

Santaquin City Corporation
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

Santaquin City Corporation

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Independent Auditor's Report

Honorable Mayor
Members of the City Council
Santaquin City, Utah

Report on the Financial Statements

Opinions

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, (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Santaquin City, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santaquin City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santaquin City's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and

design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Santaquin City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about Santaquin City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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, and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, and the schedule of expenditures of federal awards 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 7, 2022, on our consideration of Santaquin 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

Larson & Company, PC

Spanish Fork, Utah
December 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$8,100,730
- *Total unrestricted net position for the City as a whole increased by \$6,793,667
- *Total net position for governmental activities increased by \$5,284,464
- *Total net position for business-type activities increased by \$2,816,265

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

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

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

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

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

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

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

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

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

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

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

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

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

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	\$ 23,114,351	21,183,436	15,904,984	8,032,521	39,019,335	29,215,957
Net capital assets	34,498,226	26,867,092	29,170,771	26,111,832	63,668,997	52,978,924
Deferred outflows of resources	511,243	384,647	135,900	102,248	647,143	486,895
Total assets and deferred outflows	\$ 58,123,820	48,435,175	45,211,655	34,246,602	103,335,475	82,681,777
Long-term debt outstanding	\$ 12,502,048	12,682,688	20,792,240	13,090,397	33,294,288	25,773,085
Other liabilities	10,610,149	6,831,891	689,033	457,415	11,299,182	7,289,306
Deferred inflows of resources	1,583,745	777,179	420,712	205,385	2,004,457	982,564
Total liabilities and deferred inflows	24,695,941	20,291,758	21,901,985	13,753,197	46,597,926	34,044,955
Net position:						
Net investment in capital assets	21,996,178	14,184,404	8,378,530	13,021,436	30,374,708	27,205,840
Restricted	6,515,128	10,565,701	7,390,440	5,201,677	13,905,569	15,767,378
Unrestricted	4,916,572	3,393,312	7,540,699	2,270,292	12,457,271	5,663,604
Total net position	\$ 33,427,878	28,143,417	23,309,670	20,493,405	56,737,547	48,636,820

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$56,737,547, an increase of \$8,100,730 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 \$12,457,271 which represents an increase of \$6,793,667 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

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

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

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

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	\$ 4,550,480	4,745,936	5,846,608	5,846,068	10,397,089	10,592,004
Operating grants	757,922	985,703	-	-	757,922	985,703
Capital grants	3,458,420	2,598,087	4,008,653	3,902,562	7,467,074	6,500,649
General revenues:						
Property taxes	1,164,181	1,044,638	-	-	1,164,181	1,044,638
Sales tax	2,607,151	2,048,080	-	-	2,607,151	2,048,080
Other taxes	943,452	789,769	-	-	943,452	789,769
Other revenues	346,843	618,611	78,412	41,891	425,255	660,502
Total revenues	13,828,449	12,830,825	9,933,674	9,790,520	23,762,123	22,621,345
Expenses:						
General government	2,267,196	2,092,250	-	-	2,267,196	2,092,250
Public safety	3,455,952	3,649,543	-	-	3,455,952	3,649,543
Highways and improvements	1,258,854	1,942,252	-	-	1,258,854	1,942,252
Sanitation	764,310	567,834	-	-	764,310	567,834
Parks and recreation	2,277,823	1,626,916	-	-	2,277,823	1,626,916
Cemetery	196,704	249,771	-	-	196,704	249,771
Interest on long-term debt	336,829	326,529	-	-	336,829	326,529
Water	-	-	3,071,908	2,644,498	3,071,908	2,644,498
Sewer	-	-	2,027,136	2,133,221	2,027,136	2,133,221
Storm drain	-	-	4,680	-	4,680	-
Total expenses	10,557,669	10,455,095	5,103,725	4,777,719	15,661,393	15,232,815
Excess (deficiency) before transfers	3,270,780	2,375,729	4,829,949	5,012,801	8,100,730	7,388,530
Transfers in (out)	2,013,684	1,835,250	(2,013,684)	(1,835,250)	-	-
Change in net position	\$ 5,284,464	4,210,979	2,816,265	3,177,551	8,100,730	7,388,530

For the City as a whole, total revenues increased by \$1,140,778 compared to the previous year, while total expenses increased by \$428,578. The total net change of \$8,100,730 is, in private sector terms, the net income for the year which is \$712,200 more than the previous year.

Governmental activities revenues of \$13,828,449 is an increase of \$997,624 from the previous year. This is primarily due to an increase in grant revenues and sales tax revenues. Governmental activities expenses of \$10,557,669 is an increase of \$102,574 from the previous year. While general government and sanitation expenses increased, all other department expenses decreased.

Business-type activities revenue of \$9,933,674 is an increase of \$143,154 from the previous year. Service revenues increased by \$540 and capital grants increased by \$106,091. Business-type activities expenses of \$5,103,725 is an increase of \$326,006 from the previous year. This is due to an overall increase in water operation expenses.

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$3,700,366 reflects an increase of \$799,948 from the previous year. Total revenues increased by \$530,364. Tax revenues, including property taxes and sales taxes, increased by \$832,297. Intergovernmental revenue decreased by \$227,781. Revenues from charges for services decreased by \$372,576. Revenues from licenses and permits increased by \$207,214. All other revenues increased by \$91,210.

Total expenditures increased by \$1,174,729. General government expenditures increased by \$366,093, public safety expenditures increased by \$90,898, streets and highways expenditures increased by \$132,238, sanitation expenditures increased by \$192,350, parks and recreation expenditures increased by \$434,674, and cemetery expenditures decreased by \$49,803. Debt service expenses increased by \$8,279.

Fund balance restricted for parks and recreation amounted to \$202,049. Assigned fund balance amounted to \$681,445. The unassigned fund balance amounted to \$2,816,872.

Water Fund

The change in net position (net income) was \$483,973, which was \$545,381 less than the prior year's net change. Net position restricted for debt service and money in lieu of water was \$511,363 and \$1,810,781 respectively. Unrestricted net position amounts to \$6,195,309.

Sewer Fund

The change in net position (net income) was \$1,889,221, which was \$216,631 more than the previous year's net change. Net position restricted for debt service was \$5,068,296. Unrestricted net position amounts to \$98,311.

Storm Drain Fund

The change in net position (net income) was \$443,071, which was \$32,536 less than the previous year's net change. Unrestricted net position amounts to \$1,247,079.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$8,500,783. This amount was amended in the final budget to \$9,587,117. Actual revenues, excluding transfers, amounted to \$10,229,406.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$8,816,326. This amount was amended in the final budget to \$9,738,821. Actual expenditures amounted to \$9,420,034.

Transfers in for the year were originally budgeted in the amount of \$2,520,07. The final budget for transfers in was for the amount of \$2,478,863. Actual transfers in were made in the amount of \$2,478,863. Transfers out for the year were originally budgeted in the amount of \$2,165,946. The final budget for transfers out was for the amount of \$2,229,819. Actual transfers out were made in the amount of \$2,488,287.

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

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	\$ 1,409,042	994,142	124,032	124,032	1,533,074	1,118,174
Water shares and rights	-	-	535,148	535,148	535,148	535,148
Buildings	4,895,787	5,175,967	16,238	18,802	4,912,025	5,194,768
Improvements	2,266,677	2,317,335	-	-	2,266,677	2,317,335
Water system	-	-	10,140,018	6,727,010	10,140,018	6,727,010
Sewer system	-	-	13,753,660	13,646,925	13,753,660	13,646,925
Infrastructure	16,092,040	16,092,040	-	-	16,092,040	16,092,040
Machinery and equipment	1,135,357	1,034,341	9,130	-	1,144,487	1,034,341
Work in progress	8,699,323	1,253,267	4,592,546	5,059,916	13,291,869	6,313,183
Totals	\$ 34,498,226	26,867,092	29,170,771	26,111,832	63,668,997	52,978,924

The total amount of capital assets, net of depreciation, of \$63,668,997 is an increase of \$10,690,072 from the previous year.

Governmental activities capital assets, net of depreciation, of \$34,498,226 is an increase of \$7,631,134 from the previous year.

Business-type activities capital assets, net of depreciation, of \$29,170,771 is an increase of \$3,058,938 from the previous year.

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

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2022

Santaquin City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2016 (4) Piece Equipment Lease	\$ 60,069	118,863
2015 Pierce Saber Pumper Fire Truck	103,058	151,761
2018 Fire SCBA Equip Lease	75,348	98,458
2021 Equipment Lease	731,500	-
2018 Excise Tax Rev Bonds	3,118,000	3,518,000
2015 LBA Lease Revenue	1,848,000	1,953,000
2020 Sales Tax Revenue Bonds	6,115,000	6,365,000
2020 Sales Tax Revenue Premiums	451,073	477,607
Total governmental	\$ 12,502,048	12,682,688
Business-type activities:		
1993A Sewer Bond	\$ -	170,000
2012 P.I. Revenue Refunding	-	2,850,000
2011A-1 Sewer Revenue Bond	3,087,000	3,428,000
2011B Sewer Revenue Bond	900,000	900,000
2018 WA Booster Pump/Tank	1,541,000	1,602,000
2018 PI Booster Pump/Tank	1,541,000	1,602,000
2021 Water Rev & Ref	11,236,000	-
2011A-2 Sewer Revenue	2,487,240	2,538,636
Total business-type	\$ 20,792,240	13,090,636
Total outstanding debt	\$ 33,294,289	25,773,324

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, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 15,090,717	3,886,171	18,976,889
Accounts receivable, net	267,106	484,169	751,275
Other current assets	-	31,769	31,769
Total current assets	<u>15,357,824</u>	<u>4,402,109</u>	<u>19,759,933</u>
Non-current assets:			
Restricted cash and cash equivalents	6,830,028	11,256,591	18,086,619
Capital assets:			
Not being depreciated	26,200,405	5,251,726	31,452,131
Net of accumulated depreciation	8,297,821	23,919,045	32,216,865
Net pension asset	926,499	246,284	1,172,783
Total non-current assets	<u>42,254,753</u>	<u>40,673,646</u>	<u>82,928,399</u>
Total assets	<u>57,612,577</u>	<u>45,075,755</u>	<u>102,688,332</u>
Deferred outflows of resources - pensions	511,243	135,900	647,143
Total assets and deferred outflows of resources	<u>\$ 58,123,820</u>	<u>45,211,655</u>	<u>103,335,475</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 9,985,011	317,126	10,302,138
Accrued interest payable	47,171	117,035	164,206
Customer security deposits	-	45,700	45,700
Long-term debt due within one year	1,090,845	1,015,959	2,106,804
Total current liabilities	<u>11,123,028</u>	<u>1,495,820</u>	<u>12,618,848</u>
Non-current liabilities:			
Compensated absences	533,289	209,171	742,460
Long-term debt due after one year	11,411,202	19,776,281	31,187,484
Closure and post closure costs	44,677	-	44,677
Total non-current liabilities	<u>11,989,169</u>	<u>19,985,453</u>	<u>31,974,622</u>
Total liabilities	<u>23,112,196</u>	<u>21,481,273</u>	<u>44,593,470</u>
Deferred inflows of resources	1,067	-	1,067
Deferred inflows of resources - pensions	1,582,678	420,712	2,003,390
Total liabilities and deferred inflows of resources	<u>24,695,941</u>	<u>21,901,985</u>	<u>46,597,926</u>
NET POSITION:			
Net investment in capital assets	21,996,178	8,378,530	30,374,708
Restricted for:			
Debt service	985	5,579,659	5,580,644
Capital projects and impact fees	3,608,837	-	3,608,837
Money in lieu of water	-	1,810,781	1,810,781
Other restrictions	2,905,307	-	2,905,307
Unrestricted	4,916,572	7,540,699	12,457,271
Total net position	<u>33,427,878</u>	<u>23,309,670</u>	<u>56,737,548</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 58,123,820</u>	<u>45,211,655</u>	<u>103,335,475</u>

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

Santaquin City Corporation
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

<u>FUNCTIONS/PROGRAMS:</u>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
Primary government:					
Governmental activities:					
General government	\$ 2,267,196	2,164,263	-	-	(102,933)
Public safety	3,455,952	897,062	43,631	274,665	(2,240,595)
Highways and public improvements	1,258,854	-	643,471	1,377,619	762,237
Sanitation	764,310	1,002,172	-	-	237,861
Parks, recreation and public property	2,277,823	398,977	70,820	1,806,137	(1,890)
Cemetery	196,704	88,007	-	-	(108,697)
Interest on long-term debt	336,829	-	-	-	(336,829)
Total governmental activities	<u>10,557,669</u>	<u>4,550,480</u>	<u>757,922</u>	<u>3,458,420</u>	<u>(1,790,846)</u>
Business-type activities:					
Water and irrigation	3,071,908	3,440,798	-	1,331,570	1,700,460
Sewer	2,027,136	2,343,364	-	2,296,320	2,612,548
Storm Drain	4,680	62,446	-	380,763	438,529
Total business-type activities	<u>5,103,725</u>	<u>5,846,608</u>	<u>-</u>	<u>4,008,653</u>	<u>4,751,537</u>
Total primary government	<u>\$ 15,661,393</u>	<u>10,397,089</u>	<u>757,922</u>	<u>7,467,074</u>	<u>2,960,691</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, 2022

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (1,790,846)	4,751,537	2,960,691
General revenues:			
Property taxes	1,164,181	-	1,164,181
Sales tax	2,607,151	-	2,607,151
Other taxes	943,452	-	943,452
Unrestricted investment earnings	100,664	78,412	179,076
Gain on sale of capital assets	62,094	-	62,094
Miscellaneous	184,085	-	184,085
Transfers in (out)	2,013,684	(2,013,684)	-
Total general revenues and transfers	<u>7,075,311</u>	<u>(1,935,272)</u>	<u>5,140,039</u>
Change in net position	5,284,464	2,816,265	8,100,730
Net position - beginning	28,143,414	20,493,405	48,636,819
Net position - ending	<u>\$ 33,427,878</u>	<u>23,309,670</u>	<u>56,737,548</u>

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

Santaquin City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,299,988	3,740,638	50,092	15,090,717
Accounts receivable, net of allowances	267,106	-	-	267,106
Restricted cash and cash equivalents	203,579	2,632,355	3,994,094	6,830,028
TOTAL ASSETS	\$ 11,770,673	6,372,993	4,044,186	22,187,852
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ 3,927	1,602,370	313,401	1,919,698
Accrued liabilities	8,065,313	-	-	8,065,313
Total liabilities	8,069,240	1,602,370	313,401	9,985,011
Deferred inflows of resources	1,067	-	-	1,067
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	8,070,307	1,602,370	313,401	9,986,078
FUND BALANCES:				
Restricted for:				
Parks and recreation	202,049	-	-	202,049
Capital projects	-	2,632,355	-	2,632,355
Impact fees and grants	-	-	3,608,837	3,608,837
Comm. Develop. and Renewal Agency	-	-	57,413	57,413
Local Building Authority	-	-	985	985
Santaquin SSD	-	-	13,489	13,489
Committed for:				
Senior citizens	-	-	50,061	50,061
Assigned for:				
Capital projects	-	2,138,268	-	2,138,268
Events	69,268	-	-	69,268
Museum	9,135	-	-	9,135
Royalty	25,289	-	-	25,289
Administration	13,959	-	-	13,959
Recreation classes	11,853	-	-	11,853
Library	36,007	-	-	36,007
Fire department	515,933	-	-	515,933
Unassigned	2,816,872	-	-	2,816,872
TOTAL FUND BALANCES	3,700,366	4,770,623	3,730,785	12,201,774
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,770,673	6,372,993	4,044,186	22,187,852

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, 2022

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 1,164,181	-	-	1,164,181
Sales	2,607,151	-	-	2,607,151
Other taxes	943,452	-	-	943,452
License and permits	1,933,861	-	-	1,933,861
Intergovernmental revenues	757,922	1,060,723	-	1,818,644
Charges for services	2,372,078	-	24,412	2,396,490
Fines and forfeitures	220,126	-	-	220,126
Interest	54,579	24,221	21,864	100,664
Miscellaneous revenue	176,056	7,709	320	184,085
Total revenues	10,229,406	1,092,652	46,596	11,368,654
EXPENDITURES:				
General government	2,300,617	5,161,695	2,297	7,464,610
Public safety	3,162,742	650,118	-	3,812,860
Highways and public improvements	827,206	1,387,696	45,255	2,260,156
Sanitation	760,184	-	-	760,184
Parks, recreation and public property	1,760,918	14,036	2,106,069	3,881,023
Cemetery	194,156	1,282	-	195,438
Debt service:				
Principal	250,000	530,606	105,000	885,606
Interest	164,211	117,273	81,431	362,916
Total expenditures	9,420,034	7,862,706	2,340,053	19,622,793
Excess (Deficiency) of Revenues over (Under) Expenditures	809,372	(6,770,054)	(2,293,457)	(8,254,139)
Other Financing Sources and (Uses):				
Impact fees	-	-	2,397,698	2,397,698
Proceeds from leases	-	731,500	-	731,500
Gain on sale of capital assets	-	62,094	-	62,094
Transfers in	2,478,863	2,166,212	277,904	4,922,979
Transfers (out)	(2,488,287)	(31,008)	(390,000)	(2,909,295)
Total other financing sources and (uses)	(9,424)	2,928,798	2,285,602	5,204,976
Net Change in Fund Balances	799,948	(3,841,256)	(7,855)	(3,049,163)
Fund balances - beginning of year	2,900,418	8,611,879	3,738,640	15,250,937
Fund balance - end of year	\$ 3,700,366	4,770,623	3,730,785	12,201,774

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

Santaquin City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
June 30, 2022

Total Fund Balance for Governmental Funds	<u>\$ 12,201,774</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	43,741,108
Less accumulated depreciation	<u>(9,242,882)</u>
Net capital assets	<u>34,498,226</u>
Net pension asset	<u>926,499</u>
Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	<u>511,243</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>(12,502,048)</u>
Interest accrued but not yet paid on long-term debt	<u>(47,171)</u>
Compensated absences	<u>(533,289)</u>
Closure and post closure costs	<u>(44,677)</u>
Deferred inflows of resources - pensions	<u>(1,582,678)</u>
Total Net Position of Governmental Activities	<u><u>\$ 33,427,878</u></u>

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

Santaquin City Corporation
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (3,049,163)</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	8,429,417
Depreciation expense	<u>(798,283)</u>
Net	<u>7,631,134</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>531,174</u>
<p>Long-term debt proceeds are reported as financing sources in governmental funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.</p>	
Long-term debt issuance	<u>(731,500)</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	885,606
Amortization of premiums	<u>26,534</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>(447)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.</p>	
Change in compensated absence liability	<u>(4,750)</u>
Change in landfill post closure liability	<u>(4,126)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,284,464</u></u>

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

Santaquin City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

	Water Fund	Sewer Fund	Non-major Storm Drain Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,648,667	-	1,237,504	3,886,171
Accounts receivable, net	281,952	192,642	9,575	484,169
Other current asset	-	31,769	-	31,769
Total current assets	2,930,619	224,411	1,247,079	4,402,109
Non-current assets:				
Restricted cash and cash equivalents	6,188,294	5,068,296	-	11,256,591
Capital assets:				
Not being depreciated	5,141,726	110,000	-	5,251,726
Net of accumulated depreciation	10,149,147	13,769,897	-	23,919,045
Net pension asset	140,734	105,550	-	246,284
Total non-current assets	21,619,902	19,053,744	-	40,673,646
Total assets	24,550,521	19,278,155	1,247,079	45,075,755
Deferred outflows of resources - pensions	77,657	58,243	-	135,900
Total assets and deferred outflows of resources	\$ 24,628,178	19,336,398	1,247,079	45,211,655
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 304,618	12,509	-	317,126
Accrued interest payable	93,991	23,044	-	117,035
Customer security deposits	45,700	-	-	45,700
Long-term debt, current position	618,000	397,959	-	1,015,959
Total current liabilities	1,062,309	433,512	-	1,495,820
Non-current liabilities:				
Compensated absences	135,136	74,036	-	209,171
Long-term debt, long-term portion	13,700,000	6,076,281	-	19,776,281
Total non-current liabilities	13,835,136	6,150,317	-	19,985,453
Total liabilities	14,897,445	6,583,829	-	21,481,273
Deferred inflows of resources - pensions	240,407	180,305	-	420,712
Total liabilities and deferred inflows of resources	15,137,851	6,764,134	-	21,901,985
NET POSITION:				
Net investment in capital assets	972,873	7,405,657	-	8,378,530
Restricted for:				
Money in lieu of water	1,810,781	-	-	1,810,781
Debt service	511,363	5,068,296	-	5,579,659
Unrestricted	6,195,309	98,311	1,247,079	7,540,699
Total net position	9,490,327	12,572,264	1,247,079	23,309,670
Total liabilities, deferred inflows of resources and net position	\$ 24,628,178	19,336,398	1,247,079	45,211,655

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

Santaquin City Corporation
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - PROPRIETARY FUND**

For the Year Ended June 30, 2020

	Water Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Operating income:				
Charges for sales and service	\$ 3,214,359	2,343,364	62,446	5,620,170
Connection fees	142,535	-	-	142,535
Other operating income	83,904	-	-	83,904
Total operating income	3,440,798	2,343,364	62,446	5,846,608
Operating expenses:				
Personnel services	709,602	392,496	-	1,102,098
Utilities	190,288	136,026	-	326,313
Repair and maintenance	1,004,209	455,763	4,680	1,464,652
Professional services	13,050	-	-	13,050
Other supplies and expenses	60,064	32,884	-	92,948
Water assessment	46,620	-	-	46,620
Depreciation expense	771,311	893,000	-	1,664,311
Total operating expense	2,795,142	1,910,169	4,680	4,709,991
Net operating income (loss)	645,656	433,195	57,766	1,136,617
Non-operating income (expense):				
Impact fees	1,331,570	2,296,320	380,763	4,008,653
Interest income	36,789	37,081	4,542	78,412
Interest on long-term debt	(276,766)	(116,967)	-	(393,733)
Total non-operating income (expense)	1,091,593	2,216,433	385,305	3,693,332
Income (loss) before transfers	1,737,249	2,649,629	443,071	4,829,949
Transfers in	-	-	-	-
Transfers out	(1,253,276)	(760,408)	-	(2,013,684)
Change in net position	483,973	1,889,221	443,071	2,816,265
Net position - beginning	9,006,354	10,683,043	804,008	20,493,405
Net position - ending	\$ 9,490,327	12,572,264	1,247,079	23,309,670

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

Santaquin City Corporation
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	Water Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from customers - service	\$ 3,420,424	2,327,522	56,855	5,804,801
Cash paid to suppliers	(1,051,161)	(616,425)	(4,680)	(1,672,266)
Cash paid to employees	(772,548)	(442,360)	-	(1,214,909)
Net cash provided (used) in operating activities	1,596,714	1,268,737	52,175	2,917,627
Cash flows from noncapital financing activities:				
Net transfers in (out)	(1,253,276)	(760,408)	-	(2,013,684)
Change in customer deposits	4,100	-	-	4,100
Net cash provided (used) in noncapital financing activities	(1,249,176)	(760,408)	-	(2,009,584)
Cash flows from capital and related financing activities:				
Cash received from impact fees	1,331,570	2,296,320	380,763	4,008,653
Cash from bond issue	11,236,000	-	-	11,236,000
Cash paid for capital assets	(4,709,304)	(13,945)	-	(4,723,249)
Cash payments for long-term debt principal	(2,971,761)	(562,396)	-	(3,534,156)
Cash payments for long-term debt interest	(271,995)	(118,736)	-	(390,731)
Net cash provided (used) in capital and related financing activities	4,614,510	1,601,243	380,763	6,596,517
Cash flows from investing activities:				
Cash received from interest earned	36,789	37,081	4,542	78,412
Net cash provided (used) in investing activities	36,789	37,081	4,542	78,412
Net increase (decrease) in cash	4,998,838	2,146,653	437,480	7,582,971
Cash balance - beginning	3,838,124	2,921,643	800,024	7,559,791
Cash balance - ending	\$ 8,836,962	5,068,296	1,237,504	15,142,762
Cash reported on the statement of net position:				
Cash and cash equivalents	\$ 2,648,667	-	1,237,504	3,886,171
Non-current restricted cash	6,188,294	5,068,296	-	11,256,591
Total cash and cash equivalents	\$ 8,836,962	5,068,296	1,237,504	15,142,762

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

Santaquin City Corporation
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2022

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

	Water Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Net operating income (expense)	\$ 645,656	433,195	57,766	1,136,617
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	771,311	893,000	-	1,664,311
Changes in assets and liabilities:				
(Increase) decrease in receivables	(20,374)	(15,842)	(5,591)	(41,808)
(Increase) decrease in other assets	-	(1,400)	-	(1,400)
(Increase) decrease in net pension asset	(140,734)	(105,550)	-	(246,284)
(Increase) decrease in deferred outflows	(19,230)	(14,422)	-	(33,652)
Increase (decrease) in payables	263,069	9,648	-	272,717
Increase (decrease) in compensated absences	17,738	10,649	-	28,387
Increase (decrease) in net pension liability	(43,765)	(32,823)	-	(76,588)
Increase (decrease) in deferred inflows	123,044	92,283	-	215,326
Net cash provided (used) in operating activities	\$ 1,596,714	1,268,737	52,175	2,917,627

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

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

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

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

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

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

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

The statement of net position reports the financial position of the governmental and business-type activities of the City and its discretely presented component units (if any) at year-end.

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

Fund Financial Statements

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

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

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

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

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

Policy regarding use of restricted resources

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

Proprietary funds

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

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

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

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

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

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 3.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

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

1-E-2. Cash and Cash Equivalents

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

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of any allowance for uncollectible accounts. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. For the year ended June 30, 2022, the City reported \$80,624 as allowance for uncollectible accounts receivable.

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

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

1-E-4. Restricted Assets

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

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

1-E-5. Inventories and Prepaid items

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

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

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

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

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

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

1-E-7. Long-term Obligations

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

1-E-8. Fund Equity

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

1-E-8. Fund Equity (continued)

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

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

1-E-9. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has only one type of deferred inflows of resources. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The city also reports deferred inflows of resources related to pensions as required by GASB 68.

1-E-10. Pensions

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

1-E-11. Estimates

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

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

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

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2022, consist of the following:

	Fair Value
Demand deposits - checking	\$ 7,662,862
State Treasurer's Investment Pool	29,400,646
Total cash	\$ 37,063,508

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

Cash and cash equivalents (current)	\$ 18,976,889
Restricted cash and cash equivalents (non-current)	18,086,619
Total cash and cash equivalents	\$ 37,063,508

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-A. Deposits and investments (continued)

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

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

Fair value of investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2022, the City had \$29,400,646 invested in the PTIF, which uses a Level 2 fair value measurement.

Deposit and investment risk

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

Interest rate risk

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-A. Deposits and investments (continued)

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2023, \$7,686,848 of the City's demand deposits of \$8,258,725 were uninsured. The book balance at year-end was \$7,662,862.

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	Storm Drain Fund	Total
Intergovernmental	\$ 177,726	-	-	-	177,726
Installments	1,067	-	-	-	1,067
Customers	100,803	324,088	219,883	10,929	655,703
Total receivables	279,595	324,088	219,883	10,929	834,495
Allowance for uncollectibles	(12,489)	(42,136)	(27,241)	(1,354)	(83,220)
Net receivables	\$ 267,106	281,952	192,642	9,575	751,275

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and rights	\$ 994,142	414,900	-	1,409,042
Infrastructure	16,092,040	-	-	16,092,040
Construction in progress	1,253,267	7,551,806	105,750	8,699,323
Total capital assets, not being depreciated	18,339,449	7,966,706	105,750	26,200,405
Capital assets, being depreciated:				
Buildings	8,114,820	-	-	8,114,820
Improvements other than buildings	2,825,509	105,750	-	2,931,258
Machinery and equipment	6,031,913	462,712	-	6,494,625
Total capital assets, being depreciated	16,972,242	568,461	-	17,540,703
Less accumulated depreciation for:				
Buildings	2,938,853	280,180	-	3,219,033
Improvements other than buildings	508,174	156,408	-	664,582
Machinery and equipment	4,997,572	361,695	-	5,359,267
Total accumulated depreciation	8,444,599	798,283	-	9,242,882
Total capital assets being depreciated, net	8,527,642	(229,822)	-	8,297,821
Governmental activities capital assets, net	\$ 26,867,092	7,736,884	105,750	34,498,226

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

Governmental activities:	
General government	\$ 19,482
Public safety	289,246
Highways and public improvements	186,184
Parks, recreation and public property	295,795
Cemetery	7,577
Total	\$ 798,283

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-C. Capital assets (continued)

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

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 124,032	-	-	124,032
Water shares	535,148	-	-	535,148
Construction in progress	5,059,916	4,592,546	5,059,916	4,592,546
Total capital assets, not being depreciated	5,719,096	4,592,546	5,059,916	5,251,726
Capital assets, being depreciated:				
Buildings and improvements	275,389	-	-	275,389
Water distribution system	18,959,315	4,183,673	-	23,142,989
Sewer collection/treatment system	28,255,442	997,171	-	29,252,613
Machinery and equipment	491,989	9,775	-	501,764
Total capital assets, being depreciated	47,982,136	5,190,619	-	53,172,755
Less accumulated depreciation for:				
Buildings and improvements	256,588	2,564	-	259,152
Water distribution system	12,232,306	770,665	-	13,002,971
Sewer collection system	14,608,517	890,436	-	15,498,954
Machinery and equipment	491,989	645	-	492,634
Total accumulated depreciation	27,589,399	1,664,311	-	29,253,710
Total capital assets being depreciated, net	20,392,736	3,526,308	-	23,919,045
Business-type activities capital assets, net	\$ 26,111,832	8,118,854	5,059,916	29,170,771

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

Business-type activities:	
Water	\$ 771,311
Sewer	893,000
Total	\$ 1,664,311

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

3-D. Long-term debt

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

	Original Principal	%	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings:							
2016 (4) Piece Equipment Lease							
Matures 3/1/2023	\$ 482,477	2.17	\$ 118,863	-	58,793	60,069	60,069
2015 Pierce Saber Pumper Fire Truck							
Matures 6/24/2024	446,032	3.82	151,761	-	48,703	103,058	50,563
2018 Fire SCBA Equip Lease							
Matures 9/26/2024	169,173	4.22	98,458	-	23,110	75,348	24,085
2021 Equipment Lease							
Matures 8/15/2025	731,500	4.22	-	731,500	-	731,500	180,128
Bonds:							
2018 Excise Tax Rev Bonds							
Matures 7/15/2028	4,300,000	2.50	3,518,000	-	400,000	3,118,000	407,000
2015 LBA Lease Revenue							
Matures 7/1/2035	2,500,000	4.17	1,953,000	-	105,000	1,848,000	109,000
2020 Sales Tax Revenue Bonds							
Matures 7/1/2035	6,655,000	4.17	6,365,000	-	250,000	6,115,000	260,000
2020 Sales Tax Revenue Premiums			477,607	-	26,534	451,073	-
Total governmental activity long-term liabilities			\$ 12,682,688	731,500	912,140	12,502,048	1,090,845

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

	Principal	Interest	Total
2023	\$ 1,090,845	315,985	1,406,830
2024	1,060,271	283,885	1,344,156
2025	1,036,944	251,661	1,288,605
2026	1,041,914	220,621	1,262,536
2027	891,000	189,906	1,080,906
2028 - 2032	3,376,000	598,074	3,974,074
2033 - 2037	2,364,000	263,793	2,627,793
2038 - 2040	1,190,000	47,900	1,237,900
Total	\$ 12,050,976	2,171,825	14,222,801

The City has outstanding bonds and other direct borrowings related to governmental activities totaling \$11,532,073 and \$969,975, respectively. The outstanding bonds and other direct borrowings are all secured with their respective revenues and/or property and equipment.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

3-D. Long-term debt (continued)

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

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds:							
1993A Sewer Bond							
Matures 6/30/2020	\$ 1,000,000	-	\$ 170,000	-	170,000	-	-
2012 P.I. Revenue Refunding							
Matures 9/1/2026	6,130,000	2.52	2,850,000	-	2,850,000	-	-
2011A-1 Sewer Revenue Bond							
Matures 1/1/2031	6,034,000	0.01	3,428,000	-	341,000	3,087,000	345,000
2011B Sewer Revenue Bond							
Matures 1/1/2033	900,000	1.00	900,000	-	-	900,000	-
2018 WA Booster Pump/Tank							
Matures 1/1/2039	1,720,500	1.00	1,602,000	-	61,000	1,541,000	62,000
2018 PI Booster Pump/Tank							
Matures 1/1/2039	1,720,500	1.00	1,602,000	-	61,000	1,541,000	62,000
2021 Water Rev & Ref							
Matures 1/1/2039	11,236,000	1.00	-	11,236,000	-	11,236,000	494,000
2011A-2 Sewer Revenue							
Matures 2/15/2052	2,912,000	3.00	2,538,636	-	51,396	2,487,240	52,959
Total business-type activity long-term liabilities			\$ 13,090,636	11,236,000	3,534,396	20,792,240	1,015,959

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

	Principal	Interest	Total
2023	\$ 1,015,959	363,951	1,379,910
2024	1,026,570	353,560	1,380,130
2025	1,038,230	342,261	1,380,491
2026	1,086,940	330,048	1,416,988
2027	1,101,702	316,279	1,417,982
2028 - 2032	5,739,880	1,348,446	7,088,326
2033 - 2037	4,645,709	903,129	5,548,838
2038 - 2042	4,079,076	417,447	4,496,524
2043 - 2047	512,362	121,898	634,260
2048 - 2052	545,813	39,320	585,133
Total	\$ 20,792,240	4,536,340	25,328,580

The City has outstanding bonds related to business-type activities totaling \$20,792,240. The outstanding bonds are all secured with their respective revenues and/or property and equipment.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

3-D. Long-term debt (continued)

Lease Requirements:

The City acquired the following assets through leases. Amortization of assets under lease are included in depreciation expense. As of June 30, 2022, the net book values are as follows:

	Governmental Activities
Machinery and equipment	\$ 922,044
Less accumulated depreciation	(922,044)
Net book value	\$ -

Lease requirements to maturity are included on the maturity schedule for governmental activities.

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensated absences:			
Governmental	\$ 528,539	4,750	533,289
Business-type	180,784	28,387	209,171
Total	\$ 709,323	33,137	742,460
 Net pension liability:			
Governmental	\$ 288,117	(288,117)	-
Business-type	76,588	(76,588)	-
Total	\$ 364,705	(364,705)	-

3-E. Interfund transactions and balances

Interfund transfers:

	Transfers In	Transfers Out
General fund	\$ 2,478,863	2,488,287
Capital projects fund	2,166,212	31,008
Senior citizens	47,245	-
Transportation Impact Fees	-	390,000
Local building authority	189,679	-
Santaquin SSD	40,980	-
Water fund	-	1,253,276
Sewer fund	-	760,408
Total	\$ 4,922,979	4,922,979

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

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

4-C. Subsequent Events

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-D. Pension Plans

General Information about the Pension Plan

Plan description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

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

Firefighters Retirement System (Firefighters System) is a multiple employer, cost sharing, retirement system;

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

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-D. Pension Plans (continued)

Benefits provided:

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

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

* with actuarial reductions

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-D. Pension Plans (continued)

Contribution Rate Summary: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2022, are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rate</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Government Div - Tier 2	N/A	16.07	0.62
Noncontributory System			
15 - Local Government Div - Tier 1	N/A	18.47	N/A
Public Safety System			
122 - Tier 2 DB Hybrid Public Safety (Contributory)	2.27	25.83	N/A
43 - Other Div A with 2.5% COLA (Noncontributory)	N/A	34.04	N/A
Firefighters Retirement System			
31 - Other Division A	15.05	4.61	N/A
132 - Tier 2 DB Hybrid Firefighters	2.27	14.08	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69	10.00
222 - Public Safety	N/A	11.83	14.00
232 - Firefighters	N/A	0.08	14.00

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

For the fiscal year ended June 30, 2022, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 194,738	N/A
Public Safety System	174,721	-
Firefighters System	4,509	-
Tier 2 Public Employees System	118,591	-
Tier 2 Public Safety and Firefighter	79,005	-
Tier 2 DC Only System	34,472	N/A
Tier 2 DC Public Safety and Firefighter System	4,683	N/A
Total Contributions	\$ 610,720	\$ -

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-D. Pension Plans (continued)

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

At June 30, 2022, we reported a net pension asset of \$1,172,793 and a net pension liability of \$0.

	(Measurement Date): December 31, 2021			Proportionate Share 12/31/2020	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share		
Noncontributory System	\$ 777,101	\$ -	0.1356882%	0.1375022%	-0.0018140%
Public Safety System	291,720	-	0.3591978%	0.3375815%	0.0216163%
Firefighters System	82,488	-	0.1414369%	0.0000000%	0.1414369%
Tier 2 Public Employees System	15,281	-	0.0361039%	0.0299816%	0.0061223%
Tier 2 Public Safety and Firefighter	6,193	-	0.1225307%	0.1068969%	0.0156338%
Total	\$ 1,172,783	\$ -			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, we recognize pension expense of (\$62,898).

At June 30, 2022, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 124,748	\$ 3,724
Changes in assumptions	153,386	9,295
Net difference between projected and actual earnings on pension plan investments	-	1,942,379
Changes in proportion and differences between contributions and proportionate share of contributions	55,423	47,992
Contributions subsequent to the measurement date	313,585	-
Total	\$ 647,143	\$ 2,003,390

\$313,585 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, 2021. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-D. Pension Plans (continued)

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>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (321,063)
2023	(579,189)
2024	(473,447)
2025	(322,407)
2026	3,247
Thereafter	23,023

Actuarial assumptions:

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-D. Pension Plans (continued)

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

<u>Assets class</u>	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	37%	6.30%	2.33%
Debt securities	20%	0.00%	0.00%
Real assets	15%	6.19%	0.93%
Private equity	12%	9.50%	1.14%
Absolute return	16%	2.75%	0.44%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100.00%		4.84%
	Inflation		2.50%
	Expected arithmetic nominal return		7.34%

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

Discount rate:

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

<u>System</u>	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 417,871	\$ (777,101)	\$ (1,774,072)
Public Safety System	719,477	(291,720)	(1,112,882)
Firefighters System	(20,200)	(82,488)	(132,975)
Tier 2 Public Employees System	91,045	(15,281)	(96,916)
Tier 2 Public Safety and Firefighter	49,683	(6,193)	(50,511)
Total	\$ 1,257,876	\$ (1,172,783)	\$ (3,167,356)

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-D. Pension Plans (continued)

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

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

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

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

	2022	2021	2020
401(k) Plan			
Employer Contributions	\$ 85,768	\$ 65,115	\$ 69,499
Employee Contributions	57,415	44,463	46,355
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	23,326	17,296	15,088
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	24,208	16,099	17,094

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Santaquin City Corporation
Notes to Required Supplementary Information
June 30, 2022

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2022, expenditures for all departments were under budgeted amounts.

Changes in Assumptions Related to Pensions

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

Santaquin City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2022

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Property	\$ 1,088,174	1,137,333	1,164,181	26,848
Sales	2,022,467	2,322,467	2,607,151	284,684
Other taxes	771,000	771,000	943,452	172,452
License and permits	1,828,700	1,945,700	1,933,861	(11,839)
Intergovernmental revenues	589,700	642,660	757,922	115,262
Charges for services	1,763,642	2,290,119	2,372,078	81,959
Fines and forfeitures	302,500	302,500	220,126	(82,374)
Interest	20,600	20,600	54,579	33,979
Miscellaneous revenue	114,000	154,738	176,056	21,318
Total revenues	8,500,783	9,587,117	10,229,406	642,289
EXPENDITURES:				
General government	2,636,045	2,808,189	2,714,828	93,361
Public safety	3,024,855	3,238,827	3,162,742	76,085
Highways and public improvements	861,601	871,029	827,206	43,823
Sanitation	559,010	763,000	760,184	2,816
Parks, recreation and public property	1,524,388	1,840,835	1,760,918	79,917
Cemetery	210,427	216,941	194,156	22,785
Total expenditures	8,816,326	9,738,821	9,420,034	318,787
Excess (Deficiency) of Revenues over (Under) Expenditures	(315,543)	(151,704)	809,372	961,076
Other Financing Sources and (Uses):				
Transfers in	2,520,074	2,478,863	2,478,863	-
Transfers (out)	(2,165,946)	(2,229,819)	(2,488,287)	(258,468)
Total other financing sources and (uses)	354,128	249,044	(9,424)	(258,468)
Net Change in Fund Balances	38,585	97,340	799,948	702,608
Fund balances - beginning of year	2,900,418	2,900,418	2,900,418	-
Fund balance - end of year	\$ 2,939,003	2,997,758	3,700,366	702,608

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

June 30, 2022

Last 10 Fiscal Years*

	As of December 31,									
	2021	2020	2019	2018	2017	2016	2015	2014		
Noncontributory Retirement System										
Proportion of the net pension liability (asset)	0.1356882%	0.1375022%	0.1270077%	0.1253051%	0.1223531%	0.1219067%	0.1196808%	0.1283310%		
Proportionate share of the net pension liability (asset)	\$ (777,101)	\$ 70,531	\$ 478,675	\$ 922,712	\$ 536,066	\$ 782,790	\$ 677,212	\$ 489,948		
Covered employee payroll	\$ 1,030,271	\$ 1,113,317	\$ 1,046,159	\$ 1,038,995	\$ 1,024,428	\$ 1,035,444	\$ 996,660	\$ 972,290		
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-75.43%	6.34%	45.76%	88.81%	52.33%	75.60%	67.95%	50.40%		
Plan fiduciary net position as a percentage of the total pension liability	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%	90.20%		
Public Safety System										
Proportion of the net pension liability (asset)	0.3591978%	0.3375815%	0.3846112%	0.3764920%	0.3535016%	0.3690062%	0.3521190%	0.3020041%		
Proportionate share of the net pension liability (asset)	\$ (291,720)	\$ 280,274	\$ 617,539	\$ 968,558	\$ 554,523	\$ 748,815	\$ 630,734	\$ 379,795		
Covered employee payroll	\$ 496,247	\$ 477,647	\$ 553,539	\$ 541,782	\$ 524,521	\$ 547,351	\$ 517,969	\$ 465,866		
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-58.79%	58.68%	111.56%	178.77%	105.72%	136.81%	121.77%	81.50%		
Plan fiduciary net position as a percentage of the total pension liability	104.20%	95.50%	90.90%	84.70%	90.20%	86.50%	87.10%	90.50%		
Firefighters Retirement System										
Proportion of the net pension liability (asset)	0.1414369%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%		
Proportionate share of the net pension liability (asset)	\$ (82,488)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered employee payroll	\$ 47,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-174.93%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total pension liability	120.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Tier 2 Public Employees Retirement System										
Proportion of the net pension liability (asset)	0.0361039%	0.0299816%	0.0265400%	0.0257681%	0.0253088%	0.0237908%	0.0286768%	0.0322847%		
Proportionate share of the net pension liability (asset)	\$ (15,281)	\$ 4,312	\$ 5,969	\$ 11,036	\$ 2,231	\$ 2,654	\$ (63)	\$ (978)		
Covered employee payroll	\$ 669,927	\$ 479,323	\$ 368,476	\$ 301,142	\$ 247,704	\$ 195,101	\$ 185,255	\$ 158,571		
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-2.28%	0.90%	1.62%	3.66%	0.90%	1.36%	-0.03%	-0.60%		
Plan fiduciary net position as a percentage of the total pension liability	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%		
Tier 2 Public Safety and Firefighters Retirement										
Proportion of the net pension liability (asset)	0.1225307%	0.1068969%	0.0850476%	0.0899718%	0.0495447%	0.0126808%	0.0000000%	0.0000000%		
Proportionate share of the net pension liability (asset)	\$ (6,193)	\$ 9,588	\$ 8,000	\$ 2,254	\$ (573)	\$ (110)	\$ -	\$ -		
Covered employee payroll	\$ 293,018	\$ 20,864	\$ 140,183	\$ 119,740	\$ 52,283	\$ 10,447	\$ -	\$ -		
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-2.11%	4.57%	5.10%	1.88%	-1.10%	1.05%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total pension liability	102.80%	93.10%	89.60%	95.60%	103.00%	103.60%	0.00%	0.00%		

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI.

Santaquin City Corporation
SCHEDULE OF CONTRIBUTIONS

June 30, 2022

Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory Retirement System	2014	\$ 164,203	\$ 164,203	\$ -	\$1,023,584	16.04%
	2015	169,108	169,108	-	962,322	17.57%
	2016	181,090	181,090	-	1,026,610	17.64%
	2017	186,016	186,016	-	1,058,370	17.58%
	2018	172,932	172,932	-	998,931	17.31%
	2019	184,499	184,499	-	1,057,611	17.31%
	2020	184,726	184,726	-	1,059,527	17.43%
	2021	184,636	184,636	-	1,062,684	17.37%
	2022	194,738	194,738	-	1,114,148	17.48%
Public Safety System	2014	124,019	124,019	-	485,468	25.55%
	2015	169,097	169,097	-	504,698	33.50%
	2016	181,090	181,090	-	539,194	33.59%
	2017	177,767	177,767	-	530,197	33.53%
	2018	192,394	192,394	-	565,201	34.04%
	2019	180,259	180,259	-	529,552	34.04%
	2020	174,957	174,957	-	514,240	34.02%
	2021	165,883	165,883	-	487,318	34.04%
	2022	174,721	174,721	-	513,281	34.04%
Public Safety System	2022	4,509	4,509	-	97,814	4.61%
Tier 2 Public Employees System**	2014	18,434	18,434	-	128,289	14.37%
	2015	35,488	35,488	-	224,115	15.83%
	2016	28,092	28,092	-	188,410	14.91%
	2017	32,772	32,772	-	219,799	14.91%
	2018	42,046	42,046	-	278,269	15.11%
	2019	47,259	47,259	-	304,110	15.54%
	2020	71,137	71,137	-	454,258	15.66%
	2021	88,401	88,401	-	559,497	15.80%
	2022	118,591	118,591	-	737,965	16.07%
Tier 2 Public Safety and Firefighter System**	2014	2,280	2,280	-	10,934	20.85%
	2017	7,389	7,389	-	32,839	22.50%
	2018	16,440	16,440	-	72,839	22.57%
	2019	33,352	33,352	-	144,444	22.57%
	2020	37,254	37,254	-	161,063	23.13%
	2021	70,101	70,101	-	269,894	25.97%
	2022	79,005	79,005	-	305,864	25.83%
Tier 2 Public Employees DC Only System**	2015	2,579	2,579	-	38,374	6.72%
	2016	11,135	11,135	-	166,441	6.69%
	2017	13,355	13,355	-	199,627	6.69%
	2018	17,673	17,673	-	265,096	6.67%
	2019	20,695	20,695	-	309,351	6.69%
	2020	24,359	24,359	-	360,536	6.76%
	2021	28,915	28,915	-	432,214	6.69%
	2022	34,472	34,472	-	515,283	6.69%
Tier 2 Public Safety and Firefighter DC Only System**	2014	1,456	1,456	-	16,095	9.05%
	2015	4,840	4,840	-	41,400	11.69%
	2016	5,056	5,056	-	43,519	11.62%
	2017	5,244	5,244	-	45,160	11.61%
	2018	614	614	-	5,194	11.83%
	2019	5,555	5,555	-	46,958	11.83%
	2020	6,026	6,026	-	50,934	11.83%
	2021	97	97	-	817	11.83%
	2022	4,683	4,683	-	36,718	12.75%

* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively.

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

Santaquin City
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING
 June 30, 2022

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, 2022

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	2022	2021	2020	2019	2018
Fair or Better	76%	76%	76%	74%	73%
Poor - Very Poor	24%	24%	24%	26%	27%

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

Fiscal Year	Estimated Spending	Actual Spending
2022	\$5,809,187	\$1,238,497
2021	\$2,037,556	\$1,614,385
2020	\$4,784,264	\$3,757,721
2019	\$6,258,750	\$3,026,690
2018	\$944,562	\$843,728

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Santaquin City Corporation
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2022

	Senior Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees
ASSETS				
Cash and cash equivalents	\$ 50,092	-	-	-
Restricted cash and cash equivalents	-	2,723,903	811,768	386,536
TOTAL ASSETS	\$ 50,092	2,723,903	811,768	386,536
LIABILITIES				
Accounts payable	\$ 31	313,370	-	-
TOTAL LIABILITIES	31	313,370	-	-
FUND BALANCES:				
Restricted for:				
Impact fees and grants	-	2,410,533	811,768	386,536
Comm. Develop. and Renewal Agency	-	-	-	-
Local Building Authority	-	-	-	-
Santaquin SSD	-	-	-	-
Committed for:				
Senior citizens	50,061	-	-	-
TOTAL FUND BALANCES	50,061	2,410,533	811,768	386,536
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 50,092	2,723,903	811,768	386,536

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

Community Development & Renewal Agency	Local Building Authority	Santaquin SSD	Total Nonmajor Governmental Funds
-	-	-	50,092
57,413	985	13,489	3,994,094
57,413	985	13,489	4,044,186
-	-	-	313,401
-	-	-	313,401
-	-	-	3,608,837
57,413	-	-	57,413
-	985	-	985
-	-	13,489	13,489
-	-	-	50,061
57,413	985	13,489	3,730,785
57,413	985	13,489	4,044,186

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, 2022

	Senior Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees
REVENUES:				
Intergovernmental revenues	\$ -	-	-	-
Charges for services	24,412	-	-	-
Interest	61	15,720	3,572	2,491
Miscellaneous revenue	320	-	-	-
Total revenues	24,794	15,720	3,572	2,491
EXPENDITURES:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and public improvements	-	-	-	-
Parks, recreation and public property	60,753	2,045,317	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	60,753	2,045,317	-	-
Excess (Deficiency) of Revenues over (Under) Expenditures	(35,959)	(2,029,596)	3,572	2,491
Other Financing Sources and (Uses):				
Impact fees	-	1,806,137	274,665	316,897
Transfers in	47,245	-	-	-
Transfers out	-	-	-	(390,000)
Total other financing sources and (uses)	47,245	1,806,137	274,665	(73,103)
Net Change in Fund Balances	11,286	(223,460)	278,237	(70,612)
Fund balances - beginning of year	38,775	2,633,992	533,531	457,148
Fund balance - end of year	\$ 50,061	2,410,533	811,768	386,536

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

Community Development & Renewal Agency	Local Building Authority	Santaquin SSD	Total Nonmajor Governmental Funds
-	-	-	-
-	-	-	24,412
19	-	-	21,864
-	-	-	320
19	-	-	46,596
-	2,297	-	2,297
-	-	-	-
2,870	-	42,385	45,255
-	-	-	2,106,069
-	105,000	-	105,000
-	81,431	-	81,431
2,870	188,729	42,385	2,340,053
(2,851)	(188,729)	(42,385)	(2,251,072)
-	-	-	2,397,698
-	189,679	40,980	277,904
-	-	-	(390,000)
-	189,679	40,980	2,285,602
(2,851)	950	(1,405)	34,530
60,265	35	14,894	3,738,640
57,413	985	13,489	3,730,785

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah (herein referred to as the “City”), as of and for the year ended June 30, 2022, 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 7, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah

December 7, 2022



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

Honorable Mayor
Members of the City Council
Santaquin City, Utah

Report on Compliance with General State Compliance Requirements

We have audited Santaquin City, Utah’s (herein referred to as the “City”) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for year ended June 30, 2022.

General state compliance requirements were tested for the year ended June 30, 2022 in the following areas:

- | | |
|---|---------------------------------------|
| Budgetary Compliance | Fund Balance |
| Justice Court | Restricted Taxes and Related Revenues |
| Government Fees | Fraud Risk Assessment |
| Cash Management | Tax Levy Recognition |
| Impact Fees | Utah Retirement Systems |
| Public Treasurer’s Bond | Open and Public Meetings Act |
| Enterprise Fund Transfers, Reimbursements,
Loans, and Services | |

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on 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 City occurred. An audit includes examining, on a test basis, evidence about City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance

In our opinion, the City complied, in all material respect, with the state compliance requirements referred to above for the year ended June 30, 2022.

Other Matters

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal controls over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with *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 compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal 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

Larson & Company, PC

Spanish Fork, Utah
December 7, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS

Opinion on Compliance for Each Major Federal Program

We have audited Santaquin City, Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santaquin City's major federal programs for the year ended June 30, 2022. Santaquin City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Santaquin City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Santaquin City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Santaquin City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Santaquin City's major federal programs.

Auditor's Responsibilities for the Audit Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santaquin City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santaquin City's compliance with the requirements of each major federal program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Santaquin City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santaquin City's internal control over compliance relevant to the audit in order to design audit procedures that appropriate in the circumstances and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Santaquin City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies in material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did identify and deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 7, 2022

SANTAQUIN CITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the Santaquin City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Santaquin City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award programs for the Santaquin City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under 2 CFR section 200.516(a).
7. The program(s) tested as a major program include:

ARPA	21.027
------	--------
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Santaquin City was determined not to be a low-risk auditee.

SANTAQUIN CITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS

No findings noted during current audit

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

No findings noted during prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit

SANTAQUIN CITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Thru/Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
United States Department of Treasury			
<i>Direct Assurance</i>			
* ARPA Local Fiscal Recovery Fund	21.027		761,291
Total United States Department of Treasury			<u>761,291</u>
United States Department of Homeland Security			
<i>Passed Through the State of Utah</i>			
2021 Emergency Management Performance Grant EMPG	97.042		16,344
Covid 19 Project	97.036		5,275
Covid 19 Project	97.036		11,360
Total United States Department of Homeland Security			<u>32,979</u>
United States Department of Justice			
<i>Passed Through the State of Utah</i>			
CCJJ/JAG Grant	16.738	20A171	3,500
Total United States Department of Justice			<u>3,500</u>
National Foundation on the Arts and the Humanities			
<i>Passed Through the state of Utah</i>			
ARPA Technology Grant	45.310	212707	30,000
ARPA Physical Collection Grant	45.310	212613	12,000
L TSA Grant	45.310	220789	17,150
ARPA COVID Grant	45.310	221436	2,000
Children & Teen Enhancement	45.310	221615	3,000
Technology Grant	45.310	221802	1,950
Total United States Department of Homeland Security			<u>66,100</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 863,869</u></u>

* Major Program

SANTANQUIN CITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

1. **GENERAL**

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of Santaquin City (the City) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of Santaquin City it is not intended to and does not present the financial position, changes in net position, or cash flows of Santaquin City.

2. **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. **NON-CASH ASSISTANCE**

The City did not receive any non-cash assistance

4. **LOANS OUTSTANDING**

The City has no federal loans outstanding through as of June 30, 2022.

5. **DE MINIMIS INDIRECT COST RATE**

The City has elected not to use the 10% de minimis indirect cost rate.