

Providence City

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

Providence City
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June 30, 2020

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Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Independent Auditors' Report

Providence City Council
Providence, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Providence City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Providence City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Aycock, Miles & Associates, CPAs

Roosevelt, Utah
November 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Providence City
Management's Discussion and Analysis
June 30, 2020

As management of Providence 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, 2020

FINANCIAL HIGHLIGHTS

*Total net position for the City as a whole increased by \$1,742,222

*Total unrestricted net position for the City as a whole increased by \$713,122

*Total net position for governmental activities increased by \$1,079,883

*Total net position for business-type activities increased by \$662,338

BASIC FINANCIAL STATEMENTS

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

Providence City
Management's Discussion and Analysis
June 30, 2020

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

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

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

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

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

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

Proprietary funds. The City's proprietary funds are all of the enterprise type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the culinary water, waste water, and storm water systems.

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

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

Notes to the financial statements. 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.

Providence City
Management's Discussion and Analysis
June 30, 2020

FINANCIAL ANALYSIS

Providence City's Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and other assets	\$ 5,411,344	4,563,657	8,327,455	8,569,763	13,738,798	13,133,420
Non-current assets	9,557,691	9,424,189	10,291,434	9,500,837	19,849,125	18,925,026
Deferred outflows of resources	91,750	172,092	37,254	61,253	129,004	233,345
Total assets and deferred outflows	15,060,785	14,159,938	18,656,142	18,131,853	33,716,928	32,291,791
Long-term debt outstanding	-	-	219,000	324,000	219,000	324,000
Other liabilities	383,423	831,709	266,276	321,944	649,698	1,153,653
Deferred inflows of resources	1,329,018	1,059,768	31,236	8,617	1,360,254	1,068,385
Total liabilities and deferred inflows	1,712,441	1,891,477	516,512	654,561	2,228,952	2,546,038
Net position:						
Net investment in capital assets	8,356,196	8,199,269	9,783,753	8,961,652	18,139,950	17,160,921
Restricted	1,201,495	1,224,920	288,680	215,185	1,490,175	1,440,105
Unrestricted	3,790,653	2,844,273	8,067,197	8,300,455	11,857,850	11,144,728
Total net position	\$ 13,348,344	12,268,462	18,139,631	17,477,292	31,487,975	29,745,753

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 \$31,487,975, an increase of \$1,742,223 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 \$11,857,850, which represents an increase of \$713,122 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.

Providence City
Management's Discussion and Analysis
June 30, 2020

FINANCIAL ANALYSIS (continued)

Providence 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
Program revenues:						
Charges for services	\$ 1,147,382	1,116,346	2,462,922	2,591,313	3,610,305	3,707,659
Operating grants	431,559	326,851	-	-	431,559	326,851
Capital grants	-	433,355	-	437,238	-	870,593
General revenues:						
Property taxes	1,221,725	740,305	-	-	1,221,725	740,305
Sales tax	1,266,465	1,117,752	-	-	1,266,465	1,117,752
Other taxes	708,765	519,444	-	-	708,765	519,444
Other revenues	770,477	576,737	314,549	158,897	1,085,027	735,634
Total revenues	5,546,374	4,830,790	2,777,472	3,187,448	8,323,845	8,018,238
Expenses:						
General government	1,249,806	1,021,924	-	-	1,249,806	1,021,924
Public safety	1,175,689	962,096	-	-	1,175,689	962,096
Highways and improvements	1,521,781	1,267,201	-	-	1,521,781	1,267,201
Parks and recreation	420,022	430,040	-	-	420,022	430,040
Cemetery	99,193	121,653	-	-	99,193	121,653
Interest on long-term debt	-	-	8,889	11,861	8,889	11,861
Culinary water	-	-	870,242	702,756	870,242	702,756
Waste water	-	-	1,115,377	979,180	1,115,377	979,180
Storm water	-	-	120,626	144,138	120,626	144,138
Total expenses	4,466,490	3,802,914	2,115,133	1,837,935	6,581,624	5,640,849
Change in net position	\$ 1,079,883	1,027,876	662,338	1,349,513	1,742,222	2,377,389

For the City as a whole, total revenues increased by \$305,607 compared to the previous year, while total expenses increased by \$940,775. The total change in net position of \$1,742,222 is, in private sector terms, the net income for the year which is \$635,167 less than the previous year.

Governmental activities revenues of \$5,546,374 is an increase of \$715,584 from the previous year. This is primarily due to an increase in property taxes during the year. Governmental activities expenses of \$4,466,490 is an increase of \$663,576 from the previous year. While parks and recreation expenses decreased during the year, all other department expenses increased.

Business-type activities revenue of \$2,777,472 is a decrease of \$409,976 from the previous year. Service revenues decreased by \$128,391 and capital grants decreased by \$437,238. Business-type activities expenses of \$2,115,133 is an increase of \$277,198 from the previous year. This is due to an overall increase in operation expenses.

Providence City
Management's Discussion and Analysis
June 30, 2020

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$2,778,560 reflects an increase of \$827,946 from the previous year. Total revenues increased by \$888,685. Taxes, License and permits, Intergovernmental, Services, Interest and miscellaneous revenues increased by \$687,973. Fines and Forfeitures decreased by a total of \$14,379.

Total expenditures, excluding transfers, increased by \$510,158. Current expenditure changes by department were as follows: general government increased by \$230,463; public safety increased by \$206,743; streets and highways increased by \$81,728; parks and recreation decreased by \$166,302; and cemetery decreased by \$38,811. Restricted fund balance amounted to \$1,147,394. Unassigned fund balance is \$1,631,166.

Capital Project Fund

The fund balance of \$2,436,948 reflects an increase of \$104,967. Total revenues, excluding transfers, decreased by \$2,409 while total expenditures increased by \$486,490.

Culinary Water Fund

Net operating income was \$355,246 compared to the previous year net operating income of \$698,701. The change in net position (net income) was \$649,305 compared to the previous year's net income of \$1,016,075. Restricted net positions amounts to \$288,680, resulting in an unrestricted net position of \$4,140,302.

Waste Water Fund

Net operating loss was \$24,814 compared to the previous year net operating income of \$67,111. The change in net position (net loss) was \$13,212 compared to the previous year's net income of \$248,876. There was an unrestricted net position of \$3,561,346.

Storm Water Fund

Net operating income was \$26,246 compared to the previous year net operating loss of \$571. The change in net position (net income) was \$26,246 compared to the previous year's net income of \$84,563. There was an unrestricted net position of \$365,548.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$4,413,400. This amount was amended during the year to \$4,654,600. Actual revenues amounted to \$5,009,852 which was \$355,252 more than budgeted.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$4,612,600. This amount was amended during the year to \$4,584,700. Actual expenditures amounted to \$4,117,677, which was \$467,023 less than budgeted.

Net transfers out of \$575,100 were made from the general fund to the capital projects fund during the year, which was the same as the budgeted amount.

Providence City
Management's Discussion and Analysis
June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Providence City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Net Capital Assets:						
Land and water rights	\$ 1,377,338	1,377,338	1,382,045	1,031,882	2,759,383	2,409,220
Buildings	1,159,953	1,159,953	264,115	264,115	1,424,069	1,424,069
Improvements other than buildings	2,539,948	1,851,822	-	-	2,539,948	1,851,822
Machinery and equipment	1,493,157	1,366,010	791,962	596,873	2,285,119	1,962,883
Infrastructure	9,797,279	9,788,702	-	-	9,797,279	9,788,702
Culinary water system	-	-	8,520,893	7,671,289	8,520,893	7,671,289
Waste water system	-	-	6,689,402	6,689,402	6,689,402	6,689,402
Storm water system	-	-	319,902	319,902	319,902	319,902
Construction in progress	64,636	319,362	221,518	502,472	286,154	821,834
 Total	 16,432,310	 15,863,187	 18,189,836	 17,075,935	 34,622,147	 32,939,122
 Less accumulated depreciation	 (8,076,114)	 (7,663,918)	 (8,187,083)	 (7,790,283)	 (16,263,197)	 (15,454,201)
 Net Capital Assets	 \$ 8,356,196	 8,199,269	 10,002,753	 9,285,652	 18,358,950	 17,484,921

The total amount of capital assets, net of depreciation, of \$18,358,950 is an increase of \$874,029 from the previous year.

Governmental activities capital assets, net of depreciation, of \$8,356,196 is an increase of \$156,927 from the previous year.

Business-type activities capital assets, net of depreciation, of \$10,002,753 is an increase of \$717,101 from the previous year.

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

Providence City
Management's Discussion and Analysis
June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Providence City's Outstanding Debt - Revenue Bonds

	<u>Current Year</u>	<u>Previous Year</u>
Business-type activities:		
2001C Water Revenue	\$ 219,000	324,000
Total business-type	<u>\$ 219,000</u>	<u>324,000</u>
 Total outstanding debt	 <u>\$ 219,000</u>	 <u>324,000</u>

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 City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Recorder, 164 North Gateway Drive, Providence, Utah 84332.

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BASIC FINANCIAL STATEMENTS

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Providence City
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,856,303	8,033,100	11,889,403
Accounts receivable, net	1,555,041	293,005	1,848,045
Other current assets	-	1,350	1,350
Total current assets	5,411,344	8,327,455	13,738,798
Non-current assets:			
Restricted cash and cash equivalents	1,201,495	288,680	1,490,175
Capital assets:			
Not being depreciated	1,441,974	1,603,563	3,045,536
Net of accumulated depreciation	6,914,223	8,399,191	15,313,414
Total non-current assets	9,557,691	10,291,434	19,849,125
Total assets	14,969,035	18,618,888	33,587,924
Deferred outflows of resources - pensions	91,750	37,254	129,004
Total assets and deferred outflows of resources	\$ 15,060,785	18,656,142	33,716,928
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 122,625	160,131	282,756
Accrued payroll payable	1,016	-	1,016
Accrued interest payable	-	1,059	1,059
Deposits payable	20,890	-	20,890
Revenue bonds due within one year	-	108,000	108,000
Total current liabilities	144,531	269,189	413,720
Non-current liabilities:			
Compensated absences liability	100,837	28,755	129,592
Revenue bonds, long-term	-	111,000	111,000
Net pension liability	138,054	76,332	214,386
Total non-current liabilities	238,891	216,087	454,978
Total liabilities	383,423	485,276	868,698
Deferred inflows of resources:			
Property taxes	1,099,136	-	1,099,136
CARES Act	144,390	-	144,390
Pensions	85,492	31,236	116,728
Total deferred inflows of resources	1,329,018	31,236	1,360,254
Total liabilities and deferred inflows of resources	1,712,441	516,512	2,228,952
NET POSITION:			
Net investment in capital assets	8,356,196	9,783,753	18,139,950
Restricted	1,201,495	288,680	1,490,175
Unrestricted	3,790,653	8,067,197	11,857,850
Total net position	13,348,344	18,139,631	31,487,975
Total liabilities, deferred inflows of resources and net position	\$ 15,060,785	18,656,142	33,716,928

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

Providence City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 1,249,806	187,742	5,448	-	(1,056,617)
Public safety	1,175,689	93,896	85,417	-	(996,375)
Highways and public property	1,521,781	682,572	331,318	-	(507,890)
Parks and recreation	420,022	70,217	9,376	-	(340,429)
Cemetery	99,193	112,954	-	-	13,762
Total governmental activities	4,466,490	1,147,382	431,559	-	(2,887,549)
Business-type activities:					
Culinary Water	879,130	1,225,488	-	-	346,357
Waste Water	1,115,377	1,090,563	-	-	(24,814)
Storm Water	120,626	146,872	-	-	26,246
Total business-type activities	2,115,133	2,462,922	-	-	347,789
Total primary government	\$ 6,581,624	3,610,305	431,559	-	(2,539,760)

(The statement of activities continues
on following page)

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

Providence City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2020

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (2,887,549)	347,789	(2,539,760)
General revenues:			
Property taxes	1,221,725	-	1,221,725
Sales tax	1,266,465	-	1,266,465
Other taxes	708,765	-	708,765
Unrestricted investment earnings	231,468	59,967	291,435
Impact fees	510,871	194,161	705,032
Gain (loss) on asset disposition	-	60,421	60,421
Miscellaneous	28,138	-	28,138
Total general revenues	3,967,433	314,549	4,281,982
Change in net position	1,079,883	662,338	1,742,222
Net position - beginning	12,268,461	17,477,292	29,745,753
Net position - ending	\$ 13,348,344	18,139,631	31,487,975

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

Providence City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,472,960	2,383,344	3,856,303
Receivables:			
Property Taxes	1,123,116	-	1,123,116
Due from other governments	386,214	-	386,214
Other receivables	45,710	-	45,710
Restricted cash and cash equivalents	1,147,394	54,101	1,201,495
TOTAL ASSETS	\$ 4,175,394	2,437,445	6,612,839
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 122,129	496	122,625
Accrued payroll payable	1,016	-	1,016
Deposits payable	20,890	-	20,890
Total liabilities	144,035	496	144,531
Deferred inflows of resources:			
Property taxes	1,108,410		1,108,410
CARES Act	144,390		144,390
Total deferred inflows of resources	1,252,800	-	1,252,800
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,396,835	496	1,397,331
FUND BALANCES:			
Restricted for:			
Roads impact fees	164,687	-	164,687
Perpetual care	253,157	-	253,157
Library donations	86,001	-	86,001
Park impact fees	643,549	54,101	697,650
Assigned for:			
Capital projects	-	2,382,847	2,382,847
Unassigned	1,631,166	-	1,631,166
TOTAL FUND BALANCES	2,778,560	2,436,948	5,215,508
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,175,394	2,437,445	6,612,839

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

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

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes:			
Property	\$ 1,212,452	-	1,212,452
Sales	1,266,465	-	1,266,465
Other taxes	708,765	-	708,765
License and permits	110,010	-	110,010
Intergovernmental revenues	431,559	-	431,559
Charges for services	959,640	-	959,640
Fines and forfeitures	77,732	-	77,732
Interest	215,091	16,377	231,468
Miscellaneous revenue	28,138	-	28,138
Total revenues	5,009,852	16,377	5,026,229
Expenditures:			
Current:			
General government	1,162,108	20	1,162,128
Public safety	1,175,689	-	1,175,689
Highways and public improvements	1,120,140	24,808	1,144,949
Parks, recreation and public property	370,391	-	370,391
Cemetery	93,011	-	93,011
Capital outlay	196,338	461,681	658,019
Total expenditures	4,117,677	486,510	4,604,187
Excess (deficiency) of revenues over (under) expenditures	892,175	(470,133)	422,042
Other financing sources and (uses):			
Impact fees	510,871	-	510,871
Transfers in	-	575,100	575,100
Transfers (out)	(575,100)	-	(575,100)
Total other financing sources and (uses)	(64,229)	575,100	510,871
Net change in fund balances	827,946	104,967	932,914
Fund balances - beginning of year	1,950,614	2,331,981	4,282,594
Fund balance - end of year	\$ 2,778,560	2,436,948	5,215,508

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

Providence City
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
June 30, 2020

Total Fund Balance for Governmental Funds	<u>\$ 5,215,508</u>
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Total net position reported for governmental activities in the statement of net position 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	16,432,310
Less accumulated depreciation	<u>(8,076,114)</u>
Net capital assets	<u>8,356,196</u>

Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	<u>91,750</u>
--	---------------

Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.

Compensated absences	<u>(100,837)</u>
----------------------	------------------

Net pension liability	<u>(138,054)</u>
-----------------------	------------------

Deferred inflows of resources - pensions	<u>(85,492)</u>
--	-----------------

Certain revenue is deferred in governmental funds but not in the statement of net position because it qualifies for recognition under the economic resources measurement focus.

Delinquent property tax deferred	<u>9,274</u>
----------------------------------	--------------

Total Net Position of Governmental Activities	<u><u>\$ 13,348,344</u></u>
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Providence 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, 2020

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 932,914</u>
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Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital outlays	658,019
Contributed capital assets	-
Depreciation expense	<u>(465,533)</u>
Net	<u>192,486</u>

The Statement of Activities show pension benefits, pension expenses, and non-employer contributions related to GASB 68 that are not shown in the fund statements.

(1,542)

Cost of retired assets sold is not reported in government fund statements, while it is reported in the statement of activities.

Book cost of assets retired	<u>(35,558)</u>
-----------------------------	-----------------

Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in compensated absences	<u>(17,690)</u>
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Governmental funds do not report certain deferred inflows as revenue because these revenues are not available for current period expenses.

Change in delinquent property tax	<u>9,274</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 1,079,883</u></u>
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The notes to the financial statements are an integral part of this statement.

Providence City
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2020

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 4,085,013	3,511,203	436,884	8,033,100
Accounts receivable, net	143,179	131,654	18,171	293,005
Other current assets	1,350	-	-	1,350
Total current assets	<u>4,229,542</u>	<u>3,642,857</u>	<u>455,055</u>	<u>8,327,455</u>
Non-current assets:				
Restricted cash and cash equivalents	288,680	-	-	288,680
Capital assets:				
Not being depreciated	1,217,145	197,486	188,932	1,603,563
Net of accumulated depreciation	<u>5,489,701</u>	<u>2,618,181</u>	<u>291,309</u>	<u>8,399,191</u>
Total non-current assets	<u>6,995,526</u>	<u>2,815,667</u>	<u>480,241</u>	<u>10,291,434</u>
Total assets	<u>11,225,069</u>	<u>6,458,523</u>	<u>935,296</u>	<u>18,618,888</u>
Deferred outflows of resources - pensions	25,313	7,470	4,471	37,254
Total assets and deferred outflows of resources	<u>\$ 11,250,382</u>	<u>6,465,993</u>	<u>939,767</u>	<u>18,656,142</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 32,470	58,873	68,788	160,131
Accrued interest payable	1,059	-	-	1,059
Revenue bonds, current portion	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>108,000</u>
Total current liabilities	<u>141,529</u>	<u>58,873</u>	<u>68,788</u>	<u>269,189</u>
Non-current liabilities:				
Compensated absences	11,465	7,747	9,543	28,755
Revenue bonds, long-term	111,000	-	-	111,000
Net pension liability	<u>53,819</u>	<u>13,650</u>	<u>8,863</u>	<u>76,332</u>
Total non-current liabilities	<u>176,284</u>	<u>21,396</u>	<u>18,406</u>	<u>216,087</u>
Total liabilities	<u>317,813</u>	<u>80,269</u>	<u>87,194</u>	<u>485,276</u>
Deferred inflows of resources - pensions	15,740	8,711	6,784	31,236
Total liabilities and deferred inflows of resource	<u>333,553</u>	<u>88,980</u>	<u>93,978</u>	<u>516,512</u>
NET POSITION:				
Net investment in capital assets	6,487,846	2,815,667	480,241	9,783,753
Restricted	288,680	-	-	288,680
Unrestricted	<u>4,140,302</u>	<u>3,561,346</u>	<u>365,548</u>	<u>8,067,197</u>
Total net position	<u>10,916,828</u>	<u>6,377,013</u>	<u>845,789</u>	<u>18,139,631</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,250,382</u>	<u>6,465,993</u>	<u>939,767</u>	<u>18,656,142</u>

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

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

For the year ended June 30, 2020

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
Operating income:				
Charges for sales and service	\$ 1,197,544	1,079,613	146,872	2,424,029
Connection fees	27,944	10,950	-	38,894
Total operating income	1,225,488	1,090,563	146,872	2,462,922
Operating expenses:				
Personnel services	114,893	82,134	80,184	277,211
Utilities	116,522	1,637	977	119,136
Treatment	-	726,413	-	726,413
Repair and maintenance	171,070	7,825	2,273	181,168
Other supplies and expenses	13,104	7,491	7,699	28,294
Professional and technical	115,639	59,976	11,219	186,833
Bad debt	135,145	43,160	7,018	185,323
Depreciation expense	203,870	186,741	11,257	401,868
Total operating expense	870,242	1,115,377	120,626	2,106,245
Net operating income (loss)	355,246	(24,814)	26,246	356,678
Non-operating income (expense):				
Impact fees	191,728	2,433	-	194,161
Interest income	49,109	10,858	-	59,967
Gain (loss) on asset disposition	62,111	(1,689)	-	60,421
Interest on long-term debt	(8,889)	-	-	(8,889)
Total non-operating income (expense)	294,059	11,602	-	305,661
Income (loss) before contributions	649,305	(13,212)	26,246	662,338
Capital contributions	-	-	-	-
Change in net position	649,305	(13,212)	26,246	662,338
Net position - beginning	10,267,524	6,390,225	819,543	17,477,292
Net position - ending	\$ 10,916,828	6,377,013	845,789	18,139,631

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

Providence City
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers - service	\$ 1,247,824	1,116,232	149,354	2,513,409
Cash paid to suppliers	(416,529)	(858,449)	(7,044)	(1,282,022)
Cash paid to employees	(114,354)	(81,906)	(78,781)	(275,041)
Net cash provided (used) in operating activities	716,941	175,876	63,528	956,346
Cash flows from noncapital financing activities:				
Net cash provided (used) in capital and related financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Cash received from impact fees	191,728	2,433	-	194,161
Cash received from capital contributions	-	-	-	-
Cash payments for capital assets	(905,444)	-	(121,639)	(1,027,083)
Cash payments for long-term debt principal	(105,000)	-	-	(105,000)
Cash payments for long-term debt interest	(9,396)	-	-	(9,396)
Net cash provided (used) in capital and related financing activities	(828,112)	2,433	(121,639)	(947,318)
Cash flows from investing activities:				
Cash received from interest earned	49,109	10,858	-	59,967
Net cash provided (used) in investing activities	49,109	10,858	-	59,967
Net increase (decrease) in cash	(62,062)	189,168	(58,111)	68,995
Cash balance, beginning	4,437,755	3,322,035	494,994	8,254,784
Cash balance, ending	\$ 4,375,693	3,511,203	436,884	8,323,780
Cash reported on the statement of net position:				
Cash and cash equivalents	\$ 4,085,013	3,511,203	436,884	8,033,100
Non-current restricted cash	288,680	-	-	288,680
Total cash and cash equivalents	\$ 4,373,693	3,511,203	436,884	8,321,780

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

Providence City
STATEMENT OF CASH FLOWS (continued)
For the year ended June 30, 2020

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

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Total Enterprise Funds
Net operating income (expense)	\$ 355,246	(24,814)	26,246	356,678
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	203,870	186,741	11,257	401,868
Changes in assets and liabilities:				
(Increase) decrease in receivables	157,481	68,829	9,500	235,810
(Increase) decrease in deferred outflows	9,391	7,304	7,304	23,998
Increase (decrease) in payables	(195)	(55,107)	15,123	(40,179)
Increase (decrease) in compensated absences	359	88	1,263	1,709
Increase (decrease) in net pension liability	(18,061)	(14,048)	(14,048)	(46,157)
Increase (decrease) in deferred inflows	8,851	6,884	6,884	22,619
Net cash provided (used) in operating activities	\$ 716,941	175,876	63,528	956,346

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Providence City (the City), a municipal corporation located in Cache County, Utah, operates under a 6 member council form of government. The accompanying financial statements present the City and its component units (if any), 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 has no component units and is not a component unit of another entity.

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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

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

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

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

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

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

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

Proprietary funds

The City reports the following major proprietary funds:

The *culinary water fund* is used to account for the activities of the culinary water distribution system.

The *waste water fund* is used to account for the operations of the sewer system.

The *storm water fund* is used to account for the operations of the storm water system.

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 funds 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.

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 allowance for uncollectable accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

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 Cache 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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

1-E-4. *Restricted Assets*

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

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

1-E-5. *Inventories and Prepaid items*

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

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

1-E-6. *Capital Assets*

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

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

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

1-E-6. Capital Assets (continued)

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	20-30
Improvements	20
Infrastructure	15
Sewer system	40-50
Vehicles and equipment	5-10
Water system	40-50

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. 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 two 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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

1-E-9. *Pensions*

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

1-E-10. *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-11. *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.

1-E-12. *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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

1-E-12. *Fund balance policies (continued)*

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Council 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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

In accordance with State Law, annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1. Prior to June 22, an advertised public hearing is conducted to receive taxpayer input. The operating budgets include proposed revenues and expenditures. Control of budget appropriations is exercised under State Law at the department level. Budget amendments are required to increase expenditure budgets and are adopted following a public hearing before the end of the fiscal year. During the current fiscal year budget amendments were made to prevent budget overruns and to increase revenue estimates and appropriations for unanticipated revenues and expenditures. The governmental fund type budgets are prepared using the modified accrual basis of accounting. Budgets for the proprietary funds are prepared using the accrual basis of accounting.

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 25% of the current year's revenues must be appropriated within the following two years.

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

2-B. Deficit fund net assets

None of the City's funds have deficit balances.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2020, consist of the following:

	Fair Value
Demand deposits - checking	\$ 3,978,035
Deposits - PTIF	9,401,543
Total cash	<u>\$ 13,379,579</u>

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

Cash and cash equivalents (current)	\$ 11,889,403
Restricted cash and cash equivalents (non-current)	1,490,175
Total cash and cash equivalents	<u>\$ 13,379,579</u>

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

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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-A. Deposits and investments (continued)

Fair value of investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2020, the City had \$9,401,543 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.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2020, \$3,125,598 of the City's bank balances of \$3,887,749 was uninsured and uncollateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the City's funds are shown below:

	General Fund	Water	Waste Water	Storm Water	Total
Property tax	\$ 1,123,116	-	-	-	1,123,116
Intergovernmental	386,214	-	-	-	386,214
Customers, current	53,865	177,521	163,198	22,525	417,110
Total receivables	1,563,196	177,521	163,198	22,525	1,926,441
Less allowance for uncollectible	(8,155)	(34,342)	(31,545)	(4,354)	(78,396)
Net receivables	\$ 1,555,041	143,179	131,654	18,171	1,848,045

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 1,377,338	-	-	1,377,338
Construction in progress	319,362	439,320	694,046	64,636
Total capital assets, not being depreciated	1,696,700	439,320	694,046	1,441,974
Capital assets, being depreciated:				
Buildings	1,159,953	-	-	1,159,953
Improvements other than buildings	1,851,822	688,126	-	2,539,948
Machinery and equipment	1,366,010	216,043	88,896	1,493,157
Infrastructure	9,788,702	8,576	-	9,797,279
Total capital assets, being depreciated	14,166,488	912,745	88,896	14,990,337
Less accumulated depreciation for:				
Buildings	756,480	32,010	-	788,490
Improvements other than buildings	1,086,394	82,467	-	1,168,861
Machinery and equipment	1,024,304	66,020	53,338	1,036,987
Infrastructure	4,796,740	285,036	-	5,081,775
Total accumulated depreciation	7,663,918	465,533	53,338	8,076,114
Total capital assets being depreciated, net	6,502,569	447,212	35,558	6,914,223
Governmental activities capital assets, net	\$ 8,199,269	886,531	729,604	8,356,196

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

Governmental activities:

General government	\$ 69,310
Highways and public property	340,811
Parks, and recreation	49,292
Cemetery	6,120
Total	\$ 465,533

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-C. Capital assets (continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land and water shares	\$ 1,031,882	350,163	-	1,382,045
Construction in progress	502,472	568,649	849,604	221,518
Total capital assets, not being depreciated	1,534,354	918,812	849,604	1,603,563
Capital assets, being depreciated:				
Culinary water system	7,671,289	849,604	-	8,520,893
Waste water system	6,689,402	-	-	6,689,402
Storm water system	319,902	-	-	319,902
Buildings	264,115	-	-	264,115
Machinery and equipment	596,873	203,536	8,447	791,962
Total capital assets, being depreciated	15,541,581	1,053,139	8,447	16,586,274
Less accumulated depreciation for:				
Culinary water system	3,151,917	194,813	-	3,346,730
Waste water system	3,937,650	180,145	-	4,117,795
Storm water system	19,676	10,932	-	30,608
Buildings	141,531	7,603	-	149,135
Machinery and equipment	539,510	8,375	5,068	542,816
Total accumulated depreciation	7,790,283	401,868	5,068	8,187,083
Total capital assets being depreciated, net	7,751,298	651,271	3,379	8,399,191
Business-type activities capital assets, net	\$ 9,285,652	1,570,084	852,982	10,002,753

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

Business-type activities:	
Culinary water	\$ 203,870
Waste water	186,741
Storm water	11,257
Total	\$ 401,868

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-D. Long-term debt

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2001C Water Revenue							
Matures 5/1/2022	\$ 1,350,000	2.90	\$ 324,000	-	105,000	219,000	108,000
Total business-type activity							
long-term debt			\$ 324,000	-	105,000	219,000	108,000

Bond covenants require a reserve account of \$114,000 and loan will accrue interest at 19 percent if annual payment is delinquent.

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

	Principal	Interest	Total
2021	108,000	6,351	114,351
2022	111,000	3,219	114,219
Total	\$ 219,000	9,570	228,570

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensated absences			
Governmental	\$ 83,147	17,690	100,837
Business-type	27,046	1,709	28,755
Total	\$ 110,193	19,399	129,592

	Beginning	Increase (Decrease)	Ending
Net pension liability			
Governmental	\$ 292,579	(154,525)	138,054
Business-type	122,489	(46,157)	76,332
Total	\$ 415,068	(200,682)	214,386

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-E. Restricted net position

The amounts reported on the Statement of Net Position and Balance Sheet are comprised of the following:

General fund:	
Roads impact fees	\$ 164,687
Perpetual Care	253,157
Library donations	86,001
Parks impact fees	643,549
Total general fund	<u>\$ 1,147,394</u>
Capital projects fund:	
Park impact fees	<u>\$ 54,101</u>
Total capital projects fund	<u>\$ 54,101</u>
Enterprise funds:	
Culinary water - sinking/reserve	\$ 114,352
Culinary water - impact fees	174,328
Total enterprise funds	<u>\$ 288,680</u>
Total restricted net position	<u>\$ 1,490,175</u>

3-F. Interfund transfers

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	575,100
Capital Projects Fund	575,100	-
Total	<u>\$ 575,100</u>	<u>575,100</u>

Transfers are used to one (1) move revenues from the fund that statute or budget requires to collect them to the fund, that statute or budget requires to expend them and two (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

4-B. Rounding convention

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4-C. Pension Plans (continued)

Benefits provided:

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

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

* with actuarial reductions

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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, 2020, are as follows:

Utah Retirement Systems	Employee Paid	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contributory System			
111 - Local Government Div - Tier 2	N/A	15.66	1.03
Noncontributory System			
15 - Local Government Div - Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69	10.00

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4-C. Pension Plans (continued)

For the fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 87,282	N/A
Tier 2 Public Employees System	36,236	-
Tier 2 DC Only System	5,253	-
Total Contributions	\$ 128,770	-

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.

At June 30, 2020, we reported a net pension asset of \$0 and a net pension liability of \$214,387.

	(Measurement Date): December 31, 2019		Proportionate		
	Net Pension Asset	Net Pension Liability	Proportionate Share	Share 12/31/2018	Change (Decrease)
Noncontributory System	\$ -	\$ 210,462	0.0553400%	0.0553400%	(0.0064663%)
Tier 2 Public Employees System	-	3,925	0.0176496%	0.0176496%	(0.0022131%)
Total	\$ -	\$ 214,387			

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020, we recognize pension expense of \$130,746.

At June 30, 2020, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,242	\$ 4,370
Changes in assumptions	23,966	113
Net difference between projected and actual earnings on pension plan investments	-	109,449
Changes in proportion and difference between contributions	17,792	2,796
Contributions subsequent to the measurement date	67,004	-
Total	\$ 129,004	\$ 116,728

\$67,004 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, 2019.

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4-C. Pension Plans (continued)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Net Deferred Outflows (Inflows) of Resources
2020	\$ (2,923)
2021	(16,837)
2022	3,594
2023	(41,277)
2024	393
Thereafter	2,322

Actuarial assumptions:

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2019, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

<u>Assets class</u>	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100.00%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4-C. Pension Plans (continued)

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

Discount rate:

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

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

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 657,345	\$ 210,462	\$ (162,234)
Tier 2 Public Employees System	33,843	3,925	(19,197)
Total	\$ 691,188	\$ 214,387	\$ (181,431)

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

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

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4-C. Pension Plans (continued)

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

	2020	2019	2018
401(k) Plan			
Employer Contributions	\$ 9,895	\$ 5,141	\$ 2,705
Employee Contributions	19,786	16,969	16,028
457(b) Plan			
Employer Contributions	-	-	-
Employee Contributions	3,350	3,250	3,110
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	1,300	1,300	1,000

4-D. Insurance and bond coverage

Providence City has insurance and bonding policies with effective limits as follows:

Description	Issuer	Policy #	Limits	Expiration Date
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust (ULGT)	13080-GL2011	\$ 5,000,000	7/1/2021
Buildings	ULGT	ULGT-APDP-2010	7,292,500	7/1/2021
Contents	ULGT	ULGT-APDP-2010	1,141,700	7/1/2021
Equipment	ULGT	ULGT-APDP-2010	338,048	7/1/2021
Automobile	ULGT	ULGT-APDP-2010	26 Vehicles	7/1/2021
Bonds:				
City Treasurer/Recorder	CAN Surety	70011063	600,000	9/15/2021

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, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Providence City
Notes to Required Supplementary Information
June 30, 2020

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2020, spending was under appropriations.

Changes in Assumptions Related to Pensions

As a result of the passage of SB129, the retirement rates for members in the Tier 2 Public Safety and Fire fighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

Providence City
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Property	\$ 1,124,000	\$ 1,190,000	\$ 1,212,452	\$ 22,452
Sales	1,100,000	1,100,000	1,266,465	166,465
Other taxes	598,000	707,400	708,765	1,365
License and permits	64,600	110,400	110,010	(390)
Intergovernmental revenues	304,100	327,800	431,559	103,759
Charges for services	869,800	922,200	959,640	37,440
Fines and forfeitures	83,500	75,300	77,732	2,432
Interest	100,000	200,000	215,091	15,091
Miscellaneous revenue	169,400	21,500	28,138	6,638
Total revenues	4,413,400	4,654,600	5,009,852	355,252
Expenditures:				
Current:				
General government	1,210,700	1,173,900	1,162,108	11,792
Public safety	1,225,000	1,252,300	1,175,689	76,611
Highways and public improvements	1,265,900	1,304,000	1,120,140	183,860
Parks, recreation and public property	724,000	727,300	566,728	160,572
Cemetery	187,000	127,200	93,011	34,189
Total expenditures	4,612,600	4,584,700	4,117,677	467,023
Excess (deficiency) of revenues over (under) expenditures	(199,200)	69,900	892,175	822,275
Other financing sources and (uses):				
Impact fees	99,200	233,500	510,871	277,371
Transfers (out)	-	(575,100)	(575,100)	-
Total other financing sources and (uses)	99,200	(341,600)	(64,229)	277,371
Net change in fund balances	(100,000)	(271,700)	827,946	1,099,646
Fund balances - beginning of year	1,950,614	1,950,614	1,950,614	-
Fund balance - end of year	\$ 1,850,614	\$ 1,678,914	\$ 2,778,560	\$ 1,099,646

Providence City
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2020
Last 10 Fiscal Years*

	2019	2018	As of December 31,		2015	2014
			2017	2016		
Noncontributory Retirement System						
Proportion of the net pension liability	0.0558421%	0.0005534%	0.0488373%	0.0499826%	0.0534176%	0.0548075%
Proportionate share of the net pension liability (asset)	\$ 210,462	\$ 407,508	\$ 214,130	\$ 320,949	\$ 302,263	\$ 237,987
Covered employee payroll	\$ 441,821	\$ 449,446	\$ 399,515	\$ 420,266	\$ 464,761	\$ 475,623
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.64%	90.67%	53.60%	76.37%	65.04%	50.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.70%	87.00%	91.90%	87.30%	87.80%	90.20%
Tier 2 Public Employees Retirement System						
Proportion of the net pension liability	0.0174494%	0.0176496%	0.0154365%	0.0142109%	0.0047790%	0.0038005%
Proportionate share of the net pension liability (asset)	\$ 3,925	\$ 7,559	\$ 1,361	\$ 1,585	\$ (10)	\$ (115)
Covered employee payroll	\$ 242,547	\$ 205,880	\$ 151,188	\$ 116,541	\$ 30,880	\$ 18,705
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.62%	3.67%	0.90%	1.36%	-0.03%	-60.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%

* 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. The schedule above is only for the the last six years.

Providence City
SCHEDULE OF CONTRIBUTIONS
June 30, 2020
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 86,533	\$ 86,533	\$ -	\$ 500,623	17.29%
	2015	86,054	86,054	-	465,913	18.47%
	2016	81,347	81,347	-	440,428	18.47%
	2017	76,719	76,719	-	415,369	18.47%
	2018	78,802	78,802	-	426,651	18.47%
	2019	82,467	82,467	-	447,563	18.43%
	2020	87,282	87,282	-	475,483	18.36%
Tier 2 Public Employees Riterment System**	2014	\$ 809	\$ 809	\$ -	\$ 5,785	13.99%
	2015	3,869	3,869	-	25,900	14.94%
	2016	7,339	7,339	-	49,223	14.91%
	2017	23,882	23,882	-	160,172	14.91%
	2018	25,716	25,716	-	169,686	15.15%
	2019	35,897	35,897	-	230,931	15.54%
	2020	36,236	36,236	-	227,762	15.91%
Tier 2 Public Employees DC Only System**	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	-	-	-	-	0.00%
	2018	-	-	-	-	0.00%
	2019	1,669	1,669	-	24,953	6.69%
	2020	5,253	5,253	-	76,704	6.85%

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

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

SUPPLEMENTAL INFORMATION

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Independent Auditor's Report on Internal Control over Financial Reporting Based and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Providence City Council
Providence, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of Providence City as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Providence City's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control over Financial Reporting

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

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

Purpose of this Report

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

Aycock, Miles & Associates, CPAs

Roosevelt, Utah
November 16, 2020

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

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Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State of Utah Compliance Audit Guide

Providence City Council
Providence, Utah

Report on Utah Compliance with General Requirements

We have audited Providence City's compliance with the applicable state compliance requirements described in the State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Providence City for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas: budgetary compliance, fund balance, restricted taxes and other related restricted revenues, open and public meetings act, fraud risk assessment, Utah Retirement Systems, and others as applicable.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Providence City's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, Providence City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Providence City for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the State Compliance Audit Guide. Our opinion on compliance is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.

Aycock, Miles & Associates, CPAs

Roosevelt, Utah

November 16, 2020