources - pensions	120,646	32,070	152,716
Total liabilities and deferred inflows of resources	3,621,941	15,774,375	19,396,316
NET POSITION:			
Net investment in capital assets	15,228,980	16,325,158	31,554,138
Restricted:			
Parks and recreation	19,073	-	19,073
Bond requirements	-	1,592,054	1,592,054
Impact fees	600,166	-	600,166
Transportation SSD	251,217	-	251,217
Money in lieu of water	-	635,316	635,316
Liabilities	45,178	-	45,178
Unrestricted	55,598	(1,000,622)	(945,024)
Total net position	16,200,213	17,551,906	33,752,119
Total liabilities, deferred inflows of resources, and net position	\$ 19,822,154	33,326,281	53,148,436

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, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 1,294,753	682,354	4,000	-	(608,399)
Public safety	1,938,587	290,980	47,368	47,169	(1,553,070)
Highways and public improvements	1,545,744	17,684	870,805	137,891	(519,365)
Sanitation	318,414	499,620	-	-	181,206
Parks, recreation and public property	891,285	190,363	7,327	272,500	(421,094)
Cemetery	74,890	50,454	-	-	(24,436)
Interest on long-term debt	37,930	-	-	-	(37,930)
Total governmental activities	<u>6,101,603</u>	<u>1,731,455</u>	<u>929,500</u>	<u>457,560</u>	<u>(2,983,088)</u>
Business-type activities:					
Water	1,675,584	1,082,177	-	380,059	(213,349)
Sewer	2,000,995	1,372,261	-	434,125	(194,609)
Irrigation	282,747	685,502	-	-	402,755
Total business-type activities	<u>3,959,327</u>	<u>3,139,940</u>	<u>-</u>	<u>814,184</u>	<u>(5,203)</u>
Total primary government	<u>\$ 10,060,929</u>	<u>4,871,395</u>	<u>929,500</u>	<u>1,271,744</u>	<u>(2,988,291)</u>

(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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	<u>\$ (2,983,088)</u>	<u>(5,203)</u>	<u>(2,988,291)</u>
General revenues:			
Property taxes	716,939	-	716,939
Sales tax	1,059,084	-	1,059,084
Other taxes	517,437	-	517,437
Unrestricted investment earnings	5,792	9,711	15,503
Miscellaneous	<u>427,341</u>	<u>-</u>	<u>427,341</u>
Total general revenues	2,726,592	9,711	2,736,304
Transfers in (out)	<u>952,165</u>	<u>(952,165)</u>	<u>-</u>
Total general revenues and transfers	<u>3,678,757</u>	<u>(942,454)</u>	<u>2,736,303</u>
Change in net position	695,669	(947,657)	(251,988)
Net position - beginning, restated	<u>15,504,544</u>	<u>18,499,563</u>	<u>34,004,106</u>
Net position - ending	<u>\$ 16,200,212</u>	<u>17,551,906</u>	<u>33,752,118</u>

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

Santaquin City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,219,802	120,280	-	1,340,081
Accounts receivable, net of allowances	93,438	-	-	93,438
Due from other funds	1,042,163	-	-	1,042,163
Restricted cash and cash equivalents	58,973	-	983,607	1,042,580
TOTAL ASSETS	\$ 2,414,376	120,280	983,607	3,518,263
 LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Liabilities:				
Accounts payable	\$ 1,359,401	17,645	7	1,377,053
Due to other funds	-	-	124,391	124,391
Total liabilities	1,359,401	17,645	124,398	1,501,444
Deferred inflow of resources	4,720	-	-	4,720
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	1,364,121	17,645	124,398	1,506,164
 FUND BALANCES:				
Restricted for:				
Parks and recreation	19,073	-	-	19,073
Impact fees and grants	-	-	600,166	600,166
Liabilities	45,178	-	-	45,178
Transportation SSD	-	-	251,217	251,217
Committed for:				
Senior citizens	-	-	7,826	7,826
Assigned for:				
Capital projects	-	102,634	-	102,634
Other	94,730	-	-	94,730
Fire department	57,902	-	-	57,902
Unassigned	833,371	-	-	833,371
TOTAL FUND BALANCES	1,050,255	102,634	859,209	2,012,099
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 2,414,376	120,280	983,607	3,518,263

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, 2015

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 716,939	-	-	716,939
Sales	1,059,084	-	-	1,059,084
Other taxes	517,437	-	-	517,437
Licenses and permits	441,196	-	-	441,196
Intergovernmental revenues	398,786	117,299	530,714	1,046,799
Charges for services	1,055,874	-	16,601	1,072,474
Fines and forfeitures	217,785	-	-	217,785
Interest	5,792	-	-	5,792
Miscellaneous revenue	426,721	-	620	427,341
Total revenues	<u>4,839,612</u>	<u>117,299</u>	<u>547,935</u>	<u>5,504,846</u>
EXPENDITURES:				
Current:				
General government	1,092,020	110,710	-	1,202,730
Public safety	1,745,086	14,867	-	1,759,953
Highways and public improvements	917,720	8,871	569,562	1,496,153
Sanitation	318,414	-	-	318,414
Parks, recreation and public property	674,560	-	106,636	781,196
Cemetery	71,893	-	-	71,893
Capital outlay	41,653	516,026	2,002	559,680
Debt service:				
Principal	-	260,696	150,000	410,696
Interest	-	29,955	11,818	41,773
Total expenditures	<u>4,861,346</u>	<u>941,126</u>	<u>840,017</u>	<u>6,642,489</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(21,734)</u>	<u>(823,827)</u>	<u>(292,082)</u>	<u>(1,137,643)</u>
Other Financing Sources and (Uses):				
Proceeds from capital leases	-	220,781	-	220,781
Impact fees	-	-	340,261	340,261
Transfers in	1,147,265	430,460	156,749	1,734,474
Transfers (out)	(782,309)	-	-	(782,309)
Total other financing sources and (uses)	<u>364,956</u>	<u>651,240</u>	<u>497,010</u>	<u>1,513,206</u>
Net Change in Fund Balances	343,222	(172,586)	204,927	375,563
Fund balances - beginning of year	<u>707,033</u>	<u>275,220</u>	<u>654,281</u>	<u>1,636,535</u>
Fund balances - end of year	\$ <u>1,050,255</u>	<u>102,634</u>	<u>859,209</u>	<u>2,012,099</u>

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**
 For the Year Ended June 30, 2015

Total Fund Balances for Governmental Funds	<u>\$ 2,012,099</u>
Total net position 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	20,793,583
Less accumulated depreciation	<u>(4,533,332)</u>
Net capital assets	<u>16,260,251</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>773</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>167,260</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>(1,031,271)</u>
Interest accrued but not yet paid on long-term debt	<u>(5,498)</u>
Compensated absences	<u>(364,483)</u>
Closure and post closure costs	<u>(31,174)</u>
Net pension liability	<u>(687,097)</u>
Deferred inflows of resources - pensions	<u>(120,646)</u>
Total Net Position of Governmental Activities	<u>\$ 16,200,213</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, 2015

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 375,563</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	559,680
Depreciation expense	<u>(472,157)</u>
Net	<u>87,524</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>110,252</u>
<p>Debt proceeds are reported as financing sources in government funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.</p>	
Debt issued	<u>(220,781)</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>410,696</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>3,843</u>
<p>Compensated absences expenses reported in the statment 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>(71,428)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 695,668</u></u>

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

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

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Accounts receivable, net	\$ 185,728	120,303	306,032
Due from other funds	845,229	-	845,229
Other current assets	-	13,153	13,153
Total current assets	<u>1,030,957</u>	<u>133,456</u>	<u>1,164,413</u>
Non-current assets:			
Restricted cash and cash equivalents	1,454,393	772,977	2,227,371
Capital assets:			
Not being depreciated	549,180	110,000	659,180
Net of accumulated depreciation	10,711,154	20,282,497	30,993,651
Net pension asset	117	88	205
Total non-current assets	<u>12,714,845</u>	<u>21,165,562</u>	<u>33,880,407</u>
Total assets	<u>13,745,802</u>	<u>21,299,018</u>	<u>35,044,820</u>
Deferred outflows of resources - pensions	25,407	19,055	44,461
Total assets and deferred outflows of resources	<u>\$ 13,771,209</u>	<u>21,318,073</u>	<u>35,089,282</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 17,269	857	18,126
Due to other funds	-	1,763,001	1,763,001
Accrued interest payable	43,671	32,712	76,383
Compensated absences	43,345	59,331	102,676
Customer security deposits	34,800	-	34,800
Long-term debt, current portion	345,000	497,939	842,939
Total current liabilities	<u>484,085</u>	<u>2,353,839</u>	<u>2,837,925</u>
Non-current liabilities:			
Long-term debt, long-term portion	4,854,000	9,630,735	14,484,735
Net pension liability	104,369	78,277	182,646
Total non-current liabilities	<u>4,958,369</u>	<u>9,709,011</u>	<u>14,667,381</u>
Total liabilities	<u>5,442,455</u>	<u>12,062,851</u>	<u>17,505,305</u>
Deferred inflows of resources - pensions	18,326	13,744	32,070
Total liabilities and deferred inflows of resources	<u>5,460,780</u>	<u>12,076,595</u>	<u>17,537,376</u>
NET POSITION:			
Net investment in capital assets	6,061,334	10,263,823	16,325,158
Restricted for:			
Money in lieu of water	635,316	-	635,316
Debt service	819,077	772,977	1,592,054
Unrestricted	794,701	(1,795,323)	(1,000,622)
Total net position	<u>8,310,428</u>	<u>9,241,478</u>	<u>17,551,906</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,771,209</u>	<u>21,318,073</u>	<u>35,089,282</u>

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 FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating income:			
Charges for sales and service	\$ 1,638,574	1,369,591	3,008,165
Connection fees	47,600	2,250	49,850
Other operating income	81,505	420	81,925
Total operating revenue	<u>1,767,679</u>	<u>1,372,261</u>	<u>3,139,940</u>
Operating expenses:			
Personnel services	377,635	306,034	683,669
Utilities	129,778	124,186	253,964
Repair and maintenance	201,949	191,965	393,914
Other supplies and expenses	265,515	47,944	313,460
Depreciation expense	848,679	1,165,898	2,014,577
Total operating expense	<u>1,823,557</u>	<u>1,836,027</u>	<u>3,659,585</u>
Net operating income (loss)	<u>(55,878)</u>	<u>(463,766)</u>	<u>(519,645)</u>
Non-operating income (expense):			
Impact fees	380,059	434,125	814,184
Interest income	6,150	3,561	9,711
Interest on long-term debt	(134,774)	(164,968)	(299,742)
Total non-operating income (expense)	<u>251,435</u>	<u>272,718</u>	<u>524,153</u>
Income (loss) before transfers and capital contributions	195,557	(191,048)	4,508
Transfers in	214,849	156,000	370,849
Transfers (out)	(996,481)	(326,533)	(1,323,014)
Change in net position	(586,075)	(361,582)	(947,657)
Net position - beginning, restated	8,896,503	9,603,060	18,499,563
Net position, ending	<u>\$ 8,310,428</u>	<u>9,241,478</u>	<u>17,551,906</u>

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

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

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers - service	\$ 1,785,244	1,363,003	3,148,247
Cash paid to suppliers	(589,117)	(364,112)	(953,228)
Cash paid to employees	(392,289)	(314,752)	(707,041)
Net cash provided (used) in operating activities	<u>803,839</u>	<u>684,139</u>	<u>1,487,978</u>
Cash flows from noncapital financing activities:			
Change in customer deposits	3,300	-	3,300
Net interfund activity	(651,553)	(160,132)	(811,685)
Net cash provided (used) in noncapital financing activities	<u>(648,253)</u>	<u>(160,132)</u>	<u>(808,385)</u>
Cash flows from capital and related financing activities:			
Cash received from impact fees	380,059	434,125	814,184
Cash received from capital grants	1,131	-	1,131
Cash payments for capital assets	-	(46,488)	(46,488)
Cash payments for long-term debt principal	(317,000)	(492,672)	(809,672)
Cash payments for long-term debt interest	(137,437)	(166,626)	(304,063)
Net cash provided (used) in capital and related financing activities	<u>(73,248)</u>	<u>(271,661)</u>	<u>(344,909)</u>
Cash flows from investing activities:			
Cash received from interest earned	6,150	3,561	9,711
Net cash provided (used) in investing activities	<u>6,150</u>	<u>3,561</u>	<u>9,711</u>
Net increase (decrease) in cash	88,489	255,907	344,396
Cash balance, beginning	1,365,904	517,070	1,882,975
Cash balance, ending	<u>\$ 1,454,393</u>	<u>772,977</u>	<u>2,227,371</u>
Cash reported on the statement of net position:			
Cash and cash equivalents	\$ -	-	-
Non-current restricted cash	1,454,393	772,977	2,227,371
Total cash and cash equivalents	<u>\$ 1,454,393</u>	<u>772,977</u>	<u>2,227,371</u>

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

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

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

	Water Fund	Sewer Fund	Total Enterprise Funds
Net operating income (loss)	\$ (55,878)	(463,766)	(519,645)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	848,679	1,165,898	2,014,577
Changes in assets and liabilities:			
(Increase) decrease in receivables	17,565	(5,628)	11,937
(Increase) decrease in other current assets	-	(3,630)	(3,630)
(Increase) decrease in non-current assets	(117)	(88)	(205)
(Increase) decrease in deferred outflows	(6,893)	(5,170)	(12,063)
Increase (decrease) in payables	(17,843)	(17,221)	(35,063)
Increase (decrease) in deferred inflows	18,326	13,744	32,070
Net cash provided (used) in operating activities	<u>\$ 803,839</u>	<u>684,139</u>	<u>1,487,978</u>

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

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

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

Fund Financial Statements

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

I-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, 2015

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

The *capital projects fund* is used to account for the acquisition or construction of major capital 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.

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.

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

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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, 2015, the City reported \$102,783 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 position.

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.

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-6. Capital Assets (continued)

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

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

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

Assets	Years
Buildings	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.

1-E-8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for these compensated absences is recorded as long-term debt in the governmentwide statements. The current portion is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

1-E-9. 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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

1-E-10. Fund Equity

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Nonspendable fund balance - 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.

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.

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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.

1-E-12. 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 as GASB 68.

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

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

	<u>Fair Value</u>
Cash on hand	
Demand deposits - checking	905,524
State Treasurer's Investment Pool	3,704,508
Total cash	\$ 4,610,032

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

Cash and cash equivalents (current)	\$ 1,340,081
Restricted cash and cash equivalents (non-current)	3,269,951
Total cash and cash equivalents	\$ 4,610,032

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-A. Deposits and investments (continued)

Deposit and Investment Risk

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

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2015, all of the City's demand deposits were insured.

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	Water Fund	Sewer Fund	Pressurized Irrigation Fund	Total
Intergovernmental	\$ 25,474	-	-	-	25,474
Installments	4,720	1,500	-	-	6,220
Customers	77,259	170,640	152,398	70,261	470,558
Total receivables	\$ 107,453	172,140	152,398	70,261	502,253
Allowance for uncollectibles	(14,015)	(37,364)	(32,095)	(19,309)	(102,783)
Net receivables	\$ 93,438	134,776	120,303	50,952	399,470

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 934,165	-	-	934,165
Infrastructure	10,625,988	-	-	10,625,988
Construction in progress	24,656	275,471	-	300,128
Total capital assets, not being depreciated	11,584,809	275,471	-	11,860,280
Capital assets, being depreciated:				
Buildings	4,344,790	-	-	4,344,790
Improvements other than buildings	849,287	-	-	849,287
Machinery and equipment	3,455,016	284,210	-	3,739,226
Total capital assets, being depreciated	8,649,093	284,210	-	8,933,303
Less accumulated depreciation for:				
Buildings	1,410,715	156,252	-	1,566,967
Improvements other than buildings	23,002	42,464	-	65,466
Machinery and equipment	2,627,459	273,440	-	2,900,899
Total accumulated depreciation	4,061,175	472,157	-	4,533,332
Total capital assets being depreciated, net	4,587,918	(187,946)	-	4,399,971
Governmental activities capital assets, net	\$ 16,172,726	87,525	-	16,260,251

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

Governmental activities:	
General government	\$ 34,215
Public safety	249,334
Highways and public improvements	62,486
Parks, recreation and public property	123,123
Cemetery	2,998
Total	\$ 472,157

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-C. Capital assets (continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 659,180	-	-	659,180
	-	-	-	-
Total capital assets, not being depreciated	659,180	-	-	659,180
Capital assets, being depreciated:				
Buildings and improvements	275,389	-	-	275,389
Water distribution system	18,889,344	-	-	18,889,344
Sewer collection/treatment system	28,198,599	46,488	-	28,245,087
Machinery and equipment	491,989	-	-	491,989
Total capital assets, being depreciated	47,855,321	46,488	-	47,901,809
Less accumulated depreciation for:				
Buildings and improvements	238,640	2,564	-	241,204
Water distribution system	7,329,510	848,679	-	8,178,190
Sewer collection/treatment system	6,841,114	1,160,656	-	8,001,770
Machinery and equipment	484,316	2,678	-	486,994
Total accumulated depreciation	14,893,581	2,014,577	-	16,908,158
Total capital assets being depreciated, net	32,961,740	(1,968,089)	-	30,993,651
Business-type activities capital assets, net	\$ 33,620,920	(1,968,089)	-	31,652,831

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

Business-type activities:	
Water	\$ 848,679
Sewer	1,165,898
Total	\$ 2,014,577

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term debt

	Original Principal	% Rate	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Governmental activities:							
2006 Ambulance Lease Matures 1/15/2016	\$ 64,000	4.355	\$ 13,563	-	7,463	6,100	6,100
2006 Fire Truck Lease Matures 1/15/2016	250,000	4.355	53,009	-	29,151	23,858	23,858
2005 Sales Tax Revenue (General) Matures 2/15/2016	1,300,000	4.25	306,000	-	150,000	156,000	156,000
2012 (3) Piece Equipment Lease Matures 8/4/2016	111,770	2.91	68,976	-	22,336	46,640	22,986
2010 Dump Truck Lease Matures 1/8/2017	125,000	3.73	55,469	-	21,575	33,894	22,387
2012 EQUIPMENT LEASE (EMS) Matures 7/15/2017	167,136	-	100,282	-	33,427	66,855	33,427
2013 (4) Piece Equipment Lease Matures 9/12/2017	152,000	2.05	122,821	-	29,777	93,044	30,387
2014 Equipment Lease Purchase Matures 12/15/2018	60,859	2.03	55,034	-	11,801	43,233	12,042
2014 (7) Piece of Equipment Lease Matures 6/17/2019	220,781	2.22	-	220,781	67,704	153,076	67,977
2015 Pierce Saber Pumper Fire Truck Matures 6/24/2024	446,032	3.82	446,032	-	37,462	408,570	38,893
Total governmental activity long-term liabilities			<u>\$1,221,186</u>	<u>220,781</u>	<u>410,696</u>	<u>1,031,270</u>	<u>414,057</u>

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2016	\$ 414,057	27,657	441,714
2017	221,760	18,386	240,146
2018	93,822	13,852	107,674
2019	57,776	11,174	68,950
2020	45,185	9,315	54,500
2021 - 2024	198,671	19,329	218,000
Total	<u>\$1,031,270</u>	<u>99,713</u>	<u>1,130,983</u>

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term debt (continued)

	Original Principal	%	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Business-type activities:							
1993B Sewer Bond Matures 6/30/2016	\$ 1,307,000	-	\$ 132,000	-	66,000	66,000	66,000
1993A Sewer Bond Matures 6/30/2020	1,000,000	-	406,000	-	33,000	373,000	33,000
2012 Sewer Revenue Refunding Matures 6/1/2021	670,000	2.52	605,000	-	35,000	570,000	36,000
2012 P.I. Revenue Refunding Matures 9/1/2026	6,130,000	2.52	5,516,000	-	317,000	5,199,000	345,000
2011A-1 Sewer Revenue Bond Matures 1/1/2031	6,034,000	0.01	5,720,000	-	317,000	5,403,000	320,000
2011B Sewer Revenue Bond Matures 1/1/2033	900,000	1.00	900,000	-	-	900,000	-
2011A-2 Sewer Revenue Matures 2/15/2052	2,912,000	3.00	2,858,345	-	41,672	2,816,674	42,939
Total business-type activity long-term liabilities			\$16,137,345	-	809,672	15,327,674	842,939

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

	Principal	Interest	Total
2016	\$ 842,939	287,975	1,130,914
2017	858,245	273,754	1,131,999
2018	900,591	257,249	1,157,840
2019	920,978	239,970	1,160,947
2020	949,406	222,139	1,171,546
2021 - 2025	4,558,033	843,972	5,402,005
2026 - 2030	3,150,867	462,924	3,613,791
2031 - 2035	1,488,623	299,337	1,787,960
2036 - 2040	415,421	218,839	634,260
2041 - 2045	482,560	151,700	634,260
2046 - 2052	760,011	78,826	838,837
Total	\$15,327,674	3,336,684	18,664,358

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 the net book values are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	1,595,400	-
Less accumulated depreciation	<u>(602,892)</u>	-
Net book value	<u>\$ 774,849</u>	<u>-</u>

Amortization of capital assets purchased under capital leases is included in depreciation.

The following is the present value of future minimum capital lease payments under these leases as of June 30, 2015:

<u>Fiscal Year</u>		
2016	282,399	-
2017	240,146	-
2018	107,674	-
2019	68,950	-
2020	54,500	-
2021-2024	<u>218,000</u>	-
Total minimum lease payments	971,669	-
Less amounts representing interest	<u>(96,399)</u>	-
Present value of minimum lease payments	<u>\$ 875,270</u>	<u>-</u>

Compensated absences

Compensated absences	<u>\$ 364,483</u>	<u>102,676</u>
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3-E. Interfund transactions and balances

The City had the following inter-fund transactions for year ended June 30, 2015:

Operating Transfers

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 1,147,265	782,309
Capital projects fund	430,460	-
Public safety impact fees fund	114,649	-
Transportation Impact fee fund	18,700	-
Senior citizens fund	23,400	-
Water fund	214,849	996,481
Sewer fund	156,000	326,533
Total	<u>\$ 2,105,323</u>	<u>2,105,323</u>

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-E. Interfund transactions and balances (continued)

Due to / Due from

	Due to	Due from
General fund	\$ 1,042,163	-
Public safety impact fees fund	-	124,391
Water fund	845,229	-
Sewer fund	-	1,763,001
Total	\$ 1,887,392	1,887,392

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 December 31, 2015, the date the financial statements were available to be issued.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-D. General Information about the Pension Plan

Plan description:

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

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

The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing multiple-employer retirement system.

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

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

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

Benefits provided:

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

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

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

* with actuarial reductions

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

Contributions:

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

<u>Utah Retirement Systems</u>	Employee Paid	Pay by Employer for Employee	Employer Contribution Rates
Contribution System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.940%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%

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

At December 31, 2014, we reported a net pension asset of \$978 and a net pension liability of \$869,743.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1128331%	\$ -	\$ 489,948
Public Safety System	0.3020041%	\$ -	\$ 379,795
Tier 2 Public Employees System	0.0322847%	\$ 978	\$ -
Total Net Pension Asset/Liability		<u>\$ 978</u>	<u>\$ 869,743</u>

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

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

For the year ended December 31, 2014, we recognized pension expense of \$236,309. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,627
Changes in assumptions	\$ -	\$ 99,089
Net difference between projected and actual earnings on pension plan investments	\$ 20,269	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 191,452	\$ -
Total	\$ 211,721	\$ 152,716

\$191,452 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2015	\$ (36,616)
2016	\$ (36,616)
2017	\$ (36,616)
2018	\$ (21,531)
2019	\$ (171)
Thereafter	\$ (898)

Actuarial assumptions:

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

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

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

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

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

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

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

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

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

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

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

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

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

Discount rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset)/ liability	\$ 2,146,221	\$ 868,765	\$ (183,348)

Pension plan fiduciary net position:

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

4-E. Prior period adjustments

The requirement to apply GASB 68 this fiscal year resulted in adjustments to the prior period net positions. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources, and if applicable, a Net Pension Asset.

In addition, the City failed to remit the correct amount of Justice Court security surcharges to the State in prior years. As a result, a prior period adjustment has been recorded to report as an accrued liability the amount yet to be remitted.

The results to beginning net positions are as follows:

	Governmental	Business-type Activities		Total
	Activities	Water Fund	Sewer Fund	
Net position - beginning	\$ 15,998,146	9,010,421	9,688,498	34,697,065
GASB 68 adjustments	(749,962)	(113,918)	(85,439)	(949,319)
Net position - beginning, restated	<u>\$ 15,248,184</u>	<u>8,896,503</u>	<u>9,603,059</u>	<u>33,747,746</u>

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Santaquin City Corporation
**SCHEDULE OF REVENUES, EXPENDITUES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
(Unaudited)
 For the Year Ended June 30, 2015

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 2,271,500	2,271,500	2,293,459	21,959
Licenses and permits	360,400	360,400	441,196	80,796
Intergovernmental revenues	396,414	396,414	398,786	2,372
Charges for services	938,858	947,858	1,055,874	108,016
Fines and forfeitures	181,000	181,000	217,785	36,785
Interest	6,000	6,000	5,792	(208)
Miscellaneous revenue	77,750	451,560	426,721	(24,839)
Total revenues	4,231,922	4,614,732	4,839,612	224,880
Expenditures				
General government	1,031,880	1,112,982	1,092,020	20,962
Public safety	1,638,609	1,725,584	1,756,036	(30,452)
Highways and public improvements	930,838	938,291	941,441	(3,150)
Sanitation	297,400	320,398	318,414	1,984
Parks, recreation and public property	641,410	691,824	681,542	10,282
Cemetery	88,531	72,438	71,893	545
Total expenditures	4,628,668	4,861,517	4,861,346	171
Excess (Deficiency) of Revenues Over (Under) Expenditures	(425,346)	(275,385)	(21,734)	259,439
Other Financing Sources and (Uses)				
Transfers in	1,162,065	1,176,265	1,147,265	(29,000)
Transfers (out)	(765,149)	(782,309)	(782,309)	-
Total Other Financing Sources and (Uses)	396,916	393,956	364,956	(29,000)
Net Change in Fund Balances	(28,430)	118,571	343,222	230,438
Fund Balances - beginning of year	963,393	963,393	963,393	-
Fund Balances - end of year	\$ 934,963	1,081,964	1,312,402	230,438

Santaquin City Corporation
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.1128331 %	0.3020041 %	0.0322847 %
Proportionate share of the net pension liability (asset)	\$ 489,948	\$ 379,795	\$ (978)
Covered employee payroll	\$972,290	\$ 465,866	\$ 158,571
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.4 %	81.5 %	-0.6 %
Plan fiduciary net position as a percentage of the total pension liability	90.2 %	90.5 %	103.5 %

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

Santaquin City Corporation
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public-Safety System	Tier 2 Public Employees System
Contractually required contribution	\$ 177,342	\$ 148,754	\$ 13,320
Contributions in relation to the contractually required contribution	\$ (177,342)	\$ (148,754)	\$ (13,320)
Contribution deficiency (excess)	-	-	-
Covered employee payroll	\$ 972,290	\$ 465,866	\$ 158,571
Contributions as a percentage of covered-employee payroll **	18.24 %	31.93 %	8.40 %

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

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

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

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2015, spending within the public safety and highways and public improvements departments exceed budget appropriations by \$30,452 and \$3,150, respectively. All other general fund departments were within budget appropriations.

Other information that is not required as part of RSI

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

Defined Contribution System

	Employee Paid <u>Contributions</u>	Employer Paid <u>Contributions</u>
401(k) Plan	\$ 19,322	\$ 19,422
457 Plan	11,749	-
Roth IRA Plan	3,900	-
Traditional IRA Plan	-	-
HRA Plan	-	-

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

Santaquin City
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING
 June 30, 2015

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, 2015

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	2015	2014	2013	2012	2011
Fair or Better	70%	70%	70%	65%	65%
Poor - Very Poor	30%	30%	30%	35%	35%

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
2015	525,223	515,703
2014	519,127	517,777
2013	491,000	490,799
2012	462,765	462,130
2011	421,244	407,525

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

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 **Transportation Special Service Distric Fund** accounts for the activities of the Transportation SSD.

Santaquin City Corporation
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Senior Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees	Transportation Special Service District	Total Nonmajor Governmental Funds
ASSETS						
Restricted cash and cash equivalents	\$ 7,826	595,604	127,865	1,096	251,217	983,607
TOTAL ASSETS	<u>7,826</u>	<u>595,604</u>	<u>127,865</u>	<u>1,096</u>	<u>251,217</u>	<u>983,607</u>
LIABILITIES						
Accounts payable	\$ -	7	-	-	-	7
Due to other funds	-	-	124,391	-	-	124,391
TOTAL LIABILITIES	<u>-</u>	<u>7</u>	<u>124,391</u>	<u>-</u>	<u>-</u>	<u>124,398</u>
FUND BALANCES:						
Restricted for:						
Impact fees and grants	-	595,597	3,474	1,096	-	600,166
Transportation SSD	-	-	-	-	251,217	251,217
Committed for:						
Senior citizens	7,826	-	-	-	-	7,826
TOTAL FUND BALANCES	<u>7,826</u>	<u>595,597</u>	<u>3,474</u>	<u>1,096</u>	<u>251,217</u>	<u>859,209</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,826</u>	<u>595,604</u>	<u>127,865</u>	<u>1,096</u>	<u>251,217</u>	<u>983,607</u>

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

Santaquin City Corporation
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

	Senior Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees	Transportation Special Service District	Total Nonmajor Governmental Funds
REVENUES:						
Intergovernmental	\$ -	5,491	-	-	525,223	530,714
Charges for services	16,601	-	-	-	-	16,601
Miscellaneous revenue	620	-	-	-	-	620
Total revenues	17,221	5,491	-	-	525,223	547,935
EXPENDITURES:						
Highways and public improvements	-	-	-	39,196	530,366	569,562
Parks, recreation and public property	41,250	65,386	-	-	-	106,636
Capital outlay	-	2,002	-	-	-	2,002
Debt service:						
Principal	-	-	150,000	-	-	150,000
Interest	-	-	11,818	-	-	11,818
Total expenditures	41,250	67,387	161,818	39,196	530,366	840,017
Excess (Deficiency) of Revenues over (Under) Expenditures	(24,029)	(61,896)	(161,818)	(39,196)	(5,143)	(292,082)
Other Financing Sources and (Uses):						
Impact fees	-	272,500	47,169	20,592	-	340,261
Transfers in	23,400	-	114,649	18,700	-	156,749
Total other financing sources and (uses)	23,400	272,500	161,818	39,292	-	497,010
Net Change in Fund Balances	(629)	210,604	-	96	(5,143)	204,927
Fund balances - beginning of year	8,455	384,993	3,473	1,000	256,360	654,281
Fund balances - end of year	\$ 7,826	595,597	3,474	1,096	251,217	859,209

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

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

Honorable Mayor
Members of the City Council
City of Santaquin, 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 the City of Santaquin, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2015.

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. We did identify certain deficiencies in internal control, described in a separate management letter that we consider to be significant deficiencies. See finding IC-2015.1.

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*.

The City's Response to Findings

The City's response to the findings identified in our audit is described in a separate management letter. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Spanish Fork, Utah
December 31, 2015



**INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH
THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE WITH
GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL
CONTROL OVER COMPLIANCE**

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

Report on Compliance with General State Compliance Requirement and for Each Major State Program

We have audited the City of Santaquin, Utah's (herein referred to as the "City") compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for year ended June 30, 2015.

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

- Budgetary Compliance
- Fund Balance
- Justice Court Compliance
- Utah Retirement Systems
- Transfers from Utility Enterprise Funds
- Open and Public Meetings Act

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

Management's Responsibility

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

Auditors' 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 and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements and Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying management letter as items SC-2015.1, and SC-2015.2. Our opinion on compliance is not modified with respect to these matters.

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City 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 or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a general state or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Larson & Company, PC
Spanish Fork, Utah
December 31, 2015

**CITY OF SANTAQUIN, UTAH
COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE
(MANAGEMENT LETTER)
JUNE 30, 2015**

**CITY OF SANTAQUIN, UTAH
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YEAR ENDED JUNE 30, 2015**

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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, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 October 26, 2015. 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 2015. 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 December 31, 2015.

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

Spanish Fork, Utah
December 31, 2015

SCHEDULE OF FINDINGS

Internal Control Findings – Current Year

IC-2015.1 Separation of Duties – Significant Deficiency

Finding:

Complete separation of duties is a key effective internal control because it can aid in reducing the risk of mistakes and inappropriate actions, and can help fight fraud through reducing the available opportunities. Separation of duties is the concept of having more than one person required to complete a task. Although job titles and structures may vary, critical duties can be categorized into four types of functions: authorization, custody, record keeping, and reconciliation. In a perfect system no one person should handle more than one type of function. We noted during our audit that the City lacks complete separation of duties which results in weaknesses in internal controls. This deficiency results from the limited number of staff members available to the City.

Recommendation:

We recommend that to the extent possible, the City separate duties to serve as a check and balance to maintain the best control system possible. When duties cannot be separated, compensating controls should be in place. Compensating controls are internal controls that are intended to reduce the risk of an existing or potential control weakness. Due to the limited number of staff at the City we also recommend that the Mayor and Council provide some oversight on the financial operations of the City.

Client Response:

The Mayor and all Council Members will, along with the Recorder and Treasurer, review financial matters and promptly investigate anything unusual noted. Management will look at implementing or continue with compensating controls to reduce risk or control weaknesses.

State Compliance Findings – Current Year

SC-2015.1 – Budgetary Compliance:

Finding:

Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. We noted that the Transportation Impact Fund expenses went over budget by \$10,196. The public safety department and highways and public improvement department in the General Fund were also in excess of budgets by \$30,452, and \$3,150 respectively.

Recommendation:

We recommend that the City maintain expenditures within approved amounts and make budgetary amendments as necessary.

Client Response:

Management and Council will make necessary adjustments to the expenditures procedure, and if necessary make appropriate budget amendments.

Status of Internal Control Findings – Prior Year

IC-2014.1 Separation of Duties – Significant Deficiency

Finding:

A fundamental element of internal control is the separation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. Strong internal controls require the separation of responsibilities for authorizing transactions, physical custody of assets and the related record keeping. We noted that the City lacks complete separation of duties which results in weaknesses in internal controls.

Recommendation:

We recommend that to the extent possible, the City separate duties to serve as a check and balance to maintain the best control system possible. Due to the limited number of staff at the City that would make a complete separation of duties difficult, we also recommend that the Mayor and Council provide oversight on the financial operations of the City.

Status:

See current year findings.

Status of State Compliance Findings – Prior Year

SC-2014.1 – Budgetary Compliance:

Finding:

Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. We noted that the Capital Projects Opinion Unit had expenditures in excess of appropriations by \$444,716. The Water Fund Opinion Unit had expenditures in excess of appropriations of \$9,226.

Recommendation:

We recommend that the City maintain expenditures within approved amounts and make budgetary amendments as necessary.

Status of finding:

See current year findings.

City of Santaquin
Utah County, Utah

REPORT ON BOND COMPLIANCE
For the Year Ended June 30, 2015

CITY OF SANTAQUIN, UTAH

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June 30, 2015

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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, 2015, and have issued our report thereon dated December 31, 2015. As part of our audit, we reviewed your compliance with the requirements of your bond issues.

Based on our review, we are not aware of any areas of non-conformance.

A handwritten signature in black ink that reads "Larson & Company, PC". The signature is written in a cursive, flowing style.

Larson & Company, PC

Spanish Fork, Utah
December 31, 2015

CITY OF SANTAQUIN, UTAH
Net Revenue Bond Requirement -- Sewer Fund
Year Ended June 30, 2015

Operating Income		\$ (463,766)
Interest Income		3,561
Operating Expense Not Requiring Funds:		
Depreciation		<u>1,165,898</u>
Net Revenues		705,693
Debt Service - 2015 Fiscal Year		
Principal	\$ (150,000)	
Interest	<u>(9,818)</u>	
Total	<u>(159,818)</u>	
Required 120%		<u>(191,782)</u>
Net Revenues In Excess		<u><u>\$ 513,911</u></u>

CITY OF SANTAQUIN, UTAH
Net Revenue Bond Requirement – Water Fund
Year Ended June 30, 2015

Operating Income		\$ (55,878)
Interest Income		6,150
Operating Expense Not Requiring Funds:		
Depreciation		<u>849,072</u>
Net Revenues		799,344
Debt Service - 2015 Fiscal Year		
Principal	(317,000)	
Interest	<u>(135,009)</u>	
Total	<u>(452,009)</u>	
Required 125%		<u>(565,011)</u>
Net Revenues In Excess		<u><u>\$ 234,333</u></u>

CITY OF SANTAQUIN, UTAH
Insurance Coverage
Year Ended June 30, 2015

<u>COMPANY</u>	<u>COVERAGE AMOUNT</u>	<u>COVERAGE</u>	<u>EXPIRATION DATE</u>
Utah Local Governments' Trust	\$ 2,000,000	General Liability, Bodily Injury, Personal Injury, Property Damage, Public Officials, Errors and Omissions	6/30/2015
Utah Local Governments' Trust	\$ 2,000,000	Automotive Liability, Automotive Bodily Injury, and Property Damage	6/30/2015
Utah Local Governments' Trust	\$ 80,000	Uninsured Motorist	6/30/2015
Utah Local Governments' Trust	\$ 80,000	Underinsured Motorist	6/30/2015

CITY OF SANTAQUIN, UTAH
Water and Sewer Connection Fees,
Connections, and Billings
Year Ended June 30, 2015

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 3,088 water connections and 2,988 sewer connections, and 2,992 pressurized irrigation connections.

BILLINGS

For the year ended June 30, 2015, the total water billings were \$1,423,977 and the total sewer billings were \$1,358,591.

CITY OF SANTAQUIN, UTAH
Water and Sewer Rates
Year Ended June 30, 2015

SEWER

The base rate for sewer service shall be \$37.44 per unit per month.

An additional charge of \$0.75 per 1,000 gallons will be assessed as determined by the customer's winter water usage.

WATER

Base Rate	\$ 18.27
0 to 4,000 gallons	\$ 0.54 per 1,000 gallons
4,001 to 8,000 gallons	\$ 0.80 per 1,000 gallons
8,001 to 12,000 gallons	\$ 1.07 per 1,000 gallons
12,001 + gallons	\$ 1.98 per 1,000 gallons

PRESSURIZED IRRIGATION

Base Rate	\$ 13.57 1"
	\$ 20.99 1.5" or larger

An additional charge of \$0.69 per 1,000 gallons is assessed based on usage.