

Parowan City  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended June 30, 2023

Parowan City  
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June 30, 2023

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parowan, Utah, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parowan, Utah, as of June 30, 2023, 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.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 January 9, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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 the City’s internal control over financial reporting and compliance.

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
St. George, Utah  
January 9, 2024

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

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Parowan City  
**Management's Discussion and Analysis**  
June 30, 2023

As management of Parowan City (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, 2023.

### **FINANCIAL HIGHLIGHTS**

- \*Total net position for the City as a whole increased by \$912,986
- \*Total unrestricted net position for the City as a whole increased by \$797,910
- \*Total net position for governmental activities increased by \$427,088
- \*Total net position for business-type activities increased by \$485,898

### **BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Parowan City. 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.

Parowan City  
**Management's Discussion and Analysis**  
June 30, 2023

**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 improvements 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 five enterprise funds to account for the operations of the water, sewer, electric, garbage 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.

Parowan City  
**Management's Discussion and Analysis**  
June 30, 2023

**FINANCIAL ANALYSIS**

**Parowan City's Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 3,277,048	3,040,306	10,168,379	9,979,888	13,445,426	13,020,194
Net capital assets	6,962,593	6,946,258	13,716,017	14,401,479	20,678,609	21,347,737
Deferred outflows of resources	225,622	174,269	184,599	142,074	410,221	316,343
<b>Total assets and deferred outflows</b>	<b>10,465,262</b>	<b>10,160,833</b>	<b>24,068,994</b>	<b>24,523,441</b>	<b>34,534,257</b>	<b>34,684,274</b>
Long-term debt outstanding	892,543	974,461	6,023,153	6,800,553	6,915,696	7,775,014
Other liabilities	659,925	139,792	938,252	624,350	1,598,177	764,142
Deferred inflows of resources	863,072	1,423,946	4,995	481,842	868,067	1,905,788
<b>Total liabilities and deferred inflows</b>	<b>2,415,541</b>	<b>2,538,199</b>	<b>6,966,400</b>	<b>7,906,744</b>	<b>9,381,940</b>	<b>10,444,943</b>
Net position:						
Net investment in capital assets	6,070,049	5,971,797	7,595,152	7,470,644	13,665,202	13,442,441
Restricted	218,781	285,055	724,908	766,319	943,689	1,051,374
Unrestricted	1,760,892	1,365,782	8,782,534	8,379,734	10,543,426	9,745,516
<b>Total net position</b>	<b>\$ 8,049,722</b>	<b>7,622,634</b>	<b>17,102,595</b>	<b>16,616,697</b>	<b>25,152,316</b>	<b>24,239,331</b>

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$25,152,316, an increase of \$912,986 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$10,543,426 which represents an increase of \$797,910 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.

Parowan City  
**Management's Discussion and Analysis**  
June 30, 2023

**Parowan City's Change in Net Position**

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Program revenues:</b>						
Charges for services	\$ 320,375	354,618	4,893,858	4,718,324	5,214,233	5,072,942
Operating grants	501,896	422,497	12,760	187,290	514,656	609,787
Capital grants	395,598	90,149	140,688	274,965	536,286	365,114
<b>General revenues:</b>						
Property taxes	946,655	838,590	-	-	946,655	838,590
Sales tax	695,174	658,322	-	-	695,174	658,322
Other taxes	239,955	200,894	-	-	239,955	200,894
Other revenues	4,820	62,433	293,667	42,672	298,487	105,105
<b>Total revenues</b>	<b>3,104,472</b>	<b>2,627,503</b>	<b>5,340,974</b>	<b>5,223,251</b>	<b>8,445,446</b>	<b>7,850,754</b>
<b>Expenses:</b>						
General government	591,952	574,455	-	-	591,952	574,455
Public safety	1,029,604	927,371	-	-	1,029,604	927,371
Streets and public works	452,030	472,056	-	-	452,030	472,056
Parks and recreation	586,518	523,585	-	-	586,518	523,585
Interest on long-term debt	17,280	19,397	-	-	17,280	19,397
Water	-	-	782,022	690,888	782,022	690,888
Sewer	-	-	632,845	567,995	632,845	567,995
Electric	-	-	2,960,897	1,998,372	2,960,897	1,998,372
Pressurized irrigation	-	-	223,767	179,972	223,767	179,972
Garbage	-	-	255,545	232,474	255,545	232,474
<b>Total expenses</b>	<b>2,677,384</b>	<b>2,516,864</b>	<b>4,855,076</b>	<b>3,669,700</b>	<b>7,532,460</b>	<b>6,186,564</b>
<b>Excess (deficiency) before transfers</b>						
	<b>427,088</b>	<b>110,639</b>	<b>485,898</b>	<b>1,553,551</b>	<b>912,986</b>	<b>1,664,190</b>
Transfers in (out)	-	-	-	-	-	-
<b>Change in net position</b>	<b>\$ 427,088</b>	<b>110,639</b>	<b>485,898</b>	<b>1,553,551</b>	<b>912,986</b>	<b>1,664,190</b>

For the City as a whole, total revenues increased by \$594,692 compared to the previous year, while total expenses increased by \$1,345,896. The total net change of \$912,986 is, in private sector terms, the net income for the year which is \$751,204 less than the previous year.

Governmental activities revenues of \$3,104,472 is an increase of \$476,969 from the previous year. This is primarily due to increases in grant revenues during the year. Governmental activities expenses of \$2,677,384 is an increase of \$160,520 from the previous year. While expenses for general government and public safety increased during the year, expenses for all other departments decreased.

Business-type activities revenue of \$5,340,974 is an increase of \$117,723 from the previous year. Service revenues increased by \$175,534 and capital grants decreased by \$134,277. Business-type activities expenses of \$4,855,076 is an increase of \$1,185,376 from the previous year. Expenses across all departments increased during the year.

Parowan City  
**Management's Discussion and Analysis**  
June 30, 2023

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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

*General Fund*

The fund balance of \$962,791 reflects an increase of \$324,738 from the previous year. Total revenues increased by \$347,490. Tax revenues, including property taxes and sales taxes, increased by \$183,978. Intergovernmental revenue increased by \$79,399. Revenues from charges for services increased by \$10,835. Revenues from impact fees decreased by \$46,307. All other revenues increased \$119,585.

Total expenditures increased by \$105,408. General government expenditures increased by \$2,321, public safety expenditures increased by \$100,592, streets and public works expenditures decreased by \$17,994, and parks and recreation expenditures increased by \$20,489. Debt service expenditures increased by \$0.

Transfers out to the capital projects fund amounted to \$250,000.

Fund balance restricted for Class C roads and impact fees amounted to \$39,352 and \$25,366, respectively, resulting in an unassigned fund balance of \$898,073.

*Capital Improvement Fund*

The fund balance of \$848,365 reflects a decrease of \$86,349 from the previous year. This decrease was primarily a result of a capital expenditures exceeding grant revenues, donations and transfers in.

*Water Fund*

The change in net position (income) was \$154,357, which was \$278,399 less than the prior year's change in net position. Income from sales and service decreased by \$60,074. Net position restricted for debt service is \$118,000. Unrestricted net position amounts to \$1,616,972.

*Sewer Fund*

The change in net position (net income) was \$151,931, which was \$34,896 less than the previous year's net income. Net position restricted for debt service was \$371,008. Unrestricted net position amounts to \$505,138.

*Electric Fund*

The change in net position (net income) was \$49,029, which was \$736,974 less than the previous year's change in net position. The amount restricted for debt service is \$235,900. Unrestricted net position amounts to \$5,744,191.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers, impact fees, and fund balance appropriations, were originally budgeted in the amount of 2,314,390. Subsequent amendments resulted in a final budget of \$2,391,160. Actual revenues, excluding transfers and impact fees amounted to \$2,873,470.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$2,778,205. This amount was amended in the final budget to \$2,791,705. Actual expenditures amounted to \$2,321,886.

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**GENERAL FUND BUDGETARY HIGHLIGHTS (continued)**

Transfers out for the year were originally budgeted in the amount of \$0, which was amended during the year to \$0. The actual transfers out amounted to \$250,000.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Parowan'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		
<b>Capital Assets:</b>						
Land and water rights	\$ 1,315,893	1,315,893	390,759	390,759	1,706,652	1,706,652
Buildings	3,834,367	4,098,361	113,337	113,337	3,947,704	4,211,697
Improvements	2,862,965	2,915,274	-	-	2,862,965	2,915,274
Water system	-	-	6,219,878	6,156,294	6,219,878	6,156,294
Sewer systems	-	-	5,473,719	5,473,719	5,473,719	5,473,719
Electric system	-	-	11,499,144	11,499,144	11,499,144	11,499,144
Pressurized irrigation	-	-	1,126,211	1,126,211	1,126,211	1,126,211
Infrastructure	4,648,682	4,648,682	-	-	4,648,682	4,648,682
Machinery and equipment	1,058,595	1,005,782	1,303,907	1,303,907	2,362,503	2,309,690
Vehicles	217,598	187,598	679,447	626,526	897,045	814,124
Right-to-use leases	219,289	219,289	-	-	219,289	219,289
Work in progress	714,301	42,028	190,128	191,070	904,429	233,098
<b>Total capital assets</b>	<b>14,871,691</b>	<b>14,432,908</b>	<b>26,996,530</b>	<b>26,880,967</b>	<b>41,868,221</b>	<b>41,313,874</b>
Less accumulated depreciation	(7,909,099)	(7,486,650)	(13,280,513)	(12,479,488)	(21,189,612)	(19,966,137)
<b>Net capital assets</b>	<b>\$ 6,962,592</b>	<b>6,946,258</b>	<b>13,716,017</b>	<b>14,401,479</b>	<b>20,678,609</b>	<b>21,347,737</b>

The total amount of capital assets, net of depreciation, of \$20,678,609 is a decrease of \$669,128 from the previous year.

Governmental activities capital assets, net of depreciation, of \$6,962,592 is an increase of \$16,334 from the previous year.

Business-type activities capital assets, net of depreciation, of \$13,716,017 is a decrease of \$685,462 from the previous year.

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

Parowan City  
**Management's Discussion and Analysis**  
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**Parowan City's Outstanding Long-term Liabilities**

	Current Year	Previous Year
<b>Governmental activities:</b>		
2014 LBA Administrative Building	\$ 779,393	807,393
2020 Leases	113,150	167,068
<b>Total governmental</b>	<b>\$ 892,543</b>	<b>974,461</b>
 <b>Business-type activities:</b>		
2001 Water Revenue	\$ -	41,400
2005 Sewer Revenue	699,000	922,000
2016 Electric Refunding	1,145,000	1,416,000
2008 Water Revenue	764,000	864,000
2010 B Sewer Revenue (Collection)	49,920	56,160
2010 B Sewer Revenue (Treatment)	142,233	161,993
2014 Electric Revenue	2,700,000	2,799,000
2013 Parity Water Revenue	523,000	540,000
<b>Total business-type</b>	<b>\$ 6,023,153</b>	<b>6,800,553</b>
<b>Total outstanding debt</b>	<b>\$ 6,915,696</b>	<b>7,775,014</b>

Differences represent the amount of principal repaid during the year. 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 the Parowan City's finances for all those with an interest in the City's finances and to show the City's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Parowan City, PO Box 576, Parowan, Utah 84761.

## **BASIC FINANCIAL STATEMENTS**



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Parowan City  
**STATEMENT OF NET POSITION**  
June 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,933,833	7,514,794	9,448,627
Accounts receivable, net	1,096,224	404,044	1,500,267
Lease receivable	27,130	-	27,130
Other assets	9,345	-	9,345
<b>Total current assets</b>	<b>3,066,532</b>	<b>7,918,838</b>	<b>10,985,369</b>
Non-current assets:			
Restricted cash and cash equivalents	210,516	949,118	1,159,634
Non-current receivables	-	1,300,423	1,300,423
Capital assets:			
Not being depreciated	2,030,194	580,887	2,611,082
Net of accumulated depreciation	4,932,398	13,135,129	18,067,528
<b>Total non-current assets</b>	<b>7,173,109</b>	<b>15,965,558</b>	<b>23,138,666</b>
<b>Total assets</b>	<b>10,239,640</b>	<b>23,884,395</b>	<b>34,124,036</b>
Deferred outflows of resources - pensions	225,622	184,599	410,221
<b>Total assets and deferred outflows of resources</b>	<b>\$ 10,465,262</b>	<b>24,068,994</b>	<b>34,534,257</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 308,055	145,720	453,774
Accrued interest payable	8,809	41,104	49,913
Customer security deposits	-	224,210	224,210
Unearned revenue	100,000	299,530	399,530
Compensated absences	49,568	69,375	118,943
Long-term debt due within one year: bonds, notes, leases	84,670	752,000	836,670
<b>Total current liabilities</b>	<b>551,102</b>	<b>1,531,939</b>	<b>2,083,041</b>
Non-current liabilities:			
Net pension liability	193,494	158,313	351,807
Long-term debt due after one year: bonds, notes, leases	807,873	5,271,153	6,079,026
<b>Total non-current liabilities</b>	<b>1,001,367</b>	<b>5,429,466</b>	<b>6,430,833</b>
<b>Total liabilities</b>	<b>1,552,468</b>	<b>6,961,405</b>	<b>8,513,873</b>
Deferred inflows of resources - property taxes	829,835	-	829,835
Deferred inflows of resources - leases	27,130	-	27,130
Deferred inflows of resources - pensions	6,107	4,995	11,102
<b>Total liabilities and deferred inflows of resources</b>	<b>2,415,541</b>	<b>6,966,400</b>	<b>9,381,940</b>
<b>NET POSITION:</b>			
Net investment in capital assets	6,070,049	7,595,152	13,665,202
Restricted for:			
Debt service	42,000	724,908	766,908
Construction	72,983	-	72,983
Cemetery	103,797	-	103,797
Unrestricted	1,760,892	8,782,534	10,543,426
<b>Total net position</b>	<b>8,049,722</b>	<b>17,102,595</b>	<b>25,152,317</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 10,465,262</b>	<b>24,068,994</b>	<b>34,534,257</b>

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

Parowan City  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

<b>FUNCTIONS/PROGRAMS:</b>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 591,952	184,932	-	-	(407,020)
Public safety	1,029,604	46,682	200,207	1,942	(780,773)
Streets and public works	452,030	9,125	244,757	309,532	111,384
Parks, recreation and public property	586,518	79,636	56,931	84,124	(365,827)
Interest on long-term debt	17,280	-	-	-	(17,280)
<b>Total governmental activities</b>	<b>2,677,384</b>	<b>320,375</b>	<b>501,896</b>	<b>395,598</b>	<b>(1,459,515)</b>
Business-type activities:					
Water	782,022	820,350	12,760	36,633	87,721
Sewer	632,845	744,277	-	12,480	123,912
Electric	2,960,897	2,749,250	-	90,375	(121,271)
Pressurized irrigation	223,767	260,566	-	1,200	37,999
Garbage	255,545	319,415	-	-	63,870
<b>Total business-type activities</b>	<b>4,855,076</b>	<b>4,893,858</b>	<b>12,760</b>	<b>140,688</b>	<b>192,230</b>
<b>Total primary government</b>	<b>\$ 7,532,460</b>	<b>5,214,233</b>	<b>514,656</b>	<b>536,286</b>	<b>(1,267,285)</b>

(continued on next page)

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

Parowan City  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2023

	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION:</b>			
<b>Net (expense) revenue (from previous page)</b>	<b>\$ (1,459,515)</b>	<b>192,230</b>	<b>(1,267,285)</b>
<b>General revenues:</b>			
Property taxes	946,655	-	946,655
Sales tax	695,174	-	695,174
Other taxes	239,955	-	239,955
Unrestricted investment earnings	84,765	293,667	378,433
Gain (loss) on capital assets retired	(140,736)	-	(140,736)
Miscellaneous	60,790	-	60,790
Total general revenues	<u>1,886,604</u>	<u>293,667</u>	<u>2,180,271</u>
<b>Change in net position</b>	<b>427,088</b>	<b>485,898</b>	<b>912,986</b>
Net position - beginning	<u>7,622,634</u>	<u>16,616,697</u>	<u>24,239,331</u>
<b>Net position - ending</b>	<b><u>\$ 8,049,722</u></b>	<b><u>17,102,595</u></b>	<b><u>25,152,317</u></b>

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

Parowan City  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2023

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 823,474	1,104,852	5,507	1,933,833
Receivables:				
Customer accounts, net of allowances	13,953	-	-	13,953
Leases	27,130	-	-	27,130
Due from other governments	1,082,270	-	-	1,082,270
Other assets	9,345	-	-	9,345
Restricted cash and cash equivalents	64,718	-	145,797	210,516
<b>TOTAL ASSETS</b>	<b>\$ 2,020,891</b>	<b>1,104,852</b>	<b>151,304</b>	<b>3,277,048</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Liabilities:				
Accounts payable	\$ 48,816	156,487	-	205,303
Accrued liabilities	152,320	-	-	152,320
Unearned revenue	-	100,000	-	100,000
Total liabilities	201,135	256,487	-	457,622
Deferred inflows of resources - property taxes	829,835	-	-	829,835
Deferred inflows of resources - leases	27,130	-	-	27,130
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,058,100</b>	<b>256,487</b>	<b>-</b>	<b>1,314,587</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Debt service	-	-	42,000	42,000
Cemetery	-	-	103,797	103,797
Class C roads	39,352	-	-	39,352
Capital projects	25,366	8,265	-	33,631
Assigned for:				
Capital projects	-	840,100	5,507	845,607
Unassigned	898,073	-	-	898,073
<b>TOTAL FUND BALANCES</b>	<b>962,791</b>	<b>848,365</b>	<b>151,304</b>	<b>1,962,460</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,020,891</b>	<b>1,104,852</b>	<b>151,304</b>	<b>3,277,048</b>

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

Parowan City  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2023

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property	\$ 946,655	-	-	946,655
Sales	695,174	-	-	695,174
Other taxes	239,955	-	-	239,955
License and permits	28,434	-	-	28,434
Intergovernmental revenues	501,896	270,932	-	772,828
Charges for services	132,663	-	44,952	177,614
Fines and forfeitures	114,326	-	-	114,326
Interest	53,862	27,509	3,394	84,765
Miscellaneous revenue	60,790	-	-	60,790
<b>Total revenues</b>	<b>2,773,755</b>	<b>298,441</b>	<b>48,346</b>	<b>3,120,542</b>
<b>EXPENDITURES:</b>				
General government	517,625	-	-	517,625
Public safety	977,364	35,200	-	1,012,564
Streets and public works	206,351	408,648	-	614,999
Parks, recreation and public property	561,198	292,454	-	853,652
Debt service:				
Principal	53,918	-	28,000	81,918
Interest	5,430	-	12,165	17,595
<b>Total expenditures</b>	<b>2,321,886</b>	<b>736,302</b>	<b>40,165</b>	<b>3,098,352</b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>451,869</b>	<b>(437,861)</b>	<b>8,181</b>	<b>22,189</b>
<b>Other Financing Sources and (Uses):</b>				
Impact fees	23,154	-	-	23,154
Donations	-	101,512	-	101,512
Gain on sale of capital assets	99,715	-	-	99,715
Transfers in	-	250,000	-	250,000
Transfers out	(250,000)	-	-	(250,000)
<b>Total other financing sources and (uses)</b>	<b>(127,131)</b>	<b>351,512</b>	<b>-</b>	<b>224,381</b>
<b>Net Change in Fund Balances</b>	<b>324,738</b>	<b>(86,349)</b>	<b>8,181</b>	<b>246,570</b>
Fund balances - beginning of year	638,053	934,713	143,124	1,715,890
<b>Fund balance - end of year</b>	<b>\$ 962,791</b>	<b>848,365</b>	<b>151,304</b>	<b>1,962,460</b>

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

Parowan City  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION**  
 June 30, 2023

<b>Total Fund Balance for Governmental Funds</b>	<b><u>\$ 1,962,460</u></b>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	14,871,691
Less accumulated depreciation	<u>(7,909,099)</u>
Net capital assets	<u>6,962,593</u>
Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	<u>225,622</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 liabilities	<u>(892,543)</u>
Interest accrued but not yet paid on long-term debt	<u>(8,809)</u>
Net pension liability	<u>(193,494)</u>
Deferred inflows of resources - pensions	<u>(6,107)</u>
<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ 8,049,722</u></u></b>

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

Parowan City  
**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, 2023

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b><u>\$ 246,570</u></b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.</p>	
Capital outlays	755,087
Depreciation expense	<u>(498,301)</u>
Net	<u>256,785</u>
Book cost of assets retired	<u>(240,451)</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>81,950</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>81,918</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>315</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 427,088</u></u></b>

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



Parowan City  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2023

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 1,884,051	469,209	4,216,902	944,632	7,514,794
Accounts receivable, net	71,778	57,807	225,219	49,240	404,044
Due from other funds	-	-	135,881	-	135,881
<b>Total current assets</b>	<b>1,955,828</b>	<b>527,016</b>	<b>4,578,002</b>	<b>993,873</b>	<b>8,054,718</b>
Non-current assets:					
Restricted cash and cash equivalents	118,000	371,008	460,110	-	949,118
Non-current receivables	-	-	1,300,423	-	1,300,423
Capital assets:					
Not being depreciated	171,517	176,093	222,561	10,717	580,887
Net of accumulated depreciation	2,867,711	2,737,910	7,133,557	395,952	13,135,129
<b>Total non-current assets</b>	<b>3,157,227</b>	<b>3,285,011</b>	<b>9,116,651</b>	<b>406,668</b>	<b>15,965,558</b>
<b>Total assets</b>	<b>5,113,056</b>	<b>3,812,027</b>	<b>13,694,653</b>	<b>1,400,541</b>	<b>24,020,276</b>
Deferred outflows of resources - pensions	28,715	41,022	90,249	24,613	184,599
<b>Total assets and deferred outflows of resources</b>	<b>\$ 5,141,771</b>	<b>3,853,049</b>	<b>13,784,902</b>	<b>1,425,154</b>	<b>24,204,875</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 7,891	1,147	102,453	34,229	145,720
Accrued interest payable	21,629	9,612	9,864	-	41,104
Compensated absences	13,119	15,850	32,326	8,080	69,375
Customer security deposits	-	-	224,210	-	224,210
Due to other funds	-	-	-	135,881	135,881
Unearned revenue	299,530	-	-	-	299,530
Long-term debt, current position	121,000	255,000	376,000	-	752,000
<b>Total current liabilities</b>	<b>463,168</b>	<b>281,609</b>	<b>744,853</b>	<b>178,190</b>	<b>1,667,820</b>
Non-current liabilities:					
Net pension liability	24,626	35,181	77,398	21,108	158,313
Long-term debt, long-term portion	1,166,000	636,153	3,469,000	-	5,271,153
<b>Total non-current liabilities</b>	<b>1,190,626</b>	<b>671,334</b>	<b>3,546,398</b>	<b>21,108</b>	<b>5,429,466</b>
<b>Total liabilities</b>	<b>1,653,794</b>	<b>952,942</b>	<b>4,291,251</b>	<b>199,298</b>	<b>7,097,286</b>
Deferred inflows of resources - pensions	777	1,110	2,442	666	4,995
<b>Total liabilities and deferred inflows of resources</b>	<b>1,654,571</b>	<b>954,052</b>	<b>4,293,693</b>	<b>199,964</b>	<b>7,102,281</b>
<b>NET POSITION:</b>					
Net investment in capital assets	1,752,227	2,022,850	3,511,118	308,957	7,595,152
Restricted for:					
Debt service	118,000	371,008	235,900	-	724,908
Unrestricted	1,616,972	505,138	5,744,191	916,234	8,782,534
<b>Total net position</b>	<b>3,487,199</b>	<b>2,898,996</b>	<b>9,491,209</b>	<b>1,225,190</b>	<b>17,102,595</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 5,141,771</b>	<b>3,853,049</b>	<b>13,784,902</b>	<b>1,425,154</b>	<b>24,204,875</b>

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

Parowan City  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**

For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Operating income:</b>					
Charges for sales and service	\$ 789,661	744,277	2,615,131	579,280	4,728,349
Other operating income	30,690	-	134,119	700	165,509
<b>Total operating income</b>	<b>820,350</b>	<b>744,277</b>	<b>2,749,250</b>	<b>579,980</b>	<b>4,893,858</b>
<b>Operating expenses:</b>					
Personnel services	264,439	275,609	667,545	204,506	1,412,099
Cost of sales	-	-	1,588,404	-	1,588,404
Operating and maintenance	179,859	89,494	262,779	157,089	689,221
Utilities	58,471	14,888	13,372	6,004	92,736
Insurance expense	19,460	7,403	10,526	8,753	46,141
Other supplies and expenses	9,865	20,021	47,680	13,989	91,555
Depreciation expense	215,634	203,142	297,354	84,895	801,025
<b>Total operating expense</b>	<b>747,728</b>	<b>610,556</b>	<b>2,887,661</b>	<b>475,235</b>	<b>4,721,181</b>
<b>Net operating income (loss)</b>	<b>72,622</b>	<b>133,721</b>	<b>(138,411)</b>	<b>104,745</b>	<b>172,677</b>
<b>Non-operating income (expense):</b>					
Connection fees	10,600	3,900	53,272	1,200	68,972
Impact fees	26,033	8,580	37,103	-	71,716
Grant income	12,760	-	-	-	12,760
Interest income	66,636	28,019	170,300	28,712	293,667
Interest on long-term debt	(34,294)	(22,289)	(73,236)	(4,076)	(133,895)
<b>Total non-operating income (expense)</b>	<b>81,735</b>	<b>18,210</b>	<b>187,440</b>	<b>25,835</b>	<b>313,220</b>
<b>Change in net position</b>	<b>154,357</b>	<b>151,931</b>	<b>49,029</b>	<b>130,580</b>	<b>485,898</b>
Net position - beginning	3,332,842	2,747,065	9,442,180	1,094,610	16,616,697
<b>Net position - ending</b>	<b>\$ 3,487,199</b>	<b>2,898,996</b>	<b>9,491,209</b>	<b>1,225,190</b>	<b>17,102,595</b>

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

Parowan City  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers - service	\$ 839,201	743,794	2,783,216	578,651	4,944,861
Cash paid to suppliers	(325,671)	(136,965)	(2,015,567)	(185,353)	(2,663,556)
Cash paid to employees	(271,093)	(287,618)	(697,369)	(213,227)	(1,469,307)
<b>Net cash provided (used) in operating activities</b>	<b>242,437</b>	<b>319,210</b>	<b>70,280</b>	<b>180,071</b>	<b>811,998</b>
<b>Cash flows from noncapital financing activities:</b>					
Net interfund activity	-	-	45,294	(45,294)	-
Change in customer deposits	-	-	8,250	-	8,250
<b>Net cash provided (used) in noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>53,544</b>	<b>(45,294)</b>	<b>8,250</b>
<b>Cash flows from capital and related financing activities:</b>					
Cash from connection and impact fees	36,633	12,480	90,375	1,200	140,688
Cash from grants	312,290	-	-	-	312,290
Cash payments for capital assets	(85,162)	-	(30,401)	-	(115,563)
Cash payments for long-term debt principal	(158,400)	(249,000)	(370,000)	-	(777,400)
Cash payments for long-term debt interest	(37,138)	(25,355)	(74,304)	(4,076)	(140,874)
<b>Net cash provided (used) in capital and related financing activities</b>	<b>68,223</b>	<b>(261,875)</b>	<b>(384,330)</b>	<b>(2,876)</b>	<b>(580,859)</b>
<b>Cash flows from investing activities:</b>					
Cash received from interest earned	66,636	28,019	170,300	28,712	293,667
<b>Net cash provided (used) in investing activities</b>	<b>66,636</b>	<b>28,019</b>	<b>170,300</b>	<b>28,712</b>	<b>293,667</b>
<b>Net increase (decrease) in cash</b>	<b>377,296</b>	<b>85,355</b>	<b>(90,206)</b>	<b>160,612</b>	<b>533,057</b>
Cash balance, beginning	1,624,754	754,862	4,767,219	784,020	7,930,855
<b>Cash balance, ending</b>	<b>\$ 2,002,051</b>	<b>840,217</b>	<b>4,677,012</b>	<b>944,632</b>	<b>8,463,912</b>
<b>Cash reported on the statement of net position:</b>					
Cash and cash equivalents	\$ 1,884,051	469,209	4,216,902	944,632	7,514,794
Non-current restricted cash	118,000	371,008	460,110	-	949,118
<b>Total cash and cash equivalents</b>	<b>\$ 2,002,051</b>	<b>840,217</b>	<b>4,677,012</b>	<b>944,632</b>	<b>8,463,912</b>

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

Parowan City  
**STATEMENT OF CASH FLOWS (continued)**  
For the Year Ended June 30, 2023

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

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Net operating income (expense)</b>	<b>\$ 72,622</b>	<b>133,721</b>	<b>(138,411)</b>	<b>104,745</b>	<b>172,677</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:					
Depreciation and amortization	215,634	203,142	297,354	84,895	801,025
Changes in assets and liabilities:					
(Increase) decrease in receivables	18,851	(483)	33,965	(1,329)	51,003
(Increase) decrease in net pension asset	45,665	65,236	143,520	39,142	293,563
(Increase) decrease in deferred outflows	(6,067)	(10,198)	(19,334)	(6,927)	(42,525)
Increase (decrease) in payables	(58,016)	(5,159)	(92,806)	481	(155,499)
Increase (decrease) in compensated absences	3,369	3,640	1,905	1,372	10,287
Increase (decrease) in net pension liability	24,626	35,181	77,398	21,108	158,313
Increase (decrease) in deferred inflows	(74,247)	(105,869)	(233,313)	(63,417)	(476,847)
<b>Net cash provided (used) in operating activities</b>	<b>\$ 242,437</b>	<b>319,210</b>	<b>70,280</b>	<b>180,071</b>	<b>811,998</b>

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

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

**1-A. Reporting entity**

Parowan City (the City), a municipal corporation located in Iron County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable because of the significance of their operational or financial relationships with the City.

The City financial statements include the **Parowan Local Building Authority (LBA)** as a blended component unit. The LBA was created by the City for the purpose of financing and leasing facilities to meet the needs of the City. Members of the Town Council serve as the Board of Directors of the LBA, and City management has operational responsibility for the LBA.

**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 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.

**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).

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
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**1-C. Measurement focus, basis of accounting and financial statement presentation (continued)**

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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

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

*Governmental funds*

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

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 improvement 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 *Local Building Authority fund* is used to account for lease revenues from the City that are intended for the repayment of debt issued by the Local Building Authority.

The *capital projects airport development fund* is used to account for the acquisition or construction of major capital facilities relating to the development of the City airport.

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

The *cemetery perpetual care permanent fund* accounts for money received for upkeep and perpetual care of cemetery plots.

*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 collection and treatment operations. The City combined the previously reported sewer collection and sewer treatment funds into one sewer fund starting in fiscal year 2016.

The *electric fund* is used to account for the activities of the electric power distribution operations.

The *garbage fund and pressurized irrigation funds* are reported as nonmajor proprietary funds.

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

**1-E-1. Deposit and Investments**

Cash includes cash on hand, demand deposits with bank and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for investment in fund in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

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**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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. Due to the nature of the accounts receivable in governmental type activities and the proprietary funds, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented other than in the Electric fund, which has an allowance for uncollectibles of \$4,453.

During the course of operations, there may be transactions that 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 Iron 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**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. 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.



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

**1-E-6. Capital Assets**

Capital assets are tangible and intangible assets which include 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 (except for intangible right-to-use lease assets, the measurement of which is the net present value of the assets) . Donated capital assets are recorded at estimated acquisition 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	40
Infrastructure	20-40
Utility systems	40
Machinery and equipment	5-10
Right-to-use leased equipment	4

**1-E-7. Long-term Obligations**

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

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

**1-E-8. Compensated Absences**

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

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

**1-E-9. Leases**

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for a noncancellable lease of a building. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

**1-E-10. *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 relating 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 three types of items that qualify for reporting in this category. The governmental funds report deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The City also reports deferred inflows related to pensions as required by GASB 68 and as lessor as required by GASB 87.

**1-E-11. *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-12. *Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

**1-E-13. *Fund balance flow assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to reports as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using and of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

**1-E-14. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The council has authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is a 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 a specific purpose within the General Fund.

**1-F. 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.

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**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

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

Utah State law prohibits the appropriation of unassigned 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 unassigned General Fund balance greater than 35% of the current year's revenues must be appropriated within the following years.

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. 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.

**2-B. Deficit fund balance or net position**

As of June 30, 2023, none of the City's funds carry a deficit fund balance or net position.

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2023, consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 622
Demand deposits - checking	526,925
State Treasurer's Investment Pool	<u>10,080,713</u>
<b>Total cash</b>	<b><u>\$ 10,608,260</u></b>

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

Cash and cash equivalents (current)	\$ 9,448,627
Restricted cash and cash equivalents (non-current)	<u>1,159,634</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 10,608,260</u></b>

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

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, 2023, the City had \$10,080,713 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.

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

**Credit risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. As noted on the previous page, PTIF is unrated.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2023, \$250,000 of the City's demand deposits of \$461,158 are covered by FDIC insurance.

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. The City views its placements of moneys in PTIF as deposits, however, this risk is addressed through the policy of investing most excess monies in PTIF accounts.

**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:

	Governmental Funds	Water Fund	Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
Intergovernmental	\$ 1,082,270	-	-	-	-	1,082,270
Customers	13,953	71,778	57,807	229,672	49,240	422,450
Leases	27,130	-	-	-	-	27,130
Long-term receivable	-	-	-	1,300,423	-	1,300,423
<b>Total receivables</b>	<b>1,123,354</b>	<b>71,778</b>	<b>57,807</b>	<b>1,530,095</b>	<b>49,240</b>	<b>2,832,274</b>
Less allowance for uncollectibles	-	-	-	(4,453)	-	(4,453)
<b>Net receivables</b>	<b>\$1,123,354</b>	<b>71,778</b>	<b>57,807</b>	<b>1,525,642</b>	<b>49,240</b>	<b>2,827,820</b>

The City has entered into an agreement with the Parowan Reservoir Company (PRC) in which PRC has agreed to pay the City \$79,000 for 20 years for PRC's portion of principal debt payments. The long-term receivable in the schedule above represents the outstanding payments due from PRC as of June 30, 2023. The PRC also owes the City \$352,423 for other invoices and costs that were incurred in addition to the debt payments. These costs are not anticipated to be paid until after the debt period since the agreement states that the PRC is not required to pay more than \$79,000 per year.

*Lease receivable*

The City is lessor for airport hangars. As such the City recognizes leases receivable and deferred inflows of resources for the present value of those leasing arrangements. The value at June 30, 2023 is \$27,130. The leasing arrangements range from 2 years to 24 years with varying payments of \$290 to \$1,200 annually.

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**3-C. Capital assets**

Capital asset activity for governmental activities was as follows:

<b>Governmental activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and rights	\$ 1,315,893	-	-	1,315,893
Construction in progress	42,028	672,274	-	714,301
<b>Total capital assets, not being depreciated</b>	<b>1,357,921</b>	<b>672,274</b>	<b>-</b>	<b>2,030,194</b>
Capital assets, being depreciated:				
Buildings	4,098,361	-	263,994	3,834,367
Improvements other than buildings	2,915,274	-	52,309	2,862,965
Machinery and equipment	1,005,782	52,813	-	1,058,595
Vehicles	187,598	30,000	-	217,598
Right-to-use leased equipment	219,289	-	-	219,289
Infrastructure	4,648,682	-	-	4,648,682
<b>Total capital assets, being depreciated</b>	<b>13,074,987</b>	<b>82,813</b>	<b>316,303</b>	<b>12,841,497</b>
Less accumulated depreciation for:				
Buildings	1,297,558	106,926	40,817	1,363,666
Improvements other than buildings	1,154,873	135,813	35,035	1,255,652
Machinery and equipment	894,691	61,244	-	955,936
Vehicles	172,395	13,887	-	186,282
Right-to-use leased equipment	109,644	73,096	-	182,740
Infrastructure	3,857,489	107,334	-	3,964,823
<b>Total accumulated depreciation</b>	<b>7,486,650</b>	<b>498,301</b>	<b>75,852</b>	<b>7,909,099</b>
<b>Total capital assets being depreciated, net</b>	<b>5,588,337</b>	<b>(415,488)</b>	<b>240,451</b>	<b>4,932,398</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 6,946,258</b>	<b>256,785</b>	<b>240,451</b>	<b>6,962,593</b>

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

<b>Governmental activities:</b>	
General government	\$ 90,718
Public safety	95,674
Streets and public works	250,332
Parks, recreation and public property	61,578
<b>Total</b>	<b>\$ 498,301</b>



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

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

<b>Business-type activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and water rights	\$ 390,759	-	-	390,759
Construction in progress	191,070	27,480	28,422	190,128
<b>Total capital assets, not being depreciated</b>	<b>581,829</b>	<b>27,480</b>	<b>28,422</b>	<b>580,887</b>
Capital assets, being depreciated:				
Buildings and improvements	113,337	-	-	113,337
Water distribution system	6,156,294	63,584	-	6,219,878
Sewer collection and treatment system	5,473,719	-	-	5,473,719
Electric distribution system	11,499,144	-	-	11,499,144
Pressurized irrigation system	1,126,211	-	-	1,126,211
Machinery and equipment	1,303,907	-	-	1,303,907
Vehicles	626,526	52,921	-	679,447
<b>Total capital assets, being depreciated</b>	<b>26,299,138</b>	<b>116,505</b>	<b>-</b>	<b>26,415,642</b>
Less accumulated depreciation for:				
Buildings and improvements	101,234	1,305	-	102,539
Water distribution system	3,235,446	198,383	-	3,433,829
Sewer collection and treatment system	2,628,696	183,296	-	2,811,992
Electric distribution system	4,157,903	266,849	-	4,424,752
Pressurized irrigation system	806,336	20,568	-	826,904
Machinery and equipment	1,079,958	77,668	-	1,157,626
Vehicles	469,913	52,957	-	522,870
<b>Total accumulated depreciation</b>	<b>12,479,488</b>	<b>801,025</b>	<b>-</b>	<b>13,280,513</b>
<b>Total capital assets being depreciated, net</b>	<b>13,819,650</b>	<b>(684,521)</b>	<b>-</b>	<b>13,135,129</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,401,479</b>	<b>(657,041)</b>	<b>28,422</b>	<b>13,716,017</b>

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

<b>Business-type activities:</b>	
Water	\$ 215,634
Sewer	203,142
Electric	297,354
Garbage	55,486
Pressurized irrigation	29,409
<b>Total</b>	<b>\$ 801,025</b>

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

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

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 LBA Administrative Building Matures 10/1/2045	\$ 972,000	2.50	\$ 807,393	-	28,000	779,393	29,000
2020 Leases Matures 9/1/2024	219,289	3.25	167,068	-	53,918	113,150	55,670
<b>Total governmental activity long-term liabilities</b>			<b>\$ 974,461</b>	<b>-</b>	<b>81,918</b>	<b>892,543</b>	<b>84,670</b>

The City has direct borrowings related to governmental activities totaling \$779,393. The outstanding bonds are secured with their respective revenues and/or property and equipment.

The City has no unused lines of credit as of June 30, 2023.

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

	Loans		
	Principal	Interest	Total
2024	\$ 29,000	11,745	40,745
2025	29,000	11,310	40,310
2026	30,000	10,875	40,875
2027	30,000	10,425	40,425
2028	30,000	9,975	39,975
2029 - 2033	159,000	42,930	201,930
2034 - 2038	171,000	30,645	201,645
2039 - 2043	185,000	17,415	202,415
2044 - 2046	116,393	3,600	119,993
<b>Total</b>	<b>\$ 779,393</b>	<b>148,920</b>	<b>928,313</b>

  

	Leases		
	Principal	Interest	Total
2024	\$ 55,670	3,677	59,348
2025	57,480	1,868	59,348
<b>Total</b>	<b>\$ 113,150</b>	<b>5,545</b>	<b>118,696</b>

*Lease payable*

Due to the implementation of GASB 87, the City entered into a four-year lease agreement as lessee for the acquisition and use of vehicles. An initial lease liability was recorded in the amount of \$219,289 during the 2022 fiscal year. As of June 30, 2023, the value of the lease liability was \$113,150. The City is required to make annual principal and interest payments of \$59,348. The lease has an interest rate of 3.25%. The equipment has a four-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$36,549 and had accumulated amortization of \$182,740.

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

**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
2001 Water Revenue							
Matures 1/1/2023	\$ 578,400	4.14	\$ 41,400	-	41,400	-	-
2005 Sewer Revenue							
Matures 1/1/2026	3,772,000	2.75	922,000	-	223,000	699,000	229,000
2016 Electric Refunding							
Matures 5/1/2027	2,957,000	.95-3.30	1,416,000	-	271,000	1,145,000	276,000
2008 Water Revenue							
Matures 8/31/2029	1,923,000	2.05	864,000	-	100,000	764,000	103,000
2010 B Sewer Revenue (Collection)							
Matures 11/1/2030	122,880	-	56,160	-	6,240	49,920	6,240
2010 B Sewer Revenue (Treatment)							
Matures 11/1/2030	389,120	-	161,993	-	19,760	142,233	19,760
2014 Electric Revenue							
Matures 5/1/2035	3,464,000	1.00	2,799,000	-	99,000	2,700,000	100,000
2013 Parity Water Revenue							
Matures 1/1/2044	660,000	3.28	540,000	-	17,000	523,000	18,000
<b>Total business-type activity</b>							
<b>long-term liabilities</b>			<b>\$ 6,800,553</b>	<b>-</b>	<b>777,400</b>	<b>6,023,153</b>	<b>752,000</b>

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

	Principal	Interest	Total
2024	\$ 752,000	111,223	863,223
2025	767,000	94,876	861,876
2026	809,000	77,329	886,329
2027	586,000	58,049	644,049
2028	293,000	44,017	337,017
2029 - 2033	1,884,153	145,839	2,029,992
2034 - 2038	744,000	53,182	797,182
2039 - 2043	154,000	20,992	174,992
2044	34,000	1,115	35,115
<b>Total</b>	<b>\$ 6,023,153</b>	<b>606,622</b>	<b>6,629,775</b>

The City has outstanding notes from direct borrowings related to business-type activities totaling \$6,023,153. The outstanding direct borrowings are all secured with their respective revenues and/or property and equipment.

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

**Other long-term liabilities:**

<b>Net pension liability:</b>	Beginning	(Decrease)	Ending
Governmental	\$ -	193,494	193,494
Business-type	-	158,313	158,313
<b>Total</b>	<b>\$ -</b>	<b>351,807</b>	<b>351,807</b>

**3-E. Interfund receivables, payables and transfers**

The City had the following interfund receivables and payables at year-end:

	Due To	Due From
Electric fund	\$ 135,881	-
Garbage fund	-	135,881
<b>Total</b>	<b>\$ 135,881</b>	<b>\$ 135,881</b>

At year-end there was \$135,881 due from the Garbage Fund to the Electric Fund. The City has established a formal loan agreement between these funds. The Garbage fund will make eight (8) annual principal payments of \$45,293.63 with 2.25% interest. The first payment was made in fiscal year 2019, with the final payment to be made in fiscal year 2026.

The City had the following interfund transfers during the year:

	Transfers In	Transfers Out
General fund	\$ -	250,000
Capital improvements fund	250,000	-
<b>Total</b>	<b>\$ 250,000</b>	<b>250,000</b>

The City generally makes interfund transfers so funds can be accumulated for large capital projects in future years.

**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.

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

**4-B. Power Sales and Purchase Contract**

Parowan City has entered into a Power Sales Contract (Contract) which expires in June 2027, to purchase approximately 0.364% of the output of the Intermountain Power Project (Project). The City has sold 0.364% of its entitlement to other Project participants. However, the City has the right to recall up to 100% of its entitlement upon meeting certain notice provisions. As long as any of the Intermountain Power Agency bonds are outstanding, the Contract cannot be terminated or amended in a manner which will impair or adversely affect the rights of any of the bondholders.

The City has also signed a power purchase agreement with the City of St. George, Utah dated the 28th of September 1987. This agreement sells part of the entitlement share owned by the City in the UAMPS Hunter II contract.

Parowan City total entitlement share	3.4956%
Sale to St. George City	<u>1.7583%</u>
Balance retained by Parowan City	1.7373%

**4-C. Pension Plans**

**General Information about the Pension Plan**

**Plan description:**

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

**Defined Benefit Plans**

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

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

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 Utah State Retirement 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/general/publications](http://www.urs.org/general/publications).

**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 any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5 % or 4% depending on employer
Tier 2 Public Employees 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%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year to June 2020; 2.0% per year after July 2020	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.

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

**Contributions Rate Summary:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement 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, 2023, are as follows:

<u>Utah Retirement Systems</u>	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k) Plan</u>
Contributory System			
111 - Local Government Div - Tier 2	-	16.01	0.18
Noncontributory System			
15 - Local Government Div - Tier 1	-	17.97	-
Public Safety System			
Contributory			
122 - Tier 2 DB Hybrid Public Safety	2.59	25.83	-
Noncontributory			
43 - Other Div A with 2.5% COLA	-	34.04	-
Tier 2 DC Only			
211 - Local Government	-	6.19	10.00
222 - Public Safety	-	11.83	14.00

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

For the fiscal year ended June 30, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 156,497	-
Public Safety System	73,403	-
Tier 2 Public Employees System	51,658	-
Tier 2 Public Safety and Firefighter	40,359	4,047
<b>Total Contributions</b>	<b>\$ 321,917</b>	<b>4,047</b>

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

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

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

At June 30, 2023, we reported a net pension asset of \$0 and a net pension liability of \$351,807.

	(Measurement Date): December 31, 2022				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2021	Change (Decrease)
Noncontributory System	\$ -	\$ 146,619	0.0856044%	0.0923207%	-0.0067163%
Public Safety System	-	189,181	0.1463034%	0.1431075%	0.0031959%
Tier 2 Public Employees System	-	12,597	0.0115684%	0.0114468%	0.0001216%
Tier 2 Public Safety and Firefighter	-	3,410	0.0408724%	0.0507284%	-0.0098560%
<b>Total</b>	<b>\$ -</b>	<b>\$ 351,807</b>			

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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, 2023, we recognize pension expense of \$172,474.

At June 30, 2023, 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	\$ 56,469	\$ 1,631
Changes in assumptions	35,349	959
Net difference between projected and actual earnings on pension plan investments	149,177	-
Changes in proportion and differences between contributions and proportionate share of contributions	15,771	8,512
Contributions subsequent to the measurement date	153,455	-
<b>Total</b>	<b>\$ 410,221</b>	<b>\$ 11,102</b>

\$153,455 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, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.



Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2023

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

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

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ (47,439)
2024	(2,268)
2025	60,737
2026	226,971
2027	1,367
Thereafter	6,296

**Actuarial assumptions:**

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.25 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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 and is applied consistently to each defined benefit pension plan. 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.

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

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

<b>Assets class</b>	<b>Expected Return Arithmetic Basis</b>		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	-0.11%	0.00%
<b>Totals</b>	<b>100.00%</b>		<b>5.17%</b>
Inflation			2.50%
Expected arithmetic nominal return			7.67%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.35% that is net of investment expense.

**Discount rate:**

The discount rate used to measure the total pension liability was 6.85 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.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

<b>System</b>	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 924,041	\$ 146,619	\$ (502,958)
Public Safety System	609,259	189,181	(152,441)
Tier 2 Public Employees System	55,041	12,597	(20,101)
Tier 2 Public Safety and Firefighter	27,294	3,410	(15,573)
<b>Total</b>	<b>\$ 1,615,635</b>	<b>\$ 351,807</b>	<b>\$ (691,073)</b>

**Pension plan fiduciary net position:**

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

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

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

**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
- Traditional IRA Plan

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

	2023	2022	2021
401(k) Plan			
Employer Contributions	\$ 51,357	\$ 47,748	\$ 48,438
Employee Contributions	33,647	37,559	40,402
457(b) Plan			
Employer Contributions	22,723	18,705	16,350
Employee Contributions	31,107	26,023	23,419
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	13,386	10,530	4,260
Traditional IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	2,500	2,600	2,600

**4-D. 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-E. Subsequent events**

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

Parowan City  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

**4-F. New Pronouncements**

For the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City had no SBITAs during the year ended June 30, 2023 that required reporting under GASB statement No. 96.

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

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Parowan City  
**Notes to Required Supplementary Information**  
June 30, 2023

**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, 2023, expenditures for all general fund departments were within budgeted appropriations.

**Changes in Assumptions Related to Pensions**

No changes were made in actuarial assumptions from the prior year's valuation.



Parowan City  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND**

For the Year Ended June 30, 2023

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes:				
Property	\$ 902,940	902,940	946,655	43,715
Sales	550,000	550,000	695,174	145,174
Other taxes	171,800	171,800	239,955	68,155
License and permits	20,800	20,800	28,434	7,634
Intergovernmental revenues	420,500	457,370	501,896	44,526
Charges for services	85,650	125,550	132,663	7,113
Fines and forfeitures	120,000	120,000	114,326	(5,674)
Interest	12,700	12,700	53,862	41,162
Miscellaneous revenue	30,000	30,000	60,790	30,790
<b>Total revenues</b>	<b><u>2,314,390</u></b>	<b><u>2,391,160</u></b>	<b><u>2,773,755</u></b>	<b><u>382,595</u></b>
<b>EXPENDITURES:</b>				
General government	614,815	614,815	517,625	97,190
Public safety	1,137,702	1,141,202	977,364	163,838
Streets and public works	361,850	371,850	206,351	165,499
Parks, recreation and public property	604,490	604,490	561,198	43,292
Debt service:				
Principal	53,918	53,918	53,918	-
Interest	5,430	5,430	5,430	-
<b>Total expenditures</b>	<b><u>2,778,205</u></b>	<b><u>2,791,705</u></b>	<b><u>2,321,886</u></b>	<b><u>469,819</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>(463,815)</b>	<b>(400,545)</b>	<b>451,869</b>	<b>852,414</b>
<b>Other Financing Sources and (Uses):</b>				
Impact fees	11,400	11,400	23,154	11,754
Gain on sale of capital assets	-	-	99,715	99,715
Transfers out	-	-	(250,000)	(250,000)
<b>Total other financing sources and (uses)</b>	<b><u>11,400</u></b>	<b><u>11,400</u></b>	<b><u>(127,131)</u></b>	<b><u>(138,531)</u></b>
<b>Net Change in Fund Balances</b>	<b>(452,415)</b>	<b>(389,145)</b>	<b>324,738</b>	<b>713,883</b>
Fund balances - beginning of year	638,053	638,053	638,053	-
<b>Fund balance - end of year</b>	<b><u>\$ 185,638</u></b>	<b><u>248,908</u></b>	<b><u>962,791</u></b>	<b><u>713,883</u></b>

Parowan City  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
June 30, 2023  
Last 10 Fiscal Years\*

	As of December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Noncontributory Retirement System</b>									
Proportion of the net pension liability (asset)	0.0856044%	0.0923207%	0.0884780%	0.0968762%	0.0987636%	0.1033744%	0.1052285%	0.1130271%	0.1087888%
Proportionate share of the net pension liability (asset)	\$ 146,619	\$ (528,731)	\$ 45,384	\$ 365,114	\$ 727,268	\$ 452,914	\$ 675,696	\$ 639,562	\$ 472,387
Covered employee payroll	\$ 840,060	\$ 875,467	\$ 837,626	\$ 917,490	\$ 925,174	\$ 909,315	\$ 938,953	\$ 976,312	\$ 943,026
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.45%	-60.39%	5.42%	39.79%	78.61%	49.81%	71.96%	65.51%	50.10%
Plan fiduciary net position as a percentage of the total pension liability	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%	90.20%
<b>Public Safety System</b>									
Proportion of the net pension liability (asset)	0.1463034%	0.1431075%	0.1292780%	0.1127704%	0.1242954%	0.1247169%	0.1123865%	0.1090479%	0.1057432%
Proportionate share of the net pension liability (asset)	\$ 189,181	\$ (116,224)	\$ 107,332	\$ 181,066	\$ 319,760	\$ 195,638	\$ 228,063	\$ 195,332	\$ 132,981
Covered employee payroll	\$ 221,058	\$ 197,286	\$ 177,343	\$ 152,551	\$ 169,933	\$ 169,369	\$ 159,209	\$ 152,434	\$ 145,629
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	85.58%	-58.91%	60.52%	118.69%	188.17%	115.51%	143.25%	128.14%	91.30%
Plan fiduciary net position as a percentage of the total pension liability	93.60%	104.20%	95.50%	90.90%	84.70%	90.20%	86.50%	87.10%	90.50%
<b>Tier 2 Public Employees Retirement System</b>									
Proportion of the net pension liability (asset)	0.0115684%	0.0114468%	0.0105551%	0.0091703%	0.0062215%	0.0143090%	0.0114677%	0.0131829%	0.0072262%
Proportionate share of the net pension liability (asset)	\$ 12,597	\$ (4,845)	\$ 1,518	\$ 2,062	\$ 2,665	\$ 1,262	\$ 1,279	\$ (29)	\$ (219)
Covered employee payroll	\$ 251,395	\$ 212,391	\$ 168,550	\$ 127,421	\$ 72,670	\$ 140,184	\$ 94,042	\$ 85,130	\$ 35,436
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.01%	-2.28%	0.90%	1.62%	3.67%	0.90%	1.36%	-0.03%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	92.30%	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%
<b>Tier 2 Public Safety and Firefighters Retirement</b>									
Proportion of the net pension liability (asset)	0.0408724%	0.0507284%	0.0544789%	0.0510069%	0.0542512%	0.0697406%	0.0463147%	0.0604425%	0.0870631%
Proportionate share of the net pension liability (asset)	\$ 3,410	\$ (2,564)	\$ 4,886	\$ 4,798	\$ 1,359	\$ (807)	\$ (402)	\$ (883)	\$ (1,288)
Covered employee payroll	\$ 125,755	\$ 121,310	\$ 106,631	\$ 84,074	\$ 72,697	\$ 73,627	\$ 38,266	\$ 35,960	\$ 35,962
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.71%	-2.11%	4.58%	5.71%	1.87%	-1.10%	-1.05%	-2.46%	-3.60%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	102.80%	93.10%	89.60%	95.60%	103.00%	103.60%	110.70%	120.50%

\* 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.

Parowan City  
**SCHEDULE OF CONTRIBUTIONS**  
 June 30, 2023  
 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
<b>Noncontributory System</b>	2014	\$ 155,391	\$ 155,391	\$ -	\$ 898,735	17.29%
	2015	178,945	178,945	-	968,842	18.47%
	2016	179,806	179,806	-	973,504	18.47%
	2017	169,022	169,022	-	915,120	18.47%
	2018	170,581	170,581	-	929,633	18.35%
	2019	162,791	162,791	-	899,268	18.10%
	2020	159,354	159,354	-	881,016	18.09%
	2021	152,980	152,980	-	846,672	18.07%
	2022	155,493	155,493	-	843,886	18.43%
	2023	156,497	156,497	-	870,879	17.97%
<b>Public Safety System</b>	2014	46,977	46,977	-	146,164	32.14%
	2015	50,245	50,245	-	147,606	34.04%
	2016	52,684	52,684	-	154,770	34.04%
	2017	56,409	56,409	-	165,713	34.04%
	2018	58,026	58,026	-	170,464	34.04%
	2019	56,218	56,218	-	165,154	34.04%
	2020	53,804	53,804	-	158,060	34.04%
	2021	63,093	63,093	-	185,551	34.00%
	2022	65,886	65,886	-	193,554	34.04%
	2023	73,403	73,403	-	215,639	34.04%
<b>Tier 2 Public Employees Retirement System *</b>	2014	3,719	3,719	-	26,581	13.99%
	2015	10,256	10,256	-	68,648	14.94%
	2016	10,010	10,010	-	67,125	14.91%
	2017	19,840	19,840	-	133,067	14.91%
	2018	15,668	15,668	-	103,691	15.11%
	2019	15,010	15,010	-	96,587	15.54%
	2020	21,467	21,467	-	137,078	15.66%
	2021	31,272	31,272	-	197,925	15.80%
	2022	34,103	34,103	-	212,219	16.07%
	2023	51,658	51,658	-	322,656	16.01%
<b>Tier 2 Public Safety and Firefighter System *</b>	2014	7,597	7,597	-	36,437	20.85%
	2015	8,140	8,140	-	36,099	22.55%
	2016	7,538	7,538	-	36,091	20.89%
	2017	12,711	12,711	-	56,493	22.50%
	2018	16,749	16,749	-	74,208	22.57%
	2019	17,703	17,703	-	76,671	23.09%
	2020	20,081	20,081	-	86,819	23.13%
	2021	33,735	33,735	-	130,605	25.83%
	2022	28,614	28,614	-	110,778	25.83%
	2023	40,359	40,359	-	156,248	25.83%

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

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created July 1, 2011.

**SUPPLEMENTAL INFORMATION**

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Parowan City  
**Supplementary Information**

**NONMAJOR GOVERNMENTAL FUNDS**

**DEBT SERVICE FUNDS**

The **Local Building Authority Fund** is used to account for lease revenues from the City that are intended for the repayment of debt issued by the Local Building Authority.

**CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

The **Airport Fund** is used to account for the acquisition or construction of major capital facilities relating to the development of the City airport.

The **Community Theater Capital Project Fund** accounts for the City's capital project activities related to the Community Theater.

**PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the government's programs.

The **Cemetery Perpetual Care Fund** is used to account for the principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

Parowan City  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2023

	Debt Service Local Building Authority	Capital Projects Funds		Permanent Funds Cemetery Perpetual Care	Total Nonmajor Governmental Funds
		Airport	Community Theatre		
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	3,478	2,029	-	5,507
Restricted cash and cash equivalents	42,000	-	-	103,797	145,797
<b>TOTAL ASSETS</b>	<b>\$ 42,000</b>	<b>3,478</b>	<b>2,029</b>	<b>103,797</b>	<b>151,304</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Restricted for:					
Debt service	42,000	-	-	-	42,000
Cemetery	-	-	-	103,797	103,797
Assigned for:					
Capital projects	-	3,478	2,029	-	5,507
<b>TOTAL FUND BALANCES</b>	<b>42,000</b>	<b>3,478</b>	<b>2,029</b>	<b>103,797</b>	<b>151,304</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 42,000</b>	<b>3,478</b>	<b>2,029</b>	<b>103,797</b>	<b>151,304</b>

Parowan City  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2023

	Debt Service	Capital Projects Funds		Permanent Funds	Total Nonmajor Governmental Funds
	Local Building Authority	Airport	Community Theatre	Cemetery Perpetual Care	
<b>REVENUES</b>					
Charges for services	\$ 40,165	-	-	4,787	44,952
Interest	-	-	-	3,394	3,394
<b>Total revenues</b>	<b>40,165</b>	<b>-</b>	<b>-</b>	<b>8,181</b>	<b>48,346</b>
<b>EXPENDITURES</b>					
Debt service:					
Principal	28,000	-	-	-	28,000
Interest	12,165	-	-	-	12,165
<b>Total expenditures</b>	<b>40,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,165</b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,181</b>	<b>8,181</b>
Fund balances - beginning of year	42,000	3,478	2,029	95,617	143,124
<b>Fund balance - end of year</b>	<b>\$ 42,000</b>	<b>3,478</b>	<b>2,029</b>	<b>103,797</b>	<b>151,304</b>



Parowan City  
**Supplementary Information**

**NONMAJOR PROPRIETARY FUNDS**

The **Garbage Fund** accounts for the activities of the City's garbage collection service.

The **Pressurized Irrigation Fund** is used to account for the activities of the City's irrigation system.

Parowan City  
**COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS**  
 June 30, 2023

	Garbage Fund	Pressurized Irrigation Fund	Total Nonmajor Enterprise Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 474,732	469,900	944,632
Accounts receivable, net	27,723	21,517	49,240
Total current assets	<u>502,455</u>	<u>491,417</u>	<u>993,873</u>
Non-current assets:			
Capital assets:			
Not being depreciated	-	10,717	10,717
Net of accumulated depreciation	56,146	339,806	395,952
Total non-current assets	<u>56,146</u>	<u>350,523</u>	<u>406,668</u>
Total assets	<u>558,601</u>	<u>841,940</u>	<u>1,400,541</u>
Deferred outflows of resources - pensions	8,204	16,409	24,613
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 566,805</u></b>	<b><u>858,349</u></b>	<b><u>1,425,154</u></b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 31,301	2,928	34,229
Compensated absences	1,529	6,552	8,080
Due to other funds	135,881	-	135,881
Total current liabilities	<u>168,710</u>	<u>9,480</u>	<u>178,190</u>
Non-current liabilities:			
Net pension liability	7,036	14,072	21,108
Total non-current liabilities	<u>7,036</u>	<u>14,072</u>	<u>21,108</u>
Total liabilities	<u>175,746</u>	<u>23,552</u>	<u>199,298</u>
Deferred inflows of resources - pensions	222	444	666
<b>Total liabilities and deferred inflows of resources</b>	<b><u>175,968</u></b>	<b><u>23,996</u></b>	<b><u>199,964</u></b>
<b>NET POSITION:</b>			
Net investment in capital assets	(41,566)	350,523	308,957
Unrestricted	432,403	483,831	916,234
<b>Total net position</b>	<b><u>390,837</u></b>	<b><u>834,353</u></b>	<b><u>1,225,190</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 566,805</u></b>	<b><u>858,349</u></b>	<b><u>1,425,154</u></b>

Parowan City  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN NET POSITION - NONMAJOR PROPRIETARY FUNDS**

For the Year Ended June 30, 2023

	Garbage Fund	Pressurized Irrigation Fund	Total Nonmajor Enterprise Funds
<b>Operating income:</b>			
Charges for sales and service	\$ 319,415	259,866	579,280
Other operating income	-	700	700
<b>Total operating income</b>	<b>319,415</b>	<b>260,566</b>	<b>579,980</b>
<b>Operating expenses:</b>			
Personnel services	81,802	122,704	204,506
Operating and maintenance	104,894	52,195	157,089
Utilities	90	5,914	6,004
Insurance expense	4,691	4,061	8,753
Other supplies and expenses	4,506	9,483	13,989
Depreciation expense	55,486	29,409	84,895
<b>Total operating expense</b>	<b>251,468</b>	<b>223,767</b>	<b>475,235</b>
<b>Net operating income (loss)</b>	<b>67,946</b>	<b>36,799</b>	<b>104,745</b>
<b>Non-operating income (expense):</b>			
Connection fees	-	1,200	1,200
Interest income	15,142	13,570	28,712
Interest on long-term debt	(4,076)	-	(4,076)
<b>Total non-operating income (expense)</b>	<b>11,065</b>	<b>14,770</b>	<b>25,835</b>
<b>Change in net position</b>	<b>79,012</b>	<b>51,569</b>	<b>130,580</b>
Net position - beginning	311,825	782,785	1,094,610
<b>Net position - ending</b>	<b>\$ 390,837</b>	<b>834,353</b>	<b>1,225,190</b>

Parowan City  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2023

	Garbage Fund	Pressurized Irrigation Fund	Total Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>			
Cash received from customers - service	\$ 318,800	259,852	578,651
Cash paid to suppliers	(115,266)	(70,087)	(185,353)
Cash paid to employees	(85,625)	(127,602)	(213,227)
<b>Net cash provided (used) in operating activities</b>	<b>117,908</b>	<b>62,163</b>	<b>180,071</b>
<b>Cash flows from noncapital financing activities:</b>			
Net interfund activity	(45,294)	-	(45,294)
<b>Net cash provided (used) in noncapital financing activities</b>	<b>(45,294)</b>	<b>-</b>	<b>(45,294)</b>
<b>Cash flows from capital and related financing activities:</b>			
Cash from connection fees	-	1,200	1,200
Cash payments for capital assets	-	-	-
Cash payments for long-term debt interest	(4,076)	-	(4,076)
<b>Net cash provided (used) in capital and related financing activities</b>	<b>(4,076)</b>	<b>1,200</b>	<b>(2,876)</b>
<b>Cash flows from investing activities:</b>			
Cash received from interest earned	15,142	13,570	28,712
<b>Net cash provided (used) in investing activities</b>	<b>15,142</b>	<b>13,570</b>	<b>28,712</b>
<b>Net increase (decrease) in cash</b>	<b>83,680</b>	<b>76,933</b>	<b>160,612</b>
Cash balance, beginning	391,053	392,967	784,020
<b>Cash balance, ending</b>	<b>\$ 474,733</b>	<b>469,900</b>	<b>944,632</b>
<b>Cash reported on the statement of net position:</b>			
Cash and cash equivalents	\$ 474,732	469,900	944,632
Non-current restricted cash	-	-	-
<b>Total cash and cash equivalents</b>	<b>\$ 474,732</b>	<b>469,900</b>	<b>944,632</b>

Parowan City  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
For the Year Ended June 30, 2023

<b>Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:</b>	Garbage Fund	Pressurized Irrigation Fund	Total Nonmajor Enterprise Funds
<b>Net operating income (expense)</b>	<b>\$ 67,946</b>	<b>36,799</b>	<b>104,745</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	55,486	29,409	84,895
Changes in assets and liabilities:			
(Increase) decrease in receivables	(615)	(714)	(1,329)
(Increase) decrease in net pension asset	13,047	26,095	39,142
(Increase) decrease in deferred outflows	(2,460)	(4,467)	(6,927)
Increase (decrease) in payables	(1,086)	1,567	481
Increase (decrease) in compensated absences	(327)	1,700	1,372
Increase (decrease) in net pension liability	7,036	14,072	21,108
Increase (decrease) in deferred inflows	(21,120)	(42,298)	(63,417)
<b>Net cash provided (used) in operating activities</b>	<b>\$ 117,908</b>	<b>62,163</b>	<b>180,071</b>



**Independent Auditors' Report on Internal  
Control over Financial Reporting and on Compliance  
And Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

The Honorable Mayor and  
Members of the City Council  
Parowan, 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 Parowan City, Utah (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2024.

**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) as a basis for designing 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. 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 financial statements. 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.

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
St. George, UT  
January 9, 2024



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

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

**Report On Compliance**

We have audited the City of Parowan's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2023.

State compliance requirements were tested for the year ended June 30, 2023 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Restricted Taxes and Related Revenues
- Fraud Risk Assessment
- Government Fees
- Enterprise Fund Transfers, Reimbursements, Loans, and Services

***Opinion on Compliance***

In our opinion, Parowan City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2023.

***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide). Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Parowan City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Parowan City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Parowan City's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Guide and which is described in the accompanying findings and recommendations letter as item 2023-001. Our opinion on compliance is not modified with respect to these matters.



*Government Auditing Standards* require the auditor to perform limited procedures on Parowan City's response to the noncompliance findings identified in our audit described in the accompanying findings and recommendations letter. Parowan City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report On Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

*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 to detect and correct noncompliance with a 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 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 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
St. George, Utah  
January 9, 2024

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**Findings and Recommendations  
For the Year Ended June 30, 2023**

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

Professional standards require that we provide written communication regarding deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the City for their administrative achievements and oversight of the City's accounting and budget system. During our audit of the funds of the City of Parowan, Utah for the fiscal year ended June 30, 2023 we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weakness:**

None noted

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

2023-001      Budget Compliance

*Criteria:* Utah Code 10-6-123 requires that the City does not make or incur expenditures in excess of total appropriations for any department in the budget as adopted or as subsequently amended.

*Condition:* The City has expenditures that exceed the final adopted budget for the water and pressurized irrigation funds, which does not comply with Utah Code 10-6-123.

*Cause:* The City has not designed and implemented controls to ensure compliance with Utah Code 10-6-123.

*Effect:* The City did not comply with Utah Code 10-6-123.

*Recommendation:* We recommend that the City continue to operate within the confines of State law by limiting expenditures or following proper procedures to adjust the final budgets.

**Other Matters:**

None noted

Please respond to the above findings and recommendations in letter form for submission to the State Auditor's office as required by State law.

This letter is intended solely for the use of the Mayor, City Council, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
January 9, 2024



35 East 100 North • PO Box 576 • Parowan, UT 84761  
Phone: (435) 477-3331 • www.parowan.org

January 24, 2024

Utah State Auditor  
310 State Capital Building Suite E  
Salt Lake City, Ut 84114

RE: Parowan City Response to FY23 Audit Findings

On behalf of Parowan City, please accept this letter as the official response to the Audit Findings Letter for Fiscal Year 2023, completed by HindonBurdick, PLLC on January 9, 2024.

**FINDINGS**

2023-001      Budget Compliance

Due to clerical errors, Parowan City staff was not aware that we were exceeding budget appropriations at year end until it was too late to legally adjust the budget. Parowan City will design and implement more adequate budgeting and forecasting tools to ensure that we limit expenditures or make allowed budget adjustments at year end to avoid this problem in the future.

If there are any questions related to this finding our response to these findings, please contact Parowan City Administration at 435-477-3331.

Sincerely,

Dan Jessen  
Parowan City Manager