

Santaquin City Corporation
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

Santaquin City Corporation

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June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the supplement on the Modified Approach for Infrastructure Reporting, and required information relating to pensions on pages 3-11 and 51-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

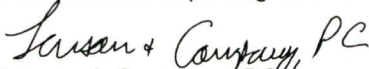
Other Information

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

The combining and individual nonmajor fund financial statements on pages 60-63 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 13, 2017, on our consideration of Santaquin City, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santaquin City, Utah's internal control over financial reporting and compliance.


Larson & Company, PC
Spanish Fork, Utah
December 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2017

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, 2017.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$471,012
- *Total unrestricted net position for the City as a whole increased by \$1,210,817
- *Total net position for governmental activities increased by \$951,063
- *Total net position for business-type activities decreased by \$480,052

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, 2017

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, 2017

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	\$ 5,154,929	3,406,649	2,399,258	1,860,633	7,554,187	5,267,282
Net capital assets	19,464,355	18,842,330	27,791,440	29,640,000	47,255,796	48,482,330
Deferred outflows of resources	691,619	565,946	185,267	151,313	876,886	717,259
Total assets and deferred outflows	\$ 25,310,904	22,814,925	30,375,965	31,651,946	55,686,869	54,466,871
Long-term debt outstanding	\$ 3,233,167	3,216,040	13,626,490	14,484,735	16,859,657	17,700,775
Other liabilities	4,141,254	2,658,207	591,546	541,478	4,732,800	3,199,685
Deferred inflows of resources	186,871	142,131	49,377	37,128	236,248	179,259
Total liabilities and deferred inflows	7,561,292	6,016,378	14,267,413	15,063,341	21,828,705	21,079,719
Net position:						
Net investment in						
capital assets	16,231,188	15,626,290	14,164,951	15,155,265	30,396,139	30,781,555
Restricted	1,391,586	1,114,669	2,131,603	2,762,910	3,523,189	3,877,579
Unrestricted	126,838	57,589	(188,002)	(1,329,570)	(61,164)	(1,271,981)
Total net position	\$ 17,749,611	16,798,548	16,108,553	16,588,605	33,858,164	33,387,153

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 \$33,858,164, an increase of \$471,011 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year are -\$61,164 which represents an increase of \$1,210,817 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, 2017

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	\$ 2,290,416	1,934,075	3,796,783	3,404,518	6,087,199	5,338,593
Operating grants	504,925	978,086	-	-	504,925	978,086
Capital grants	806,872	899,883	1,403,747	1,042,093	2,210,618	1,941,976
General revenues:						
Property taxes	859,261	734,291	-	-	859,261	734,291
Sales tax	1,209,363	1,109,606	-	-	1,209,363	1,109,606
Other taxes	438,669	522,313	-	-	438,669	522,313
Other revenues	137,703	95,468	31,080	15,420	168,783	110,888
Total revenues	6,247,209	6,273,722	5,231,610	4,462,031	11,478,819	10,735,753
Expenses:						
General government	1,537,293	1,418,843	-	-	1,537,293	1,418,843
Public safety	1,923,968	2,105,714	-	-	1,923,968	2,105,714
Highways and improvements	1,457,821	1,657,272	-	-	1,457,821	1,657,272
Sanitation	428,787	389,633	-	-	428,787	389,633
Parks and recreation	1,007,199	1,042,100	-	-	1,007,199	1,042,100
Cemetery	75,847	61,460	-	-	75,847	61,460
Interest on long-term debt	128,547	129,495	-	-	128,547	129,495
Water	-	-	2,123,583	2,210,470	2,123,583	2,210,470
Sewer	-	-	2,248,949	2,085,732	2,248,949	2,085,732
Storm drain	-	-	75,814	-	75,814	-
Total expenses	6,559,461	6,804,517	4,448,346	4,296,202	11,007,807	11,100,719
Excess (deficiency) before transfers	(312,251)	(530,795)	783,263	165,829	471,012	(364,966)
Transfers in (out)	1,263,315	1,129,130	(1,263,315)	-	-	1,129,130
Change in net position	\$ 951,064	598,335	(480,052)	165,829	471,012	764,164

For the City as a whole, total revenues increased by \$743,066 compared to the previous year, while total expenses decreased by \$92,912. The total net change of \$471,012 is, in private sector terms, the net income for the year which is \$293,152 less than the previous year.

Governmental activities revenues of \$6,247,209 is a decrease of \$26,513 from the previous year. This is primarily due to a decrease in operating grants during the year. Governmental activities expenses of \$6,559,461 is a decrease of \$245,056 from the previous year. While public safety, highways and improvements, and parks and recreation expenses decrease, all other department expenses increased.

Business-type activities revenue of \$5,231,610 is an increase of \$769,579 from the previous year. Service revenues increased by \$392,265 and capital grants increased by \$361,654. Business-type activities expenses of \$4,448,346 is an increase of \$152,144 from the previous year. This is due to an overall increase in operation expenses.

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2017

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$1,014,980 reflects an increase of \$121,309 from the previous year. Total revenues increased by \$548,830. Tax revenues, including property taxes and sales taxes, increased by \$141,083. Intergovernmental revenue decreased by \$19,056. Revenues from charges for services increased by \$27,260. Revenues from licenses and permits increased by \$297,909. All other revenues increased by \$63,522.

Total expenditures decreased by \$293,573. General government expenditures increased by \$94,848, public safety expenditures decreased by \$15,218, streets and highways expenditures decreased by \$425,287, sanitation expenditures increased by \$39,154, parks and recreation expenditures increased by \$52,091, and cemetery expenditures increased by \$13,216. Interest expense decreased by \$52,375.

Fund balance restricted for parks and recreation and liabilities amounted to \$6,868 and \$50,063, respectively. Assigned fund balance amounted to \$185,605. The unassigned fund balance amounted to \$772,443.

Water Fund

The change in net position (net loss) was \$338,995, which was \$298,376 less than the prior year's net loss. Net position restricted for debt service and money in lieu of water was \$511,363 and \$701,508, respectively. Unrestricted net position amounts to \$892,273.

Sewer Fund

The change in net position (net loss) was \$147,970, which was \$177,213 less than the previous year's net loss. Net position restricted for debt service was \$918,732. Unrestricted net position amounts to a deficit of \$1,086,440.

Storm Drain Fund

The change in net position (net income) was \$6,913, which was \$7,661 more than the previous year's loss. Unrestricted net position amounts to \$6,165.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$5,040,554. This amount was amended in the final budget to \$5,400,180. Actual revenues, excluding transfers, amounted to \$5,408,535.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$4,780,946. This amount was amended in the final budget to \$5,024,688. Actual expenditures amounted to \$4,936,557.

Transfers in for the year were originally budgeted in the amount of \$896,625. The final budget for transfers in was for the amount of \$999,825. Actual transfers in were made in the amount of \$999,825. Transfers out for the year were originally budgeted in the amount of \$1,155,083. The final budget for transfers out was for the amount of \$1,367,683. Actual transfers out were made in the amount of \$1,350,494.

Santaquin City Corporation
Management's Discussion and Analysis
June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land	\$ 994,142	994,142	124,032	124,032	1,118,174	1,118,174
Water shares and rights	-	-	535,148	535,148	535,148	535,148
Buildings	5,189,150	2,621,571	29,057	31,621	5,218,207	2,653,193
Improvements	816,192	741,357	-	-	816,192	741,357
Water system	-	-	9,179,738	9,863,834	9,179,738	9,863,834
Sewer system	-	-	17,921,430	19,081,849	17,921,430	19,081,849
Infrastructure	11,325,155	11,218,084	-	-	11,325,155	11,218,084
Machinery and equipment	1,089,668	786,810	2,035	3,515	1,091,703	790,325
Work in progress	50,049	2,480,367	-	-	50,049	2,480,367
Totals	\$ 19,464,355	18,842,330	27,791,440	29,640,000	47,255,796	48,482,329

The total amount of capital assets, net of depreciation, of \$47,255,796 is a decrease of \$1,226,534 from the previous year.

Governmental activities capital assets, net of depreciation, of \$19,464,355 is an increase of \$622,026 from the previous year.

Business-type activities capital assets, net of depreciation, of \$27,791,440 is a decrease of \$1,848,559 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, 2017

Santaquin City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2013 (4) Piece Equipment Lease	\$ 31,646	62,657
2014 Equipment Lease Purchase	18,903	31,191
2014 (7) Piece of Equipment Lease	15,605	85,099
2015 Equipment Lease	107,158	167,416
2016 (4) Piece Equipment Lease	397,556	-
2015 Pierce Saber Pumper Fire Truck	329,299	369,677
2015 LBA Lease Revenue	2,333,000	2,500,000
Total governmental	\$ 3,233,168	3,216,039
Business-type activities:		
1993A Sewer Bond	\$ 306,000	340,000
2012 Sewer Revenue Refunding	432,000	534,000
2012 P.I. Revenue Refunding	4,500,000	4,854,000
2011A-1 Sewer Revenue Bond	4,759,000	5,083,000
2011B Sewer Revenue Bond	900,000	900,000
2011A-2 Sewer Revenue	2,729,490	2,773,735
Total business-type	\$ 13,626,490	14,484,735
Total outstanding debt	\$ 16,859,657	17,700,774

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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,437,795	-	3,437,795
Accounts receivable, net	173,122	324,478	497,600
Internal balances	77,105	(207,665)	(130,560)
Other current assets	-	20,259	20,259
Total current assets	3,688,022	137,072	3,825,095
Non-current assets:			
Restricted cash and cash equivalents	1,466,819	2,131,603	3,598,422
Capital assets:			
Not being depreciated	12,369,346	659,180	13,028,526
Net of accumulated depreciation	7,095,009	27,132,260	34,227,270
Net pension asset	88	22	110
Total non-current assets	20,931,262	29,923,066	50,854,328
Total assets	24,619,285	30,060,138	54,679,423
Deferred outflows of resources - pensions	691,619	185,267	876,886
Total assets and deferred outflows of resources	\$ 25,310,904	30,245,405	55,556,309
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,523,007	4,384	2,527,391
Accrued interest payable	3,389	69,294	72,683
Customer security deposits	-	36,585	36,585
Long-term debt due within one year	237,062	900,591	1,137,653
Total current liabilities	2,763,459	1,010,854	3,774,313
Non-current liabilities:			
Compensated absences	372,828	157,879	530,706
Long-term debt due after one year	2,996,105	12,725,899	15,722,004
Closure and post closure costs	31,174	-	31,174
Net pension liability	1,210,856	323,404	1,534,260
Total non-current liabilities	4,610,963	13,207,182	17,818,145
Total liabilities	7,374,422	14,218,035	21,592,457
Deferred inflows of resources	2,015	-	2,015
Deferred inflows of resources - pensions	184,856	49,377	234,233
Total liabilities and deferred inflows of resources	7,561,292	14,267,413	21,828,705
NET POSITION:			
Net investment in capital assets	16,231,188	14,164,951	30,396,139
Restricted for:			
Debt service	35	1,430,095	1,430,130
Impact fees	1,238,696	-	1,238,696
Money in lieu of water	-	701,508	701,508
Other restrictions	152,855	-	152,855
Unrestricted	126,838	(318,562)	(191,724)
Total net position	17,749,611	15,977,993	33,727,604
Total liabilities, deferred inflows of resources and net position	\$ 25,310,904	30,245,405	55,556,309

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

Santaquin City Corporation
STATEMENT OF ACTIVITIES
 June 30, 2017

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General Government	\$ 1,537,293	1,082,293	-	-	(454,999)
Public safety	1,923,968	320,491	48,714	94,260	(1,460,503)
Highways and public improvements	1,457,821	-	446,253	215,112	(796,456)
Sanitation	428,787	610,586	-	-	181,799
Parks, recreation and public property	1,007,199	229,017	9,958	497,500	(270,724)
Cemetery	75,847	48,029	-	-	(27,818)
Interest on long-term debt	128,547	-	-	-	(128,547)
Total governmental activities	6,559,461	2,290,416	504,925	806,872	(2,957,248)
Business-type activities:					
Water and irrigation	2,123,583	2,158,169	-	596,907	631,492
Sewer	2,248,949	1,561,887	-	806,840	119,778
Storm Drain	75,814	76,728	-	-	913
Total business-type activities	4,448,346	3,796,783	-	1,403,747	752,183
Total primary government	\$ 11,007,807	6,087,199	504,925	2,210,618	(2,205,065)

(continued on next page)

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

Santaquin City Corporation
STATEMENT OF ACTIVITIES (continued)
June 30, 2017

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (2,957,248)	752,183	(2,205,065)
General revenues:			
Property taxes	859,261	-	859,261
Sales tax	1,209,363	-	1,209,363
Other taxes	438,669	-	438,669
Unrestricted investment earnings	28,673	31,080	59,753
Miscellaneous	109,031	-	109,031
Transfer in (out)	1,263,315	(1,263,315)	-
Total general revenues and transfers	<u>3,908,311</u>	<u>(1,232,235)</u>	<u>2,676,077</u>
Change in net position	951,064	(480,052)	471,012
Net position - beginning	<u>16,798,547</u>	<u>16,588,605</u>	<u>33,387,152</u>
Net position - ending	<u>\$ 17,749,611</u>	<u>16,108,553</u>	<u>33,858,164</u>

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

Santaquin City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2017

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,157,569	275,244	4,983	3,437,795
Accounts receivable, net of allowances	173,122	-	-	173,122
Due from other funds	201,496	-	-	201,496
Restricted cash and cash equivalents	7,773	-	1,459,046	1,466,819
TOTAL ASSETS	\$ 3,539,960	275,244	1,464,028	5,279,233
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ 35,121	-	42	35,163
Accrued liabilities	2,487,844	-	-	2,487,844
Due to other funds	-	-	124,391	124,391
Total liabilities	2,522,965	-	124,433	2,647,398
Deferred inflows of resources	2,015	-	-	2,015
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,524,980	-	124,433	2,649,413
FUND BALANCES:				
Restricted for:				
Parks and recreation	6,868	-	-	6,868
Liabilities	50,063	-	-	50,063
Impact fees and grants	-	-	1,238,696	1,238,696
Transportation SSD	-	-	85,639	85,639
Comm. Develop. and Renewal Agency	-	-	10,285	10,285
Local Building Authority	-	-	35	35
Committed for:				
Senior citizens	-	-	4,941	4,941
Assigned for:				
Capital projects	-	275,244	-	275,244
Events	54,753	-	-	54,753
Museum	2,644	-	-	2,644
Royalty	10,320	-	-	10,320
Library	16,672	-	-	16,672
Fire department	101,216	-	-	101,216
Unassigned	772,443	-	-	772,443
TOTAL FUND BALANCES	1,014,980	275,244	1,339,595	2,629,819
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,539,960	275,244	1,464,028	5,279,233

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, 2017

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 859,261	-	-	859,261
Sales	1,209,363	-	-	1,209,363
Other taxes	438,669	-	-	438,669
License and permits	825,534	-	-	825,534
Intergovernmental revenues	499,466	-	5,458	504,925
Charges for services	1,193,438	-	14,685	1,208,123
Fines and forfeitures	256,760	-	-	256,760
Interest	28,614	-	58	28,673
Miscellaneous revenue	97,430	-	11,001	108,431
Total revenues	5,408,535	-	31,202	5,439,737
EXPENDITURES:				
General government	1,316,415	180,868	-	1,497,283
Public safety	1,835,088	-	-	1,835,088
Highways and public improvements	464,622	823,477	540,601	1,828,700
Sanitation	428,787	-	-	428,787
Parks, recreation and public property	819,969	-	463,294	1,283,263
Cemetery	71,678	-	-	71,678
Debt service:				
Principal	-	298,349	167,000	465,349
Interest	-	23,591	155,127	178,718
Total expenditures	4,936,557	1,326,284	1,326,023	7,588,864
Excess (Deficiency) of Revenues over (Under) Expenditures	471,978	(1,326,284)	(1,294,821)	(2,149,127)
Other Financing Sources and (Uses):				
Proceeds from capital leases	-	482,477	-	482,477
Impact fees	-	-	806,872	806,872
Sale of fixed assets	-	600	-	600
Transfers in	999,825	852,878	817,016	2,669,719
Transfers (out)	(1,350,494)	-	(55,910)	(1,406,404)
Total other financing sources and (uses)	(350,669)	1,335,955	1,567,978	2,553,264
Net Change in Fund Balances	121,309	9,671	273,157	404,137
Fund balances - beginning of year	893,672	265,573	1,066,437	2,225,682
Fund balance - end of year	\$ 1,014,980	275,244	1,339,595	2,629,819

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, 2017

Total Fund Balance for Governmental Funds	<u>\$ 2,629,819</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	25,066,093
Less accumulated depreciation	<u>(5,601,738)</u>
Net capital assets	<u>19,464,355</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>88</u>
Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>691,619</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>(3,233,167)</u>
Interest accrued but not yet paid on long-term debt	<u>(3,389)</u>
Compensated absences	<u>(372,828)</u>
Closure and post closure costs	<u>(31,174)</u>
Net pension liability	<u>(1,210,856)</u>
Deferred inflows of resources - pensions	<u>(184,856)</u>
Total Net Position of Governmental Activities	<u><u>\$ 17,749,611</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, 2017

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 404,137</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 so allocated over their estimated useful lives and reported as depreciation expenses.</p>	
Capital outlays	1,231,473
Depreciation expense	(609,448)
Net	<u>622,026</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>(97,802)</u>
<p>Bond proceeds are reported as financing sources in government funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.</p>	
Debt issued - bonds	<u>(482,477)</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 assets.</p>	
Long-term debt principal repayments	<u>465,349</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>50,171</u>
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.</p>	
Change in compensated absence liability	<u>(10,340)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 951,064</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, 2017

	Water Fund	Sewer Fund	Non-major Storm Drain Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Current assets:				
Accounts receivable, net	\$ 179,757	128,903	15,819	324,478
Due from other funds	996,381	-	-	996,381
Other current asset	-	20,259	-	20,259
Total current assets	1,176,138	149,162	15,819	1,341,119
Non-current assets:				
Restricted cash and cash equivalents	1,212,871	918,732	-	2,131,603
Capital assets:				
Not being depreciated	549,180	110,000	-	659,180
Net of accumulated depreciation	9,179,738	17,952,522	-	27,132,260
Net pension asset	11	11	-	22
Total non-current assets	10,941,801	18,981,265	-	29,923,066
Total assets	12,117,939	19,130,427	15,819	31,264,185
Deferred outflows of resources - pensions	107,548	77,719	-	185,267
Total assets and deferred outflows of resources	\$ 12,225,488	19,208,145	15,819	31,449,452
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,000	2,384	-	4,384
Due to other funds	-	1,063,833	9,653	1,073,486
Accrued interest payable	40,092	29,202	-	69,294
Customer security deposits	36,585	-	-	36,585
Long-term debt, current position	388,000	512,591	-	900,591
Total current liabilities	466,677	1,608,010	9,653	2,084,340
Non-current liabilities:				
Compensated absences	97,423	60,456	-	157,879
Long-term debt, long-term portion	4,112,000	8,613,899	-	12,725,899
Net pension liability	186,751	136,653	-	323,404
Total non-current liabilities	4,396,174	8,811,008	-	13,207,182
Total liabilities	4,862,850	10,419,018	9,653	15,291,522
Deferred inflows of resources - pensions	28,575	20,803	-	49,377
Total liabilities and deferred inflows of resources	4,891,425	10,439,821	9,653	15,340,899
NET POSITION:				
Net investment in capital assets	5,228,918	8,936,033	-	14,164,951
Restricted for:				
Money in lieu of water	701,508	-	-	701,508
Debt service	511,363	918,732	-	1,430,095
Unrestricted	892,273	(1,086,440)	6,165	(188,002)
Total net position	7,334,063	8,768,325	6,165	16,108,553
Total liabilities, deferred inflows of resources and net position	\$ 12,225,488	19,208,145	15,819	31,449,452

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, 2017

	Water Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Operating income:				
Charges for sales and service	\$ 1,996,647	1,561,887	39,065	3,597,599
Connection fees	82,700	-	-	82,700
Other operating income	78,822	-	37,662	116,484
Total operating income	2,158,169	1,561,887	76,728	3,796,783
Operating expenses:				
Personnel services	510,314	331,041	-	841,355
Utilities	165,849	150,248	-	316,097
Repair and maintenance	575,840	447,811	-	1,023,651
Other supplies and expenses	13,151	3,003	75,814	91,968
Water assessment	58,054	-	-	58,054
Depreciation expense	684,096	1,164,463	-	1,848,559
Total operating expense	2,007,304	2,096,565	75,814	4,179,683
Net operating income (loss)	150,865	(534,679)	913	(382,901)
Non-operating income (expense):				
Impact fees	596,907	806,840	-	1,403,747
Interest income	10,676	20,404	-	31,080
Interest on long-term debt	(116,279)	(152,384)	-	(268,663)
Total non-operating income (expense)	491,303	674,860	-	1,166,164
Income (loss) before transfers	642,168	140,182	913	783,263
Transfers in	-	-	40,000	40,000
Transfers out	(981,163)	(288,152)	(34,000)	(1,303,315)
Change in net position	(338,995)	(147,970)	6,913	(480,052)
Net position - beginning	7,673,058	8,916,295	(748)	16,588,605
Net position - ending	\$ 7,334,063	8,768,325	6,165	16,108,553

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, 2017

	Water Fund	Sewer Fund	Non-Major Storm Drain Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from customers - service	\$ 2,145,683	1,539,712	63,055	3,748,451
Cash paid to suppliers	(812,253)	(602,417)	(75,814)	(1,490,484)
Cash paid to employees	(470,248)	(324,085)	-	(794,333)
Net cash provided (used) in operating activities	863,182	613,210	(12,759)	1,463,633
Cash flows from noncapital financing activities:				
Change in due to/due from	(668,606)	(470,594)	6,759	(1,132,440)
Net transfers in (out)	(981,163)	(288,152)	6,000	(1,263,315)
Change in customer deposits	(15)	-	-	(15)
Net cash provided (used) in noncapital financing activities	(1,649,783)	(758,746)	12,759	(2,395,770)
Cash flows from capital and related financing activities:				
Cash received from impact fees	596,907	806,840	-	1,403,747
Cash payments for capital assets	-	-	-	-
Cash payments for long-term debt principal	(354,000)	(504,245)	-	(858,245)
Cash payments for long-term debt interest	(119,858)	(155,894)	-	(275,752)
Net cash provided (used) in capital and related financing activities	123,048	146,701	-	269,750
Cash flows from investing activities:				
Cash received from interest earned	10,676	20,404	-	31,080
Net cash provided (used) in investing activities	10,676	20,404	-	31,080
Net increase (decrease) in cash	(652,877)	21,570	-	(631,307)
Cash balance - beginning	1,865,748	897,162	-	2,762,910
Cash balance - ending	\$ 1,212,871	918,732	-	2,131,603
Cash reported on the statement of net position:				
Cash and cash equivalents	\$ -	-	-	-
Non-current restricted cash	1,212,871	918,732	-	2,131,603
Total cash and cash equivalents	\$ 1,212,871	918,732	-	2,131,603

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, 2017

**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)	\$ 150,865	\$ (534,679)	\$ 913	(382,901)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	684,096	1,164,463	-	1,848,559
Changes in assets and liabilities:				
(Increase) decrease in receivables	(12,485)	(22,174)	(13,673)	(48,332)
(Increase) decrease in other current assets	-	(3,577)	-	(3,577)
(Increase) decrease in non-current assets	(6)	(4)	-	(10)
(Increase) decrease in deferred outflows	(20,293)	(13,660)	-	(33,954)
Increase (decrease) in payables	640	2,222	-	2,862
Increase (decrease) in compensated absences	24,274	(3,675)	-	20,599
Increase (decrease) in net pension liability	28,771	19,367	-	48,138
Increase (decrease) in deferred inflows	7,321	4,928	-	12,249
Net cash provided (used) in operating activities	\$ 863,182	613,210	(12,759)	1,463,633

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

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

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

Transportation SSD - The City's Transportation Special Service District has the same governing body as the City's and is therefore included as part of the operating entity using the blended method.

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, 2017

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, 2017

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.

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, 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.

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.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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, 2017, the City reported \$83,362 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, 2017

1-E. Assets, Liabilities, 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, 2017

1-E. Assets, Liabilities, and Net Position 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, 2017

1-E. Assets, Liabilities, and Net Position 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, 2017

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 yearend.

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, 2017 consist of the following:

	Fair Value
Demand deposits - checking	\$ 612,911
State Treasurer's Investment Pool	6,423,307
Total cash	\$ 7,036,218

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

Cash and cash equivalents (current)	\$ 3,437,795
Restricted cash and cash equivalents (non-current)	3,598,422
Total cash and cash equivalents	\$ 7,036,218

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, 2017

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, 2017, the City had \$6,423,307 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, 2017

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, 2017, \$318,702 of the City's demand deposits of \$664,661 were uninsured.

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	\$ 112,570	-	-	8,393	120,963
Installments	1,995	-	-	-	1,995
Customers	70,384	230,334	149,861	7,426	458,004
Total receivables	184,949	230,334	149,861	15,819	580,962
Allowance for uncollectibles	(11,827)	(50,577)	(20,958)	-	(83,362)
Net receivables	\$ 173,122	179,757	128,903	15,819	\$ 497,600

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and rights	\$ 994,142	-	-	994,142
Infrastructure	11,218,084	107,072	-	11,325,155
Construction in progress	2,480,367	88,550	2,518,867	50,049
Total capital assets, not being depreciated	14,692,592	195,621	2,518,867	12,369,346
Capital assets, being depreciated:				
Buildings	4,344,790	2,779,943	-	7,124,733
Improvements other than buildings	849,287	117,300	-	966,586
Machinery and equipment	3,947,950	657,477	-	4,605,427
Total capital assets, being depreciated	9,142,028	3,554,719	-	12,696,747
Less accumulated depreciation for:				
Buildings	1,723,219	212,364	-	1,935,583
Improvements other than buildings	107,930	42,464	-	150,395
Machinery and equipment	3,161,141	354,619	-	3,515,760
Total accumulated depreciation	4,992,290	609,448	-	5,601,738
Total capital assets being depreciated, net	4,149,738	2,945,272	-	7,095,009
Governmental activities capital assets, net	\$ 18,842,330	3,140,893	2,518,867	19,464,355

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

Governmental activities:	
General government	\$ 17,587
Public safety	328,149
Highways and public improvements	135,584
Parks, recreation and public property	123,959
Cemetery	4,169
Total	\$ 609,448

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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
Total capital assets, not being depreciated	659,180	-	-	659,180
Capital assets, being depreciated:				
Buildings and improvements	275,389	-	-	275,389
Water distribution system	18,889,344	-	-	18,889,344
Sewer collection/treatment system	28,245,087	-	-	28,245,087
Machinery and equipment	491,989	-	-	491,989
Total capital assets, being depreciated	47,901,809	-	-	47,901,809
Less accumulated depreciation for:				
Buildings and improvements	243,768	2,564	-	246,332
Water distribution system	9,025,510	684,096	-	9,709,606
Sewer collection system	9,163,238	1,160,419	-	10,323,657
Machinery and equipment	488,474	1,480	-	489,954
Total accumulated depreciation	18,920,990	1,848,559	-	20,769,549
Total capital assets being depreciated, net	28,980,819	(1,848,559)	-	27,132,260
Business-type activities capital assets, net	\$ 29,640,000	(1,848,559)	-	27,791,440

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

Business-type activities:	
Water	\$ 684,096
Sewer	1,164,463
Total	\$ 1,848,559

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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
2013 (4) Piece Equipment Lease							
Matures 9/12/2017	\$ 152,000	2.05	\$ 62,657	-	31,010	31,646	31,646
2014 Equipment Lease Purchase							
Matures 12/15/2018	60,859	2.03	31,191	-	12,288	18,903	12,538
2014 (7) Piece of Equipment Lease							
Matures 6/17/2019	220,781	2.22	85,099	-	69,494	15,605	7,716
2015 Equipment Lease							
Matures 10/16/2020	197,009	2.40	167,416	-	60,257	107,158	61,712
2016 (4) Piece Equipment Lease							
Matures 3/1/2023	482,477	2.17	-	482,477	84,921	397,556	81,529
2015 Pierce Saber Pumper Fire Truck							
Matures 6/24/2024	446,032	3.82	369,677	-	40,378	329,299	41,921
2015 LBA Lease Revenue							
Matures 7/1/2035	2,500,000	4.17	2,500,000	-	167,000	2,333,000	-
Total governmental activity							
long-term liabilities			\$ 3,216,039	482,477	465,349	3,233,168	237,062

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

	Principal	Interest	Total
2018	\$ 237,062	73,326	310,388
2019	264,932	114,176	379,108
2020	201,523	106,214	307,737
2021	205,027	99,134	304,161
2022	208,496	91,923	300,419
2023 - 2027	734,127	356,921	1,091,048
2028 - 2032	704,000	217,215	921,215
2033 - 2036	678,000	58,005	736,005
Total	\$ 3,233,167	1,116,913	4,350,081

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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
1993A Sewer Bond							
Matures 6/30/2020	\$1,000,000	-	\$ 340,000	-	34,000	306,000	34,000
2012 Sewer Revenue Refunding							
Matures 6/1/2021	670,000	2.52	534,000	-	102,000	432,000	105,000
2012 P.I. Revenue Refunding							
Matures 9/1/2026	6,130,000	2.52	4,854,000	-	354,000	4,500,000	388,000
2011A-1 Sewer Revenue Bond							
Matures 1/1/2031	6,034,000	0.01	5,083,000	-	324,000	4,759,000	328,000
2011B Sewer Revenue Bond							
Matures 1/1/2033	900,000	1.00	900,000	-	-	900,000	-
2011A-2 Sewer Revenue							
Matures 2/15/2052	2,912,000	3.00	2,773,735	-	44,245	2,729,490	45,591
Total governmental activity long-term liabilities			\$ 14,484,735	-	858,245	13,626,490	900,591

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

	Principal	Interest	Total
2018	\$ 900,591	257,249	1,157,840
2019	920,978	239,970	1,160,947
2020	949,406	222,139	1,171,546
2021	968,879	203,757	1,172,635
2022	871,396	184,949	1,056,345
2023 - 2027	4,581,401	757,485	5,338,885
2028 - 2032	2,173,880	416,512	2,590,392
2033 - 2037	760,709	277,149	1,037,858
2038 - 2042	441,076	206,203	647,280
2043 - 2047	512,362	137,022	649,384
2048 - 2052	545,813	56,660	602,474
Total	\$ 13,626,490	2,959,096	16,585,586

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

3-D. Long-term debt (continued)

Capital Lease Requirements:

The City acquired the following assets through capital leases. Amortization of assets under capital lease are included in depreciation expense. As of June 30, 2017, the net book values are as follows:

	Governmental Activities
Machinery and equipment	\$ 1,580,517
Less accumulated depreciation	(695,559)
Net book value	\$ 884,958

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

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensated absences:			
Governmental	\$ 362,488	10,340	372,828
Business-type	137,280	20,599	157,879
Total	\$ 499,768	30,939	530,707
 Net pension liability:			
Governmental	\$ 139,519	45,337	184,856
Business-type	37,128	12,249	49,377
Total	\$ 176,647	57,586	234,233

3-E. Interfund transactions and balances

The City had the following interfund transactions for year ended June 30, 2017:

Interfund receivables and payables:

	Due To	Due From
General fund	\$ 201,496	-
Public safety impact fees fund	-	124,391
Water fund	996,381	-
Sewer fund	-	1,063,833
Storm drain fund	-	9,653
Total	\$ 1,197,878	1,197,878

The sewer fund and storm drain fund carried a negative cash balance at year-end, resulting in the need to borrow money from the water fund and general fund.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

3-E. Interfund transactions and balances (continued)

Interfund transfers:

	Transfers In	Transfers Out
General fund	\$ 999,825	1,350,494
Capital projects fund	852,878	-
Senior citizens	23,565	-
Public safety impact fees fund	-	55,910
Transportation SSD	471,324	-
Local building authority	322,127	-
Water fund	-	981,163
Sewer fund	-	288,152
Storm drain fund	40,000	34,000
Total	\$ 2,709,719	2,709,719

NOTE 4 - OTHER INFORMATION

4-A. Risk management

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

4-B. Rounding convention

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

4-C. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 13, 2017, the date the financial statements were available to be issued.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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:

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

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

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

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

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

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

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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 the employer
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	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.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2017 are as follows:

Utah Retirement Systems	Employee Paid	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contributory System			
111 - Local Government Div - Tier 2	N/A	14.91	1.78
Noncontributory System			
15 - Local Government Div - Tier 1	N/A	18.47	N/A
Public Safety System			
122 - Tier 2 DB Hybrid Public Safety (Contributory)	N/A	22.50	1.33
43 - Other Div A with 2.5% COLA (Noncontributory)	N/A	34.04	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69	10.00
222 - Public Safety	N/A	11.83	12.00

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

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4-D. Pension Plans (continued)

For the fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

<u>System</u>	Employer Contributions	Employee Contributions
Noncontributory System	\$ 186,016	N/A
Public Safety System	177,767	-
Tier 2 Public Employees System	32,772	-
Tier 2 Public Safety and Firefighter	7,389	-
Tier 2 DC Only System	13,355	N/A
Tier 2 DC Public Safety and Firefighter System	5,244	N/A
Total Contributions	\$ 422,543	\$ -

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.

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

At June 30, 2017, we reported a net pension asset of \$10 and a net pension liability of \$1,534,259.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2015	Change (Decrease)
Noncontributory System	\$ -	\$ 782,790	0.1219067%	0.1196808%	0.0022259%
Public Safety System	-	748,815	0.3690062%	0.3521190%	0.0168872%
Tier 2 Public Employees System	-	2,654	0.0237908%	0.0286768%	-0.0048860%
Tier 2 Public Safety and Firefighter	110	-	0.0126808%	0.0000000%	0.0126808%
Total	\$ 110	\$ 1,534,259			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017, we recognize pension expense of \$546,303.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4-E. Pension Plans (continued)

At June 30, 2017, 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	\$ 17,084	\$ 84,278
Changes in assumptions	237,444	51,837
Net difference between projected and actual earnings on pension plan investments	332,635	97,904
Changes in proportion and differences between contributions and proportionate share of contributions	81,438	215
Contributions subsequent to the measurement date	208,285	-
Total	\$ 876,886	\$ 234,234

\$208,285 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	\$ 135,482
2018	153,824
2019	155,509
2020	(11,248)
2021	66
Thereafter	732

Actuarial assumptions:

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2016, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Pension Plans (continued)

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

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

<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	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100.00%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Santaquin City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Pension Plans (continued)

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

<u>System</u>	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 1,621,424	\$ 782,790	\$ 82,996
Public Safety System	1,557,366	748,815	91,574
Tier 2 Public Employees System	18,064	2,654	(9,069)
Tier 2 Public Safety and Firefighter	770	(110)	(786)
Total	<u>\$ 3,197,624</u>	<u>\$ 1,534,149</u>	<u>\$ 164,715</u>

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

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

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

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

	2017	2016	2015
401(k) Plan			
Employer Contributions	\$ 29,695	\$ 25,220	\$ 12,817
Employee Contributions	24,838	23,317	22,199
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	20,976	16,514	13,013
Roth IRA Plan			
Employer Contributions	N/A	N/A	-
Employee Contributions	3,930	3,900	3,900

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Santaquin City Corporation
Notes to Required Supplementary Information
June 30, 2017

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, 2017, expenditures within all departments was under the appropriated budget.

Changes in Assumptions Related to Pensions

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

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

For the Year Ended June 30, 2017

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Property	\$ 854,750	904,750	859,261	(45,489)
Sales	1,135,000	1,135,000	1,209,363	74,363
Other taxes	500,500	500,500	438,669	(61,831)
License and permits	596,268	762,268	825,534	63,266
Intergovernmental revenues	474,879	474,879	499,466	24,587
Charges for services	1,140,057	1,253,457	1,193,438	(60,019)
Fines and forfeitures	226,000	241,000	256,760	15,760
Interest	13,750	13,750	28,614	14,864
Miscellaneous revenue	99,350	114,576	97,430	(17,146)
Total revenues	5,040,554	5,400,180	5,408,535	8,355
EXPENDITURES:				
General government	1,219,050	1,332,350	1,316,415	15,935
Public safety	1,845,499	1,862,699	1,835,088	27,611
Highways and public improvements	445,903	475,303	464,622	10,681
Sanitation	387,073	430,273	428,787	1,486
Parks, recreation and public property	766,918	849,460	819,969	29,491
Cemetery	116,503	74,603	71,678	2,925
Total expenditures	4,780,946	5,024,688	4,936,557	88,131
Excess (Deficiency) of Revenues over (Under) Expenditures	259,608	375,492	471,978	847,470
Other Financing Sources and (Uses):				
Transfers in	896,625	999,825	999,825	-
Transfers (out)	(1,155,083)	(1,367,683)	(1,350,494)	17,189
Total other financing sources and (uses)	(258,458)	(367,858)	(350,669)	17,189
Net Change in Fund Balances	1,150	7,634	121,309	113,675
Fund balances - beginning of year	893,672	893,672	893,672	-
Fund balance - end of year	\$ 894,822	901,306	1,014,980	113,675

Santaquin City Corporation
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2017
 Last 10 Fiscal Years*

	As of December 31,		
	2016	2015	2014
Noncontributory Retirement System			
Proportion of the net pension liability (asset)	0.1219067%	0.1196808%	0.1283310%
Proportionate share of the net pension liability (asset)	\$ 782,790	\$ 677,212	\$ 489,948
Covered employee payroll	\$ 1,035,444	\$ 996,660	\$ 972,290
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.60%	67.95%	50.40%
Plan fiduciary net position as a percentage of the total pension liability	87.30%	87.80%	90.20%
Public Safety System			
Proportion of the net pension liability (asset)	0.3690062%	0.3521190%	0.3020041%
Proportionate share of the net pension liability (asset)	\$ 748,815	\$ 630,734	\$ 379,795
Covered employee payroll	\$ 547,351	\$ 517,969	\$ 465,866
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.81%	121.77%	81.50%
Plan fiduciary net position as a percentage of the total pension liability	86.50%	87.10%	90.50%
Tier 2 Public Employees Retirement System			
Proportion of the net pension liability (asset)	0.0237908%	0.0286768%	0.0322847%
Proportionate share of the net pension liability (asset)	\$ 2,654	\$ (63)	\$ (978)
Covered employee payroll	\$ 195,101	\$ 185,255	\$ 158,571
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.36%	-0.03%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	95.10%	100.20%	103.50%
Tier 2 Public Safety and Firefighters Retirement			
Proportion of the net pension liability (asset)	0.0126808%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ (110)	\$ -	\$ -
Covered employee payroll	\$ 10,447	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.05%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	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. The 10-year schedule will need to be built prospectively. The schedule above is only for the the last three years.

Santaquin City Corporation
SCHEDULE OF CONTRIBUTIONS

June 30, 2017

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%
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%
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%
Tier 2 Public Safety and Firefighter System**	2014	2,280	2,280	-	10,934	20.85%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	7,389	7,389	-	3,239	22.50%
Tier 2 Public Employees DC Only System**	2014	-	-	-	-	0.00%
	2015	2,579	2,579	-	38,374	6.72%
	2016	11,135	11,135	-	166,441	6.69%
	2017	13,355	13,355	-	199,627	6.69%
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%

* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past 4 years.

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

Santaquin City
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING
 June 30, 2017

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, 2017

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	2017	2016	2015	2014	2013
Fair or Better	74%	73%	70%	70%	70%
Poor - Very Poor	26%	27%	30%	30%	30%%

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
2017	520,219	522,037
2016	610,392	650,000
2015	525,223	515,703
2014	519,127	517,777
2013	491,000	490,799

SUPPLEMENTARY INFORMATION

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

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.

Santaquin City Corporation
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Senior Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees
ASSETS				
Cash and cash equivalents	\$ 4,983	-	-	-
Restricted cash and cash equivalents	-	936,125	172,513	254,449
TOTAL ASSETS	\$ 4,983	936,125	172,513	254,449
LIABILITIES				
Accounts payable	\$ 42	-	-	-
Due to other funds	-	-	124,391	-
TOTAL LIABILITIES	42	-	124,391	-
FUND BALANCES:				
Restricted for:				
Impact fees and grants	-	936,125	48,122	254,449
Transportation SSD	-	-	-	-
Comm. Develop. and Renewal Agency	-	-	-	-
Local Building Authority	-	-	-	-
Committed for:				
Senior citizens	4,941	-	-	-
TOTAL FUND BALANCES	4,941	936,125	48,122	254,449
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,983	936,125	172,513	254,449

Transportation Special Service District	Community Development & Renewal Agency	Local Building Authority	Total Nonmajor Governmental Funds
-	-	-	4,983
85,639	10,285	35	1,459,046
85,639	10,285	35	1,464,028
-	-	-	42
-	-	-	124,391
-	-	-	124,433
-	-	-	1,238,696
85,639	-	-	85,639
-	10,285	-	10,285
-	-	35	35
-	-	-	4,941
85,639	10,285	35	1,339,595
85,639	10,285	35	1,464,028

Santaquin City Corporation
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2017

	Senior Citizens	Park Impact Fees	Public Safety Impact Fees	Transportation Impact Fees
REVENUES:				
Property taxes	\$ -	-	-	-
Intergovernmental revenues	-	5,458	-	-
Charges for services	14,685	-	-	-
Interest	-	-	-	-
Miscellaneous revenue	700	-	-	-
Total revenues	15,385	5,458	-	-
EXPENDITURES:				
Highways and public improvements	-	-	-	18,473
Parks, recreation and public property	41,986	421,308	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	41,986	421,308	-	18,473
Excess (Deficiency) of Revenues over (Under) Expenditures	(26,601)	(415,850)	-	(18,473)
Other Financing Sources and (Uses):				
Impact fees	-	497,500	94,260	215,112
Transfers in	23,565	-	-	-
Transfers (out)	-	-	(55,910)	-
Total other financing sources and (uses)	23,565	497,500	38,350	215,112
Net Change in Fund Balances	(3,036)	81,650	38,350	196,639
Fund balances - beginning of year	7,977	854,475	9,772	57,811
Fund balance - end of year	\$ 4,941	936,125	48,122	254,449

Transportation Special Service District	Community Development & Renewal Agency	Local Building Authority	Total Nonmajor Governmental Funds
-	-	-	-
-	-	-	5,458
-	-	-	14,685
19	4	35	58
-	10,301	-	11,001
19	10,305	35	31,202
522,108	20	-	540,601
-	-	-	463,294
-	-	167,000	167,000
-	-	155,127	155,127
522,108	20	322,127	1,326,023
(522,089)	10,285	(322,092)	(1,294,821)
-	-	-	806,872
471,324	-	322,127	817,016
-	-	-	(55,910)
471,324	-	322,127	1,567,978
(50,764)	10,285	35	273,157
136,403	-	-	1,066,437
85,639	10,285	35	1,339,595

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2017, 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 13, 2017.

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.

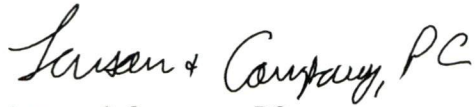
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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

Spanish Fork, Utah
December 13, 2017



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

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

Report on Compliance with General State Compliance Requirements

We have audited the City of Santaquin, Utah's (herein referred to as the "City") compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

Budgetary Compliance	Open and Public Meetings Act
Fund Balance	Treasurer's Bond
Justice Courts	Utah Retirement Systems
Restricted Taxes and Related Revenues	

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion, the City of Santaquin, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying management letter as item SC-2017.1. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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


Larson & Company, PC

Spanish Fork, Utah
December 13, 2017

**CITY OF SANTAQUIN, UTAH
COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE
(MANAGEMENT LETTER)
JUNE 30, 2017**

**CITY OF SANTAQUIN, UTAH
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The Honorable Mayor and
Members of the City Council
City of Santaquin, Utah

Mayor and Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and *The Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 10, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Santaquin City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,



Larson & Company, PC

Spanish Fork, Utah
December 13, 2017

SCHEDULE OF FINDINGS

Internal Control Finding(s) – Current Year

No Internal Control Findings Noted in Current Period

Other Compliance Finding(s) – Current Year

OC-2017.1 Bond Compliance

Finding:

It was noted that the City is not in compliance with the 120% revenue requirement in regards to the outstanding sewer bonds.

Recommendation:

We recommend that the City increase revenue to the sewer fund, or decrease expenditures in order to be in compliance with stated bond requirements.

Client Response:

The City understands that they are not in compliance with bond requirements and the consequences of non-compliance. They are in the process of finding a way to increase revenue or decrease expenditures to bring them into compliance.

State Compliance Finding(s) – Current Year

SC-2017.1 – Budgetary compliance:

Finding:

City officers may not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or as subsequently amended. We noted in our tests of budgetary compliance that the water & pressurized irrigation funds, and the local building authority fund were over budget for the current period.

Recommendation:

We recommend that management monitor actual expenditures compared to budgeted appropriations on a frequent basis, estimate year-end adjustments that will affect budgetary compliance, and if needed make necessary amendments to annual budget through proper public hearings.

Client Response:

Client was aware of non-compliance. Excess expenditure were a result of an unexpected debt payment at year-end.

Status of Internal Control Finding(s) – Prior Year

No Internal Control Findings Noted in Prior Period

Other Compliance Finding(s) – Prior Year

OC-2016.1 Bond Compliance

Finding:

It was noted that the City is not in compliance with the 120% revenue requirement in regards to the outstanding sewer bonds.

Recommendation:

We recommend that the City increase revenue to the sewer fund, or decrease expenditures in order to be in compliance with stated bond requirements.

Status of finding:

See current year findings.

Status of State Compliance Findings – Prior Year

SC-2016.1 – Treasurer's Bond:

Finding:

Municipalities are required to have the Treasurer properly bonded in accordance with Utah Administrative Code R628-4-4 per the Money Management Council. Treasurer's Bond must be for an amount determined by the state, which is a percentage of the prior year's budgeted revenue. As a result of position changes at the City, the previous bond had lapsed and a new bond had not been obtained in the new individual's name. This was an oversight during the transition, resulting in no coverage for a period of time during the year.

Recommendation:

We recommend that the City apply for a bond that covers all budgeted gross revenue for the previous fiscal year (final budget). Budgeted gross revenue is further defined by the Money Management Council as also including proceeds from the sale of assets, borrowing proceeds, revenues of fiduciary funds and any other revenues collected or handled by the treasurer during the previous fiscal year.

Status of Finding:

This appears to have been addressed and corrected in current period.