

Providence City
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2022

Providence City
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June 30, 2022

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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

City Council
Providence City

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Providence City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Providence City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Providence City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Providence City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and pension schedules with notes 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 October 28, 2022 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
October 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Providence City
Management's Discussion and Analysis
June 30, 2022

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, 2022

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$3,589,041
- *Total unrestricted net position for the City as a whole decreased by \$923,780
- *Total net position for governmental activities increased by \$2,071,600
- *Total net position for business-type activities increased by \$1,517,440

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, 2022

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

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

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

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

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

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

Proprietary funds . The City'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 four enterprise funds to account for the operations of the culinary water, waste water, storm water, and fiber optic 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, 2022

FINANCIAL ANALYSIS

Providence City's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 6,365,862	6,333,344	11,216,252	12,036,352	17,582,114	18,369,696
Non-current assets	12,699,666	10,214,318	20,016,135	18,284,543	32,715,800	28,498,861
Deferred outflows of resources	166,159	130,689	41,540	32,672	207,699	163,361
Total assets and deferred outflows	19,231,686	16,678,350	31,273,927	30,353,567	50,505,614	47,031,917
Long-term debt outstanding	-	-	9,687,000	9,851,000	9,687,000	9,851,000
Other liabilities	535,234	375,847	421,346	913,100	956,581	1,288,947
Deferred inflows of resources	1,622,472	1,300,124	109,791	51,117	1,732,263	1,351,241
Total liabilities and deferred inflows	2,157,707	1,675,971	10,218,137	10,815,217	12,375,844	12,491,188
Net position:						
Net investment in capital assets	10,582,847	8,364,714	9,963,626	7,957,061	20,546,473	16,321,776
Restricted	1,797,526	1,849,603	614,755	274,555	2,412,281	2,124,158
Unrestricted	4,693,607	4,788,062	10,477,409	11,306,734	15,171,016	16,094,796
Total net position	\$ 17,073,980	15,002,379	21,055,790	19,538,350	38,129,770	34,540,729

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 \$38,129,770, an increase of \$3,589,041 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 \$15,171,016, which represents a decrease of \$923,780 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, 2022

FINANCIAL ANALYSIS (continued)

Providence City's Change in Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 1,361,294	1,311,972	2,984,991	3,041,822	4,346,286	4,353,794
Operating grants	414,167	990,374	-	-	414,167	990,374
Capital grants	68,984	200,000	460,384	30,000	529,368	230,000
General revenues:						
Property taxes	1,226,093	1,200,284	-	-	1,226,093	1,200,284
Sales tax	1,732,881	1,475,084	-	-	1,732,881	1,475,084
Other taxes	971,665	707,257	-	-	971,665	707,257
Other revenues	1,056,497	614,160	360,364	288,731	1,416,860	902,891
Total revenues	6,831,582	6,499,129	3,805,739	3,360,554	10,637,321	9,859,683
Expenses:						
General government	1,354,269	1,738,738	-	-	1,354,269	1,738,738
Public safety	1,602,353	1,213,561	-	-	1,602,353	1,213,561
Highways and improvements	1,116,124	1,311,935	-	-	1,116,124	1,311,935
Parks and recreation	584,480	479,084	-	-	584,480	479,084
Cemetery	102,755	101,777	-	-	102,755	101,777
Interest on long-term debt	-	-	210,853	40,944	210,853	40,944
Culinary water	-	-	826,721	736,470	826,721	736,470
Waste water	-	-	1,119,036	1,062,645	1,119,036	1,062,645
Storm water	-	-	126,930	121,775	126,930	121,775
Fiber network	-	-	4,758	-	4,758	-
Total expenses	4,759,980	4,845,094	2,288,297	1,961,834	7,048,279	6,806,928
Change in net position	\$ 2,071,600	1,654,035	1,517,440	1,398,719	3,589,041	3,052,754

For the City as a whole, total revenues increased by \$777,638 compared to the previous year, while total expenses increased by \$241,351. The total change in net position of \$3,589,041 is, in private sector terms, the net income for the year which is \$536,287 more than the previous year.

Governmental activities revenues of \$6,831,582 is an increase of \$332,453 from the previous year. This is primarily result of a park donation of \$551,000 made during the year. Governmental activities expenses of \$4,759,980 is a decrease of \$85,114 from the previous year. While general government and highways and improvement expenses decreased during the year, all other department expenses increased.

Business-type activities revenue of \$3,805,739 is an increase of \$445,185 from the previous year. Service revenues decreased by \$56,831 and capital grants increased by \$430,384. Business-type activities expenses of \$2,288,297 is an increase of \$326,463 from the previous year. This is due to an overall increase in operation expenses.

Providence City
Management's Discussion and Analysis
June 30, 2022

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 \$3,237,633 reflects an increase of \$229,853 from the previous year. Total revenues increased by \$443,929. Tax revenues increased by \$547,871. Intergovernmental revenues decreased by \$576,207. License and permit revenues decreased by \$23,231. Charges for services revenues increased by \$75,852. Miscellaneous revenues increased by \$565,119. Impact fees decreased by \$148,539. All other revenues increased by \$3,064.

Total expenditures, excluding transfers, decreased by \$117,519. Current expenditure changes by department were as follows: general government decreased by \$333,140; public safety increased by \$388,792; streets and highways decreased by \$219,537; parks and recreation increased by \$52,496; and cemetery increased by \$8,138. Restricted fund balance amounted to \$1,753,425. Unassigned fund balance is \$1,484,209.

Capital Projects Fund

The fund balance of \$3,304,194 reflects a decrease of \$521,045. Total revenues, excluding transfers, increased by \$131,622, while total expenditures decreased by \$2,358,531. Transfers in from the General Fund amounted to \$2,316,284.

Culinary Water Fund

Net operating income was \$596,432 compared to the previous year net operating income of \$956,007. The change in net position (net income) was \$747,392. Restricted net positions amounts to \$471,009, resulting in an unrestricted net position of \$5,672,152.

Waste Water Fund

Net operating income was \$253,357 compared to the previous year net operating income of \$133,206. The change in net position (net income) was \$401,233. Restricted net position amounts to \$143,746, resulting in an unrestricted net position of \$4,354,267.

Storm Water Fund

Net operating income was \$55,967 compared to the previous year net operating income of \$31,720. The change in net position (net income) was \$55,967. There was an unrestricted net position of \$447,538.

Fiber Network Fund

Net operating income was \$1,790 compared to the previous year net operating income of \$0. The change in net position (net income) was \$312,849. There was an unrestricted net position of \$3,452.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$5,513,603. This amount was amended during the year to \$6,340,698. Actual revenues amounted to \$6,352,136 which was \$11,438 more than budgeted.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$4,085,567. This amount was amended during the year to \$4,401,592. Actual expenditures amounted to \$4,196,679, which was \$204,913 less than budgeted.

Net transfers out of \$2,316,284 were made from the general fund to the capital projects fund during the year, which was \$1 less than the budgeted amount.

Providence City
Management's Discussion and Analysis
June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Providence City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and water rights	\$ 2,554,815	1,377,338	1,382,045	1,382,045	3,936,860	2,759,383
Buildings	1,159,953	1,159,953	264,115	264,115	1,424,069	1,424,069
Improvements other than buildings	2,636,880	2,614,660	-	-	2,636,880	2,614,660
Machinery and equipment	2,172,862	1,685,978	882,166	791,962	3,055,028	2,477,940
Infrastructure	10,052,143	10,052,143	-	-	10,052,143	10,052,143
Culinary water system	-	-	9,021,564	8,520,893	9,021,564	8,520,893
Waste water system	-	-	6,689,402	6,689,402	6,689,402	6,689,402
Storm water system	-	-	535,483	492,505	535,483	492,505
Construction in progress	1,160,056	76,417	3,782,235	721,503	4,942,291	797,921
Total	19,736,708	16,966,489	22,557,010	18,862,425	42,293,718	35,828,915
Less accumulated depreciation	<u>(9,153,861)</u>	<u>(8,601,775)</u>	<u>(9,128,147)</u>	<u>(8,656,747)</u>	<u>(18,282,009)</u>	<u>(17,258,522)</u>
Net Capital Assets	<u>\$ 10,582,847</u>	<u>8,364,714</u>	<u>13,428,863</u>	<u>10,205,679</u>	<u>24,011,710</u>	<u>18,570,393</u>

The total amount of capital assets, net of depreciation, of \$24,011,710 is an increase of \$5,441,317 from the previous year.

Governmental activities capital assets, net of depreciation, of \$10,582,847 is an increase of \$2,218,133 from the previous year.

Business-type activities capital assets, net of depreciation, of \$13,428,863 is an increase of \$3,223,184 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, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Providence City's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Business-type activities:		
201C Water Revenue	\$ -	111,000
2020 Water Revenue	1,937,000	1,990,000
2021 Franchise and Sales Tax Revenue	7,750,000	7,750,000
Total business-type	\$ 9,687,000	9,851,000
Total outstanding debt	\$ 9,687,000	9,851,000

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, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 4,665,603	10,854,289	15,519,892
Accounts receivable, net	1,700,258	360,614	2,060,872
Other current assets	-	1,350	1,350
Total current assets	6,365,862	11,216,252	17,582,114
Non-current assets:			
Restricted cash and cash equivalents	1,797,526	6,507,449	8,304,975
Capital assets:			
Not being depreciated	3,714,871	5,164,280	8,879,151
Net of accumulated depreciation	6,867,976	8,264,583	15,132,559
Net pension asset	319,293	79,823	399,116
Total non-current assets	12,699,666	20,016,135	32,715,800
Total assets	19,065,527	31,232,387	50,297,915
Deferred outflows of resources - pensions	166,159	41,540	207,699
Total assets and deferred outflows of resources	\$ 19,231,686	31,273,927	50,505,614
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 243,427	331,763	575,190
Accrued payroll payable	824	-	824
Accrued interest payable	-	64,868	64,868
Deposits payable	190,783	-	190,783
Revenue bonds due within one year	-	54,000	54,000
Total current liabilities	435,034	450,630	885,664
Non-current liabilities:			
Compensated absences liability	100,200	24,716	124,916
Revenue bonds, long-term	-	9,633,000	9,633,000
Total non-current liabilities	100,200	9,657,716	9,757,916
Total liabilities	535,234	10,108,346	10,643,581
Deferred inflows of resources:			
Property taxes	1,183,309	-	1,183,309
Pensions	439,163	109,791	548,954
Total deferred inflows of resources	1,622,472	109,791	1,732,263
Total liabilities and deferred inflows of resources	2,157,707	10,218,137	12,375,844
NET POSITION:			
Net investment in capital assets	10,582,847	9,963,626	20,546,473
Restricted	1,797,526	614,755	2,412,281
Unrestricted	4,693,607	10,477,409	15,171,016
Total net position	17,073,980	21,055,790	38,129,770
Total liabilities, deferred inflows of resources and net position	\$ 19,231,686	31,273,927	50,505,614

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

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

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 1,354,269	194,030	12,594	-	(1,147,645)
Public safety	1,602,353	103,077	5,384	-	(1,493,892)
Highways and public property	1,116,124	839,926	391,501	68,984	184,287
Parks and recreation	584,480	85,804	4,688	-	(493,989)
Cemetery	102,755	138,457	-	-	35,702
Total governmental activities	4,759,981	1,361,294	414,167	68,984	(2,915,536)
Business-type activities:					
Culinary Water	856,680	1,423,152	-	-	566,473
Waste Water	1,119,036	1,372,393	-	-	253,357
Storm Water	126,930	182,897	-	-	55,967
Fiber Network	185,653	6,549	-	460,384	281,280
Total business-type activities	2,288,298	2,984,991	-	460,384	1,157,077
Total primary government	\$ 7,048,280	4,346,286	414,167	529,368	(1,758,459)

(The statement of activities continues
on following page)

Providence City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2022

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (2,915,536)	1,157,077	(1,758,459)
General revenues:			
Property taxes	1,226,093	-	1,226,093
Sales tax	1,732,881	-	1,732,881
Other taxes	971,665	-	971,665
Unrestricted investment earnings	69,203	51,382	120,585
Impact fees	390,680	308,981	699,662
Gain (loss) on sale of fixed assets	20,000	-	20,000
Miscellaneous	576,614	-	576,614
Total general revenues	4,987,136	360,364	5,347,500
Change in net position	2,071,600	1,517,440	3,589,041
Net position - beginning	15,002,379	19,538,349	34,540,729
Net position - ending	\$ 17,073,980	21,055,790	38,129,770

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

Providence City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,333,417	3,332,186	4,665,603
Receivables:			
Property Taxes	1,197,567	-	1,197,567
Due from other governments	501,099	-	501,099
Other receivables	1,592	-	1,592
Restricted cash and cash equivalents	1,753,425	44,101	1,797,526
TOTAL ASSETS	\$ 4,787,100	3,376,287	8,163,387
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 171,334	72,093	243,427
Accrued payroll payable	824	-	824
Deposits payable	190,783	-	190,783
Total liabilities	362,941	72,093	435,034
Deferred inflows of resources:			
Property taxes	1,186,526	-	1,186,526
Total deferred inflows of resources	1,186,526	-	1,186,526
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,549,467	72,093	1,621,560
FUND BALANCES:			
Restricted for:			
Road impact fees	356,991	-	356,991
Perpetual care	472,811	-	472,811
Library donations	86,854	-	86,854
Park impact fees	836,769	44,101	880,870
Assigned for:			
Capital projects	-	3,260,093	3,260,093
Unassigned	1,484,209	-	1,484,209
TOTAL FUND BALANCES	3,237,633	3,304,194	6,541,828
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,787,100	3,376,287	8,163,387

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, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes:			
Property	\$ 1,229,049	-	1,229,049
Sales	1,732,881	-	1,732,881
Other taxes	971,665	-	971,665
License and permits	130,988	-	130,988
Intergovernmental revenues	414,167	68,984	483,151
Charges for services	1,167,264	-	1,167,264
Fines and forfeitures	63,043	-	63,043
Interest	66,465	2,738	69,203
Miscellaneous revenue	576,614	-	576,614
Total revenues	6,352,136	71,722	6,423,858
Expenditures:			
Current:			
General government	1,353,456	-	1,353,456
Public safety	1,602,353	-	1,602,353
Highways and public improvements	691,610	32,728	724,338
Parks, recreation and public property	456,157	76,182	532,339
Cemetery	93,103	-	93,103
Capital outlay	-	2,820,141	2,820,141
Total expenditures	4,196,679	2,929,051	7,125,730
Excess (deficiency) of revenues over (under) expenditures	2,155,457	(2,857,329)	(701,872)
Other financing sources and (uses):			
Impact fees	390,680	-	390,680
Gain (loss) on sale of fixed assets	-	20,000	20,000
Transfers in	-	2,316,284	2,316,284
Transfers (out)	(2,316,284)	-	(2,316,284)
Total other financing sources and (uses)	(1,925,604)	2,336,284	410,680
Net change in fund balances	229,853	(521,045)	(291,192)
Fund balances - beginning of year	3,007,781	3,825,239	6,833,020
Fund balance - end of year	\$ 3,237,633	3,304,194	6,541,828

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, 2022

Total Fund Balance for Governmental Funds	<u>\$ 6,541,828</u>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>	
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:</p>	
Capital assets, at cost	19,736,708
Less accumulated depreciation	<u>(9,153,861)</u>
Net capital assets	<u>10,582,847</u>
Net pension asset	<u>319,293</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	<u>166,159</u>
<p>Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.</p>	
Compensated absences	<u>(100,200)</u>
Deferred inflows of resources - pensions	<u>(439,163)</u>
<p>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.</p>	
Delinquent property tax deferred	<u>3,217</u>
Total Net Position of Governmental Activities	<u><u>\$ 17,073,980</u></u>

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

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, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (291,192)</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.</p>	
Capital outlays	2,820,141
Depreciation expense	<u>(602,008)</u>
Net	<u>2,218,133</u>
<p>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.</p>	
	<u>148,369</u>
<p>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.</p>	
Change in compensated absences	<u>(753)</u>
<p>Governmental funds do not report certain deferred inflows as revenue because these revenues are not available for current period expenses.</p>	
Change in delinquent property tax	<u>(2,956)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,071,600</u></u>

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

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

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Fiber Network Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,609,431	4,359,113	421,681	464,064	10,854,289
Accounts receivable, net	162,088	165,879	29,194	3,452	360,614
Other current assets	1,350	-	-	-	1,350
Total current assets	5,772,869	4,524,992	450,875	467,516	11,216,252
Non-current assets:					
Restricted cash and cash equivalents	471,009	143,746	-	5,892,694	6,507,449
Capital assets:					
Not being depreciated	3,071,717	197,486	16,328	1,878,749	5,164,280
Net of accumulated depreciation	5,548,585	2,246,388	469,610	-	8,264,583
Net pension asset	31,929	23,947	23,947	-	79,823
Total non-current assets	9,123,241	2,611,566	509,886	7,771,442	20,016,135
Total assets	14,896,110	7,136,558	960,761	8,238,958	31,232,387
Deferred outflows of resources - pensions	16,616	12,462	12,462	-	41,540
Total assets and deferred outflows of resources	\$ 14,912,726	7,149,020	973,223	8,238,958	31,273,927
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 89,022	167,651	121	74,969	331,763
Accrued interest payable	4,843	-	-	60,025	64,868
Revenue bonds, current portion	54,000	-	-	-	54,000
Total current liabilities	147,864	167,651	121	134,994	450,630
Non-current liabilities:					
Compensated absences	11,483	6,545	6,688	-	24,716
Revenue bonds, long-term	1,883,000	-	-	7,750,000	9,633,000
Total non-current liabilities	1,894,483	6,545	6,688	7,750,000	9,657,716
Total liabilities	2,042,347	174,196	6,810	7,884,994	10,108,346
Deferred inflows of resources - pensions	43,916	32,937	32,937	-	109,791
Total liabilities and deferred inflows of resources	2,086,263	207,133	39,747	7,884,994	10,218,137
NET POSITION:					
Net investment in capital assets	6,683,302	2,443,873	485,939	350,512	9,963,626
Restricted	471,009	143,746	-	-	614,755
Unrestricted	5,672,152	4,354,267	447,538	3,452	10,477,409
Total net position	12,826,463	6,941,887	933,476	353,964	21,055,790
Total liabilities, deferred inflows of resources, and net position	\$ 14,912,726	7,149,020	973,223	8,238,958	31,273,927

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, 2022

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Fiber Network Fund	Total Enterprise Funds
Operating income:					
Charges for sales and service	\$ 1,398,091	1,365,193	182,897	6,549	2,952,730
Connection fees	25,061	7,200	-	-	32,261
Total operating income	1,423,152	1,372,393	182,897	6,549	2,984,991
Operating expenses:					
Personnel services	148,450	92,940	81,142	-	322,532
Utilities	137,867	1,934	1,475	1,799	143,075
Treatment	-	762,237	-	-	762,237
Repair and maintenance	216,576	6,233	10,799	-	233,607
Other supplies and expenses	17,937	12,218	4,090	40	34,285
Professional and technical	24,799	49,130	4,435	2,166	80,531
Bad debt	6,739	8,447	2,588	753	18,528
Depreciation expense	274,353	185,897	22,401	-	482,651
Total operating expense	826,721	1,119,036	126,930	4,758	2,077,445
Net operating income (loss)	596,432	253,357	55,967	1,790	907,546
Non-operating income (expense):					
Impact fees	162,573	465,688	-	-	628,261
Interest income	18,346	1,467	-	31,569	51,382
Impact fees paid to Logan City	-	(319,279)	-	-	(319,279)
Interest on long-term debt	(29,959)	-	-	(180,895)	(210,853)
Total non-operating income (expense)	150,960	147,876	-	(149,326)	149,510
Income (loss) before contributions	747,392	401,233	55,967	(147,535)	1,057,056
Capital contributions	-	-	-	460,384	460,384
Change in net position	747,392	401,233	55,967	312,849	1,517,440
Net position - beginning	12,079,072	6,540,654	877,509	41,115	19,538,349
Net position - ending	\$ 12,826,463	6,941,887	933,476	353,964	21,055,790

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, 2022

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Fiber Network Fund	Total Enterprise Funds
Cash flows from operating activities:					
Cash received from customers - service	\$ 1,418,898	1,357,570	172,850	2,343	2,951,661
Cash paid to suppliers	(382,230)	(859,305)	(20,906)	(3,672)	(1,266,114)
Cash paid to employees	(162,566)	(104,877)	(94,264)	-	(361,707)
Net cash provided (used) in operating activities	874,102	393,388	57,679	(1,329)	1,323,840
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 (paid) from impact fees	162,573	146,409	-	-	308,981
Cash received from capital contributions	-	-	-	477,384	477,384
Cash payments for capital assets	(2,353,529)	-	(47,627)	(1,804,113)	(4,205,268)
Cash payments for long-term debt principal	(164,000)	-	-	-	(164,000)
Cash payments for long-term debt interest	(30,574)	-	-	(151,063)	(181,637)
Net cash provided (used) in capital and related financing activities	(2,385,530)	146,409	(47,627)	(1,477,792)	(3,764,540)
Cash flows from investing activities:					
Cash received from interest earned	18,346	1,467	-	31,569	51,382
Net cash provided (used) in investing activities	18,346	1,467	-	31,569	51,382
Net increase (decrease) in cash	(1,493,082)	541,264	10,052	(1,447,552)	(2,389,317)
Cash balance, beginning	7,573,523	3,961,595	411,628	7,804,309	19,751,054
Cash balance, ending	\$ 6,080,440	4,502,859	421,681	6,356,757	17,361,737
Cash reported on the statement of net position:					
Cash and cash equivalents	\$ 5,609,431	4,359,113	421,681	464,064	10,854,289
Non-current restricted cash	471,009	143,746	-	5,892,694	6,507,449
Total cash and cash equivalents	\$ 6,080,440	4,502,859	421,681	6,356,757	17,361,737

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, 2022

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

	Culinary Water Fund	Waste Water Fund	Storm Water Fund	Fiber Network Fund	Total Enterprise Funds
Net operating income (expense)	\$ 596,432	253,357	55,967	1,790	907,546
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:					
Depreciation and amortization	274,353	185,897	22,401	-	482,651
Changes in assets and liabilities:					
(Increase) decrease in receivables	2,485	(6,376)	(7,459)	(3,452)	(14,803)
(Increase) decrease in net pension asset	(31,929)	(23,947)	(23,947)	-	(79,823)
(Increase) decrease in deferred outflows	(3,547)	(2,660)	(2,660)	-	(8,868)
Increase (decrease) in payables	14,948	(27,552)	(108)	333	(12,379)
Increase (decrease) in compensated absences	721	(809)	(1,995)	-	(2,083)
Increase (decrease) in net pension liability	(2,830)	(2,123)	(2,123)	-	(7,075)
Increase (decrease) in deferred inflows	23,470	17,602	17,602	-	58,674
Net cash provided (used) in operating activities	\$ 874,102	393,388	57,679	(1,329)	1,323,840

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

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022

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

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

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

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

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

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

Policy regarding use of restricted resources

When 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, 2022

1-D. Fund types and major 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).

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.

The *fiber network fund* is used to account for the operations of the fiber network.

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, 2022

**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, 2022

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, 2022

**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, 2022

**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, 2022

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, 2022

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

	Fair Value
Demand deposits - checking	\$ 11,831,701
Investments	5,000,000
Deposits - PTIF	6,993,165
Total cash	\$ 23,824,867

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

Cash and cash equivalents (current)	\$ 15,519,892
Restricted cash and cash equivalents (non-current)	8,304,975
Total cash and cash equivalents	\$ 23,824,867

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, 2022

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, 2022, the City had \$23,824,867 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, 2022, \$11,516,287 of the City's bank balances of \$12,016,287 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	Fiber Network	Total
Property tax	\$ 1,197,567	-	-	-	-	1,197,567
Intergovernmental	501,099	-	-	-	-	501,099
Customers, current	3,911	197,440	202,056	35,562	4,205	443,175
Total receivables	1,702,578	197,440	202,056	35,562	4,205	2,141,841
Less allowance for uncollectibles	(2,320)	(35,351)	(36,178)	(6,367)	(753)	(80,969)
Net receivables	\$ 1,700,258	162,088	165,879	29,194	3,452	2,060,872

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 1,377,338	1,177,477	-	2,554,815
Construction in progress	76,417	1,083,639	-	1,160,056
Total capital assets, not being depreciated	1,453,755	2,261,116	-	3,714,871
Capital assets, being depreciated:				
Buildings	1,159,953	-	-	1,159,953
Improvements other than buildings	2,614,660	22,220	-	2,636,880
Machinery and equipment	1,685,978	536,805	49,922	2,172,862
Infrastructure	10,052,143	-	-	10,052,143
Total capital assets, being depreciated	15,512,734	559,025	49,922	16,021,837
Less accumulated depreciation for:				
Buildings	819,619	31,129	-	850,748
Improvements other than buildings	1,280,346	113,415	-	1,393,761
Machinery and equipment	1,136,181	160,867	49,922	1,247,126
Infrastructure	5,365,629	296,597	-	5,662,226
Total accumulated depreciation	8,601,775	602,008	49,922	9,153,861
Total capital assets being depreciated, net	6,910,960	(42,984)	-	6,867,976
Governmental activities capital assets, net	\$ 8,364,714	2,218,133	-	10,582,847

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

Governmental activities:	
General government	\$ 65,343
Highways and public property	436,296
Parks, and recreation	84,782
Cemetery	15,587
Total	\$ 602,008

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-C. Capital assets (continued)

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

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and water shares	\$ 1,382,045	-	-	1,382,045
Construction in progress	721,503	3,567,994	507,263	3,782,235
Total capital assets, not being depreciated	2,103,548	3,567,994	507,263	5,164,280
Capital assets, being depreciated:				
Culinary water system	8,520,893	500,671	-	9,021,564
Waste water system	6,689,402	-	-	6,689,402
Storm water system	492,505	42,978	-	535,483
Buildings	264,115	-	-	264,115
Machinery and equipment	791,962	101,454	11,250	882,166
Total capital assets, being depreciated	16,758,877	645,103	11,250	17,392,731
Less accumulated depreciation for:				
Culinary water system	3,571,651	228,315	-	3,799,966
Waste water system	4,297,940	180,145	-	4,478,085
Storm water system	49,811	21,264	-	71,074
Buildings	156,738	7,603	-	164,342
Machinery and equipment	580,607	45,324	11,250	614,681
Total accumulated depreciation	8,656,747	482,651	11,250	9,128,147
Total capital assets being depreciated, net	8,102,130	162,453	-	8,264,583
Business-type activities capital assets, net	\$ 10,205,679	3,730,447	507,263	13,428,863

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

Business-type activities:	
Culinary water	\$ 274,353
Waste water	185,897
Storm water	22,401
Total	\$ 482,651

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-D. Long-term debt

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2001C Water Revenue							
Matured 2022	\$1,350,000	2.90	\$ 111,000	-	111,000	-	-
2020 Water Revenue							
Matures 5/1/2051	1,990,000	1.50	1,990,000	-	53,000	1,937,000	54,000
2021 Franchise and Sales Tax Revenue							
Matures 3/1/2048	7,750,000	3.00	7,750,000	-	-	7,750,000	-
Total business-type activity long-term debt			\$ 9,851,000	-	164,000	9,687,000	54,000

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

	Principal	Interest	Total
2023	\$ 54,000	209,130	263,130
2024	55,000	208,320	263,320
2025	295,000	207,495	502,495
2026	301,000	199,470	500,470
2027	312,000	191,280	503,280
2028 - 2032	1,690,000	824,175	2,514,175
2033 - 2037	1,885,000	626,875	2,511,875
2038 - 2042	2,070,000	439,325	2,509,325
2043 - 2047	2,293,000	218,910	2,511,910
2048 - 2052	732,000	21,375	753,375
Total	\$ 9,687,000	3,146,355	12,833,355

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensated absences			
Governmental	\$ 99,448	753	100,200
Business-type	26,799	(2,083)	24,716
Total	\$ 126,247	(1,331)	124,916
Net pension liability			
Governmental	\$ 204,468	(204,468)	-
Business-type	51,117	(51,117)	-
Total	\$ 255,585	(255,585)	-

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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	\$ 356,991
Perpetual Care	472,811
Library donations	86,854
Parks impact fees	836,769
Total general fund	<u>\$ 1,753,425</u>
Capital projects fund:	
Park impact fees	<u>\$ 44,101</u>
Total capital projects fund	<u>\$ 44,101</u>
Enterprise funds:	
Culinary water - sinking/reserve	\$ 30,333
Culinary water - impact fees	440,676
Waste water collection - impact fees	143,746
Total enterprise funds	<u>\$ 614,755</u>
Total restricted net position	<u><u>\$ 2,412,281</u></u>

3-F. Interfund transfers

Interfund transfers:

	Transfers In	Transfers Out
General Fund	\$ -	2,316,284
Capital Projects Fund	2,316,284	-
Total	<u><u>\$ 2,316,284</u></u>	<u><u>2,316,284</u></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, 2022

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City 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, 2022

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, 2022, are as follows:

<u>Utah Retirement Systems</u>	Employee Paid	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contributory System			
111 - Local Government Div - Tier 2	N/A	16.08	0.62
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, 2022

4-C. Pension Plans (continued)

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

<u>System</u>	Employer Contributions	Employee Contributions
Noncontributory System	\$ 110,358	N/A
Tier 2 Public Employees System	57,135	-
Tier 2 DC Only System	6,538	N/A
Total Contributions	\$ 174,031	-

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, 2022, we reported a net pension asset of \$399,117 and a net pension liability of \$0.

	(Measurement Date): December 31, 2021			Proportionate	
	Net Pension Asset	Net Pension Liability	Proportionate Share	Share 12/31/2020	Change (Decrease)
	Noncontributory System	\$ 392,171	-	0.06984762%	0.06523560%
Tier 2 Public Employees System	6,946	-	0.01641090%	0.01330810%	-0.00310280%
Total	\$ 399,117	-			

The net pension asset and liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, we recognize pension expense of (\$11,508).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,450	\$ 895
Changes in assumptions	43,283	2,597
Net difference between projected and actual earnings on pension plan investments	-	545,167
Changes in proportion and difference between contributions	29,667	295
Contributions subsequent to the measurement date	90,300	-
Total	\$ 207,699	\$ 548,954

\$90,300 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, 2021.

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (71,644)
2023	(147,570)
2024	(13,456)
2025	(89,471)
2026	1,338
Thereafter	6,249

Actuarial assumptions:

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2021, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class 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:

Providence City
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans (continued)

Assets class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	37%	6.58%	2.43%
Debt securities	20%	-0.28%	-0.06%
Real assets	15%	5.77%	0.87%
Private equity	12%	9.85%	1.18%
Absolute return	16%	2.91%	0.47%
Cash and cash equivalents	0%	-1.01%	0.00%
Totals	100.00%		4.89%
	Inflation		2.50%
	Expected arithmetic nominal return		7.39%

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

Discount rate:

The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

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

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

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 210,882	\$ (392,171)	\$ (895,300)
Tier 2 Public Employees System	41,384	(6,946)	(44,053)
Total	\$ 252,266	\$ (399,117)	\$ (939,353)

Pension plan fiduciary net position:

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

Providence City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

4-C. Pension Plans (continued)

Defined Contribution Savings Plan:

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

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

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

	2022	2021	2020
401(k) Plan			
Employer Contributions	\$ 13,297	\$ 13,174	\$ 9,895
Employee Contributions	18,638	21,840	19,786
457(b) Plan			
Employer Contributions	3,251	943	-
Employee Contributions	19,777	14,851	3,350
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	805	1,643	1,300

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	7/1/2023
Buildings	ULGT	ULGT-APDP-2010	7,292,500	7/1/2023
Contents	ULGT	ULGT-APDP-2010	1,141,700	7/1/2023
Equipment	ULGT	ULGT-APDP-2010	338,048	7/1/2023
Automobile	ULGT	ULGT-APDP-2010	26 Vehicles	7/1/2023
Bonds:				
City Treasurer/Recorder	CAN Surety	70011063	600,000	9/15/2023

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, 2022

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2022, spending was under appropriations.

Changes in Assumptions Related to Pensions

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

Providence City
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Property	\$ 1,181,004	\$ 1,181,004	\$ 1,229,049	\$ 48,045
Sales	1,507,639	1,507,638	1,732,881	225,243
Other taxes	795,880	952,973	971,665	18,692
License and permits	107,505	107,505	130,988	23,483
Intergovernmental revenues	765,275	765,275	414,167	(351,108)
Charges for services	930,545	1,000,545	1,167,264	166,719
Fines and forfeitures	91,910	91,910	63,043	(28,867)
Interest	130,382	130,382	66,465	(63,917)
Miscellaneous revenue	3,463	603,466	576,614	(26,852)
Total revenues	5,513,603	6,340,698	6,352,136	11,438
Expenditures:				
Current:				
General government	1,283,452	1,392,349	1,353,456	38,893
Public safety	1,498,263	1,589,773	1,602,353	(12,580)
Highways and public improvements	730,593	838,387	691,610	146,777
Parks, recreation and public property	451,472	458,064	456,157	1,907
Cemetery	121,787	123,019	93,103	29,916
Total expenditures	4,085,567	4,401,592	4,196,679	204,913
Excess (deficiency) of revenues over (under) expenditures	1,428,036	1,939,106	2,155,457	216,351
Other financing sources and (uses):				
Impact fees	377,179	377,179	390,680	13,501
Transfers (out)	(1,805,215)	(2,316,285)	(2,316,284)	1
Total other financing sources and (uses)	(1,428,036)	(1,939,106)	(1,925,604)	13,502
Net change in fund balances	-	-	229,853	229,853
Fund balances - beginning of year	3,007,781	3,007,781	3,007,781	-
Fund balance - end of year	\$ 3,007,781	\$ 3,007,781	\$ 3,237,633	\$ 229,853

Providence City
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2022
 Last 10 Fiscal Years*

	2021	2020	2019	As of December 31,		2016	2015	2014
	2021	2020	2019	2018	2017	2016	2015	2014
Noncontributory Retirement System								
Proportion of the net pension liability	0.0684762%	0.0652356%	0.0558421%	0.0005534%	0.0488373%	0.0499826%	0.0534176%	0.0548075%
Proportionate share of the net pension liability (asset)	\$ (392,171)	\$ 33,462	\$ 210,462	\$ 407,508	\$ 214,130	\$ 320,949	\$ 302,263	\$ 237,987
Covered employee payroll	\$ 557,337	\$ 539,759	\$ 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	-70.37%	6.20%	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)	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%	90.20%
Tier 2 Public Employees Retirement System								
Proportion of the net pension liability	0.0164109%	0.0133081%	0.0174494%	0.0176496%	0.0154365%	0.0142109%	0.0047790%	0.0038005%
Proportionate share of the net pension liability (asset)	\$ (6,946)	\$ 1,914	\$ 3,925	\$ 7,559	\$ 1,361	\$ 1,585	\$ (10)	\$ (115)
Covered employee payroll	\$ 304,038	\$ 212,758	\$ 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	-2.28%	0.90%	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)	103.80%	98.30%	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.

Providence City
SCHEDULE OF CONTRIBUTIONS
 June 30, 2022
 Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory 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%
	2021	103,424	103,424	-	558,603	18.51%
	2022	110,358	110,358	-	601,775	18.34%
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%
	2021	37,047	37,047	-	234,474	15.80%
	2022	57,135	57,135	-	355,542	16.07%
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%
	2021	6,964	6,964	-	104,101	6.69%
	2022	6,538	6,538	-	97,729	6.69%

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

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

Government Reports

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

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Providence City Council

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 and business-type activities of Providence City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Providence City's basic financial statements, and have issued our report thereon dated October 28, 2022.

Internal Control over Financial Reporting

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

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
October 28, 2022

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 Compliance Audit Guide

Council Members
Providence, Utah

Report on Compliance

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, 2022.

State compliance requirements were tested for the year ended June 30, 2022 in the following areas: budgetary compliance, fund balance, justice court, restricted taxes and other related restricted revenue, fraud risk assessment, governmental fees, public treasurer's bond and open and public meetings act.

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 state compliance requirements referred to above for the year ended June 30, 2022.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance.

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

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

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 of Utah Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

Aycock, Miles & Associates, CPAs

Roosevelt, Utah
October 28, 2022