



**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of City Council  
City of Toquerville  
Toquerville City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toquerville (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toquerville as of June 30, 2019, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, and the related notes to the required supplementary information, as noted on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

*Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Toquerville. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2019, 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.

*Keddington & Christensen, LLC*

Salt Lake City, Utah  
December 4, 2019

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

As management of the City of Toquerville (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$10,965,250 at the close of the fiscal year, which is an increase of \$212,452.
- Total revenues from all sources were \$1,694,286 and the total cost of all city programs was \$1,481,834.
- Total revenue in the General Fund was \$99,594 more than the final budget and expenditures were \$125,884 less than the final budget.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$281,788, which is a \$30,171 decrease from the prior year unassigned fund balance of \$311,959.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

#### **Reporting the City as a Whole**

##### **The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources), are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or jurisdiction, the availability of capital projects, and condition of the City's assets to accurately assess the overall health of the City. The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, highways and streets, parks and recreation, cemetery, community development, and capital outlay. Property taxes, sales taxes, franchise taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City currently only has one proprietary fund, which is the water fund.

## Reporting the City's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and Note 2 of the notes to the financial statements.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets (and deferred outflows of resources) exceed liabilities (and deferred inflows of resources) by \$10,965,250 as of June 30, 2019 as shown on the following condensed statement of net position. The City accounts for its water fund in an enterprise fund, which is shown as a business-type activity.

	Governmental activities		Business-type activities	
	06/30/19	06/30/18	06/30/19	06/30/18
Current and other assets	\$ 1,382,912	\$ 1,243,139	\$ 859,830	\$ 781,231
Capital assets	6,606,767	6,570,659	4,085,659	4,260,836
Total assets	<u>7,989,679</u>	<u>7,813,798</u>	<u>4,945,489</u>	<u>5,042,067</u>
Total deferred outflows of resources	29,026	27,445	49,667	46,731
Long-term liabilities outstanding	308,528	362,702	1,519,425	1,549,034
Other liabilities	79,999	102,823	20,006	22,752
Total liabilities	<u>388,527</u>	<u>465,525</u>	<u>1,539,431</u>	<u>1,571,786</u>
Total deferred inflows of resources	119,312	122,193	1,341	17,739
Net position:				
Net investment in capital assets	6,328,767	6,222,659	2,620,659	2,736,836
Restricted	623,786	453,711	350,532	259,216
Unrestricted	558,313	577,155	483,193	503,221
Total net position	<u>\$ 7,510,866</u>	<u>\$ 7,253,525</u>	<u>\$ 3,454,384</u>	<u>\$ 3,499,273</u>

## Governmental Activities

The cost of all governmental activities this year was \$971,768. \$438,365 of this cost was paid for by those who directly benefited from the programs. The balance of the cost of governmental activities was subsidized by grants or contributions received from other governmental organizations and individuals for operations (\$112,642) and capital activities (\$233,540) or taxes and other general revenues (\$444,562). Total governmental program and general revenues totaled \$1,229,109.

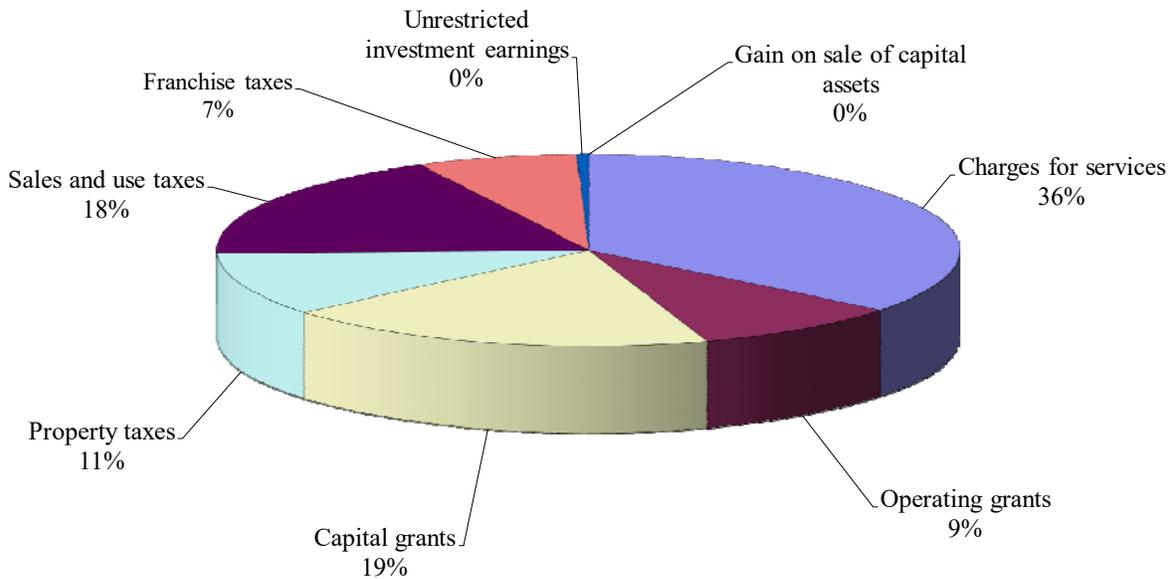
The City's programs include: General Government, Public Safety, Highways and Streets, Culture and Recreation, and Community Development. Each program's revenues and expenses are presented below.

	Governmental activities		Business-type activities	
	06/30/19	06/30/18	06/30/19	06/30/18
Revenues:				
Program revenues:				
Charges for services	\$ 438,365	\$ 418,644	\$ 384,431	\$ 389,936
Operating grants and contributions	112,642	213,342	-	-
Capital grants and contributions	233,540	243,134	61,026	146,771
General revenues:				
Taxes	438,350	410,019	-	-
Other revenue/(expense)	6,212	2,181	19,720	8,563
Total revenues	<u>1,229,109</u>	<u>1,287,320</u>	<u>465,177</u>	<u>545,270</u>
Expenses:				
General government	249,797	229,852	-	-
Public safety	76,567	76,823	-	-
Highways and streets	233,548	308,995	-	-
Culture and recreation	143,215	122,988	-	-
Sanitation	253,837	239,965	-	-
Community development	2,864	6,477	-	-
Interest on long-term debt	11,940	11,449	-	-
Water distribution	-	-	510,066	468,358
Total expenses	<u>971,768</u>	<u>996,549</u>	<u>510,066</u>	<u>468,358</u>
Increase/(decrease) in net position	257,341	290,771	(44,889)	76,912
Net position, beginning	7,253,525	6,962,754	3,499,273	3,422,361
Net position, ending	<u>\$ 7,510,866</u>	<u>\$ 7,253,525</u>	<u>\$ 3,454,384</u>	<u>\$ 3,499,273</u>

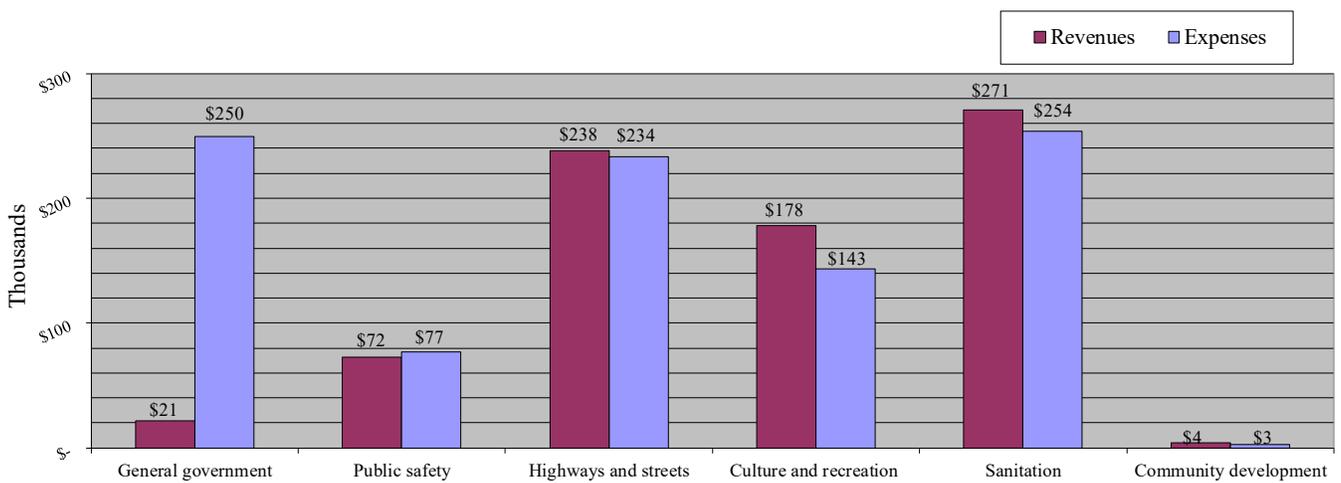
Total resources available during the year to finance governmental operations were \$8,482,634 consisting of net position at July 1, 2018 of \$7,253,525, program revenues of \$784,547 and general revenues of \$444,562. Total governmental activities expenses during the year were \$971,768; thus, governmental net position increased by \$257,341 to \$7,510,866.

The following graphs provide a breakdown of revenues by source for all government activities and compare program expenses to program revenues.

### Revenue By Source - Governmental Activities



### Expenses and Program Revenues - Governmental Activities (in Thousands)



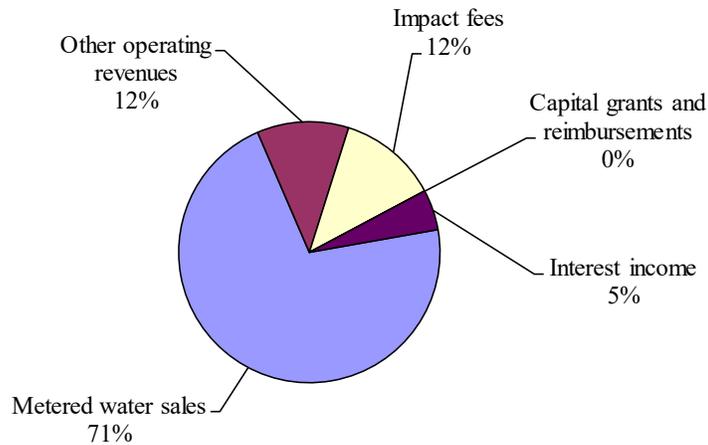
**Business-type Activities**

The following graphs present water fund revenues and operating expenses compared with prior year activity.

**WATER FUND REVENUES BY SOURCE**  
**Years ended June 30, 2018 and 2019**

	<u>06/30/18</u>	<u>06/30/19</u>
REVENUES:		
Metered water sales	\$ 353,652	\$ 331,633
Other operating revenues	36,284	52,798
Impact fees	53,850	57,395
Capital grants and reimbursements	88,200	-
Interest income	13,284	23,351
	<u>                    </u>	<u>                    </u>
Total Revenues	<u><u>\$ 545,270</u></u>	<u><u>\$ 465,177</u></u>

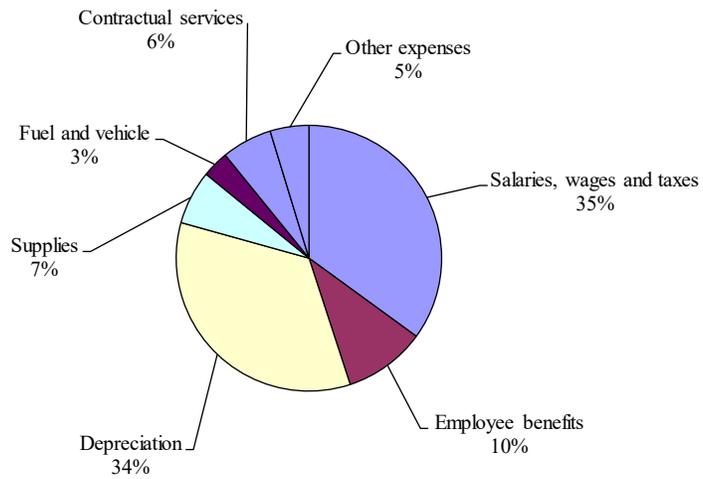
**Revenues by Source - Current Year**



**WATER FUND OPERATING EXPENSES**  
**Years ended June 30, 2018 and 2019**

	<u>06/30/18</u>	<u>06/30/19</u>
<b>OPERATING EXPENSES:</b>		
Salaries, wages and taxes	\$ 159,124	\$ 178,596
Employee benefits	21,396	50,780
Depreciation	182,144	175,177
Supplies	34,210	33,590
Fuel and vehicle	15,458	16,553
Contractual services	30,786	31,318
Other expenses	25,240	24,052
<b>Total Operating Expenses</b>	<b><u>\$ 468,358</u></b>	<b><u>\$ 510,066</u></b>

**Water Fund Operating Expenses - Current Year**



## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Toquerville uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds – The focus of the City of Toquerville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Toquerville's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City of Toquerville's governmental funds reported a combined ending fund balance of \$1,185,189, which is an increase of \$156,648 from the prior fiscal year. Approximately 24% (or \$281,788) of this total amount constitutes unassigned fund balance, which is available for new spending at the City's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other purposes.

The General Fund is the chief operating fund of the City of Toquerville. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$281,788, while total fund balance was \$671,228. As a measure of liquidity, it may be useful to compare both unassigned fund balances and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 28% of total General Fund expenditures, while total fund balance represents approximately 68% of the same amount.

During the year, the City of Toquerville's general fund balance decreased by \$62,972. The key factors are as follows:

- The City budgeted to decreased fund balance by \$288,450, which includes a \$60,000 transfer to the impact fee capital projects funds.
- The City recognized \$99,594 more in revenues than budgeted (primarily due to sales and use taxes and licenses and permits).
- The City recognized \$125,884 less in expenditures than budgeted.

The impact fee capital projects fund has a total fund balance of \$447,016 all of which is restricted for street, park and trail related capital improvements except for \$60,000, which is assigned for the same purpose. The net increase in the fund balance during the year was \$215,320, which is primarily due to impact fee revenues exceeding current fiscal year capital projects and a \$60,000 transfer from the general fund.

### **General Fund Budgetary Highlights**

Actual expenditures for the General Fund at fiscal year-end were \$125,884 less than the final budget due to all departments/functions being under budget. Actual revenues were more than the final budget by \$99,594 primarily due to sales and use taxes and licenses and permits. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures for various projects.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions. Capital assets include land, buildings and improvements, furniture and equipment, computers and software, and infrastructure. At the end of fiscal year 2019, net capital assets of the government activities totaled \$6,606,767 and the net capital assets in the business-type activities totaled \$4,085,659. Depreciation on capital assets is recognized in the government-wide financial statements. (See notes to the financial statements.)

### **Debt**

At fiscal year end, the City had \$278,000 in governmental debt and \$1,465,000 in business-type debt (excluding net pension liability). During the current fiscal year the City's total debt decreased by \$129,000.

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the City budget for fiscal year 2019/2020, the City Council and management estimated the budget for operating revenues and expenditures to be similar to fiscal year 2018/2019.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Toquerville office at 212 North Toquer Blvd, Toquerville, UT 84774 or call 435-635-1094.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TOQUERVILLE**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 951,730	\$ 643,034	\$ 1,594,764
Receivables (net of allowance)	221,942	31,501	253,443
Restricted cash and cash equivalents	209,240	185,295	394,535
Capital assets (net of accumulated depreciation):			
Land	2,048,735	-	2,048,735
Buildings and system	391,270	-	391,270
Improvements other than buildings	595,513	-	595,513
Machinery and equipment	27,897	7,830	35,727
Water distribution system	-	4,072,539	4,072,539
Water rights	-	5,290	5,290
Infrastructure	3,498,698	-	3,498,698
Construction in progress	44,654	-	44,654
Total assets	<u>7,989,679</u>	<u>4,945,489</u>	<u>12,935,168</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	<u>29,026</u>	<u>49,667</u>	<u>78,693</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	79,999	20,006	100,005
Noncurrent liabilities:			
Due within one year	73,000	59,000	132,000
Due in more than one year	205,000	1,406,000	1,611,000
Net pension liability	<u>30,528</u>	<u>54,425</u>	<u>84,953</u>
Total liabilities	<u>388,527</u>	<u>1,539,431</u>	<u>1,927,958</u>
<b>Deferred inflows of resources</b>			
Deferred revenue - property taxes	117,724	-	117,724
Deferred inflows related to pensions	<u>1,588</u>	<u>1,341</u>	<u>2,929</u>
Total deferred inflows of resources	<u>119,312</u>	<u>1,341</u>	<u>120,653</u>
<b>Net position</b>			
Net investment in capital assets	6,328,767	2,620,659	8,949,426
Restricted for:			
Capital projects	440,139	288,362	728,501
Debt service	116,702	62,170	178,872
Perpetual care:			
Expendable	7,407	-	7,407
Nonexpendable	59,538	-	59,538
Unrestricted	<u>558,313</u>	<u>483,193</u>	<u>1,041,506</u>
Total net position	<u>\$ 7,510,866</u>	<u>\$ 3,454,384</u>	<u>\$ 10,965,250</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 249,797	\$ 14,784	\$ 6,692	\$ -	\$ (228,321)	\$ -	\$ (228,321)
Public safety	76,567	71,633	756	-	(4,178)	-	(4,178)
Highways and streets	233,548	51,199	103,259	83,782	4,692	-	4,692
Culture and recreation	143,215	26,103	1,935	149,758	34,581	-	34,581
Sanitation	253,837	270,793	-	-	16,956	-	16,956
Community development	2,864	3,853	-	-	989	-	989
Interest on long-term debt	11,940	-	-	-	(11,940)	-	(11,940)
Total governmental activities	971,768	438,365	112,642	233,540	(187,221)	-	(187,221)
Business-type activities:							
Water distribution	510,066	384,431	-	61,026	-	(64,609)	(64,609)
Total business-type activities	510,066	384,431	-	61,026	-	(64,609)	(64,609)
Total primary government	\$ 1,481,834	\$ 822,796	\$ 112,642	\$ 294,566			
General revenues:							
Taxes:							
Property taxes					131,058	-	131,058
Sales and use taxes					221,410	-	221,410
Franchise taxes					85,882	-	85,882
Unrestricted investment earnings					6,212	19,720	25,932
Total general revenues					444,562	19,720	464,282
Change in net position					257,341	(44,889)	212,452
Net position - beginning					7,253,525	3,499,273	10,752,798
Net position - ending					\$ 7,510,866	\$ 3,454,384	\$ 10,965,250

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General	Capital Projects Impact Fees	Permanent Perpetual Care	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 497,307	\$ 447,016	\$ 7,407	\$ 951,730
Accounts receivable, net of allowance for doubtful accounts of \$465	41,897	-	-	41,897
Due from other governments	62,321	-	-	62,321
Property tax receivable	117,724	-	-	117,724
Cash - restricted	149,702	-	59,538	209,240
Total assets	<u>\$ 868,951</u>	<u>\$ 447,016</u>	<u>\$ 66,945</u>	<u>\$ 1,382,912</u>
<b>Liabilities, deferred inflows, and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 32,271	\$ -	\$ -	\$ 32,271
Accrued liabilities	14,728	-	-	14,728
Construction deposits	33,000	-	-	33,000
Total liabilities	<u>79,999</u>	<u>-</u>	<u>-</u>	<u>79,999</u>
<b>Deferred inflows of resources</b>				
Deferred revenue - property taxes	117,724	-	-	117,724
Total deferred inflows of resources	<u>117,724</u>	<u>-</u>	<u>-</u>	<u>117,724</u>
<b>Fund balances</b>				
Nonspendable	-	-	59,538	59,538
Restricted	169,825	387,016	7,407	564,248
Assigned	219,615	60,000	-	279,615
Unassigned	281,788	-	-	281,788
Total fund balances	<u>671,228</u>	<u>447,016</u>	<u>66,945</u>	<u>1,185,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 868,951</u>	<u>\$ 447,016</u>	<u>\$ 66,945</u>	<u>\$ 1,382,912</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**For the Year Ended June 30, 2019**

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - total governmental funds		\$ 1,185,189
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 8,279,147	
Accumulated depreciation	<u>(1,672,380)</u>	
Net adjustment		6,606,767
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(278,000)	
Net pension liability	<u>(30,528)</u>	
		(308,528)
Deferred outflows and inflows or resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows relating to pensions	29,026	
Deferred inflows relating to pensions	<u>(1,588)</u>	
		<u>27,438</u>
Net position of governmental activities		<u><u>\$ 7,510,866</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	General	Capital Projects Impact Fees	Permanent Perpetual Care	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 131,058	\$ -	\$ -	\$ 131,058
Sales and use taxes	221,410	-	-	221,410
Franchise and energy taxes	85,882	-	-	85,882
Licenses and permits	84,416	-	-	84,416
Intergovernmental revenue	104,015	-	-	104,015
Interest income	6,212	8,315	1,810	16,337
Contributions and donations	325	-	-	325
Charges for services	63,919	-	2,490	66,409
Cemetery	14,600	-	-	14,600
Sanitation charges	270,793	-	-	270,793
Impact fees	-	225,225	-	225,225
Other revenues	8,639	-	-	8,639
<b>Total revenues</b>	<b>991,269</b>	<b>233,540</b>	<b>4,300</b>	<b>1,229,109</b>
<b>Expenditures</b>				
Current:				
General government	230,341	-	-	230,341
Public safety	72,975	-	-	72,975
Highways and streets	200,602	-	-	200,602
Culture and recreation	74,923	-	-	74,923
Cemetery	50,437	-	-	50,437
Sanitation	253,837	-	-	253,837
Economic development	29,186	-	-	29,186
Debt service:				
Debt payments	81,940	-	-	81,940
Capital outlay	-	78,220	-	78,220
<b>Total expenditures</b>	<b>994,241</b>	<b>78,220</b>	<b>-</b>	<b>1,072,461</b>
Excess of revenues over (under) expenditures	(2,972)	155,320	4,300	156,648
<b>Other financing sources (uses)</b>				
Transfers in	-	60,000	-	60,000
Transfers out	(60,000)	-	-	(60,000)
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>60,000</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(62,972)	215,320	4,300	156,648
Fund balances - beginning of year	734,200	231,696	62,645	1,028,541
<b>Fund balances - end of year</b>	<b>\$ 671,228</b>	<b>\$ 447,016</b>	<b>\$ 66,945</b>	<b>\$ 1,185,189</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**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, 2019**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	156,648
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$	206,330
Depreciation expense		<u>(170,222)</u>
Net adjustment		36,108
<p>The issuance of long-term debt provides current financial resources in the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Debt repayments		<u>70,000</u>
Net adjustment		70,000
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.</p>		
Pension contributions		6,217
Pension expense		<u>(11,632)</u>
		<u>(5,415)</u>
Change in net position of governmental activities	\$	<u><u>257,341</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 132,775	\$ 132,775	\$ 131,058	\$ (1,717)
Sales and use taxes	180,500	180,500	221,410	40,910
Franchise and energy taxes	87,000	87,000	85,882	(1,118)
Licenses and permits	53,000	53,000	84,416	31,416
Intergovernmental revenue	88,700	88,700	104,015	15,315
Interest income	3,000	3,000	6,212	3,212
Contributions and donations	1,000	1,000	325	(675)
Charges for services	58,000	58,000	63,919	5,919
Cemetery	10,000	10,000	14,600	4,600
Sanitation charges	270,000	270,000	270,793	793
Other revenues	7,700	7,700	8,639	939
Total revenues	<u>891,675</u>	<u>891,675</u>	<u>991,269</u>	<u>99,594</u>
<b>Expenditures</b>				
Current:				
General government	256,150	256,150	230,341	25,809
Public safety	98,500	108,500	72,975	35,525
Highways and streets	222,000	222,000	200,602	21,398
Culture and recreation	86,275	92,275	74,923	17,352
Cemetery	47,200	53,200	50,437	2,763
Sanitation	247,000	255,000	253,837	1,163
Economic development	47,000	47,000	29,186	17,814
Debt service	86,000	86,000	81,940	4,060
Total expenditures	<u>1,090,125</u>	<u>1,120,125</u>	<u>994,241</u>	<u>125,884</u>
Excess of revenues over (under) expenditures	(198,450)	(228,450)	(2,972)	225,478
<b>Other financing sources (uses)</b>				
Transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net change in fund balance	(258,450)	(288,450)	(62,972)	225,478
Fund balance - beginning of year	734,200	734,200	734,200	-
Fund balance - end of year	<u>\$ 475,750</u>	<u>\$ 445,750</u>	<u>\$ 671,228</u>	<u>\$ 225,478</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2019**

	Water Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 643,034
Receivables, net of allowance of \$8,295	31,501
Total current assets	674,535
Noncurrent assets:	
Cash - restricted	185,295
Capital assets:	
Machinery and equipment	130,190
Water distribution system	6,693,322
Water rights	5,290
Accumulated depreciation	(2,743,143)
Total noncurrent assets	4,270,954
Total assets	4,945,489
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	49,667
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	4,023
Other accrued liabilities	15,983
Current portion of noncurrent liabilities	59,000
Total current liabilities	79,006
Noncurrent liabilities:	
Bonds payable	1,406,000
Net pension liability	54,425
Total noncurrent liabilities	1,460,425
Total liabilities	1,539,431
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	1,341
<b>Net position</b>	
Net investment in capital assets	2,620,659
Restricted for:	
Debt service	62,170
Capital outlay	288,362
Unrestricted	483,193
Total net position	\$ 3,454,384

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

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	Water Fund
<b>Operating revenues</b>	
Metered water sales	\$ 331,633
Other revenues	52,798
Total operating revenues	384,431
<b>Operating expenses</b>	
Salaries and wages	161,269
Employee benefits	50,780
Payroll taxes	17,327
Depreciation	175,177
Supplies	33,590
Fuel and vehicle	16,553
Contractual services	31,318
Other expenses	24,052
Total operating expenses	510,066
Operating income (loss)	(125,635)
<b>Nonoperating revenues (expenses)</b>	
Impact fees	57,395
Interest income	23,351
Total nonoperating revenues (expenses)	80,746
<b>Change in net position</b>	(44,889)
Net position, beginning of the year	3,499,273
<b>Net position, end of the year</b>	\$ 3,454,384

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

	Water Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers, service fees	\$ 389,668
Cash paid to suppliers	(109,011)
Cash paid to employees	(218,567)
Cash flows from operating activities	62,090
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on capital debt	(59,000)
Impact fees	57,395
Cash flows from capital and related financing activities	(1,605)
<b>Cash flows from investing activities:</b>	
Interest received	23,351
Cash flows from investing activities	23,351
<b>Net change in cash and cash equivalents:</b>	83,836
Cash and cash equivalents, including restricted cash, beginning of year	744,493
Cash and cash equivalents, including restricted cash, end of year	\$ 828,329
<b>Reconciliation of operating loss to cash flows from operating activities:</b>	
Operating income (loss)	\$ (125,635)
Adjustments to reconcile net income to cash flows from operating activities:	
Depreciation	175,177
Pension expense	21,602
Employer pension contributions	(11,545)
Changes in operating assets and liabilities	
(Increase)/decrease in receivables	5,237
Increase/(decrease) in accounts payable	(3,498)
Increase/(decrease) in accrued liabilities	752
Cash flows from operating activities	\$ 62,090

The accompanying notes are an integral part of the financial statements.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

The City of Toquerville (City) is a municipal corporation governed by an elected mayor and governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. There are no blended or discretely presented component units reported for the City.

**Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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The **Impact Fee Capital Projects Fund** is used to account for impact fee revenues, other resources and capital outlays relating to streets, parks and trails.

The City reports the following nonmajor governmental fund:

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

The City reports the following major proprietary fund:

The **Water Fund** accounts for the activities related to the City's water operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***

The City's policy allows for the investment of funds as allowed by the State of Utah's Money Management Act. Investments for the City are reported at fair value (generally based on quoted market prices) with unrealized gains and losses recorded as adjustments to interest/investment earnings.

***Receivables***

All trade accounts receivables in the general fund and the proprietary fund are shown net of an allowance for uncollectibles.

***Inventories and Prepaid Items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the City's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Significant renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

In accordance with GASB 34, the City has opted not to retroactively report infrastructure capital assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and system	15-40 years
Improvements other than buildings	10-30 years
Machinery and equipment	5-20 years
Water distribution system	7-40 years
Infrastructure	40-50 years

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report 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 government has only one type of item that qualifies for reporting in this category. Accordingly, the item, *deferred outflows related to pensions*, is reported in the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report 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 that time. The government has two types of items that qualify for reporting in this category. Accordingly, the items, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position and, *deferred inflows related to pensions*, is reported in the statement of net position. The governmental funds report deferred revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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***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.

***Net Position Flow Assumption***

Sometimes the government 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow Assumptions***

Sometimes the government 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 report 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 government's policy to consider restricted fund balance to have been depleted before using any 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.

***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 a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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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 council is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. 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.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 (lien date) for all real property located in the City. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

***Compensated Absences***

There are no accruals for compensated absences as they are deemed immaterial.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

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**NOTE 3. Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The governmental fund type budgets are prepared using the modified accrual basis of accounting. Budgets for the proprietary fund are prepared using the accrual basis of accounting. During the fiscal year, budget amendments were made to prevent budget overruns and to increase appropriations for unanticipated expenditures and/or transfers.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 3. Stewardship, Compliance, and Accountability, Continued**

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

**NOTE 4. Deposits and Investments**

Deposits and investments of the City at June 30, 2019 consist of the following:

Deposits:	
Cash in bank	\$ 466,354
Investments:	
State Treasurer's Investment Pool	1,522,945
Total deposits and investments	<u>1,989,299</u>

A reconciliation of deposits and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 1,594,764
Cash and cash equivalents - restricted	394,535
Total	<u>\$ 1,989,299</u>

Restricted cash and cash equivalents at June 30, 2019 consists of the following:

<b>General Fund:</b>	
Debt service	\$ 116,702
Construction clean-up deposits	33,000
Total general fund restrictions	<u>149,702</u>
<b>Permanent Fund:</b>	
Cemetery perpetual care	59,538
Total permanent fund restrictions	<u>59,538</u>
<b>Water Fund:</b>	
Debt service	62,170
Replacement account	123,125
Total water fund restrictions	<u>185,295</u>
Total cash - restricted	<u>\$ 394,535</u>

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 4. Deposits and Investments, Continued**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2019, \$125,865 of the City's bank balance of \$504,704 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act (Act) defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; the Utah Public Treasurer's Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 4. Deposits and Investments, Continued**

Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer’s office.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of June 30, 2019 the government had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
State of Utah Public Treasurer's Investment Fund	\$ 1,522,945	N/A	47.67
Total Fair Value	<u>\$ 1,522,945</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing exposure to credit risk is to comply with the State’s Money Management Act.

**Fair value measurements**

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The State of Utah Public Treasurer’s Investment Fund, as listed above, is valued using significant other observable inputs (Level 2 inputs).

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 5.       Receivables**

Accounts receivable in the general fund primarily consists of sanitation and storm drain fee billings and franchise taxes. Accounts receivable in the proprietary fund consists of water billings.

The balance in due from other governments in the general fund primarily consists of funds due from the State of Utah for sales tax, Class C road revenues and grant revenues.

The balance in property tax receivable relates to estimated property tax revenues that are levied for the subsequent fiscal year, which is why there is a corresponding deferred revenue (deferred inflow of resources) balance. The receivable has been recognized in these financial statements because there was an enforceable legal claim to the property taxes as of fiscal year end.

**NOTE 6.       Capital Assets**

The following table summarizes the changes to capital assets for governmental activities during the fiscal year.

<b>Governmental Activities:</b>	<b>Balance</b>			<b>Balance</b>
	<b>06/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>06/30/19</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 2,048,735	\$ -	\$ -	\$ 2,048,735
Construction in progress	5,200	44,654	(5,200)	44,654
Total capital assets, not being depreciated	<u>2,053,935</u>	<u>44,654</u>	<u>(5,200)</u>	<u>2,093,389</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	587,526	-	-	587,526
Improvements other than buildings	929,092	50,660	-	979,752
Furniture and equipment	102,896	6,260	-	109,156
Infrastructure	4,399,368	109,956	-	4,509,324
Total capital assets, being depreciated	<u>6,018,882</u>	<u>166,876</u>	<u>-</u>	<u>6,185,758</u>
Less accumulated depreciation for:				
Buildings and improvements	(181,472)	(14,784)	-	(196,256)
Improvements other than buildings	(347,957)	(36,282)	-	(384,239)
Furniture and equipment	(72,565)	(8,694)	-	(81,259)
Infrastructure	(900,164)	(110,462)	-	(1,010,626)
Total accumulated depreciation	<u>(1,502,158)</u>	<u>(170,222)</u>	<u>-</u>	<u>(1,672,380)</u>
Total capital assets, being depreciated, net	<u>4,516,724</u>	<u>(3,346)</u>	<u>-</u>	<u>4,513,378</u>
Governmental activities capital assets, net	<u>\$ 6,570,659</u>	<u>\$ 41,308</u>	<u>\$ (5,200)</u>	<u>\$ 6,606,767</u>

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 6. Capital Assets, Continued**

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 20,344
Public safety	3,592
Highways and streets	111,633
Culture and recreation	34,653
Total depreciation expense - governmental activities	<u>\$ 170,222</u>

The following table summarizes the changes to capital assets for business-type activities during the fiscal year.

<b>Business-type Activities:</b>	<b>Balance 06/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/19</b>
<b>Capital assets, not being depreciated:</b>				
Water shares	\$ 5,290	\$ -	\$ -	\$ 5,290
Total capital assets, not being depreciated	<u>5,290</u>	<u>-</u>	<u>-</u>	<u>5,290</u>
<b>Capital assets, being depreciated:</b>				
Water distribution system	6,693,322	-	-	6,693,322
Equipment	130,190	-	-	130,190
Total capital assets, being depreciated	<u>6,823,512</u>	<u>-</u>	<u>-</u>	<u>6,823,512</u>
Less accumulated depreciation for:				
Water distribution system	(2,460,043)	(160,740)	-	(2,620,783)
Equipment	(107,923)	(14,437)	-	(122,360)
Total accumulated depreciation	<u>(2,567,966)</u>	<u>(175,177)</u>	<u>-</u>	<u>(2,743,143)</u>
Total capital assets, being depreciated, net	<u>4,255,546</u>	<u>(175,177)</u>	<u>-</u>	<u>4,080,369</u>
Business-type activities capital assets, net	<u>\$ 4,260,836</u>	<u>\$ (175,177)</u>	<u>\$ -</u>	<u>\$ 4,085,659</u>

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 7. Long-term Liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	<b>Balance 06/30/18</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 06/30/19</b>	<b>Current Portion</b>
<b>Governmental activities:</b>					
Bonds payable (direct placements):					
Sales tax revenue bonds	\$ 186,000	\$ -	\$ (19,000)	\$ 167,000	\$ 19,000
Road and storm water revenue bonds	162,000	-	(51,000)	111,000	54,000
Total bonds payable	348,000	-	(70,000)	278,000	73,000
Net pension liability	14,702	15,826	-	30,528	-
Governmental activity long-term liabilities	362,702	15,826	(70,000)	308,528	73,000
<b>Business-type activities:</b>					
Bonds payable (direct placements):					
Revenue bonds	1,524,000	-	(59,000)	1,465,000	59,000
Total bonds payable	1,524,000	-	(59,000)	1,465,000	59,000
Net pension liability	25,034	29,391	-	54,425	-
Business-type long-term liabilities	1,549,034	29,391	(59,000)	1,519,425	59,000
Total long-term liabilities	<u>\$ 1,911,736</u>	<u>\$ 45,217</u>	<u>\$ (129,000)</u>	<u>\$ 1,827,953</u>	<u>\$ 132,000</u>

The annual requirements to amortize long-term debt at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 73,000	\$ 9,170	\$ 59,000	\$ -
2021	77,000	6,265	59,000	-
2022	20,000	3,200	59,000	-
2023	20,000	2,700	59,000	-
2024	22,000	2,200	59,000	-
2025-2029	66,000	3,300	295,000	-
2030-2034	-	-	295,000	-
2035-2039	-	-	295,000	-
2040-2044	-	-	285,000	-
Total	<u>\$ 278,000</u>	<u>\$ 26,835</u>	<u>\$ 1,465,000</u>	<u>\$ -</u>

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 7. Long-term Liabilities, Continued**

The following is a listing of long-term debt as of June 30, 2019:

**Governmental activities**

Bonds payable:

Sales Tax Revenue Bonds - Series 2006, due in annual principal and interest installments ranging from \$22,550 to \$24,150, starting in fiscal year 2008, bearing interest at 2.50%, maturing January 1, 2027.	\$ 167,000
Road and Storm Water Revenue Bonds - Series 2010, due in annual principal and interest installments ranging from \$58,010 to \$59,565, starting in fiscal year 2012, bearing interest at 4.50%, maturing December 1, 2020.	<u>111,000</u>
Total bonds payable, governmental activities	<u><u>278,000</u></u>

**Business-type activities**

Bonds payable:

Taxable Water Revenue Bonds - Series 2013, due in annual principal payments of \$59,000, beginning January 1, 2015, bearing interest at 0%, maturing January 1, 2044.	<u>1,465,000</u>
Total bonds payable, business-type activities	<u><u>1,465,000</u></u>

Total long-term debt	1,743,000
Less current portion:	<u>(132,000)</u>
Net long-term debt	<u><u>\$ 1,611,000</u></u>

The City has outstanding revenue bonds from direct placements related to governmental activities (\$278,000) and business-type activities (\$1,465,000). See table at the beginning of this note. The sales tax revenue bonds are secured by the local sales and use taxes received by the City. The road and storm water revenues bonds are secured by the Class C Road funds received by the City and also the City's storm water revenues. The business-type activities revenue bonds are secured by the net revenues (i.e. after operation and maintenance expenses) of the water system.

For both the sales tax revenues bonds and the business-type activities revenue bonds, in the event of default (i.e. failure to perform any covenant or requirement under the bond resolution within 30 days of being notified), the bondholder may require the City to pay an interest penalty equal to 18% per annum of the outstanding principal amount. Also, the bondholder may appoint a trustee bank to act as a receiver of the pledged revenues for purposes of applying the pledged revenues toward the revenue allocations. For the road and storm water revenue bonds, default means failure to meet the general covenants (i.e. primarily related to applying the pledged revenue to the bond account and sinking fund account) of the bond resolution. There are no unused lines of credit.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 8. Equity Classifications**

At June 30, 2019 the City has the following equity classifications:

**General Fund:**

Restricted for:

Sales tax revenue bonds - series 2006:

Sinking fund: bond account	\$ 11,588
Sinking fund: reserve account	24,300

Road and storm water revenue bonds - series 2010:

Sinking fund: bond account	34,414
Sinking fund: reserve account	46,400
Total debt reserves	116,702

Recreation, arts and parks

RAP taxes	53,123
Total recreation, arts and parks	53,123

Total general fund restricted	\$ 169,825
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Assigned to:

Miss Toquerville City fund	\$ 1,764
Subsequent year's budget appropriation	217,851

Total general fund assigned	\$ 219,615
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**Capital Projects Fund:**

Capital projects fund impact fees:

Impact fees - streets	\$ 146,078
Impact fees - parks	77,538
Impact fees - trails	163,400

Total capital projects fund restricted	\$ 387,016
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Assigned to:

Capital outlay - streets/parks/trails	\$ 60,000
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Total capital projects fund assigned	\$ 60,000
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**Permanent Fund:**

Cemetery perpetual care:

Expendable (restricted)	\$ 7,407
Nonexpendable (nonspendable)	59,538

Total permanent fund	\$ 66,945
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**Water Fund:**

Debt:

Taxable water revenue bonds - series 2013:

Sinking fund: bond account	\$ 29,500
Sinking fund: reserve account	32,670
Total debt restrictions	62,170

Capital outlay:

Impact fees - water	165,237
Replacement account - bonds - series 2013	123,125
Total capital outlay	288,362

Total water fund restrictions	\$ 350,532
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**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 9. Pension Plans**

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***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 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](http://www.urs.org).

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 9. Pension Plans, Continued**

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

Summary of Benefits by System

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

\* Actuarial reductions are applied.

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2019 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k) Plan
Contributory System			
111 – Local Governmental Div Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15 – Local Governmental 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.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 9. Pension Plans, Continued**

For the fiscal year ended June 30, 2019, the employer contributions to the Systems were as follows: \$6,988 for Noncontributory System and \$28,972 for Tier 2 Public Employees System (\$35,960 total). There were no employee contributions.

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

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

At June 30, 2019, the City reported a net pension asset of \$0 and a net pension liability of \$84,953.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.0106502%	\$ -	\$ 78,423
Tier 2 Public Employees System	0.0152410%	-	6,527
Total net pension asset / liability		<u>\$ -</u>	<u>\$ 84,953</u>

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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 contribution so the System during the plan year. For the year ended June 30, 2019 (measurement date December 31, 2018), the proportionate share increased from the prior fiscal year as follows: 0.0018699% for Noncontributory System and 0.0008726% for Tier 2 Public Employees System.

For the year ended June 30, 2019, the City recognized pension expense of \$51,501.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,055	\$ 2,812
Changes in assumptions	12,142	117
Net difference between projected and actual earnings on pension plan investments	18,445	-
Changes in proportion and differences between contributions and proportional share of contributions	29,289	-
Contributions subsequent to the measurement date	<u>17,762</u>	<u>-</u>
Total	<u>\$ 78,693</u>	<u>\$ 2,929</u>

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 9. Pension Plans, Continued**

\$17,762 reported as deferred outflows of resources related to pension results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018. 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>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 25,374
2020	17,741
2021	4,302
2022	8,796
2023	219
Thereafter	1,570

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2016.

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

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 9. Pension Plans, Continued**

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

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</b>		
	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100%</b>		<b>4.75%</b>
	<b>Inflation</b>		<b>2.50%</b>
	<b>Expected arithmetic nominal return</b>		<b>7.25%</b>

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

**Discount rate:** The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

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

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 9. Pension Plans, Continued**

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 160,729	\$ 78,426	\$ 9,888
Tier 2 Public Employees System	26,150	6,527	(8,616)
Total	<u>\$ 186,879</u>	<u>\$ 84,953</u>	<u>\$ 1,272</u>

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

**Defined Contribution Savings Plans**

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 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 401(k) Plan and Roth IRA Plan of the Defined Contributions Savings plans with URS. Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plan for the years ended June 30, were as follows:

	2019	2018	2017
<b>401(k) Plan</b>			
Employer contributions	\$ 2,133	\$ 2,614	\$1,707
Employee contributions	-	-	-
<b>Roth IRA Plan</b>			
Employer contributions	N/A	N/A	N/A
Employee contributions	1,200	1,200	-

**NOTE 10. 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's insurance protection is provided by Utah Local Governments Trust. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

**CITY OF TOQUERVILLE**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 11. Sewer and Garbage Contracts**

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The City has sanitation contracts with the Ash Creek Special Service District and the Washington County Solid Waste Special Service District. The City is responsible for monthly billings, collections, and payments to the districts, which is accounted for in the general fund.

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**NOTE 12. Operating Lease**

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The City entered into a lease agreement for a vehicle beginning in September 2017. The future minimum lease payments for this lease are \$7,632 each year through the year ending June 30, 2021.

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**NOTE 13. Interfund Transfers**

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For the year ended June 30, 2019 the City made an interfund transfer of \$60,000 from the general fund to the capital projects fund. Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TOQUERVILLE**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Utah Retirement System**  
**June 30, 2019**  
**Last 10 Fiscal Years**

<b>As of fiscal year ended June 30,</b>	<b>Proportion of the net pension liability (asset)</b>	<b>Proportionate share of the net pension liability (asset)</b>	<b>Covered payroll</b>	<b>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
<b>Noncontributory System</b>					
2019	0.0106502%	\$ 78,426	\$ 48,271	162.47%	87.0%
2018	0.0087803%	\$ 38,469	\$ 31,244	123.12%	91.9%
<b>Tier 2 Public Employees System</b>					
2019	0.0152410%	\$ 6,527	\$ 177,872	3.67%	90.8%
2018	0.0143684%	\$ 1,267	\$ 140,414	0.90%	97.4%

Note: The City implemented GASB 68 in fiscal year 2018. Prior year information is not available.

**CITY OF TOQUERVILLE**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Utah Retirement System**  
**June 30, 2019**  
**Last 10 Fiscal Years**

<b>As of fiscal year ended June 30,</b>	<b>Actuarial Determined Contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
<b>Noncontributory System</b>					
2019	\$ 6,988	\$ 6,988	\$ -	\$ 48,835	14.31%
2018	\$ 6,528	\$ 6,528	\$ -	\$ 41,344	15.79%
2017	\$ 2,606	\$ 2,606	\$ -	\$ 14,111	18.47%
<b>Tier 2 Public Employees System*</b>					
2019	\$ 28,972	\$ 28,972	\$ -	\$ 186,370	15.55%
2018	\$ 25,156	\$ 25,156	\$ -	\$ 166,390	15.12%
2017	\$ 7,667	\$ 7,667	\$ -	\$ 51,419	14.91%

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

Note: The City implemented GASB 68 in fiscal year 2018. Prior year information is not available. Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding or other administrative issues.

**CITY OF TOQUERVILLE**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information**  
**Utah Retirement System**  
**For the Year Ended June 30, 2019**

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**NOTE 1.      Changes in Assumptions**

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The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

**SUPPLEMENTARY INFORMATION**

**CITY OF TOQUERVILLE**  
**Supplementary Information – Bond Disclosures**  
**June 30, 2019**

The Water System Revenue Bond Resolution and Excise Tax Road and Storm Water Revenue Bond Resolution set forth certain covenants and restrictions. The City is in compliance with all covenants and restrictions for these Bond requirements. Adequate funds are available for reserve requirements.

Additional disclosures required by the resolutions are:

Number of water connections within the boundaries of the City at June 30, 2019	634
Total water billings for the fiscal year ended June 30, 2019	\$ 334,407
Average monthly water billing per customer	\$ 43.95

Water rates for the fiscal year ended June 30, 2019 are as follows:

0 to 10,000 gallons	\$ 36.21 per month
10,001 to 30,000 gallons	\$ 4.00 per 1,000 gallons
30,001 gallons and over	\$ 6.00 per 1,000 gallons

Number of storm water utility users within the boundaries of the City at June 30, 2019	634
Total storm water utility billings for the fiscal year ended June 30, 2019	\$ 47,599

Storm water utility rates for the year ended June 30, 2019 are as follows:

Per 5,000 square feet of equivalent residential unit	\$7.00 per month
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Insurance coverage in effect at June 30, 2019:

Type	Policy Number	Effective	Expires	Limits
Coverage with Utah Local Governments Trust:				
General liability aggregate	16620-20XX	07/01/19	07/01/20	\$ 2,000,000
Auto liability	16620-20XX	07/01/19	07/01/20	2,000,000
General crime	16620-20XX	07/01/19	07/01/20	5,000,000
Property	16620-20XX	07/01/19	07/01/20	3,260,059

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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

Honorable Mayor and  
Members of the City Council  
City of Toquerville  
Toquerville, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toquerville (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Toquerville's basic financial statements, and have issued our report thereon dated December 4, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free 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.

*Keddington & Christensen, LLC*

Salt Lake City, Utah

December 4, 2019



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

Honorable Mayor and  
Members of City Council  
City of Toquerville  
Toquerville, Utah

**Report on Compliance**

We have audited the City of Toquerville's compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on the City for the year ended June 30, 2019.

State compliance requirements were tested for the year ended June 30, 2019 in the following areas:

- |                              |                   |
|------------------------------|-------------------|
| Budgetary Compliance         | Fund Balance      |
| URS Compliance               | Restricted Taxes  |
| Open and Public Meetings Act | Treasurer Bonding |
| Cash Management              | Impact Fees       |

**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 the City of Toquerville's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the 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 the City's compliance with those requirements.

**Opinion on Compliance**

In our opinion, the City of Toquerville complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2019.

**Other Matters**

The results of our auditing procedures disclosed two areas of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations. Our opinion on compliance is not modified with respect to these matters.

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

#### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a 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.

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 requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

*Keddington & Christensen, LLC*

Salt Lake City, Utah

December 4, 2019

**CITY OF TOQUERVILLE**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**For The Fiscal Year Ended June 30, 2019**

**STATE COMPLIANCE FINDINGS**

**2019-001: Fund Balance**

**Finding**

Utah Code 10-6-116 (2) states: “The accumulation of a fund balance in the city general fund may not exceed 25% of the total revenue of the city general fund for the current fiscal period.” For cities, the total revenue of the general fund is the current year’s total general fund revenue minus any beginning fund balances appropriated. It was noted that the City’s general fund balance was over the maximum allowable balance by \$253,586.

**Recommendation**

The City should ensure that proper training on regulations is provided, and put in place procedures to promptly comply with the State requirements.

**City Response**

We concur with the auditor's finding and recommendation, and we are aware of the compliance requirements involving the fund balance limitations of the general fund. There were projects planned in the budget that were not completed in the Fiscal Year. The City has budgeted to use a significant portion of the fund balance for the year ending June 30, 2020. The City will continue to strive to eliminate the excess fund balance.

**2019-002: Open and Public Meetings Act**

**Finding**

Utah Code Annotated (UCA) 52-4-204(4)(a) states that “The following information shall be publicly announced and entered on the minutes of the open meeting at which the closed meeting was approved: the reason or reasons for holding the closed meeting;” We noted that there was a closed session during the April 4, 2019 work session, but the reason for entering the closed session was not given in the minutes.

**Recommendations**

We recommend that those responsible for keeping the minutes of City Council Meetings receive adequate training on what information must be included in the minutes, and for the City to take steps to ensure that all topics to be discussed during a closed session are listed and permitted under Utah Code 52-4-205.

**City Response:**

The copy of the minutes from April 4, 2019 show that the mayor stated the purpose for the closed session, but no motion was recorded. I believe that happened because it was held in a work session where motions are not generally made and was an oversight. We will be more careful in the future.

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**Management's Response to the Auditor's Findings  
For the Fiscal Year Ended June 30, 2019**

Office of the Utah State Auditor  
PO Box 142310  
Salt Lake City, UT 84114

To Whom It May Concern:

This letter is in response to the findings and recommendations made by our independent auditors, Keddington & Christensen, LLC, for the audit of the City of Toquerville, Utah for the year ending June 30, 2019.

**1. 2019-001: State Compliance -FUND BALANCE**

**Management's Response:** We concur with the auditor's finding and recommendation and we are aware of the compliance requirements involving the fund balance limitations of the general fund. There were projects planned in the budget that were not completed in the Fiscal Year. The City has budgeted to use a significant portion of the fund balance for the year ending June 30, 2020. The City will continue to strive to eliminate the excess fund balance.

**2. 2019-002: Open and Public Meetings Act**

**Management's Response:** The signed written minutes from April 4, 2019 show that the mayor stated the purpose for the closed session, but no motion was recorded. I believe that happened because it was held in a work session where motions are not generally made and was an oversight. We will be more careful in the future.

  
\_\_\_\_\_  
Lynn Chamberlain  
Mayor

  
\_\_\_\_\_  
June Jeffery  
Treasurer